

# Overview of Presentation

- Business Governance in Ethiopia
- Macro-Risk Analysis
- Opportunities in the Textile Industry
- Opportunities in the Food Processing Industry

# Machine Suppliers' Perspective

- A window on your clients' and prospective clients' experiences in Ethiopia.
- Deeper understanding of doing business in the Ethiopian context.
- Opportunity trends in machinery supply to Ethiopia-based companies.



Agathon International is a research and analysis company focused on selected emerging and frontier markets.

# Agathon

## International



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- We hosted 15 VDMA member companies on a market exploration mission to Ethiopia in 2014, focused on the textile industry.
  - We regularly produce market insight reports for European companies on a range of primary industries in Ethiopia.
  - We also cover the rest of East Africa, Eastern Europe and Central Asia.

# Business Governance in Ethiopia

## Government Developmentalist Philosophy

- Ethiopia is a highly centralised and tightly planned development state.
- The economy is guided by the government's Growth and Transformation Plan.
- Development is the overriding goal.



# Business Governance in Ethiopia

## Government Influence on the Private Sector

- Bureaucratic red tape a considerable hurdle.
- Preponderance of State-owned Enterprises, including in the importation sector.
- Textile manufacturing and Agro-industry regarded favourably.

# Business Governance in Ethiopia

## Central Planning and Control

- Sometimes misalignment between government and private sector expectations.
- Vertical Integration and “Value Adding”.
- Client needs may not be intuitive.



# Business Governance in Ethiopia

## The Positive: Infrastructure Investment

- Renewable Energy: Current capacity 2,200 MW. Plans for over 17,000 MW, including the 6,000 MW Grand Renaissance Dam within five years.
- Road and Railways: Addis Ababa – Djibouti railway opened last month. Massive road and rail investment country-wide.
- Industrial Parks: Still developing. One to watch.



# Macro-Risk Analysis

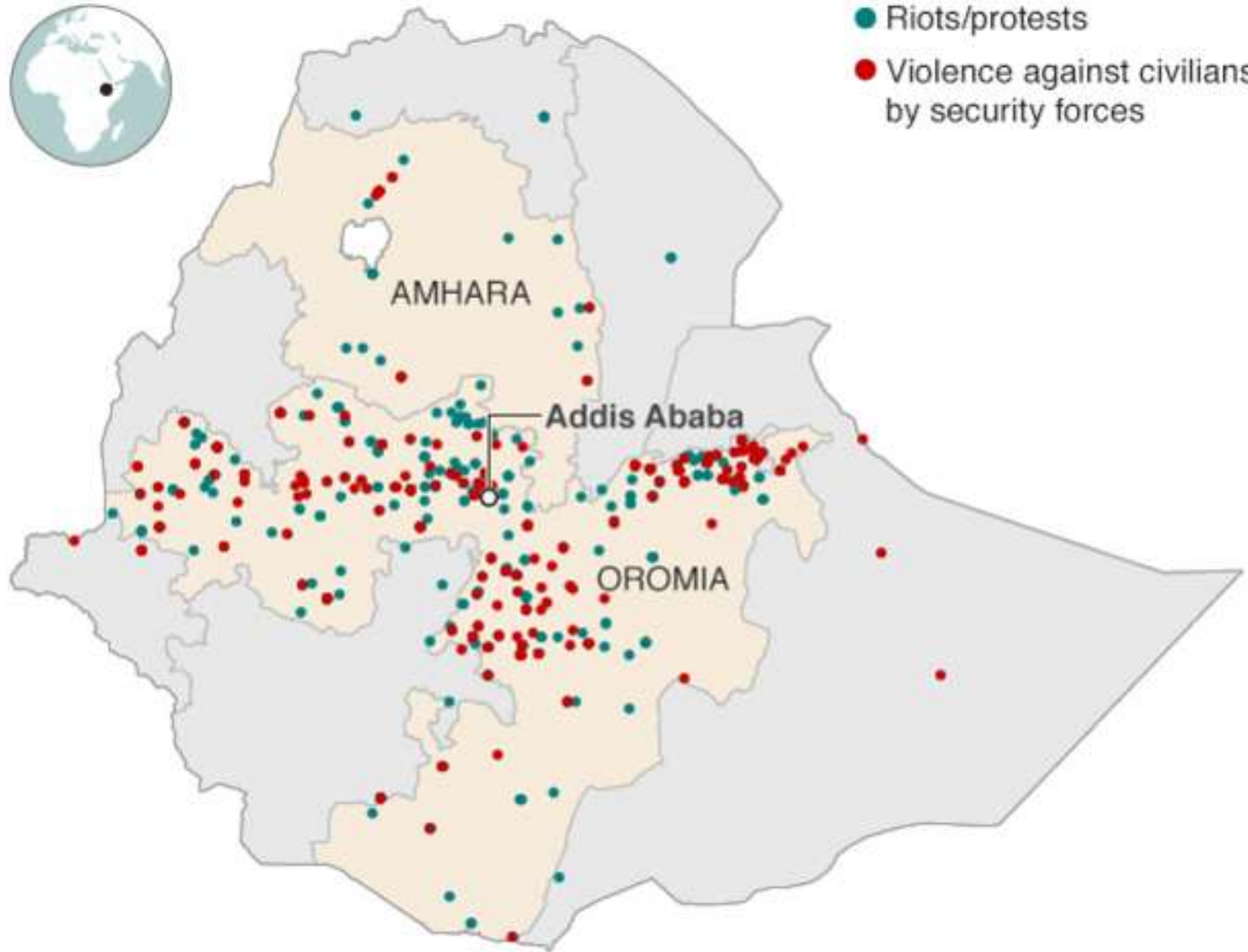
## Political Stability

- Compared to its neighbours, Ethiopia remains stable and secure
- Very low penetration of Al Shabaab or other extremist groups. No major attacks in recent years.
- Incidence of violent crime in Addis Ababa is low

# Protests and violence in Ethiopia, 2016



- Riots/protests
- Violence against civilians by security forces



# Macro-Risk Analysis

## Civil Strife

- Political and business power in Ethiopia is disproportionately held by the northern Tigrayan ethnic group.
- Recent protests are symptomatic of surfacing tensions between the government and the Oromo and Amhara ethnic groups.
- Many grievances centre on the appropriation of land, but access to political power and economic marginalisation are important factors too.

# Macro-Risk Analysis

## Effects on the Textile and Agricultural Industries

- Turkish Saigin Dima textile plant attacked. One third of factory burned down.
- The factory of Africa Juice, a Danish fruit juice company, was completely destroyed.
- Protests are about granting of land to foreign factory owners, not “villagization”.

# Macro-Risk Analysis

Attractive Fundamentals Remain:

- Large supply of affordable labour
- Proximity to Europe
- Infrastructure advances
- Growing domestic market

Civil unrest may be easing. Greater political inclusivity is required, and a recent Cabinet shakeup is a positive sign.





# Opportunities in the Textile Industry

- Textile Manufacturing is a high priority of the Growth and Transformation Plan II.
- Exports currently stand at only 70% of the plan target (of \$60.07 million). However, the target was highly ambitious.
- The industry will continue to enjoy prioritisation and incentivisation from the government.

# Opportunities in the Textile Industry

## Challenges

- Lack of raw materials
- Power interruptions
- Foreign exchange and investment capital
- Labour productivity and management inefficiency

# Opportunities in the Textile Industry

## Major Textile Firms Operating in Ethiopia

- Ayka Addis Textile and Investment Group
- Saygin Dima Textiles
- Adama Spinning Factory
- MAA Garment and Textiles Factory
- DH Geda
- Akber
- Bahir Dar Textile Mills
- Else Addis Industrial Development
- Almeda Textile Factory
- ShriVallabh Pittie



# Opportunities in the Food Industry

- Ethiopian economy 80% agricultural, but currently very low-tech. Food processing accounted for 39% of gross value of production (GVP) in large and medium size manufacturing in 2009/10.
- Development of agro-industry a key component of the Growth and Transformation Plan II.
- Emphasis on added value through food processing. “Agro-industry parks” a recent push. 1st International Agro-Industry Investment Forum last month.

# Opportunities in the Food Industry

## Challenges

- Rainfall dependence
- Variable quality and quantities of produce
- Difficulties adapting to the Ethiopian terrain
- Haphazard logistics and export hurdles

# Opportunities in the Food Industry

Major Agro-Industry and Food Processing Players in Ethiopia:

- Horizon Plantations (Midroc group)
- Ethio Agri-CEFT (Midroc group)
- Karuturi Global
- Afriflora
- Castel Wineries
- Allana Group
- Africa Juice
- Select Hulling
- NAS Foods
- Holland Farm



**Questions?**