BUSINESS OPPORTUNITY REPORT ETHIOPIA

TEXTILE & APPAREL INDUSTRY

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CONTENTS

Executive Summary

Ethiopia's economy is primarily based on agriculture but over the last 5 years the government has been determined to diversify the exports with a priority set for strategic sectors like light manufacturing, textile- and garment manufacturing. The Ethiopian textile – and apparel industry has huge potential and has grown an average of 51% over the last 5-6 years. With a key focus on Foreign Direct Investments (FDI) the government is driven to open up their textile- and apparel market to mid- en large scaled foreign investors. Retailers like H&M, Primark and Tesco have established offices in 2012 and are buying clothing- finished products- from Ethiopian manufacturers. For smaller scaled textile industry companies the sector however offers large potential as well. Half of Ethiopian textile- and apparel companies are SME's of 500-1000 workers that are able to handle small run orders for Dutch and European mid segmented fashion retailers.

The economic developments in the textile- and apparel sector show enormous growth in comparison to 2010/ 2011. Yarns export, grey fabric, garments and traditional handloom together totaled an export amount of just over 160 million USD in 2014/2015 compared to 60 million only 5 year before in 2015. Potential for successful industrial backward linkages are illustrated by the fact that Ethiopia has 2, 6 million ha that are suited for cotton cultivation. At the moment of this total capacity only 5-6% of the cotton is cultivated and used in the forward textile industry. Together with foreign investors this potential is to be tapped the coming years.

Since 2004 the Ethiopian government initially has targeted Turkey, India and China as sources of FDI in manufacturing. The country's improved economic performance, expanding domestic market and cheap labor were key attractions for those nations where labor costs went up. The current Growth & Transformation Plans (GTP) to be published in October 2015 by the Ethiopian government show an increase of possibilities for Dutch- and European investors who have a scope for mid scaled manufacturing and are able to transfer expertise through capacity building.

CHAPTER 1: INTRODUCTION

Context & objective

The business opportunities in the Ethiopian textile- and apparel sector are huge. With a large set of incentive schemes to attract FDI the Ethiopian government is determined to make the industry sector flourish. The need for capacity building, knowledge transfer and further coordinated growth offer large potential for mid scaled Dutch investors.

This report aims to give an introduction on the Ethiopian textile- and apparel industry, provide insights in governmental regulations and offers as well as to indicate which profiles of investors would presumably have a great possibility to be successful in this new market. Ethiopian government not only attracts foreign engineers, dye house masters and chemical technicians to gain insights in the production process efficiency but offers wide spread investment potential for those who want to engage in garment manufacturing.
The Ethiopian government has approved of loans at interest rates as low as 3-4% to upgrade the technology of the sector and come on par with international garment production standards on green manufacturing, water- and waste management, lean manufacturing and water treatment plants.

Since the Ethiopian sector is considered to be in an "infant" stage the extensive technology experience and marketing knowledge of Dutch companies could be very profitable for long term collaboration and mutual business development with Ethiopian companies.

Dutch fashion companies are renowned for their expertise on product diversification on a shoestring budget which lacks entirely in the Ethiopian sector. Dutch engineering expertise on waste- and water management as well as chemical and environmental excellence is a widespread need in Ethiopia due to a current lack of education and business practices. The Dutch standards in industry of "good housekeeping" and compliance with social standards would be highly welcomed to be educated and trained on site at the existing factories.

Investors that match the key priority conditions of the government and provide large employment possibilities will be favored by the Ethiopian government just as companies that have a specific skill or expertise that can be conveyed.

CHAPTER 2: ETHIOPIAN BUSINESS CLIMATE IN BRIEF FOR THE TEXTILE & GARMENT INDUSTRY

Ethiopia, with a population of 96,6 million is the second – most populous nation in Sub- Sahara Africa after Nigeria. Over the past years the Ethiopian economy reports growth rates of over 11% supported by a governmental effort to combat inflation which is now set at 7,4%. Ethiopia's economy is primarily based on agriculture (46% of GDP) but over the last 5 years the government has been determined to diversify the exports with a priority set for strategic sectors like light manufacturing, textile- and garment manufacturing. The Ethiopian textile – and apparel industry has grown an average of 51% over the last 5-6 years and some 65 international textile investment projects have been licensed for foreign investors. Retailers like H&M, Primark and Tesco have established offices in 2012 and are buying clothing- finished products- from Ethiopian manufacturers. The foreign direct investments (FDI) in the textile- and apparel industry have grown significantly over the last 4 years of which the inauguration in 2010 of Ayka Addis, the Ethiopian subsidiary of the Turkish textile giant Ayka Textiles, at a cost of USD 140 million is the most renown. Other investors in the textile- and apparel industry originated from India and Bangladesh. DBL group from Bangladesh is currently constructing a vertical integrated garment factory at an investment of USD 30 million.

The Ethiopian government has spearheaded the sector as one of the key priority sectors for the generation of future employment and to realize its aim to enhance foreign currency earnings. This is supported by the creation of various industry policies and incentives to attract foreign direct investors. Ethiopian textile- and apparel products have duty free access to the European Union and the US market through the African Growth and Opportunity act (AGOA) and are part of the General system of preferences GSP+ and Everything but Arms (EBA). This September 2015 the AGOA has been prolonged with another 10 years for the exports to USA markets.

The sector is part of the governments Growth and Transformation Plan (GTP) which started in 2010/2011 to transform the nation from an agricultural dominated economy into a manufacturing economy with aspirations to become a middle income nation in 2025. At current the textile- and apparel sector consist of around 130 medium and large scale factories of which 37 are foreign owned. In 2014 the export size of the sector mounted to around 113 million USD and employed 37,000 workers. The target set for 2020 is to realize and export growth of 1 billion USD. The sector now represents 6% of the country's total export value with the ambition to grow to 22% in 2020.

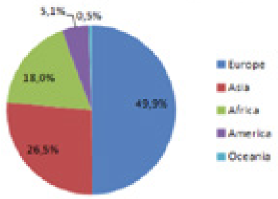
With 70% of apparel products being exported to the European Union, this market has preference for the Ethiopian government leading to an investment friendly environment with a large variety of incentive schemes. Further key arguments to attract FDI consist of a young and abundant labor force, relative high level of vocational training topped by the low operational costs due to low wages and cheap electricity. Electricity rates are 8- 10 times less than in other manufacturing nations.

Further plans to strengthen the export performance of the textile – and apparel sector consist of upgrading the Ethiopian cotton production in the various suited regions and come to a full backward integrated supply chain. Now the Ethiopian cotton sector can supply to maximum 40% of industrial demand and the remainder comes for imports. Other plans embody the erection of FDI industrial parks (IP's around 10 are under construction) and completion of the railway to Djibouti decreasing transportation time significantly.

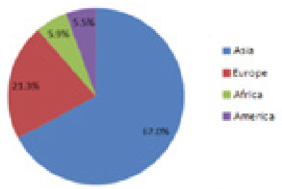
2.1 Economic developments - Economic indicators

The economic indicators for Ethiopia are very encouraging. In the fiscal year 2012/13 Ethiopia's economy grew by 9, 7%. Average annual GDP growth rate for the last decade was 10, 9%. Agriculture, which accounts for 42,9% of GDP grew by 7,1% in 2012/ 2013. Industry, accounting for 12,3% of GDP rose by 18,5% and services, with 45% of GDP increased with 9,9%. This momentum is expected to continue for 2014/2015.

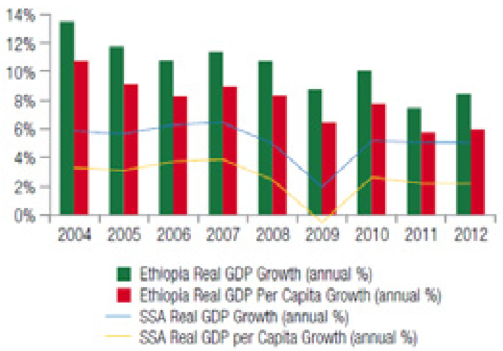
EXPORTS BY DESTINATIONS (2010/11)



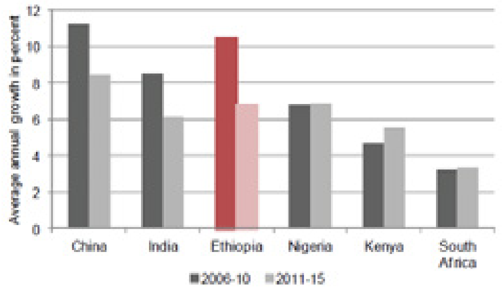
IMPORTS BY ORGIN (2010/11)



ECONOMIC GROWTH 2004-2012



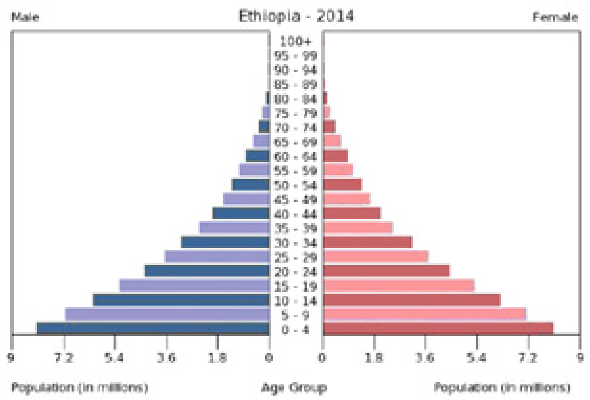
GDP GROWTH VS GLOBAL GROWTH LEADERS AND REGIONAL PEERS



MAJOR EXPORT ITEMS (IN MILLIONS OF USD)

Export commodities	2011/2012 Value	2011/2012 Share (%)	2012/2013 Value	2012/2013 Share (%)
Coffee	832,911,521.87	26.33	746,416,325,06	24.22
Oil Seeds	472,310,030.60	14.93	443,451,157.28	14.39
Leather and Leather Products	49,575,223.66	1.57	100,520,795.17	3.26
Textile and Garment	84,384,850.18	2.67	97,358,806.13	3.16
Pulses	159,689,150.77	5.05	233,346,330.47	7.57
Meat and Meat Products	78,808,601.51	2.49	74,256,115.42	2.41
Fruits and Vegetables	44,693,809.08	1.41	43,868,874.12	1.42
Live Animals	207,078,049.22	6.55	166,399,889.70	5.40
Chat	240,584,960.56	7.61	271,274,513,97	8.80
Gold	613,038,112.59	19.38	578,826,032.65	18.79
Flower	196,965,620.67	6.23	186,658,644.34	6.06
Others not specified	183,264,798.58	2.79	138,835,105.52	4.51
Total	**3,163,304,729.29**	**100**	**3,081,212,589.81**	**100**

DEMOGRAPHICS



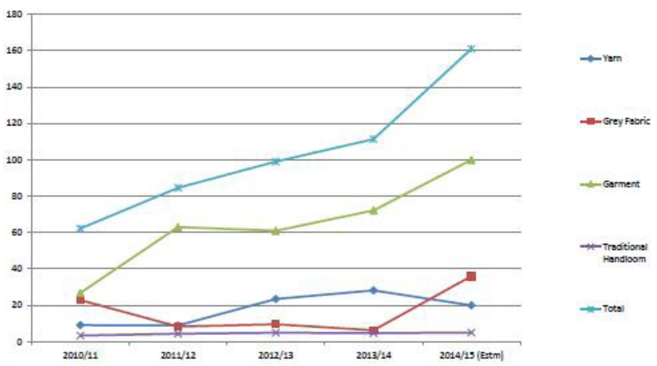
Distribution of the population according to age
0-14 years: 44.2% (male 21,376,243/female 21,308,454)
15-24 years: 19.9% (male 9,557,462/female 9,692,275)
25-54 years: 29.2% (male 14,023,218/female 14,176,263)
55-64 years: 3.9% (male 1,826,602/female 1,919,212)
65 years and over: 2.8% (male 1,242,171/female 1,511,558) (2014 est.)

Area of operation	No. of Factories	No. of workers	Women as %
Ginning	17	~ 2,000	55
Spinning	1	443	60
Dyeing and Printing Finishing	1	50	50
Integrated Textile	21	24,291	80
Weaving & Knitting	13	2,067	50
Handloom	4	433	55
Garment Factory	51	8,200	85
Total	108	37,484	

Number of textile- and apparel companies in Ethiopia 2014

2.2 Economic developments in the textile- and apparel sector

The economic developments in the textile- and apparel sector show enormous growth in comparison to 2010/ 2011. Yarns export, grey fabric, garments and traditional handloom together totaled an export amount of just over 160 million USD in 2014/2015 compared to 60 million only 5 year before in 2015.



Export perfomance 2010/11 - 14/15

Compared however to the targets set by the first Growth and Transformation plan (GTP) period, which started in 2010/2011 and will end by December 2015 fiscal year, the government had planned to earn one billion dollar from textile exports in the course of those 4-5 years. The actual performance of the sector was 456 million USD.

Most textile manufacturers have to submit their export plans to government on a yearly base. As part of the GTP plan the textile companies have expressed their commitment to the government to strive to export 80% of their total capacity (see also 2.3. Ethiopian government). The export revenue of 100 million dollars in garment exports in 2014/2015 from the 23,2 million in 2010/2011 is still considered a large success but far distant from the earlier projections of 1 billion USD.

Major challenges the sector faces would attest to those reduced results. Amongst those challenges main causers are:

- Low production of local cotton. Ethiopia cultivated cotton on 75,000ha of land in 2010/2011. It planned to cultivate 265,000 ha by the end of 2014/2015 but it managed 125,000 ha.
- Local production of cotton in 2010 was 2,500 ton which was equal to the demand of textile factories and even had a surplus. The year after the production surged to 79,500 ton while the demand stood at 39,000 ton. Matching supply and demand has been a grant challenge for the industry up till date
- Average productivity capacity usage of the textile factories was 40% in 2010 with an aim to raise to 90% in 2015. The average capacity utilization of garment factories however stands at 54%
- Lack of diversification in products, relative low quality of the products as well as limited productivity affected export performance as well
- The inability to compete on the international market due to price pressure caused many textile-and garment manufacturers to renew their interest for the domestic and local market.
- Despite constraints the sector faces the potential for the Ethiopian textile-and apparel industry is huge thanks to good demographics, low costs of commodities like water and electricity and the fact the sector is still considered "infant" and can only mature from this point. Aligning cotton production with demand, constructing strong forward- and backward linkages and attracting new prospects to the nation enforced by increased FDI efforts give way to the supposition of a bright future and large employment possibilities.

2.3 Ethiopian government

In order to provide a clear view of the future business opportunities for the textile- and garment sector in Ethiopia it is necessary to understand the role of the Ethiopian government. In his just published book "Made in Africa", *industrial policy in Ethiopia*, the author Arkebe Oqubay, a minister and special advisor to the Ethiopian prime minister, explains the background of 25 years of industrial policy making. The Ethiopian government is present in all sectors, even once privatized, through an "industrial policy" or so called "political economy". Base concept behind this is the argument that an effective industrial policy requires a more interventionist state.

The Ethiopian government has set an industrial development strategy for Ethiopia after the liberation struggle from 1994 onwards. This to date has resulted in sector development programs and five year development plans like GTP. In view of the low levels of industrialization and private sector development and in view of the worldwide competition to attract investment, designing incentives and policies has become key priority. Foreign investment was welcomed in all sectors, with the exception of telecommunication and finance. Further exclusion applies to micro- crediting and insurance industries. They are either state owned or restricted to domestic investors. Since 2004 the Ethiopian government has targeted Turkey, India and China as sources of FDI in manufacturing. The country's improved economic performance, expanding domestic market and cheap labor were key attractions for those nations where labor costs went up. In addition, the Netherlands government has provided incentives for floriculture firms that invest in Ethiopia while China has supported the establishment of an industrial park. The key thought behind this is the strengthening of the indigenous private sector from a long term perspective. Most of FDI certificates are issued, 83%, to Chinese investors in hydropower, railway and road projects. Between 2004-2010 the FDI flow was 2% of GDP, much lower than elsewhere, in Vietnam this was 5,7%. The government in the role of direct economic actor. Privatization development was initiated simultaneously and domestic buyer represent 85% of the share compared to 15% foreign.

In order to implement the industrial policies and ambitions the government made use of coordination and sector organs. The National Export Coordination Committee (NECC) was established in 2003, as successor of the former Ethiopian Export Agency and Export Promotion Board. Furthermore the Ministry of Industry (MOI) became a focal agency in the manufacturing sector supported by Institutes, archetypes for developing specific industries. The Ethiopian Textile Industry Development Institute (TIDI), the Leather Industry Development Institute (LIDI) and the Metal Industry Development Institute (MIDI), The Ethiopian Investment Commission were erected in 2009 as autonomous institutes to lead and develop key industries. In accordance to those developments the Ethiopian government developed a set of investment and export promotion instruments and created a vision on" the political economy of value addition and industrial upgrading". When talking about this we have to consider plans that cover export destination and price patterns as well as topics like export diversification. The main aim is capacity building and infrastructural development for the identified key industries. The Ethiopian Revenue and Customs Authority (ERCA) has a strong monitoring role for export growth indicators and foreign currency retention.

Following to the execution of those plans trade duty instruments were developed and implemented. Duty draw-backs, voucher schemes and bonded warehouses were used to reduce the pressure of increased need for capital and to relieve bottlenecks in trade and logistics. The DBE, Development Bank of Ethiopia, has strong position in FDI policies.

2.4 Trade and foreign investment regulations for the textile- and apparel sector. Investment Climate

In order to boost FDI and realize the targets set for the key industries the Ethiopian government installed a scheme of incentives for foreign direct investors together with Invest Ethiopia and the Development Bank of Ethiopia (DBE) as well as Ethiopian Investment Commission (EIC).

Related to the textile- and apparel sector following incentive schemes have come into place:

- Customs duty payment exemption on capital goods and materials or spare parts whose value is not greater than 15% of the imported capital goods "total value". For the apparel industry this means all fabric/ garment trimmings can be imported under condition as well that goods are destined for exports and will not be sold- nor distributed in local market
- Custom duty exemption on imported equipment
- Corporate income tax exemption (CIT) for 1-9 years. Number of years of exemption differs according to location and product export ratio (over 60% minimum – 80%)
- Income tax exemption from 2- till maximum 7 years for manufacturing investments- the rule here is "the closer to Addis- the less years". This in order to enhance industrial employment in more rural areas
- Losses incurred during the CIT exemption period can be carried forward- till max 5 income tax periods- one period is 6 months
- Corporate tax holidays depending on size investments and locations- mostly reductions from 0-10% corporate tax. Regular is 25-30%
- Voucher scheme: a printed voucher having monetary value which can be sued to pay duties at the time of exports of finishes goods
- Possibilities for investment loans with DBE or National Bank Ethiopia (NBE) on a 70-30 scheme. The lender brings in 30% of investment capital. No collateral needed
- For large scale investments in priority sectors financing from DBE is available; as of 2015 the borrower need to bring 50% of needed finance
- Interest rates 8% - 8,5% terms for investment and co-financing based on 10 years
- DBE does not fund SME's except for micro- finance programs funded by development partners
- Working capital can be financed additionally with the Commercial bank of Ethiopia provided that the project passes bankability criteria.
- Export incentives: duty draw- backs, vouchers, export credit guarantee schemes
- VAT is 15% is reimbursable on monthly base
- No income tax for foreign staff that supports knowledge transfer or exchange of expertise for at least 2-4 years
- IP's: industrial parks. If a foreign firm decides to settle on one of the IP's as constructed by the government, they will lease the Shed= the factory or building space for a rate of USD 1 m2 ; depending on location IP this will vary to max 2-3 USD/m2. As comparison: Eastern Industrial Park as constructed by Chinese charge 27USD/m^2.
- Electricity tariff of 2,7 cent per KW (EU is 10-12 times more)
- Ethiopia at present does not have minimum wages. Wage levels differ from 50USD per month for entry-level workers and 70-80 USD for more experienced

Investment Procedure

If a foreign firm seriously is considering investment in Ethiopia it has to go through the Ethiopian Investment Commission (EIC). If it wants to start construction or erect a business following steps need to be considered:

- Obtain Investment License first of EIC
- Obtain business license and construction permit
- Notarization of memorandum and articles of association
- Issuance, renewal, amendment, replacement, substitution or cancellation of commercial registration, trade or firm name and work permit.
- Grading of construction contractor
- Registration of technology transfer agreement and domestic investor and foreign investor export- oriented non – equity based collaboration agreement
- Customs duty exemption of capital goods and construction materials for manufacturing
- Securing land for the project
- Support for obtaining a bank loan, resident permits and contract for water, power and telecom
- Tax identification number (TIN).

EIC is handling those procedures with an expert staff together with the Commercial Bank of Ethiopia.

Land is public property in Ethiopia and investors can obtain the right to use land solely. The land rent is determined by supply and demand.

2.5 Industrial Parks

The Ethiopian Industrial Development Zones Cooperation was established in 2014. Initially Indian and Chinese investors set off to construct such zones but due to lack of speed and the height of rental prices Ethiopians were displeased with the results and few tenant companies invested. The government decided to overtake those initiatives and launch the

Industrial Parks itself. Industry parks can still be undertaken by any developer whether it is foreign or state owned.
Bole Lemi 1 and Bole Lemi 2 have been constructed and are now fully occupied and have 20 large pre-fabricated rental Factories (called "sheds" in Ethiopian terminology).

In Bole Lemi 1 factory rental has a renewable 10-year term with the rental charge of USD 1/ m2 in the first five years and a USD 1,25 /m2 rate the following 5 years. This is extremely cheap.
The World Bank supports the creation of Industrial Parks within the Competitiveness and Job creation Project (CJC)

S/N	Name of industry Zone	Area (In hectares of land)	Location From Addis Ababa	Developer
1	Addis Industry Village	8.7	Within Addis Ababa	Government
2	Bole Lemi industry Zone (Construction in progress)	342	15 km east	Government
3	Eastern industry Zone	200 +	37 km east	Chinese
4	Kilinto industry Zone	243	20km East	Government
5	Kombolcha industry Zone	1123	376km North East	Government
6	Dire Dawa industry Zone	1051	515 km East	Government
				7
7	Mekele Industry Zone	1000	700km North	Government
8	Awassa Industry Zone	1000	275km South	Government
9	Tigray/Amhara/Oromia/SNNP	Integrated Agro Industrial Parks		

Ethiopia's Bole Lemi Industrial Park- some 15 minutes from center of Addis Abeba

UPCOMING INDUSTRIAL ZONES:

With "Sheds" the government means pre-fabricated factories mostly described in square/ meters

Industrial zone	Developer	Location	Size	Status	Remark
Bole Lemi I	Government	15km SE of AA center, about 30 min. drive	156ha; 20 factory sheds	Fully occupied; 5 in operation, all sheds completed	Sheds of 5,500m2 and 11,000m2 only; more than one sheds possible; 12 tenants from Taiwan, Korea, India, China & Pakistan; of which 10 in garment, 1 each in footwear & gloves; no labor supply problem; wage $50-55/mo.
Bole Lemi II	Government	Adjacent to Bole Lemi I	186ha; 15 sheds and parcels of land planned	F/S done; detail design stage	F/S done by Korean company; WB assists with finance & TA (sheds, infrastructure, etc.); for garment & footwear investors.
Kilinto	Foreign developer preferred but state development also possible	20km S of AA center	308ha with possibility of expansion	F/S done; detail design stage	F/S done by Korean company; WB assistance; for wide sectors incl. agro processing, electronics, furniture, etc.
Hawassa (previously Awassa)		175km S of AA, half day drive	270ha		Government is looking for foreign developers for these zones; if there is no taker, government is willing to invest according to specs required by tenant firms. A foreign group is moving into Hawassa with infra cost shared by group and government. F/S of Dire Dawa was conducted by China Association of Development Zones. Indian Government will support Kombolcha with a loan of $50 million.
Dire Dawa		E of AA, 300km from Djibouti border	1,500ha	F/S done by Chinese; detail design stage	
Kombolcha		N of AA near Dessie	1,000ha	F/S by Indian government fund	
Eastern Industry Zone	Jiang Su Qi Yuan Group (China)	S of AA; about 2 hour drive	500ha in total; 11 sheds of 10,000ha each	10 Chinese firms; sheds are fully occupied; Phase 2 construction started	The first IZ in Ethiopia; developed by a Chinese private group with Chinese government support; Huajian has been operating here in 2 of the factory sheds.
Huajian Shoe City	Huajian	Jemo area inside AA	138ha	Land procured; designing stage	Expanding from Eastern Industry Zone to its own zone; detail design to be finalized
Gaizo	JV of Ayka & government	Jemo & Gulalearea s inside AA	3 factory apartments , 4-5 stories high	Start construction in early 2015	Plan to invite 50 Turkish export-oriented textile companies; Gaizo means Garment Industrial Zone.
Kingdom Linen	Kingdom Group (Hong Kong)	South end of AA	30ha	Negotiating land & designing	Largest Chinese linen producer.
Ethio-Turk International Industrial City	Akgun Group (Turkey)	Sandafa, 35km N of AA	1,300ha in total, 100 ha for phase 1	Environment al impact assessment	Near AA water reservoir; need to clear environmental check
George Shoe City	George Shoe (Taiwan)	Mojo; S of AA, about 2 hour drive	50ha	Design stage	Building tannery and leather-related facilities for use by George Shoe and other Taiwanese companies; expanding from Bole Lemi I.

FDI inflows charts

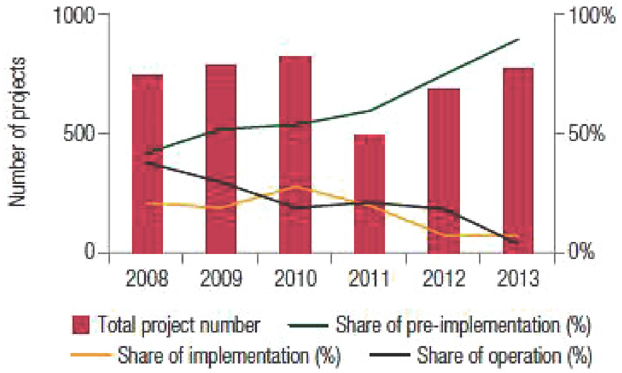
Ethiopia is a latecomer to IP development and as such can profit to avoid any missteps other nations have made. The failure in other nations of these zones is attributable to a number of factors which Ethiopia can avoid. Mostly those include: lack of a compelling business case for companies to invest in; establishments of zones often for political reasons, in remote areas that lack access to transport, utilities, markets and labor; failure to mitigate investment environmental constraints; minimal private sector involvement and investment.

Developments related to Ethiopian IP's that need attention:

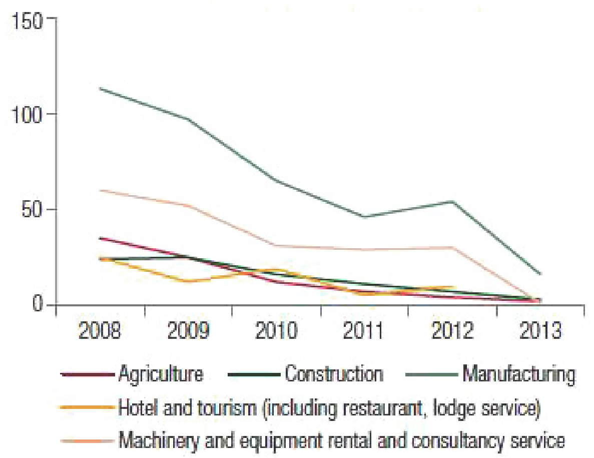
- Site assessment is crucial; the economic benefit to the cities and regions in each location
- IP's should not compete with one another since Ethiopia has a small private sector in the textile- and apparel industry
- Sites should have a reliable connection to infra-structure and utilities as well as to domestic economy
- Capacity building of staff is an urgent priority
- IP's should be built near larger cities and linked to the international market
- IP's should be run as commercially sustainable ventures- so not only subsidized by government since that will scare of investors
- Investors "after care"
- To create support systems at Industrial Parks- logistic providers- restaurants- packaging companies- hangers- boxes- chemicals- dye houses- water treatment plants or ETP- effluent treatment plants that can be used by all lease takers on the industry site

1. Manufacturing FDI by Greenfield Projects Number, Selected Countries, 2008–2014

2. FDI by Number of Projects in Ethiopia, 2008–2013



3. Trend of FDI Projects Under Operation in Ethiopia, by Main Sectors, 2008–2013



CHAPTER 3: MAIN TRENDS AND DEVELOPMENTS IN THE RELEVANT (SUB) SECTOR

3.1 Importance of subsector to the economy

The Ethiopian government has an industrial policy which is deployed into a "plan economy with identification of strategic pillars". The realization of its potential strengths and constraints has been the backbone for this industrial policy and the identification of key priority sectors.

With the current GTP2 plan about to be published (October 2015) the main drivers for this "plan economy" are based on below ambitions.

Macro-Economic goals of GTP 2:

- Ensuring Economic structural transformation
- Ensure Stable Macro-economy
- Improve the share of domestic savings-finance own development programs
- Achievements of GTP 1 and lessons drawn

Objectives of GTP 2 plan:

- Maintain an average growth rate of 11 %.
- Ensuring structural transformation through building national engineering and fabrication capacity
- Ensuring public participation and inclusiveness through enhancing its capability
- Ensuring developmental political economy through building democratic developmental state

Strategic pillars GTP 2

- Sustaining the current fast and equitable economic growth and development
- Enhancing quality, productivity & competitiveness in the manufacturing sector to enhance the productive capacity of the economy
- Ensuring fast national domestic private sector transformation and enabling it to be an engine of growth".

Further considerations GTP2

- enhancing the capacity of the construction sector to ensure wider accessibility of infrastructure and improve the quality of the service
- Managing the fast growth of towns and cities to increase its contribution to the overall economy
- Ensuring and sustaining the fast growth of human and technological development
- Building the implementation capacity of the government, enhancing public participation and ensuring developmental good governance through enhancing the implementation capacity of the government and increasing public participation
- Promote the equality, participation and capability of women and youth
- Building climate resilient and green economy

Further future goals to support this industrial policy are:

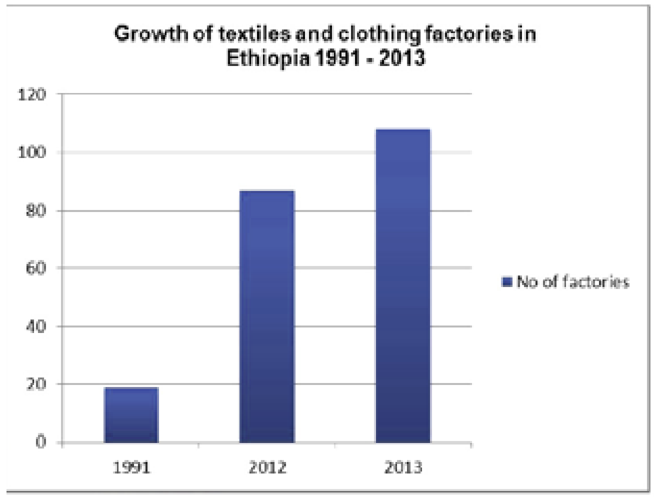
- Overall economic goal
  Is set to grow 11% per annum.
- Industry Sector
  Leading country in Africa in Light Manufacturing
  Growth domestic product will be 20% on average
  Production contribution will be 22% at the end of the planning year.
- Manufacturing
  Production will grow by 22% on average
  Its GDP share will be 11% at the end of GTP2
  Create employment for 750,000 citizens-of which some 99,653 jobs in textiles compared to 37,000 now in textile- and apparel only

Source: pre publishing papers GTP 2 prepared by TIDI

Apart from the goals set by government the importance of the creation of a light manufacturing industry is driven by "good demographics". With a number over 35% of youngsters under 18 and a current (hidden) unemployment rate of 30% of the professional population some urgency for the development of large labor intensive industry is at hand before "good demographics turn to bad". The rapid growth of the population expected for the coming years: anticipation of double population in 2030 makes it all the more urgent to get industry sectors up and running. With more than 4 million in rural areas in need of Direct Food Aid the country is still in a fragile state.

The nascent apparel and textile industry is of great importance for the overall economy. Future ambitions and forecasts as defined by Ethiopian government entail: current start of light manufacturing ensuring employment and foreign currency with the ultimate goals in 2025-2030 to make a transition to heavy industry as automotive, hydro power and electricity sales.

The ultimate goal is to become the "new sourcing hub Ethiopia".



ust-style calculations based on data from Textile Industry Development Institute (TIDI)

Ser. No.	Location	Share
1	Addis Ababa & Surrounding	75%
2	Diredawa	2%
3	Bahir Dar and Gonder	4%
4	Kombolcha	2%
5	Mekele	2%
6	Adwa	1%
7	Awassa	2%
8	Abaminch	2%
9	Adama	6%
10	Modjo and Debrezeit	2%

Objectives	Outcome/Output	Indicators	Annual Targets 2015/16	2016/17	2017/18	2018/19	2019/20
Increase cotton product by supporting cotton farms to supply adequate raw cotton to spinning industries	Increased quantity of raw cotton	Quantity of raw cotton produced in million tones	0.5	0.7	0.99	1.38	1.8
	Increased productivity of raw cotton	Cotton land productivity in tone/hectare	**1.8**	**2.0**	**2.2**	**2.5**	**2.8**
	Job opportunity created	Number of new workers employed in thousands	17	22	28	35	41
Increase export earnings by increasing production and productivity of textiles industries	Highly increased gross value product (GVP)of the sub-sector	Volume of Gross Value Product (GVP) obtained from textile sub-sector in million US$	1,430	1,590	1,850	2,110	2,370
	Increased export earnings of the sub-sector	Foreign currency gained from the sub-sector in million US$	**200**	**300**	**400**	**600**	**1000**
	Improved production capacity of textiles and garment factories	Capacity utilization of industries (%)	63	68	72	77	81
	Expansion of Investment	Number of new completed projects	38	19	19	38	38
	Job opportunity created	Number of new workers employed in thousands	39	34	30	44	27

	Main Apparel Imports to the European Union (EU15)							
		2012		2013		2014		CAGR
	Type of product	mn €	%	mn €	%	mn €	%	%
1	T shirts	8	36%	14	49%	14	45%	33,00%
2	Trousers (excl denim)	4	20%	6	21%	11	35%	55,70%
3	Under-sleepwear	4	17%	3	12%	0	2%	-65,30 %
4	Pullovers	2	7%	3	10%	1	3%	-16,90 %
5	Skirts & dresses	2	8%	1	5%	1	4%	-14,70 %

3.2 Subsector in international and regional context

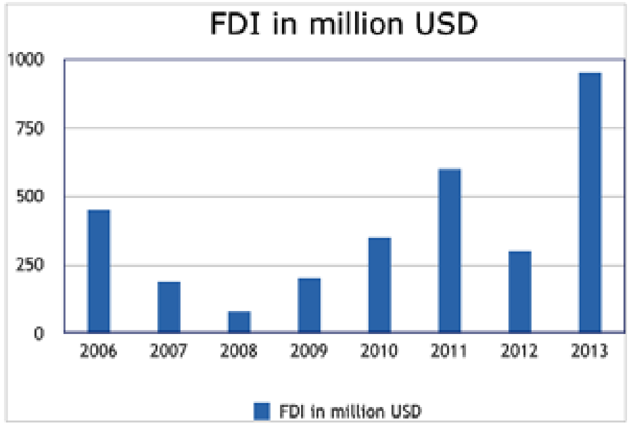
The importance of the sector for the total economic development of the country is immanent. The industry however is still in an "infant" stage as described by officials and the export turnover is fairly limited still. From an international perspective goods exported from Ethiopia to the world have a share of total global apparel exports of 0, 01 %. (See also 3.7)

Once putting the sector in the perspective of FDI it turns out that most FDI is big sized and of a large scale set up ensuring local employment only. Most investors that construct factories themselves come from Turkey, India and Bangladesh but also bring their clients along. Since those clients are not exposed to the rest of industrial Ethiopia the FDI is a self-sustainable operation. Very few FDI projects are realized under joint venture with Ethiopian companies.

Examples can be found in:

- Chinese manufacturer Jiangsu Lianfa textile Co will boost 20,000 jobs but brings its own client base
- Bangladesh DBL will invest 30 million US in Mekele
- PVH group just started construction of large scale factory
- Indian Arvind denim giant start production of jeans
- Turkish Ayka textiles runs a factory with 10,000 workers but works almost exclusively for Tchibo, a large German discount retailer, which has been their customer for the last 15 years.

Exemption from this course of events is H&M who established an office in Addis but works with 4-5 locally owned Ethiopian factories where they invest in knowledge transfer and training of management and assembly staff.

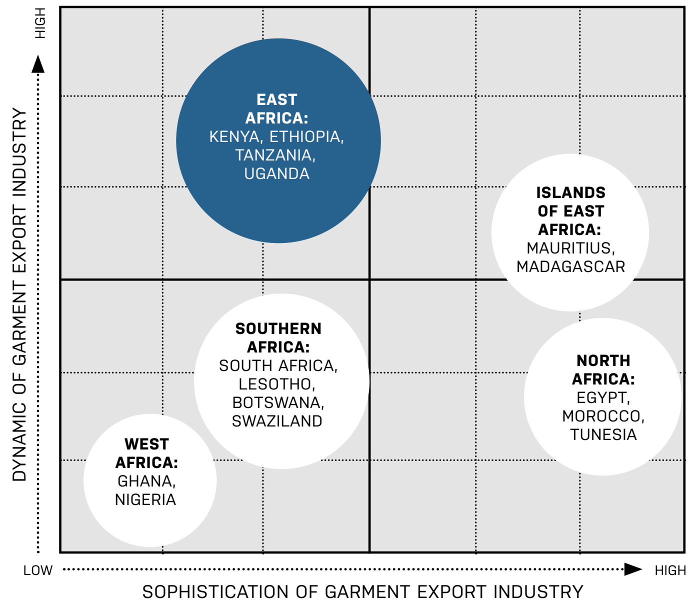


FDI in textile – and apparel sector in Ethiopia Source Unctad.org Table. Contribution to Ethiopia's GDP development per industry- manufacturing sector Source pre-publication GTP2 plan

No		2013/14	2014/15 Estimate	2015/16	2016/17	2017/18	2018/19	2019/20
	Manufacturing sector							
1	Textile & garment	0.111	0.137	0.165	0.244	0.402	0.605	1.000
2	Leather and leather products	0.133	0.160	0.185	0.300	0.400	0.600	0.800
3	Meat, meat products & Honey	0.076	0.084	0.125	0.230	0.292	0.376	0.470
4	Food & Beverages	0.065	0.115	0.120	0.222	0.281	0.360	0.450
5	Sugar			0.387	0.567	0.716	0.927	1.200
6	Chemical & Constriction Inputs	0.011	0.020	0.027	0.049	0.062	0.080	0.100
7	Pharmaceuticals		0.015	0.029	0.054	0.068	0.088	0.110
8	Metal Engineering industries	0.002	0.019	0.044	0.065	0.110	0.200	0.342
9	Electric & Electronics products			0.050	0.063	0.088	0.139	0.185
	Total	0.398	0.544	1.075	1.794	2.419	3.375	4.657

AFRICAN APPAREL SOURCING OPPORTUNITY MAP
dynamics & sophistication of garmeNt export industry

Source: Mc Kinsey CPO servey, Januari/Februari 2015



From a regional perspective it has to be concluded that the Ethiopian textile- and apparel industry is of course small sized with some 100 factories only, but has the potential to grow significantly. When we compare the current status of the industry to the regional market or to the African continent as a whole the competitiveness of Ethiopia is fairly limited still with little export variety in the "product mix" and of a limited level of sophistication.

Regional comparison

Competition Ethiopia faces comes from neighboring countries like Kenia and Tanzania who have similar ambitions and dedication to launch a light industry and become middle income nations by 2025.

The Ethiopian government is well aware of the challenges ahead but has some compelling arguments to stay ahead of the competition from its neighbors.

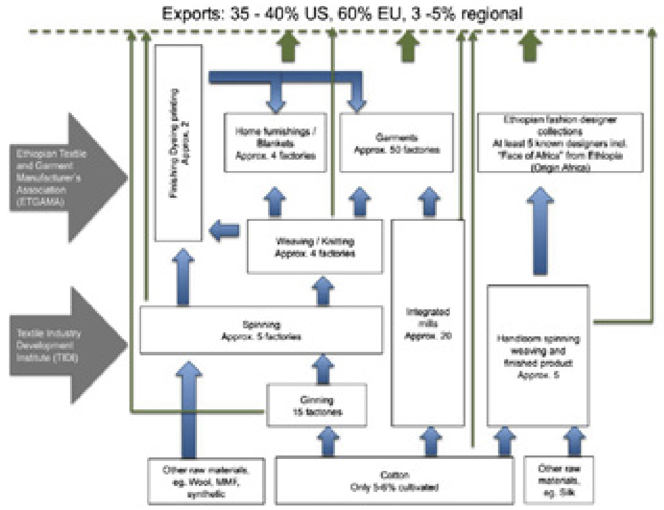
- Wage structure Ethiopia is 5 times less than Kenia
- The country is political stable and safe. Security in Ethiopia is ranked 55th out of 148 countries by the World Economic Forum (Global competitiveness report 2013-2014)
- Large potential to create backward linkages in the industry once cotton potential areas can be exploited
- Ethiopia has over 30 bilateral investment promotion and protection agreements
- Over 43 million potential workers
- Ethiopian government invests largely in infrastructure: railway straight to export port Djibouti
- Ethiopian government has installed a scheme of incentives for business financing and trading terms: opening an LC regularly would cost a company 3% during the production lead-time- in Ethiopia this is less than 0,5%
- Ethiopian government has reduced the cost of freight and transport with -25% and is about to launch its own transportation company providing trucks that run to Djibouti port.

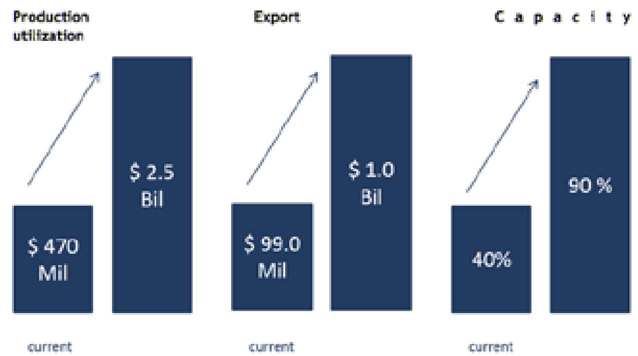
3.3 Value chain structure and future

Figure 9: Competitiveness of Ethiopia as compared to close competitors in sub Saharan Africa for product category 6109 (T shirts)

Performance Indicators (demand perspective)	Focus Country Ethiopia	Competitor Country 1: Kenya	Competitor Country 2: Tanzania	Competitor Country 3: Botswana	Competitor Country 4: Mauritius	Competitor Country 5: Lesotho
Price levels	= Base	+	=	+	- -	++
Product design	= Base	++	+	-	++	-
Product diversity	= Base	+	=	-	++	-
Language	= Base	=	=	=	+	=
Export procedures	= Base	++	+	+	++	-
Reliability	= Base	+	-	+	++	-
Tariff preferences	= Base	=	=	=	=	=
Ease of doing business	= Base	-	- - -	++	+++	- -

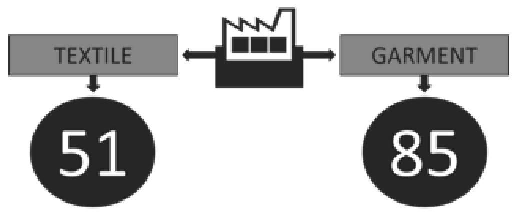
The figure below provides an overview of the structure of the sector.
ETGAMA, the Ethiopian Textile and Garment Association at this point has 80 members. These members include 20 so called "vertically integrated" companies which means including the spinning process. Companies that are called "integrated" have all processes in house apart from spinning. Since the Ethiopian government has a policy on the creation of "added value", the exports of Ethiopian raw cotton is restricted since it must be put to use for the own textile- and apparel industry. Market protection and similar export barriers and bans have been installed for the leather industry where exporting hides will be taxed.
Since the industry is still small scaled the Ethiopian government has invested largely in knitting and weaving capacities with state of the art machinery like Rieter, in order to avoid yarns are exported



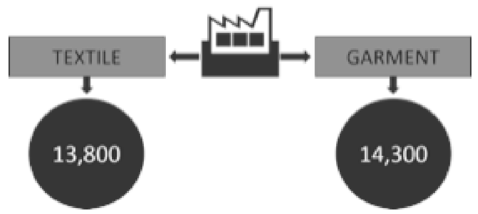


and value addition would take place outside of the nation.

Ethiopia has 2, 6 million ha that are suited for cotton cultivation (see also 3.10). At current only 5-6% of the cotton is cultivated and used in the forward textile industry. This results in imports of cotton and determines the production process character of garment manufacturing units to be 50% CMT oriented (cut make trim, so assembly of products only) and a limited amount of FOB (full export products) of 25%.



Source: TIDI ppt



Employment in numbers 2014-2015

If the industrial capacity would come to full blossom, TIDI reports following tendencies:

3.4 Production

Due to limited capacity usage the industries production output is still limited. The efficiency on weaving and knitting as well as garment assembly is less than 45%. Most factories, either fully integrated or partially integrated run on a markup, profit margin of 0-2%, mostly on break even for exports. This is not very encouraging. During a visit in Bahir Dar factory showed clearly that due to the relative low quality of the local Ethiopian cotton, staple length as little as 23 mm, comparison: normal is at least 26, 27 mm and Egyptian long staple can go to 33 mm; means that the end product is mostly run on open end spinning machines determining not only the final product but also the market segment in which it can be sold.

Due to low efficiency the production cost per minute (SCM) comes to 0,09 cents USD which is very uncompetitive once compared to nations like Bangladesh 0,05 cents or Vietnam, 0,06 cents. During an interview H&M reported that production costs on average are 20% higher than in Bangladesh caused by limited utilization of capacity, limitations in efficiency, single skilled workers as well as the quality of raw materials.

If we realize that 82% of the export product consist of T shirts at a buying price of 2-3 USD it implies that to date around 33-40 million knitted garments are exported. If we compare this to the buying capacity of retailers like H&M this means a single account like H&M would be able to consume the entire production of the nation at this moment. This indicates how small the sector still is.
The future however is bright with an interest of buyers like: Primark, Tesco, PVH group (Tommy Hilfiger and Calvin Klein), Tchibo amongst others.

The potential production capacity of the Ethiopian textile industry in near future:

- 37 million kilograms of yarn
- 88 million meters of woven fabrics
- 30 million kilograms of knitted fabrics
- 18 million pieces of woven garments
- 62 million of knitted garments

Source: TIDI Oct 2015

3.5. Trade and logistics

All exports from Ethiopia go through the port of Djibouti. The main mode of transportation is by trucks loaded with 20ft or 40ft containers. Due to the restraints at Djibouti port this also results in the motto for production: “One container a day” Djibouti port can only ship containers- either 20 feet or 40 feet- and is not able to handle partial shipments or LCL shipments. Due to this restraint the Ethiopian garment manufacturers have an odd rule: MOQ (minimum order quantity) as large as to fill a container. In product terms this results in a minimum order of 20.000 pieces of T shirts or 25.000 meters of fabrics. Due to this logistic restraint the producers are focused on clients with large buying volumes whereas most Ethiopian companies employ between 500-1000 workers and would be more than able to produce more flexible and smaller order volumes.

Second to this development the average logistic prices are fairly high compared to other producing nations. As a comparison: a 20ft container in Bangladesh would cost an average of 1800 USD which is 800 USD less than in Ethiopia

Description	Distance in KM	Transit Time including process	20 ft Container (in USD)	40 ft Container (in USD)
Addis Ababa to Djibouti	900	10 – 12 days (including clearance)	2600	4000
Djibouti to Addis Ababa			1237	2475

Source: TIDI October 2015

Third constraint is the transit time: 10-12 days before departure to EU markets, which means vessel transit time is another 3 weeks to EU markets. In total then logistic transit ETA (expected time of arrival of goods) in EU markets would be at least 6 weeks. Compared to other producing nations, average 4 weeks, this is a loss of time and value.
Since the alternatives to use any other than Djibouti port are limited the Ethiopian government has been creative in solution designs.
Upon complaints of Ethiopian garment manufacturers not being able to accept smaller order runs or being capable of having some “speed to the market” government decided to cut costs of transport with over -25%.
As a second measure Ethiopian Airways Cargo has created preferential tariff for garment exports for as little as 0, 25 cents USD per piece. Compared to other manufacturing nations this price is as low as regular forwarding by container vessel, taking 4 weeks transit.
The solution to airfreight all exports at a truly low costs instantly solves the dilemma of MOQ 20.000 pieces. Now any order volume can be exported.

3.6. Internal market

Related to the potential international exports Ethiopia is now on 1/3 of the use of its capacity and on 1/10 of potential export value**.** Given the forecasted growth of the population, double to 180 million inhabitants in 2025-2030, it is imperative the industry sector needs to grow rapidly and mature a lot faster than other developing nations. The timeframe the Ethiopian government has anticipated for the growth of the sector to maturity is planned for the upcoming 5-10 years. When compared to other emerging nations this is at least 3 times faster. Ethiopia in that sense differs a lot from nations like Bangladesh for instance where the sector has come to blossom without an active intervention of government.

The local market is much more attractive for Ethiopian companies. Issues that block the forecasted growth and the expansion of exports can be explained by following factors:

- **Domestic market- internal market**
  Most goods 50-75% are sold in the domestic market. Companies can make a profit of average 10-20% on products sold compared to 0—2% in exports. There is no record or official data on how much of the products are sold locally but the Ethiopian government sends out warning letters to the companies to restrict their focus on exports. Even the government is considering to reimburse losses on exports. The issue with orders manufactured for international exports is that prices are far too low to cover for limited efficiency. Furthermore the domestic market provides instant profit and does not require any strict compliances, nor certification or testing of products. The urge for manufacturers to go for international exports therefore is limited since money can be made on the doorstep. Currently a kilo of cotton is sold for 34 to 36 Bir (local currency) in the domestic market while at the international market the same amount costs 26 Br.

- **Low quality of products**
  Due to lack of experience and a sole focus on former domestic sales many fabric qualities are based on carded instead of combed cotton, have inferior quality, do not comply with international testing on chemical use, restricted substances or shrinkage and are therefore sold in local market. Most woven fabrics are made on open end spinning resulting in fabric qualities that can only be used for bed sheets and covers. The level of workmanship requested for local market is also low which means workers are not motivated to improve assembly skills or enhance efficiency.

- **Comesa**
  Ethiopia’s Prime Minister Ato Hailemariam Desalegn is Chairman of the Comesa Authority. Comesa stands for Common Market for Eastern and Southern Africa. Although Ethiopia is a member and even chairs the Comesa it does not open up its regional exports to Africa. This is part of a carefully directed policy of phased trade liberalization. For now the only sector up for regional trade would be the leather exports from Ethiopia. This sector is considered more mature and able to compete. Once the government feels the textile- and apparel sector is mature enough it will consider to open trade with neighbors like Kenia- Uganda- Nigeria amongst others. Ethiopian manufacturers have high ambitions on those markets since they except profits to be similar to the domestic market. Despite being a member of Comesa Ethiopia has an import block of 65% of products categories from Comesa member states and is thus protection its market. Imports are taxed with tariffs of 25-40%. This also applies to imports from other nations outside Comesa like China and India. Comesa however is good future market potential for Ethiopian garment industry.

- **Low level of compliance**
  Another hurdle for exports is the low level of compliance and bad housekeeping in Ethiopian factories. (See further 3.9) Since domestic sales are not bound to any legislation nor environmental or chemical compliance those sales are fare easier than exports. Easy to realize and easy to grow the domestic business since low level of workmanship is required and the size of the market grows.

- **Low level of IT use or Cad/ Cam.**
  Due to “infant” stage of the industry the products designed and sold are of very low standards. Assembly is possible for simple products like T shirts and companies do not make use of IT nor Cad/ Cam design aid to extend the product mix. Most products in Ethiopian domestic market are of low assembly standards and not suited for exports.

TOP 10 GARMENT EXPORTING NATIONS IN SUB-SAHARAN AFRICA

	Apparel export 2013 (USD millions)	Percent of world export	Approx. number of apparel factories	Population 2014 (millions)
Mauritius	761.3	0.17	174	1.2
South Africa	502.9	0.11	450	53.1
Lesotho	417.9	0.11	43	2.1
Madagascar	381.1	0.08	71	23.6
Kenya	279.3	0.06	22	45.5
Botswana	72.4	0.02	10	2.0
Swaziland	52.8	0.01	18	1.3
Ethiopia	**36.5**	**0.01**	**66**	**96.5**
Tanzania	17.0	0.004	22	50/8
Malawi	10.6	0.002	<10	16.8
SUM	**2,531.6**	**0.55**	-	-

3.7. Export

The Ethiopian government is currently bench marking its garment industry with data from other manufacturing countries to foresee what capacity building is needed and how to improve competitiveness internationally. It is very aware of the underuse of capacity and low level of international compliance and determined to solve this within the GTP2 plan period.

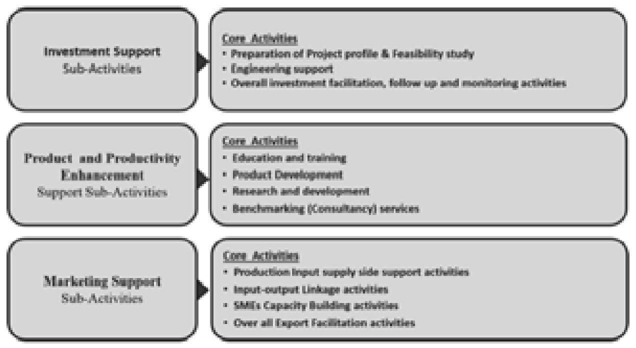
Ethiopian government attracts foreign engineers, dye house masters and chemical technicians from |Turkey, China, Sri Lanka and India to gain insights in the production process efficiency and to implement training on site at the factories.

Furthermore the Ethiopian government has approved of loans at interest as low as 3-4% to upgrade the technology of the sector and come on par with international garment production standards on green manufacturing, water- and waste management, Lean manufacturing and water treatment plants.

3.8. Access to finance

Corporate loans are set at less than 4%. Since the garment and textile industry is a key priority sector to industrialize the nation, the government has a large set of incentives as well as on site support for SME capacity building. Since export promotion is the key argument, the government makes use of its Institutes and Universities to provide training and support for the sector.

Some examples of the services of the Ethiopian Textile Industry Development Institute- TIDI:



Source: PPT Tidi October 2015

3.9. Challenges in the value chain

As the potential and the future of the Ethiopian textile- and apparel industry is 10 times larger than today, following challenges have to be overcome: (see also 5.2)

Efficiency factories in garment assembly- cost argument

Efficiency is a slow as 40-45% in production both in textile/ garment assembly units. This is mainly due to bad processes and lack of education. The given SCM per minute would be on paper as competitive as Bangladesh making Ethiopia just as compatible for 0,04 cents up to 0,05 cents a minute in practice however the real number mounts up to 0,09 cents -0,10 . This is very uncompetitive number once put in place to Cambodia- Vietnam and Bangladesh. Workmanship is mediocre.

It is not easy for foreign Turkish investors to strive for improvement of efficiency since also the backward and forward process in the industry can take as much as 3 months.

Cycle times and delivery

Cycle times with imports needed from abroad can be extended up to 150 days. Where companies make use of local Ethiopian cotton this can be reduced to 100 days on average. The Ethiopian cotton can cover for 40% of the total need which leaves 60% of the need unattended which inclines cotton has to be imported from either Turkey or India. Chinese fabrics are generally heavily overpaid which makes the end product uncompetitive.

Bureaucracy and lack of foreign currency limit export growth considerably and make a future anticipation difficult.

The cycle time of production runs in that sense is 45 -60 days longer than in countries that offer comparable products.

Seasonality and production peak- gaps

Since Ethiopia is not yet well known as a manufacturing nation the presence of international retailers and buyers is yet limited. Companies like H&M, Primark, Tesco, PVH and others are pioneers in the market. For them the cost argument of low wages 40-50USD per month is a one sided argument, the other is to spread the risk of capacities. Where they are now producing large volumes in nations like Bangladesh they are in need of a Plan B scenario to cover for needed future capacities. The issue however is that they currently work with the Ethiopian factories that are most compliant- 4-10 factories- which leaves the remainder out of scope. The Ethiopian capacity is therefore underused. Many of the factories we have visited and interviewed where idle- without any production in line but with state of the art machinery on site.

Ethiopia has to start with forward marketing and hard sales in order to avoid the current idle production capacity. Many larger scaled companies are in need of clients that can give capacity blocks of 3-6 months. Most companies that have larger set ups still follow the concept of "one container a day". If that capacity remains unsold they are instantly bound to the domestic market whether they get penalties or not.

Regulations and paperwork- IT and communication- power cuts

Some of the challenges the sector faces come from interventionist governmental rules and regulations, other challenges are power cuts, low penetration of telecom networks and use, low density and speed of internet and the habit of Ethiopians to arrange things by phone rather than by email. Digital processing in business will take another 3-5 years at least.

Social- chemical- environmental compliance

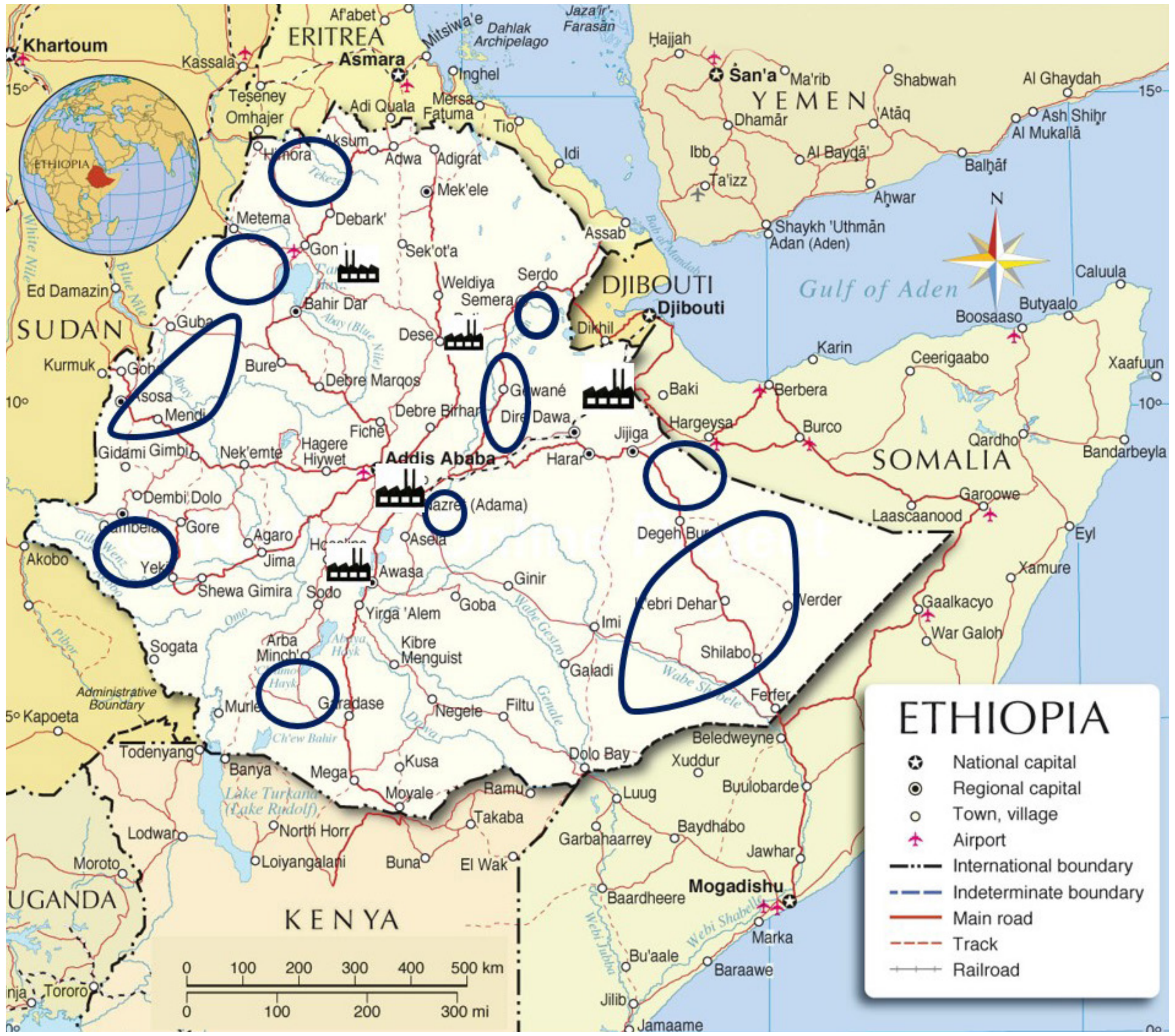
Environmental compliance is surprisingly high with a large number of factories owning ETP plants and having access to the latest technology thanks to government investments.

Social compliance is relatively low as well as OHS- operational Health and Safety. Despite the fact that job migration is – labor migration is relatively low the wages/ payments and other secondary conditions are hardly regulated. Most companies have their policies and do provide medical assistance and insurance but none of this is regulated nor mandatory. The use of PPE personal protective equipment like metal gloves, glasses, gloves, napkins is almost zero.

3.10. Geography of the sector

75% of the industry is centered in and up to a circle of 10 kilometers around the capital Addis Abeba. The government is exploring all options to grow the sector and attract FDI by the creation of Industry Parks in order to spread production capacity over the entire nation and secure the necessary employment, to regulate transport and create new options for reduced airfreight and to complete the ongoing construction of a hot connection by rail to the port of Djibouti.

Djibouti is the closest and single Port used for exports of Ethiopian textiles.



Manufactoring zones *Potential cotton cultivation*

CHAPTER 4: INSTITUTIONAL CONTEXT

4.1. Sector policies and regulations

The government is committed to improve key infrastructure projects in order to facilitate the textile- and apparel industry.

A. Main policies and regulations

- 100% Duty free importation of machineries, equipment,
- Duty free importation of spare part of 15% of capital goods for the first 5 years of operation.
- It is possible to hire international expatriates free from income tax as far as they stay for no more than two years.
- Reconciliation of VAT for materials purchased locally during the project period is possible if declared in 6 months' time.
- On site (factory) customs inspection/clearance of imported raw materials and exportable products.
- State owned logistics enterprises (Ethiopian Shipping Line, Ethiopian Airline, Dry Port Services and Maritime) provide their services at break-even price.
- Those who are engaged in export business they will be entitled for fast custom service (low risk level).
- Capacity building through MOI- Ministry of Industry TIDI and consulting service

	TRADERs	MANUFACTURERS	EXPORTERS
- Duty	35%	20%	0%
- Excise	10%	10%	0%
- Surtax	10%	10%	0%
- VAT	15%	15%	0%
- With-holding	3%	3%	0%
total	73%	58%	0%

Source TIDI PPt October 2015

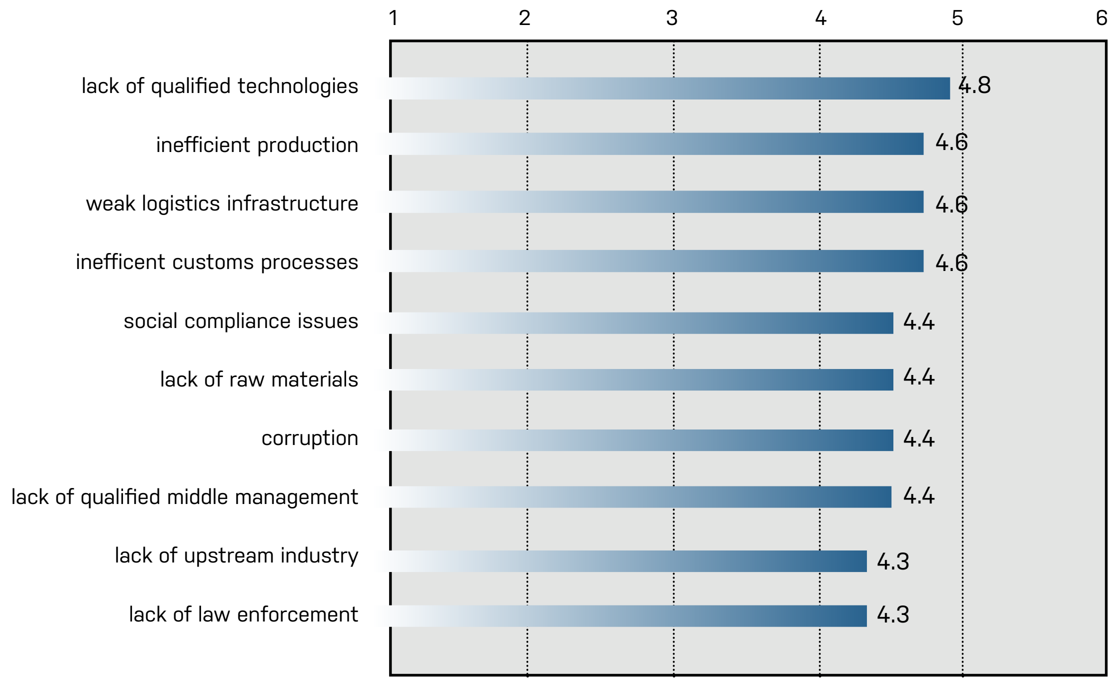
From an institutional perspective the sector gets all the possible support it needs to smoothen sector policies and regulations.

B. Challenges with regulations

The challenges Ethiopian companies face are not so much related to regulations but more related to the immaturity of the sector and its actors. The only real challenge Ethiopian manufacturer's face with governmental intervention is when they would go for single exports to the domestic markets since this counters the industrial policy.

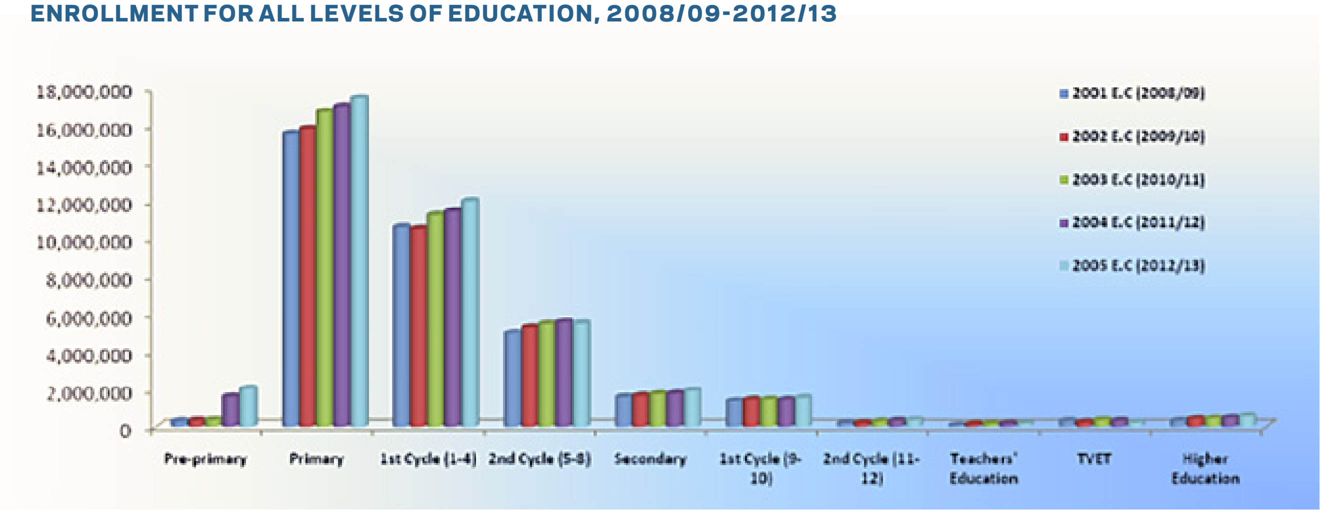
CHALLENGES ASSOCIATED WITH DOING BUSINESS ETHIOPIAN GARMENT EXPORT INDUSTRY

Source: Mc Kinsey CPO survey, Januari/Februari 2015



CPO servey, avarage rate: 1 = no challenge to 6 = very high impact challenge. n = 15. Growth goals and satisfaction of inflowingbuyers can only be achieved while simultaneously strengthening the backbone.

ENROLLMENT FOR ALL LEVELS OF EDUCATION, 2008/09-2012/13



4.2. Public sector partners

A. Research and Education

There are 34 public and 4 private universities in Ethiopia. Addis Abeba University is the oldest and most important university in Ethiopia, followed by Jimma University, Haramaya Univesrity; Gonder University, Mekele Univesrity, Bahir Dar Univesrity which has an enormous technology division and a complete set up with textile machinery and Adama Science & Technology University. Further education of the sector is provided by Ethiopian Institute of Textile and Fashion Technology (EiTEX).

The Bahir Dar University offers 3-4 years Bachelor programs which can be followed by a 2 years Master education. For the near future they have signed MOU with California University to be able to offer PhD courses as well. The main programs and specialization programs are centered around: textile engineering, merchandising, textile technology, textile machinery, sewing and assembly techniques.

B. Ministry of Industry MOI

The MOI, Ministry of Industry is charged with the development of the textile- and apparel industry. For both domestic producers as for foreign investors this Ministry is the main actor to deploy the governmental strategy of this key priority industry. Together with other institutes like ETGAMA and TIDI the policy as described in the chapters above is implemented, corrected and expanded. All actors are to follow the Growth and Transformation Plan for the period 2015-2020 which is expected to be published October 2015. Most of the sector inputs come from benchmarks conducted by ETGAMA and from studies on export feasibility conducted by TIDI.

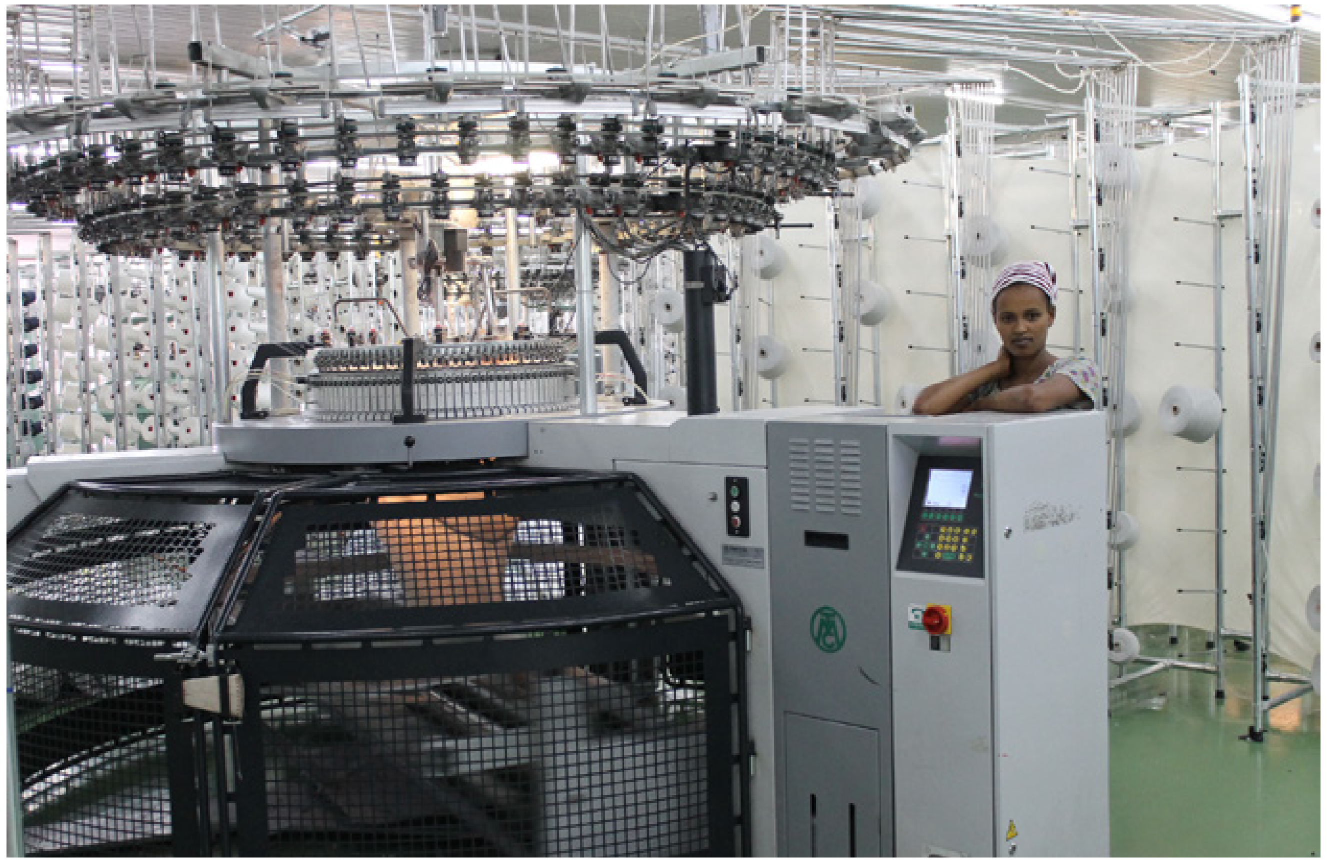
C. Development partners

Development partners in Ethiopia for the textile- and apparel sector are the institutes that have been indicated as transformation actors for the sector like: ETGAMA, (E)TIDI and EiTEX as well as the DBE- Development Bank of Ethiopia, National Bank and Ethiopian Investment Agency to channel the existing FDI interest and attract new potential in order to grow the export market and align all efforts to fulfil the Growth & Transformation Plan for the plan period 2015-2020. NGO's like Solidaridad have established an office in Ethiopia and run projects and programs related to cotton farming and enabling farmers and value chain actors to develop up to standards. Solidaridad furthermore assist factories with cleaner production through assessments of consultants at the factories in order to bring them up to the international export standards for environmental neutral manufacturing and waste- and water management. Solidaridad has conducted surveys and training on the potential to expand cotton farming according to the latest crop growing and harvesting techniques thus supporting the complete value chain to interact and have the necessary forward- and backward linkages in order to come to a full-grown industry. Solidaridad is also a partner in H&M programs to educate companies on clean manufacturing, waste management and environmental policies.

The CBI, Center for the Promotion of Imports from Developing Countries and part of the Netherlands Enterprise Agency is doing pre- study to support the Ethiopian leather manufacturers with an ECP- export coaching program that normally runs between 3- 5 years and caters to exporters that want to upgrade their export products and be connected to direct business partners in the European Union.

4.3. Private sector partners

Private sector partners in Ethiopia have in most cases direct liaison with the government and are implementation partners of industrial policies. In the case of the textile- and apparel industry there are only two associations. ETGAMA- Ethiopian textile and Garment Association and ELIA- Ethiopian Leather Industry Association.



CHAPTER 5: BUSINESS OPPORTUNITIES

With this Business opportunity Report the opportunities for Dutch- and European companies are explored. The report aims to give an overview of the sector's possibilities and restraints in order to come to a full assessment where chances are present to invest or to start businesses and/ or collaborations with Ethiopian textile- and apparel manufacturers. The aim is to build sustainable supply- and export value chains by improving production and processes and to increase exports that benefit Dutch companies as well as the Ethiopian sector development as a whole.

5.1. Vision

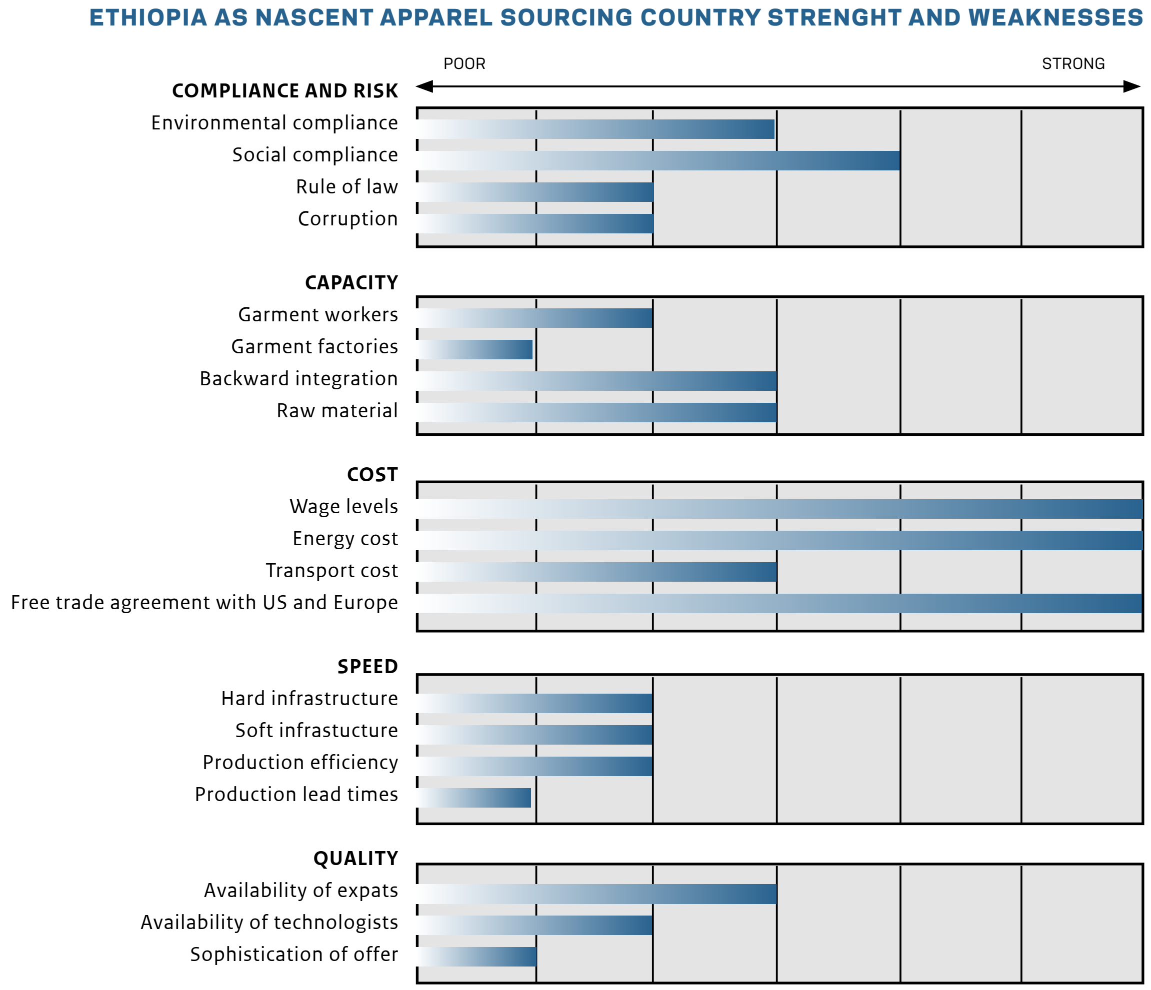
The Dutch and European state-of-the-art technology and solution based mentality, the advanced quality of trainers and experience in social, environmental and chemical compliance could be beneficial to The Ethiopian textile- and apparel sector. The Dutch experience on cost reduction and implementation of efficiency parameters in complex industry surroundings could be an opportunity to implement and discuss with Ethiopian industry actors where contracts for long term coaching and export profiling and promotion are very viable. Companies from the Netherlands that are either experienced in garment technology and garment production as well as IT pre-production solutions and design have rather wide opportunities to support the immature Ethiopian sector. Profile of potential Dutch investors and / or consultancy expertise are explored further under 5.3. Section. Since the Ethiopian sector is considered to be in an "infant" stage the extensive technology experience and marketing knowledge of Dutch companies could be very profitable for long term collaboration and mutual business development with Ethiopian companies. Dutch fashion companies are renowned for their expertise on product diversification on a shoestring budget which lacks entirely in the Ethiopian sector. Dutch engineering expertise on waste- and water management as well as chemical and environmental excellence is a widespread need in Ethiopia due to a current lack of education and business practices. The Dutch standards in industry of "good housekeeping" and compliance with social standards would be highly welcomed to be educated and trained on site at the existing factories. Dutch monitoring on factory emissions and close interpretation of regulations could be an asset for both institutional as private sector institutes and companies in Ethiopia. (Textile) Testing agencies and or laboratory technicians are also in high demand on the market.

5.2. Strengths and weaknesses analysis

Based on interviews and factory visits conducted in Ethiopia the listing of strengths and weaknesses gives and overview of the current status of Ethiopian textile- and garment industry which will be tailored to Dutch opportunities for either business or investments under section 5.3.

Strengths

- Availability of abundant labor at low cost
- Cheap electricity- up to 8 times less than other manufacturing nations
- Water is free. Most garment companies use tab water- ground water or river water
- Cost of goods therefore far lower than any other producing nation
- Strong financial support government
- Tax holidays up to 2-10 years depending on region and distant to Addis
- Income tax holidays up to 2 years for expatriate technicians/ trainers and other persons with desired expertise that are willing to transfer knowledge
- Import duty free equipment, machinery and on spare parts and / or any goods needed to realize production
- Backward integration possibilities with raw materials: local cotton
- Transportation cost decreased by -25% thanks to government intervention
- Speed to market by using airfreight at competitive costs: transport prices by air even cheaper than transport by vessel in other producing nations- saves over 3-4 weeks transit to market
- Local availability of experts- also foreign experts are paid by government
- Low rent and lease up to 1-2 USD per square/ meter for factory buildings
- Profit dividend allowed outside the country



- Repatriation of profits
- Duty drawbacks and bonded warehouses
- Loss carry forward for half the investment period
- Income tax holidays 2-8 years
- 8,5 % interest- loan facilities
- Possibilities to work with Development Bank, carry 50% of investments only (used to be only 30%)
- For new establishment still 30% cash equity
- Reconciliation of Vat if declared within 6 months of purchase
- Strong presence of foreign technology experts
- Level of command in English with all workers is relatively high
- No – till little illiteracy
- Trained fashion technologist come from various Universities- good education
- Availability of SME's also suited for more flexible order runs with over 50 factories in size from 500- maximum 1000 employees
- Potential Comesa- AGOA markets in future to retail on
- Industry Parks are very cheap to settle
- Government to install collective ETP water treatment plant on all IP's for common use
- If your company is part of key priority company registration and permits will be arranged very fast
- Large investments in denim
- Political stable and safe nation
- Options to tender on large scale vertical integrated companies up for privatization
- All business processes controlled by government: "do not pay without receipt"- to fight corruption
- Business start from 1- 2 million and up
- Opportunities for consultancy and education companies

Weaknesses

- Limited availability raw materials- only cotton
- No manmade fibers – only through imports
- Quality is low staple- 26mm
- Bureaucracy
- Lack of middle management- need to bring yourself
- Lack of merchandisers
- Inefficient production 45% maximum
- Lack of IT and CAD/ CAM in production

- Focus companies on "one container a day » so high MOQ
- Limited product diversification and little sophistication offer
- Social compliance is a big issue
- Bad housekeeping everywhere
- Personal hygiene insufficient-leads to sloppy work floors
- Slow production lead times- up to 120 days
- Lack of PPE- workers do not want to use personal protective equipment
- Small scale of total industry
- Lack of testing agencies- all to be send to SGS Egypt or Turkey
- Competition of local market- higher revenue for Ethiopian companies
- Non availability of spare parts for maintenance of machine park
- No branch offices for machine suppliers (Rieter and others..)
- Limited options for packaging
- Limited options for trimmings- printing- accessories
- Chemical storage fully non-compliant
- Working permits for 1,5 month- maximum prolong till 3 months
- Manual pattern and marker making
- Repatriation of profits to be decided
- Health care limited- large medical issues need to go to Kenia

5.3. Opportunities and for whom? Investor profiles

In order to understand which competencies and businesses can be successful in Ethiopia the role of government cannot be underestimated. As illustrated the main objective of the Ethiopian government is to make a transformation from an agricultural economy to a manufacturing economy ensuring employment for its growing population and supported by the aim to enhance the foreign income and currencies. Companies that are specialized in knowledge transfer or training therefore will be allowed for short- medium contract periods. Companies can bring expatriate managers to train Ethiopian staff until local staff will be able to conduct the activities themselves. Depending on the complexity this might vary up till 2 years maximum.

Investors that match the key priority conditions of the government and provide large employment possibilities will be favored by the Ethiopian government just as companies that have a specific skill or expertise that can be conveyed.
Large Dutch companies that have successfully invested in Ethiopia are Heineken, with the local brewery and beer 'Walia" and Bavaria with the local brew "Habesha".
Profiles for new investors or businesses are therefore either with a focus on "employment or skill transfer".

Potential investors and or services/ consultancy openings in the Ethiopian textile- and apparel industry are:

- Importing manufacturers- private label companies to invest in IP's
- Trimming and accessories companies
- Pre-production services as CAD/ CAM
- ERP planners
- Packaging companies
- Testing agencies
- Certification bodies
- Spare part technology and machine maintenance companies
- Agents- buying houses. The presence of international buyers is still very limited
- Sales executives
- Export promotion experts to attract new business-orders from abroad
- Large retailers in mid segment
- Smaller retailers and fashion chain groups might invest in factory "sheds"
- Printing and labelling companies
- Sublimation printers
- Fabric importers or textile agents
- Bonded warehouses of fabrics- non cotton- blended yarns
- Forwarding companies
- Foreign managers
- Merchandisers- technologists
- Hydrologists- water managers
- Dye house experts
- Chemical consultants

5.4 Example Business Case: Be Connected- Miriam van Alphen

Be Connected: Mrs. Mirjam van Alphen started on the Eastern Industrial Park close to Addis this February 2015. Her company is active already since 2008 and has offices in Hong Kong- Sri Lanka and Bangladesh. She owns the company together with a Belgian partner. They are a private label company that runs fashion productions for kids- men and ladies and produce garments for clients like C&A and Lidl as well under license of Disney- Hello Kitty amongst others.
Initially they came to Ethiopia due to immigration of a friend to Addis and where investigating possibilities to buy from Ethiopia or even start a private label production company. Since they saw too many obstacles initially for that they decided to jump in another market gap: the lack of labelling- and printing companies. She started this January 2015 and is now fully operational with all permits and company registrations.
She employs 80 workers, has invested 3, 2 million USD and her ROI- return on investment is estimated to be 2-3 years.
Her capacity for label production is 80.000 pieces of main labels a day and she has already sat down with H&M who want to certify her company as their nominated source for the supply of labels for garment production for their entire African production.
Her machines were easy to import and she has had full governmental support with all registrations and provisions. Although she invested all amounts herself without making use of the DBE bank or any investment agency her experience to be up and running within 6-9 months is quite astonishing.

Interviews

1. Mr. Bas Kothuis, hydrologist and consultant Antea Group for large key accounts and industries: Coca Cola. Interviewed on Ethiopian factory compliance- chemical use and storage and water- and environmental water treatment management on September 24th, 25th, 27th during factory visits by Dhyana van der Pols

2. Mr Ageazi Hailemariam, manager ETGAMA and benchmark specialist. Interviewed on Sept 24th, 30th by Dhyana van der Pols

3. Mr Tanju Kavlaki, CEO factory Ayka Addis employing 10.000 workers on doing business in Ethiopia on Sept 24th interviewed by Dhyana van der Pols

4. Mr Yared Birhane, CEO Bahir Dar Textiles. Vertical integrated factory with capacity of 35.000 meters a day. Interviewed on business prospecting and legislation on Sept 25Th by Dhyana van der Pols

5. Bahir Dar Textile University and Ethiopian Institute of Textile and Fashion Technology (EiTEX) MrAddisu Ferede Tesema, Scientific director. Interviewed on Sept 26th by Dhyana van der Pols

6. Mrs. Miriam van Alphen, CEO of Be Connect. New Dutch investor that started in Ethiopia on the legislation and regulations and doing business in Africa. Sept 28th interviewed by Dhyana van der Pols

7. Visit ASBM factory outside Addis. Interview technical staff and CEO on Sept 29th by Bas Kothuis and Dhyana van der Pols

8. Yirgalem textile visit. Interview all staff and CEo on growing the business in Ethiopia and finding exports. Sept 30th interview by Bas Kothuis and Dhyana van der Pols

9. Interview with Ariane van Biemond – Solidaridad and Eline van der Veen, commercial counsellor Dutch embassy Addis Abeba.

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ETHIOPIA AFRICA

KEY PERFORMANCE INDICATORS - PRACTICAL OUTSOURCING INSIGHTS - SOURCE NASH INTERNATIONAL

OFFICIAL NAME:
Federal Democratic Republic of Ethiopia

POLITICAL SYSTEM:
Federal with multi-party system

CAPITAL CITY:
Addis Ababa, which is also the seat of the African Union (AU) and United Nations Economic Commission for Africa (ECA).

LOCATION:
Ethiopia is located in the North-Eastern part of Africa known as the "Horn of Africa". It enjoys a unique location at the crossroads between Africa, the Middle East and Asia.

AREA:
1.14 million square kilometers

ARABLE LAND:
513,000 square kilometers (45%)

IRRIGATED LAND:
34,200 square kilometers (3%)

POPULATION:
96.6 million (2014/15)

POPULATION DENSITY:
74.4 per square kilometer (2012/13)

LANGUAGE:
Amharic is the working language of the federal government, while Oromiffa and Tigrigna are widely spoken. English is taught in schools and is the main business language.

EDUCATION:
Primary school enrolment rates have reached 85.7% in 2012/13. By 2009/10 there were 200,000 students enrolled in higher education institutions, proportionately twice the number enrolled in universities in Kenya in 2012 (Deloitte, 2014).

GDP PER CAPITA:
US$ 575 (2014/2015)

CLIMATE:
Temperate in the highlands, ranging from 20°C to 30°C (68°F to 86°F) and hot in the lowlands, often reaching 45°C (113°F). Rainfall ranges from 200 mm to 2000 mm.

RAINY SEASONS:
Abundant rain in June through August; mild rains in February and March.

TOPOGRAPHY:
Ethiopia has an elevated central plateau varying in height from 2,000 to 3,000 meters above sea level. In the North and center of the country there are some 25 mountains whose peaks reach over 4,000 meters. The most famous Ethiopia river is Blue Nile or Abbay, which flows a distance of 1,450 kilometers from its source to join the White Nile at Khartoum.

CURRENCY:
The currency of Ethiopia is based on the decimal system. The units of currency are the Birr and cents. The Birr is divided into 100 cents.

WORKING HOURS:
Ethiopia is GMT+3. Government office hours are 8:30 am - 12:30 pm and 1:30 pm - 5:30 pm from Monday through Thursday; and 8:30 am to 11:30 and 1:30 pm to 5:30 pm on Fridays.

ETHIOPIA GENERAL INFORMATION

Region	Sub-Saharan Africa
Income Category	Low income
Population	94,100,756
GNI Per Capita (US$)	470
City covered	Addis Ababa

Doing Business 2015 Rank	Doing Business 2014 Rank***	Change in Rank
132	129	⬇-3

Doing Business 2015 DTF** (% points)	Doing Business 2014 DTF** (% points)	Change in DTF** (% points)
56.31	55.88	⬆0.43

**DTF = distance to frontier

RANKING: THE EASE OF DOING BUSINESS RANK
(OUT OF 189 ECONOMIES)

Topic	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	168	165	⬇ -3
Dealing with Construction Permits	28	30	⬆ 2
Getting Electricity	82	81	⬇ -1
Registering Property	104	102	⬇ -2
Getting Credit	165	163	⬇ -2
Protecting Minority Investors	154	143	⬇ -11
Paying Taxes	112	109	⬇ -3
Trading Across Borders	168	168	No change
Enforcing Contracts	50	51	⬆ 1
Resolving Insolvency	74	73	⬇ -1

DISTANCE TO FRONTIER
(DTF)** measure, overall and by topic

Topic	DB 2015 DTF** (% points)	DB 2014 DTF** (% points)	Change in DTF** (% points)
Starting a Business	63.15	60.57	⬆ 2.58
Dealing with Construction Permits	82.49	81.85	⬆ 0.64
Getting Electricity	76.39	75.52	⬆ 0.87
Registering Property	64.05	64.03	⬆ 0.02
Getting Credit	15.00	15.00	No change
Protecting Minority Investors	41.67	41.67	No change
Paying Taxes	69.11	69.22	⬇ -0.11
Trading Across Borders	38.58	39.14	⬇ -0.56
Enforcing Contracts	65.43	65.43	No change
Resolving Insolvency	47.20	46.42	⬆ 0.78

KEY INDICATORS FOR EACH 'DOING BUSINESS' TOPIC

benchmarked against regional averages

1. Starting a business
2. Dealing with construction permits
3. Getting electricity
4. Registering property
5. Getting credit
6. Protecting minority investors
7. Paying taxes
8. Trading across borders
9. Enforcing contracts
10. Resolving insolvency

1.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Procedures (number)	9.0	7.8	4.8
Time (days)	15.0	27.9	9.2
Cost (% of income per capita)	89.3	56.2	3.4
Paid-in min. capital (% of income per capita)	164.4	95.6	8.8

No.	Procedure	Time to Complete	Associated Costs
1	Reserve a unique company name	1 day	no charge
2	Authentication of the company documents and the lease agreement at the Documents Authentication and Registration Office (DARO)	2 days	ETB 390
3	Submit documents and obtain a letter from the Commercial Registry to open a bank account	1 day	no charge
4	Open a bank account	1 day	no charge
5	Register and obtain the Commercial registration certificate	1 day	ETB 80
6	Make a company seal	3 days on average	ETB 100
7	Register with Ethiopian Revenue and Customs Authority for income tax and VAT	2 days	no charge
8	Obtain a business license	1 day	ETB 80
9	Install a cash registration machine	3 days on average	ETB 5,000-10,000

2.

No.	Procedure	Time to Complete	Associated Costs
1	Obtain design approval	60 days	ETB 10,000
2	Obtain consent from neighbors and submit it to the Municipality	3 days	no charge
3	Obtain approval of construction	30 days	ETB 600
4	Request and receive excavation inspection	1 day	no charge
5	Request and receive mid-construction inspection	1 day	no charge
6	Request water and sewage connection from WSSA	1 day	no charge
7	Obtain water and sewage connection from WSSA	29 days	ETB 4,000

3.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Procedures (number)	4.0	5.5	4.7
Time (days)	95.0	138.3	76.8
Cost (% of income per capita)	1,676.6	4,348.5	73.2

No.	Procedure	Time to Complete	Associated Costs
1	Submit application and await site visit from Ethiopian Electric Utility	14 calendar days	ETB 225
2	Receive site visit from EEU engineer and await estimate	7 calendar days	ETB 0
3	Receive estimate, make payment and receive internal wiring inspection	14 calendar days	ETB 152,749.99
4	EEU conducts external connection, meter installation and electricity starts flowing	60 calendar days	ETB 0

4.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Procedures (number)	10.0	6.3	4.7
Time (days)	41.0	57.2	24.0
Cost (% of property value)	2.1	9.1	4.2

No.	Procedure	Time to Complete	Associated Costs
1	Verify the owner of the property and obtain the Carta and plan at the sub-city office	2 days	200 ETB
2	Evaluation of the sale price by the sub-city	1 day	no cost
3	The seller must obtain tax clearance from Tax Authorities	2 days	no cost
4	Obtain water utility clearance from the local Water Company	1 day	no cost
5	Obtain energy utility clearance from the local Energy Company	1 day	no cost
6	Payment of capital gains tax at Inland Revenue Service	1 day	not counted
7	Request the execution of the sale contract at the office of Documents Authentication and Registration	1 day	10 ETB for the service charge + 55 ETB for the power of attorney
8	Payment of Stamp duty at the Land Administration Office	1 day	2% of the property value for the Stamp duty
9	Execution of the sale contract at the office of Documents Authentication and Registration	1 day	Already paid in previous Procedure
10	Apply for registration of property and obtain title deed in the buyer's name	30 days	Included in previous Procedures

5.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Strength of legal rights index (0-12)	3	5	6
Depth of credit information index (0-8)	0	2	7
Credit registry coverage (% of adults)	0.2	4.5	12.1
Credit bureau coverage (% of adults)	0.0	5.8	67.0

Depth of credit information index (0-8)	Private credit bureau	Public credit registry	Score
Are data on both firms and individuals distributed?	**No**	**No**	**0**
Are both positive and negative credit data distributed?	No	No	0
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	No	No	0
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	No	No	0
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0
Score ("yes" to either public bureau or private registry)			0

Strength of legal rights index (0-12)	
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes
Score (number of "yes" responses)	3

6.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Extent of disclosure index (0-10)	3.0	5.3	6.6
Extent of director liability index (0-10)	0.0	3.6	5.4
Ease of shareholder suits index (0-10)	4.0	5.6	7.2
Extent of conflict of interest regulation index (0-10)	2.3	4.8	6.4
Extent of shareholder rights index (0-10.5)	10.5	6.7	8.0
Strength of governance structure index (0-10.5)	4.5	3.2	4.6
Extent of corporate transparency index (0-9)	3.0	3.2	6.1
Extent of shareholder governance index (0-10)	6.0	4.4	6.2
Strength of minority investor protection index (0-10)	4.2	4.6	6.3

7.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Payments (number per year)	30.0	38.2	11.8
Time (hours per year)	306.0	310.8	175.4
Profit tax (%)	26.2	17.6	16.4
Labor tax and contributions (%)	4.8	14.0	23.0
Other taxes (%)	0.8	14.7	1.9
Total tax rate (% profit)	31.8	46.2	41.3

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Corporate income tax	1		150	30%	taxable profit	25.45	
Contribution for Pension of Private organization employees	12		132	9% as of July 2013	gross salaries	4.79	
Capital gains tax	1			15%	capital gains	0.76	
Property tax	1			2 Birr	square meter	0.38	
Tax on interest	0			5%	interest income	0.31	
License renewal fees	1			492 Birr	fixed fee	0.10	
Stamp duty on contracts	1			5 Birr	fixed fee	0.00	small amount
Excise tax on fuel	1				included into the fuel price	0.00	small amount
Value added tax (VAT)	12		24	15%	value added	0.00	not included
Employee paid - Pension contributions	0	paid jointly		7% as of July 2013	gross salaries	0.00	withheld
Totals:	30.0		306.0			31.79	

8.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Documents to export (number)	8	8	4
Time to export (days)	44.0	30.5	10.5
Cost to export (US$ per container)	2,380.0	2,200.7	1,080.3
Cost to export (deflated US$ per container)	2,380.0	2,200.7	1,080.3
Documents to import (number)	11	9	4
Time to import (days)	44.0	37.6	9.6
Cost to import (US$ per container)	2,960.0	2,930.9	1,100.4
Cost to import (deflated US$ per container)	2,960.0	2,930.9	1,100.4

Nature of Export Procedures	Duration (days)	US$ Cost
Documents preparation	27	520
Customs clearance and inspections	7	290
Ports and terminal handling	3	270
Inland transportation and handling	7	1,300
Totals	44	2,380

Nature of Import Procedures	Duration (days)	US$ Cost
Documents preparation	29	700
Customs clearance and inspections	5	390
Ports and terminal handling	3	270
Inland transportation and handling	7	1,600
Totals	44	2,960

9.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Time (days)	530.0	650.4	539.5
Cost (% of claim)	15.2	45.1	21.4
Procedures (number)	38.0	39.2	31.5

	Indicator
Time (days)	530
Filing and service	30
Trial and judgment	290
Enforcement of judgment	210
Cost (% of claim)	15.2
Attorney cost (% of claim)	10
Court cost (% of claim)	4.8
Enforcement Cost (% of claim)	0.4
Procedures (number)	38

10.

Indicator	Ethiopia	Sub-Saharan Africa	OECD
Time (years)	1.8	3.1	1.7
Cost (% of estate)	14.5	23.3	8.8
Outcome (0 as piecemeal sale and 1 as going concern)	0	0	1
Recovery rate (cents on the dollar)	38.3	24.1	71.9
Commencement of proceedings index (0-3)	2.5	2.2	2.8
Management of debtor's assets index (0-6)	4.0	4.0	5.4
Reorganization proceedings index (0-3)	1.0	0.4	1.8
Creditor participation index (0-4)	1.0	1.3	2.2
Strength of insolvency framework index (0-16)	8.5	7.9	12.2

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