Ethiopia’s Grand Renaissance

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On April 2, 2011, Prime Minister Meles Zenawi of Ethiopia laid the foundation of the country’s most ambitious infrastructure project to date: the Grand Ethiopian Renaissance Dam. Upon completion, the three-mile-long, 164-foot-high dam will feed Africa’s largest hydroelectric power plant, which is capable of producing 5,250 megawatts of energy. Having issued a dedicated Grand Renaissance Bond, the government intends to fund the $4.8 billion project entirely by itself.

This dam quite accurately demonstrates the turning point at which Ethiopia finds itself: with the chance to realize a vision and overcome past and present challenges by pulling resources together and mobilizing citizens, diaspora Ethiopians, and entrepreneurs to invest in the country’s future. One of Africa’s most stable nations, Ethiopia has outlined its vision in three five-year GTPs. The first phase, 2010-2015, aims to expand the capacity of thousands of small-hold farms and medium-scale agrarian industries into an agro-industrial economy by linking natural resources with booming sectors, including construction, cement, mining, textile, and more.

“Ethiopia will continue having a double-digit growth,” states Prime Minister Meles Zenawi, who has been in power for over twenty years. “The economy is expected to expand by more than 11 percent this fiscal year. By 2015, the agriculture sector will take the leading role, and we expect the industrial sector to make a significant contribution. Hydropower will also be instrumental in our economy and in fighting poverty.”

Ethiopia forecasts close to $4 billion in export revenue by the end of the 2011-2012 fiscal year, after a diversification into new commodities earned around $2 billion per year in the two previous years. Gold exports overtook oil seeds as the second-largest source of revenue, with exports in the first six months of the fiscal year topping $258.8 million. Coffee kept the top spot last year, earning Africa’s largest producer $841.7 million from the export of 196,119 tons, despite lower crop yields.

Improvements in the social sector have certainly made their mark. Whereas education coverage was a mere 20 percent in 1991, gross national enrollment today is around 95 percent, with over 20 million
students in 21,000 primary and secondary schools, 31 public universities, and more than 60 private colleges. The focus is on fostering engineers, scientists, and entrepreneurs. Ethiopians are also getting healthier, with child mortality down 52 percent over the past decade and a health extension program teaching prevention of communicable diseases that is reversing the spread of major pandemics, including HIV/AIDS.

Major infrastructure projects include an extension of Ethiopia’s rail network by 1,200 miles; this will help connect Ethiopia to the new port of Lamu in Kenya, which just announced the discovery of oil. At a colorful celebration marking the start of the $23 billion port, railway, road, and oil pipeline project, Prime Minister Zenawi said that “it is not hyperbolic to say we are making history today.” Each project targets the goals set out in the consecutive GTP plans. Challenges of inflation, rising investment needs, and poverty reduction remain, yet the government’s strong determination to transform Ethiopia by 2025 into a vibrant, middle-income economy is paying dividends all around.

**Africa’s “Diplomatic Capital”**
**Addis Ababa hosts the 2012 World Economic Forum on Africa**

When the new African Union headquarters were inaugurated in Addis Ababa on January 28, 2012, Ethiopia’s Prime Minister, Meles Zenawi, called it a “symbol of the African renaissance.” A gift from the Chinese government to the African Union, the $200 million building towers 328 feet above the city. It is a testament to Ethiopia’s economic growth and stability that Addis Ababa has become the epicenter of a continent’s transformation.

Now, in addition to being Africa’s diplomatic capital, Addis Ababa will also host the World Economic Forum (WEF) on Africa 2012 on May 9-11 at the Sheraton Addis. The timing couldn’t be better; as the rest of the world is undergoing major financial and political challenges, Africa has become the focal point of progress, an age-long promise it is finally showing signs of fulfilling.

Strong leadership will be a main discussion point at the forum, which will be co-chaired by Kofi Annan and the President of the China Investment Corporation (CIC) Gao Xiqing. Interactive, outcome-oriented forum discussions will focus on how investment can be accelerated in frontier markets and on scaling innovation for shared opportunities. “Speeches are strongly discouraged,” the event’s meeting overview writes, instead inviting all participants to contribute constructively in sessions on topics such as Africa’s Green Agenda and From Digital Divide to Digital Dividend.

African nations want to demonstrate their ability to prosper independently—in conjunction with international collaboration rather than by depending on foreign aid. This forum is an invitation to debate where Africa is heading, a dialogue between political, nongovernmental, and industry leaders highlighting the right ideas, models, and solutions emerging from and for the continent. Africa already harbors six of the world’s ten fastest-growing economies, and Ethiopia is undoubtedly among them.

**The Diaspora Factor**

With approximately two million Ethiopians living abroad, the diaspora is being asked to participate in the transformation of its motherland in any way possible. Bonds for the Grand Ethiopian Renaissance Dam have been issued in denominations as low as $50 to encourage more Ethiopians to invest. There are also many cases of nationals returning who see the developments first-hand.

“The diasporas who come and witness the positive change become very enthusiastic about the country’s progress” says Elias Melake, a diaspora entrepreneur who returned from the United States and Nigeria to set up eCentric, specializing in data distribution and course management systems for higher education institutions. “I think the majority of the diaspora Ethiopians would like to contribute to the country in great ways. The progress in Africa and the economic transformation taking place are dizzying. New opportunities are opening every day and are being filled up every day. The change is sometimes so fast that it defies analysis.”

Melake adds that the best sources of information in these cases are local entrepreneurs. “They are rich in experience and wise in their judgment; a lot of the challenges can be overcome by learning from them. Since Ethiopia is growing rapidly, new and better policies are introduced constantly. To make it happen here and be successful, one has to work hard and adapt to changes as fast as the locals.”
Over the past six years, Ethiopia has booked a remarkable annual growth average of 10 percent. Strategic public investment in agro-centric and industry-specific sectors has made a world of difference for one of Africa’s poorest nations. But this fast-track economic environment also offers solid incentives for foreign investors, provided they cultivate the development of local expertise and production.

“I think there is a wrong perception that the government is not really into promoting private ventures and investments,” says State Minister of Finance and Economic Development Dr. Abraham Tekeste, “but the five-year Growth and Transformation Plan is all about the private sector. When we talk about agriculture, it is about small private farms in their vast majority. When we talk about industrial development, we are basically talking about private sector development.” Tekeste adds that as a result of the plan, 43,000 miles of rural roads now connect to 10,000 miles of federal main roads, a new 1,200-mile railroad will enable swift and cost-effective transportation of bulk cargo, and renewable energy projects should secure 8,000 more megawatts of power.

India is the leading private sector investor, with over 450 companies investing a total of $4.35 billion. From horticulture and agriculture, Indian investors are now also diversifying to manufacturing, agro-processing, information technology (IT), and other sectors. The single largest purely foreign investment is by Turkish textile group Ayka, while Saudi-Ethiopian billionaire Sheikh Al-Amoudi’s Midroc Ethiopia Group has chosen Ethiopia as its base in Africa. Subsidiary Derba Group is investing an estimated $3.4 billion through seven sister companies over the next five years, while Midroc Ethiopia Investments recently placed a $74 million aggregate bid on five state companies up for privatization.

State Minister of Industry Tadesse Haile says Ethiopia’s industry should be driven by exports. “Ultimately those industries are to transform the structural economy of Ethiopia by bringing in technology and diversifying our exports, our source of employment and livelihood for the population. If you take the World Bank’s 2011 Doing Business report, Ethiopia is regarded favorably better than some of the BRIC countries.”

Finally, Finance State Minister Tekeste puts the plans into historical perspective. “Ethiopia is one of the oldest nations, with ancient civilization and history. It once was one of the main centers of civilization and trade. There is no reason why Ethiopia cannot once again be a nucleus of progress, civilization, and growth.”
The Transition from Agrarian to Agro-Industrial

In a continent where food security is today’s number-one issue, Ethiopia has not only managed to grow its agriculture sector by 9 percent this year, but has also increased food exports. “The majority of the export share used to be only coffee,” says State Minister of Agriculture Wondirad Mandefro. “Now we have diversified into horticulture and are going into the meat and livestock animal export sector. We are the largest producer of chickpeas, fava beans, lentils, haricot beans, and of course common beans. Our agro-ecological set-up in the country’s highlands is almost comparable to southern Europe. We cultivate olives in the northern part and apples are widespread in the country. This makes us unique.”

An increase in productivity, driven by greater efficiency at the farming level, has been the main reason for this success. The majority of Ethiopian farms are non-commercial smallholdings. These make up almost 95 percent of the country’s agricultural output. State Minister Mandefro explains that the primary focus in the Growth and Transformation Plan (GTP) is to improve the productivity of those smallholder farmers so that they can move on from subsistence to export farming. “How can we convince them to adopt best practice, so that everybody as a community gets mobilized? We have set up twenty-five vocational training colleges, which train extension workers, who now count more than 60,000 to 65,000. They are foremost addressing the issue of attitude. Attitude is number one.”

Wondirad Mandefro describes how extension workers start a dialogue in which the farmers ask themselves: “Our neighbor is benefiting, he is changing his life, he is earning and he is getting more. How and why?” So they are debating and are discussing. The ultimate objective is a change of attitude.” The answer then lies in extending technologies so that farmers can adopt, know, and build their skills.

“To perform agriculture means to improve the livelihood of each household,” says Mandefro, “and since the majority of the population lives in the rural areas, having even a 1 percent increase in agriculture actually implies that a very significant proportion of poverty is reduced.” It is from this point onward that Ethiopia has been transitioning into an agro-industrial economy, by modernizing the practices of smallholders and investing in the large-scale development of high-value crops. “We have targeted food security and commercializing agriculture, and all interventions are already in place. We can transform agriculture and through it we can also address poverty from its root.”

A Bigger Export Basket

To raise revenues, farmers are encouraged to adopt high-value commodities. Cotton, rubber, sugar, and palm oil can be cultivated in most areas of the country, be it on a smallholder’s field or a large-scale industrial farm.

“In some commodities like sesame, we are now one of the top three exporters in the world,” says State Minister Mandefro, “and it is still only being grown in selective areas. Agriculture products need to be value-added instead of exported raw.”

As such, the Castel Winery, set up in 2008 by the BGI Group, has started producing high-quality Ethiopian wine, says Robel Seido, Castel’s marketing and sales manager. “We will export wine regionally and to the United States, where diaspora Ethiopians can get a new taste of their homeland.”

Cotton is being manufactured into high street apparel by investors like Ayka Textile, and Ethiopian cattle leather is soon to find its way to global feet as Huajian, the Chinese maker of Calvin Klein footwear, opens a plant near Addis Ababa. Industry Minister Mekonnen Manyazewal says that total shipments of leather and leather products generated $2.8 billion last year, and Huajian might well add an annual $4 billion within a decade. “Big buyers are putting Ethiopia on their radars as a source of industrial products,” a gratifying milestone for Ethiopia.
Generating Ethiopia’s Empowerment

Large-scale, landmark projects such as the Grand Ethiopian Renaissance Dam, Gilgel Gibe III Dam, and their hydropower stations reveal a profound desire to reinforce economic growth and development. How attainable are Ethiopia’s infrastructure plans, and how will they create a better quality of life for 80 million citizens?

Ethiopia counts no fewer than twelve river basins, nine of which might now drastically alter people’s lives. Through irrigation development, hydropower, and drinking water sourced from ground and surface reservoirs, the government is hoping to secure 93 to 100 percent utility coverage by 2020.

The real game changer lies in energy generation, as Minister of Water and Energy Alemayehu Tegenu explains. “Our hydropower potential is 45,000 MW, of which we have only developed 2,100 MW. In our Growth and Transformation Plan we have set a target to reach 10,000 MW within the coming five years.” The minister says that the Gilgel Gibe III Dam is just over halfway finished and is expected to start producing 1,870 MW as of September 2012. The Grand Ethiopian Renaissance Dam promises an encouraging 5,250 MW when completed in 2015, with excess power to be exported to neighboring nations.

“The Grand Renaissance Dam is one of the biggest in Africa,” boasts Alemayehu Tegenu. “Our first priority is to supply power to our economy, our industries, our investments, our domestic users. In this regard, the Renaissance Dam will play a very big role in our development.” Currently under construction by Italian contractors, the dam is located upstream from Sudan and Egypt. However, Ethiopia is adamant that the mega-project will not have an adverse impact on downstream communities. “We always want to cooperate with Sudan and Egypt for the equitable utilization of resources; this is our principle,” insists Minister Tegenu.

Ethiopia also has abundant geothermal, wind, and solar power potential. In Ethiopia’s northern Tigray region, construction has commenced on the Ashegoda Wind Farm, which has a generation capacity of 120 MW. “With regards to geothermal, we have 7,000 MW of potential in the Great Rift system. There is one project under construction in the Langano area for 70 MW.” Biomass and biofuel production are also starting in Ethiopia, as the government has chosen decisively in favor of renewable and green energy.

Finally, landlocked Ethiopia is regenerating transport connections with Djibouti and Kenya to bolster East Africa’s regional economic integration. In the past year alone, deals were signed for two railway projects and a 500-mile road network, facilitating imports and exports through neighboring ports. The future, it seems, is in full swing.
The fast-growing economy of Ethiopia has fostered a dynamic banking sector. Corporate and project lending has formed the lion’s share of Ethiopia’s seventeen banks, but as more jobs are created and income is made available, credit services to the public are starting to expand. The sector might not be open to foreign banks yet, but co-funding arrangements for projects is common practice. Where does the sector stand in the current economic climate, and how do institutions align with the government’s Growth and Transformation Plan?

Two banks give us their views.

Fertile Funding

Established over one hundred years ago during the Ethiopian Empire, the Development Bank of Ethiopia has been promoting the agenda of the country and existing government, specializing in project finance and loans. Today’s focus is on financing agriculture, agro-processing, and manufacturing; it is one of the few institutions capable of funding long-term projects. The Development Bank’s president, Esayas...
Bahre, says the risk factor involved in the sectors it funds is relatively high, a reason why most banks are not willing to engage themselves in it. “If you take agriculture, for example, it is vulnerable to many natural calamities and rainfall problems, many eventualities. We built up the capacity of our employees in such a way that they are able to mitigate such risks and keep on financing the critical sectors of the economy.”

Mr. Bahre adds that the bank is developing a database to facilitate the analysis and appraisal of incoming project requests. Due to the high pace of growth in recent years, the challenge lies in keeping the database modernized and up to date. “This needs a vibrant research center.” In the past two years, the Development Bank’s loan portfolio has jumped from $45 million to $74 million.

By example, the bank started funding long-term horticulture projects five years ago. “Up to now over to 95 percent of the floriculture sector has been financed by us, and over 80 percent of our customers in the flower sector is performing very well. Everybody is committed to do their level best, as Ethiopia is a fertile ground for foreign direct investment.”

Core Values
Nib International Bank (NIB) was established only 12 years ago, starting with 27 employees, $1.5 million in paid up capital, 717 shareholders, and one branch office. Today it has 52 branches, nearly 2,000 employees and over 3,500 shareholders. Its share capital grew to nearly $61 million. “There was not one period when we experienced loss; it was always profit,” says Amerga Kassa, NIB’s president.

This year, NIB is adopting a revitalized core banking system in contract with Swiss software developer Temenos. It will install 60 ATMs and 300 POS terminals, establish a debit and credit card banking consortium with two other banks, and introduce its services through mobile and e-banking for the first time. As for loans, NIB has been involved in some high-profile projects. “Your lending capacity is limited to the capital. Any single borrow limit is 25 percent of the capital. The higher your capital, the more you can extend credit to your customers, and there are big borrowers who have gone up to the single borrower limit. Our single borrower limit is currently over $15.4 million. The government really deserves credit for the establishment and flourishing of private banks. However, private banks need a fair, level playing field,” says Mr. Kassa.

Despite Ethiopians’ propensity for not saving much, NIB is still branching out into rural areas. “We reach the society by opening branches, and our target for this year is opening ten new ones. Next year that may double. Reaching out to the farmer and the rural areas helps to get the economy moving.”
Industries on the Rise

According to the Ethiopian Investment Agency (EIA), there are four focus areas when it comes to development: textile and garments, leather products, meat and agro-processing of sugar, and farming. But industry is also booming outside these categories. Cement, mining, chemicals, and even car assemblies are on the rise. EIA data shows that by February 2011, thirteen vehicle and tractor plants had been licensed and were starting production, three of which are Ethiopian. Since 2006, the Ethio-Dutch joint venture Holland Car has been producing six passenger models and one locally designed all-road bus, all named after Ethiopian rivers. Based in Mojo, the company now plans to produce Africa’s first bio-gas car, as well as the organic fuel to fill it.

“Industries are coming up,” says Minister of Industry Mekonnen Manyazewal. “We are just beginning, it takes a long time, but I think we have a committed leadership, a government with zero tolerance for corruption. We can say that there is no systemic corruption in Ethiopia. Everybody who comes acknowledges that this is a peaceful, stable, welcoming country and people.”

Minister Manyazewal adds that investment incentives have also drawn many foreign companies. “In terms of exports you are exempt from paying taxes on exported goods for two to seven years, and the import of machinery and material is duty free. One important asset for every investor is access to land. Here land is state owned, it is public property, and government allocates on the basis of strategic importance for the youth. So for industry, or social services, these have concessional access with low lease rates depending on the industrial use.”

Mining has also experienced increased activity in exploration and studies, especially for gold and other minerals. Exploratory operations by the National Mining Corp., Nyota Minerals, and Stratex report promising finds that may double Ethiopia’s gold production to over twenty tons per year. Gold exports surged 75 percent in 2011, generating an income of $485.3 million.

“Now the plan is to develop industrial zones,” continues Mekonnen Manyazewal. “We have already started building two or three sites in Addis Ababa and five or six nationally. The sites in Addis should be ready within six months because investors have already shown interest and we have managed to complete these quickly. They will be one-stop services for the factories.”

It may not be a full-scale industrial revolution, but Ethiopian manufacturing and industry are becoming a force to be reckoned with.

Sugar’s Sweet Success

Food security first, export production next: this, in short, is the agricultural scope of the first five-year GTP. Ethiopia’s sugar industry is earmarked as having great potential, as both soil and climate in various parts of the country are well suited for large sugarcane crops. With only 37 million acres currently in use as farmland in Ethiopia, State Minister of Agriculture Wondirad Mandefro says there’s literally a vast expanse of opportunities. “Almost 165 million to 172 million of Ethiopia’s 276 million acres are suitable for agriculture use. Our rural development policy states that the country’s vast lowland areas will be developed through large-scale farming by the private sector.”

The government thus set up Sugar Corporation, a company that would kickstart the mass production of sugar through new plantations to meet growing international demand. It is also building the largest sugar mill in Ethiopia at Tendaho, in Afar state, at a cost of $571 million, $391.85 million of which is a credit facility provided by the Indian government. Heading this “sweet” revolution is Abay Tsehaye, director general of Sugar Corporation. “This corporation was established to make Ethiopia one of the major sugar exporters,” explains Tsehaye. “We took ownership of three existing factories and are building ten new plants.
within the next four years.”

Phase one includes the designation, appropriation, and cultivation of land. “We will be focusing more on the industrial area in the second five-year plan, which will start in 2015,” says Tsehay. “Until then we will have 657,000 acres of sugarcane plantations as opposed to the 65,000 acres that we have right now. In order to implement this, we are trying to transfer technology from those countries that have the best practice in sugar factories like India and South Africa. We need new species that are of better productivity and lower cost in order to compete internationally.”

Sugar Corporation’s director says that interested parties from Europe, India, and Brazil have already visited sites. “However, we have to put the infrastructure in place, since any such ventures will need energy, roads, telephones, and so on. We are giving them the land so they can start work and then we will catch up to have the infrastructure ready.” Major dams are to feed irrigation water along areas earmarked for mass farming in the South Omo zone. “The plan is to start from scratch because we are building these factories in areas where there is no activity. Those areas are scarcely populated and you don’t have to displace many people. And if you have to displace a few people, you relocate them and you give them irrigated land and infrastructure.” Tsehay, a former national security adviser, says Sugar Corporation will offer investors a “full package of support, helping them in handling local communities. There will be big, state, commercial farms.”

With roughly $5 billion of capital investment in the first phase, Sugar Corporation expects to actually start exporting 1.87 million tons of surplus sugar in five years.

Concrete Ambitions

If there is one material that embodies the renaissance that Ethiopia aspires to, it is without a doubt cement. Almost every development needs this building resource, not least the country’s various hydropower dam projects, which require an immense amount of concrete.

In order to feed the rapidly rising internal demand, a new venture by Ethio-Saudi billionaire Sheikh Mohammed Hussein Ali Al-Amoudi has created Ethiopia’s—and potentially Africa’s—largest cement-producing company, Derba Midroc Cement.

“The driver behind its foundation,” says Derba Midroc’s CEO, Haile Assegide, “was to participate in the Ethiopian development. Eight years ago, a ton of cement in Ethiopia cost $31. Last year it was $315. Sheikh Al-Amoudi’s vision was that there should not be any shortage of cement in Ethiopia and its price had to come down.” In recent years Ethiopia has had to import 2.5 million metric tons of cement annually from Egypt, Pakistan, and China, with very costly transportation charges. “So when we started production in February
Enterprisingly Diversified

Economic diversification in Ethiopia is not limited to the public sector. East African Holdings (EAH), its companies ranging from agri-business to consumer goods and cement to biofuels, has become the hallmark of a successfully diversified Ethiopian family business. With annual revenues of around $100 million, its largest enterprise is the East African Group of fast-moving consumer goods, with over one hundred food, detergent, and packaging products.

Chairman of East African Holdings Buzuayehu T. Bizenu explains how, having established a fifty-acre industrial park outside Addis Ababa in 1997, the family gave a 51 percent share to South African multinational Tiger Brands in 2010, subsequently investing the entire purchase consideration straight back into the company. “Growth has no limit in my group,” says Bizenu. “There are lots of immense opportunities in this country. By focusing on two areas like agro-processing and mining, we keep the others as joint ventures and management contracts.” EAH is one of the few private sector groups involved in tea farming. “We were the first to start a private plantation, Simba Tea. Originally there were efforts to export to Dubai; we even had our office there. But because of the impressive growth of the Ethiopian economy, we can only maintain the local demand.”

The top spot in the EAH portfolio might soon be taken over by its National Cement Share Company. Originally built in 1936 by Italians, Ethiopia’s first cement plant was bought by the group during privatization and is now rapidly becoming the biggest indigenous private sector business. The plant at Dire Dawa is being upgraded and will soon start delivering cement to neighboring nations, as it is strategically located near a port corridor in Northeastern Ethiopia. “We are going to move on to a bigger capacity of about five thousand tons of cement per day,” says Bizenu, adding that EAH has also entered into an exploratory project to mine coal in the southern state of Oromia to fuel the plants.

When it comes to challenges, Buzuayehu Bizenu is an optimist. “Instead of counting my troubles, I like counting my blessings. The challenge now is the competition, which is coming in from multinationals and other foreign investors.” Bizenu points out that this global exposure also has its upside for local consumers and businesses. “These people are coming up with knowledge, resources, and a large network.”

Currently counting nearly 5,000 employees, Bizenu has a unique vision to reach a labor force of 100,000. “My strategy is to create one hundred millionaires in my businesses over the next ten years through entrepreneurship. We will offer share options to the employees.”

Bizenu says that EAH entities mainly invest in knowledge by hiring both international and qualified Ethiopian employees. “In my company I have several foreign professionals working with local Ethiopian employees, and this has always been my priority. My people are promising and fast learners. We are very lucky here in Ethiopia. We also have a strategy to bring in diaspora Ethiopians as they have no language barriers and can blend in at once.”
With an abundance of cotton and labor, Ethiopia is naturally a textile giant in the making. The sector has in fact a longstanding name in fabric production, well known for its traditional hand-woven garments. Ethiopia’s first modern factory was built in 1939, and the textile sector has since become one of the largest industrial employers.

For this reason, the first category to be earmarked under the medium and large industries development section of the Growth and Transformation Plan 2010–2015 is the textile and garment industry. It touches a wide gamut of Ethiopian subsectors, with the capacity to maximize cotton production, become an even larger source of employment, induce industrial modernization, and considerably raise foreign exchange export earnings. As such, the government believes the sector can raise its aggregate production value to $2.5 billion by the end of 2015.

“The whole effort is getting the sector geared up for more international exposure by translating the comparative advantage into competitive advantage,” says Seleshi Lemma, director general of the Textile Industry Development Institute (TIDI). Established under the Ministry of Industry, TIDI provides support and services all along the value chain, from investment promotion to marketing. Some of the core functions in which TIDI supports investors are consultancy, research and development, training human resources, and laboratory services.

TIDI acts as a matchmaker between local producers and buyers from the United States and Europe, as they constitute the two major destinations for Ethiopian textiles. Seleshi Lemma explains that there are currently ninety medium- to large-scale production units in Ethiopia, covering segments from ginning—the separation of cotton from seeds—to garment manufacturing. “The second category is the small-scale industries with a labor force of ten or less. Microenterprises are of course in the majority.” The initiative has been showing encouraging sector results, both in investments as well as export earnings; 2011 exports registered at $62.2 million, up from $14.6 million in 2008.

The future looks even more promising. “We have 3 million hectares available to grow cotton but we are using only about 6 to 7 percent of this resource. You can imagine the potential that we have in this segment,” TIDI’s director general asserts. “Ethiopia is the second-most-populated country in Africa next to Nigeria. Most of our labor force is under the age of
thirty, so you can imagine the role that the young are able to play in that development. Of course the labor cost is extremely competitive when you compare with other countries.” Turkish, Chinese, and Indian textile investors have already set up factories in Ethiopia, and the government is now approaching interested parties in Italy, the UK, and the United States. “Some European countries are interested in relocating their facilities, and this happens to be a good opportunity for us.”

A Touch of Turkey
As Ethiopian designers gain respect from global fashion circles, the bright colors and quality of local fabric are also catching investors’ eyes. “Five years ago the Ethiopian government invited us from Istanbul,” recalls Yusuf Aydeniz, group chairman of Ayka Addis Textile and Investment Group. “Already in the second meeting with the trade and industry minister we decided to start a textile factory in Ethiopia. We established the company, opened a bank account, and within three days all the related procedures for the land purchase were done.” Within six months the whole project was completed. “A year later we started the machinery installation, and the spinning factory was ready with a daily production of twenty tons of yarn. Now we have two companies here: AYKA Addis Textile and AYKA Addis Construction.”

Ayka workflow involves buying local Ethiopian cotton and selling the produced yarn to Germany, Honduras, Egypt, Greece, Turkey, and Yemen. “The second year we started knitting,” continues Aydeniz. “We bought twenty knitting machines and started exporting raw fabric. Now we have 133 knitting machines. Very soon we will have a total capacity of forty-five tons of yarn.”

Having invested $165 million in the textile company, Ayka now employs 185 Turkish technical staff and about 7,000 Ethiopians who work on three shifts. “The Ethiopian people are very clever, they learn very fast. By our side, we also try to support them in the best way possible, providing them, among else, with food, services, and a clinic. We have our own water treatment plant and make use of steam power in the frame of an ecological system.”

Ayka does not sell domestically; for now it only exports to the European market. “In 2011 we made $50 million in exports. Our target for this year is $75 million.” A new chemical and dye plant will keep even more of the process in Ethiopia, and Ayka hopes to establish a second large factory for denim to produce jeans, from raw material to final product.

Aydeniz confirms that ultimately it was the people who won Ayka over, as well as the incentives provided by the government. “I had visited China, India, Egypt, Turkmenistan, Uzbekistan—but here in Ethiopia I felt that the government was closer to our vision than those in all other countries. The Ethiopian government provides significant incentives, including tax exemption for five years, low land leases, and electricity at reasonable prices.” Out of respect, Aydeniz says Ayka in return provides employees with good salaries, training, and social benefits.

Ayka now has a 50 percent market share of the whole textile-exporting sector in Ethiopia, and is on target to make more export revenue than its plant in Turkey. “The conditions in this country are getting better every day. The economic state of Ethiopia is very different than it was five years ago. We are moving forward very fast and we are very happy to be part of this growth.”
Discovering Ethiopia, in Business and Leisure

Under an ancient slab with a carved sun, crescent moon, and Sabaean inscriptions found in Ethiopia’s northern Tigray region, British archaeologist Louise Schofield has uncovered the entrance to a mysterious mine. It may well have been the place where three thousand years ago the Queen of Sheba sourced her gold that she gave to King Solomon, as described in both the Qur’an and the Bible.

Ethiopia is rich with hidden secrets, historical locations that link ancient legends to a tangible present, and eight World Heritage sites, including the rock-hewn churches of Lalibela.

National carrier Ethiopian Airlines serves as the main method of entering and moving around the country. Based out of Addis Ababa Bole International Airport, the new Star Alliance member serves the lion’s share of the pan-African network and a total of sixty-four international destinations now expanding into Asia. The company mirrors its host nation’s economic success in that it is now Africa’s fastest-growing airline. “We have been growing on our own capacity for the last seven to eight years,” says the carrier’s CEO, Tewolde Gebremariam. “We have tripled the size of the airline, from $390 million annual revenue to about $2 billion now. Our ‘marriage’ with Star Alliance means we are going to cover a much larger global network in association with twenty-eight member carriers. This is sending a message that Africa can also have a success story, a role model, a global brand. Africa is changing.”

Business and conference visitors will find that Addis Ababa decently caters to their needs, with the Starwood Luxury Collection Sheraton Addis, the Hilton, the Intercontinental, the newly opened Radisson, and two Jupiter International Hotels. “Based on available statistics,” says Antro Korajlan, deputy managing director of Jupiter International Hotels, “Ethiopia receives from four to five hundred thousand visitors per year. A large portion of these can broadly be described as business tourists, followed by tour and travel groups and nationals who visit friends and family.” These numbers are set to grow exponentially, and for this reason the Ethiopian-owned Jupiter Group plans to operate more hotels both in and out of Addis Ababa in the next few years.

Ayele Gelaneh, coordinator of the Tourism Development and Marketing Directorate at the Ministry of Culture and Tourism, says that “there are enormous untold stories in our rich cultural, natural, and historical attractions. We are inviting the world to come and experience them.”
“The economy is expected to expand by more than 11 percent this fiscal year. By 2015, the agriculture sector will take the leading role, and we expect the industrial sector to make a significant contribution. Hydropower will also be instrumental in our economy and in fighting poverty.”
Meles Zenawi, Prime Minister of Ethiopia

“Big buyers are putting Ethiopia on their radars as a source of industrial products [...] You are exempt from paying taxes on exported goods for two to seven years, and the import of machinery and material is duty free.”
Mekonnen Manyazewal, Minister of Industry

“The Grand Renaissance Dam is one of the biggest in Africa. Our first priority is to supply power to our economy, our industries, our investments, our domestic users. The Renaissance Dam will play a very big role in our development.”
Alemayehu Tegenu, Minister of Water and Energy

“The five-year Growth and Transformation Plan is all about the private sector. When we talk about agriculture, it is about small private farms in their vast majority. When we talk about industrial development, we are talking about private sector development.”
Dr. Abraham Tekeste, State Minister of Finance and Economic Development

“If you take the World Bank’s 2011 Doing Business report, Ethiopia is regarded favorably better than some of the BRIC countries.”
Tadesse Haile, State Minister of Industry
“Since the majority of the population lives in the rural areas, having even a 1 percent increase in agriculture actually implies that a very significant proportion of poverty is reduced.”
Wondirad Mandefro, State Minister for Agriculture

“There are enormous untold stories in our rich cultural, natural and historical attractions. We are inviting the world to come and experience them.”
Ayele Gelaneh, Coordinator for Tourism Development and Marketing Directorate at the Ministry of Culture and Tourism

“We will have 657,000 acres of sugarcane plantations as opposed to the 65,000 acres that we have right now. We need new species that are of better productivity and lower cost in order to compete internationally.”
Abay Tsehaye, Director General of Sugar Corporation

“The driver behind Derba Midroc’s foundation was to participate in the Ethiopian development. Eight years ago, a ton of cement in Ethiopia cost $31. Last year it was $315. Sheikh Al-Amoudi’s vision was that there should not be any shortage of cement in Ethiopia and its price had to come down.”
Haile Assegide, CEO of Derba Midroc

“The conditions in this country are getting better every day. The economic state of Ethiopia is very different than it was five years ago. We are moving forward very fast and we are very happy to be part of this growth.”
Yusuf Aydeniz, Group Chairman of Ayka Addis Textile and Investment Group
“Last year we traded $1.2 billion dollars of commodities representing almost 55 percent of the country’s agricultural export earnings with coffee, sesame seeds, and pea beans. We have been doubling volume every year, servicing 350 members and nearly 11,000 clients today.”
Dr. Eleni Gabre-Madhin, Founder and CEO of the Ethiopia Commodity Exchange

“Growth has no limit in my group. There are lots of immense opportunities in this country. By focusing on two areas like agro-processing and mining, we keep the others as joint ventures and management contracts.”
Buzuayehu T. Bizenu, Chairman of East African Holdings

“We have tripled the size of the airline from $390 million annual revenue to about $2 billion now. This is sending a message that Africa can also have a success story, a role model, a global brand. Africa is changing.”
Tewolde Gebremariam, CEO of Ethiopian Airlines

“Everybody is committed to do their level best, as Ethiopia is a fertile ground for foreign direct investment.”
Esayas Bahre, President of the Development Bank of Ethiopia

“There was not one period when we experienced loss; it was always profit.”
Amerga Kassa, President of Nib International Bank
“We have 3 million hectares available to grow cotton but we are using only about 6 to 7 percent of this resource. You can imagine the potential that we have in this segment.”
Seleshi Lemma, Director General of the Textile Industry Development Institute

“The majority of the diaspora Ethiopians would like to contribute to the country in great ways. [...] New opportunities are opening every day and are being filled up every day. The change is sometimes so fast that it defies analysis.”
Elias Melake, Founder and CEO of eCentric

“We will export wine regionally and to the United States, where diaspora Ethiopians can get a new taste of their homeland.”
Robel Seido, Marketing and Sales Manager of Castel-BGI

“Ethiopia receives from four to five hundred thousand visitors per year. A large portion of these can broadly be described as business tourists, followed by tour and travel groups and nationals who visit friends and family.”
Antro Korajlan, Deputy Managing Director of Jupiter International Hotels
Good news from the Horn of Africa is a rare commodity. In recent years, however, Ethiopia seems to be harvesting a healthy crop. In 2007, Africa’s oldest independent nation had the fastest-growing, non-oil-driven economy among African countries, and its GDP growth has averaged around 10 percent since then. Ethiopia’s five-year Growth and Transformation Plan (GTP) is nevertheless addressing macroeconomic challenges, with intentions to double agricultural production, further develop the industry and manufacturing sector, and diversify its export basket. New infrastructure projects are under way to bring Millennium Development Goals (MDG) within reach, reduce foreign donor aid, and ameliorate the investment climate. Ethiopia knows its strengths lie in a marathon, not a sprint, and the government’s long-term development policies reflect this. Does this progress signal the beginning of Ethiopia’s revival?