

The background of the slide is a photograph of the Simien Mountains in Ethiopia. The image shows steep, rugged mountain peaks with some green vegetation on the lower slopes. The sky is a clear, bright blue. A large, semi-transparent red rectangle is overlaid on the right side of the image, containing the title and team information.

# Ethiopia

## GIFF Analysis

Team members

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ASilay

Early Morning in Sona  
Simien Mountains, Ethiopia

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- What does Ethiopia have?

03

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- What can Ethiopia do well?
- Policy Recommendations on Sector Level





PART

01

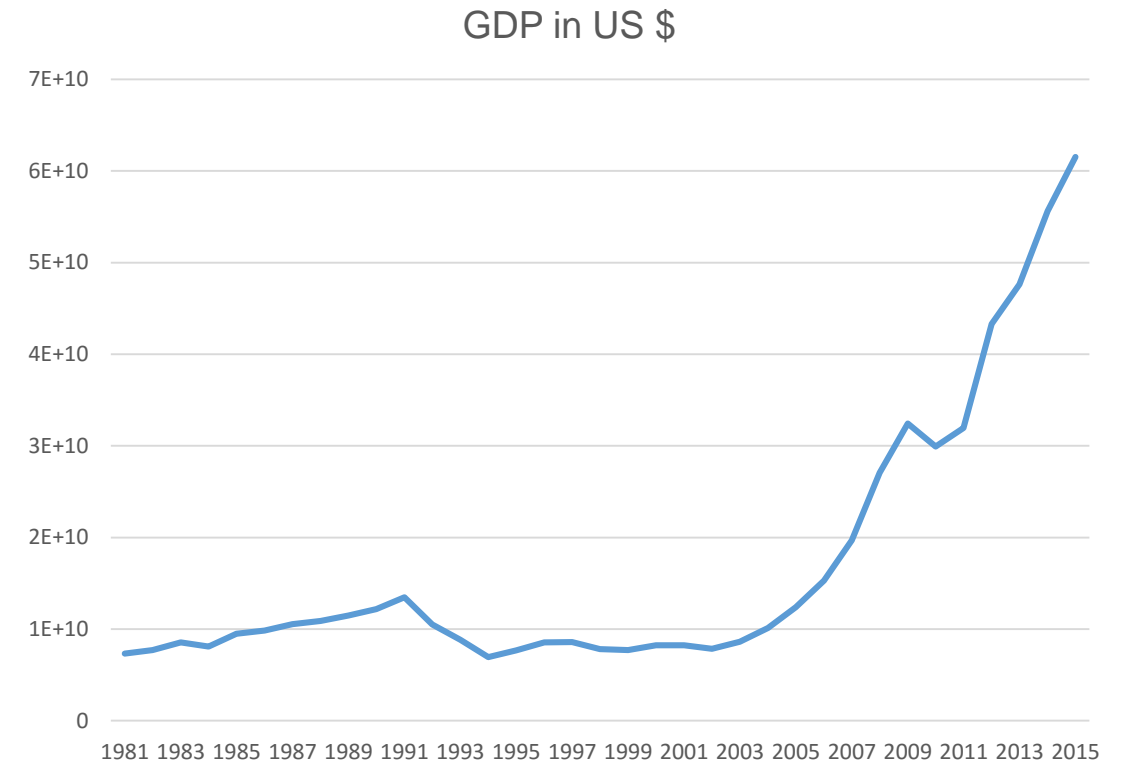
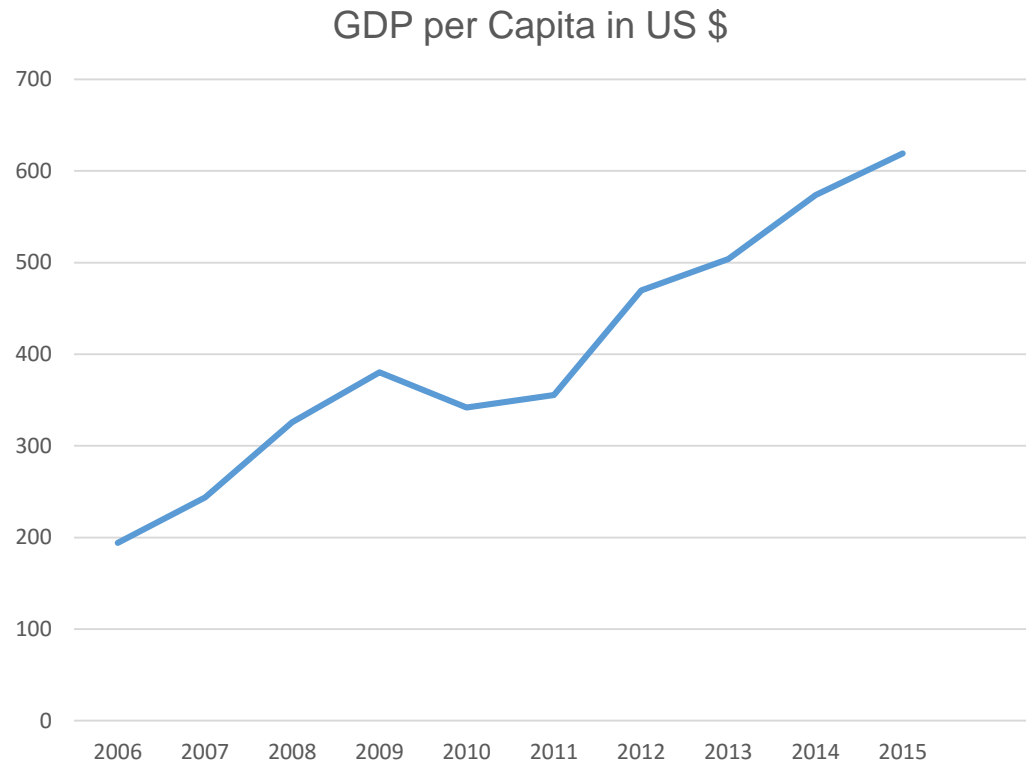
# Recent Economic and Social Development in Ethiopia

Early Evening in Mulit  
Simien Mountains, Ethiopia

01

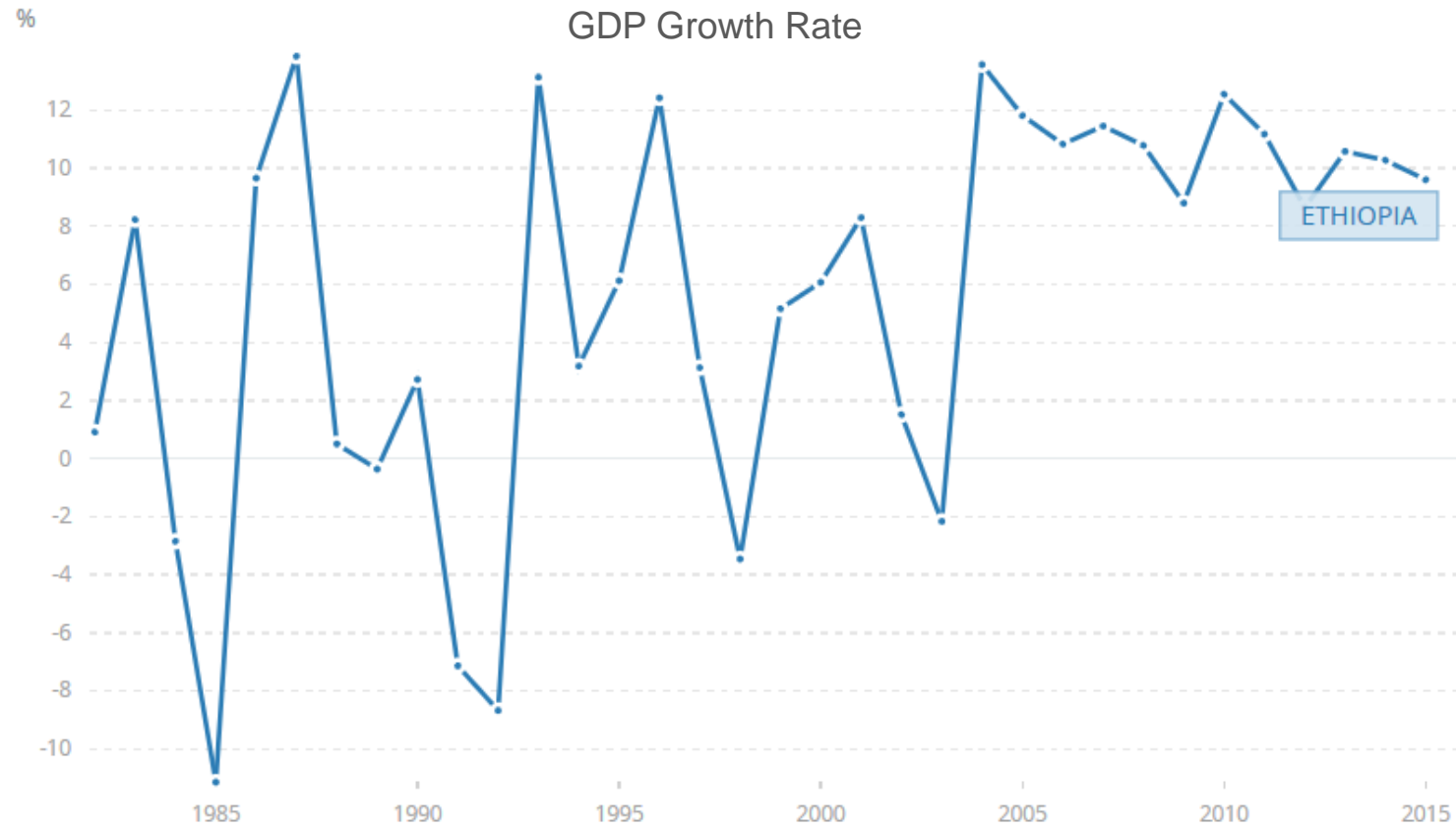
# Recent Economic and Social Development in Ethiopia

- Economic Growth



# Recent Economic and Social Development in Ethiopia

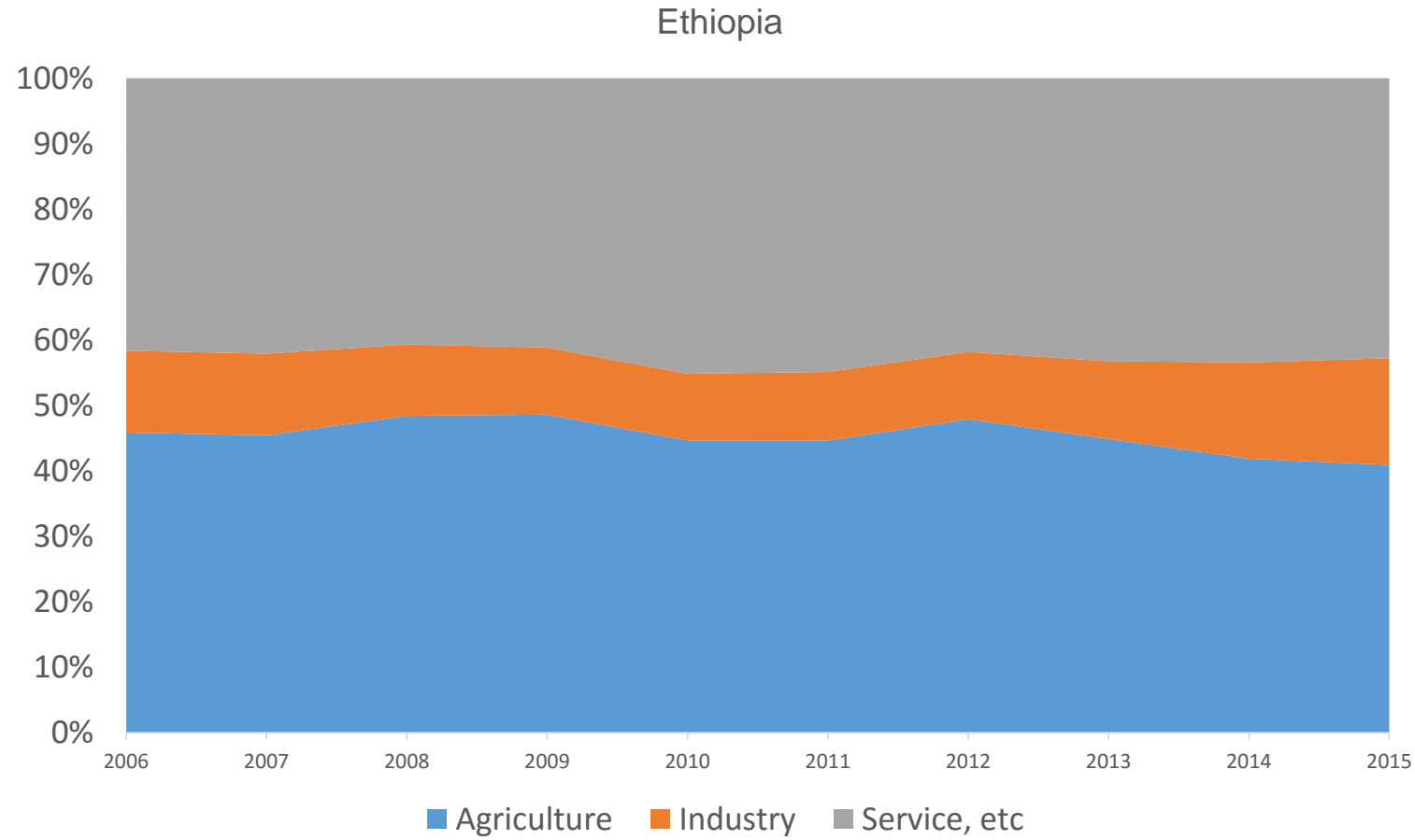
- Economic Growth



01

## Recent Economic and Social Development in Ethiopia

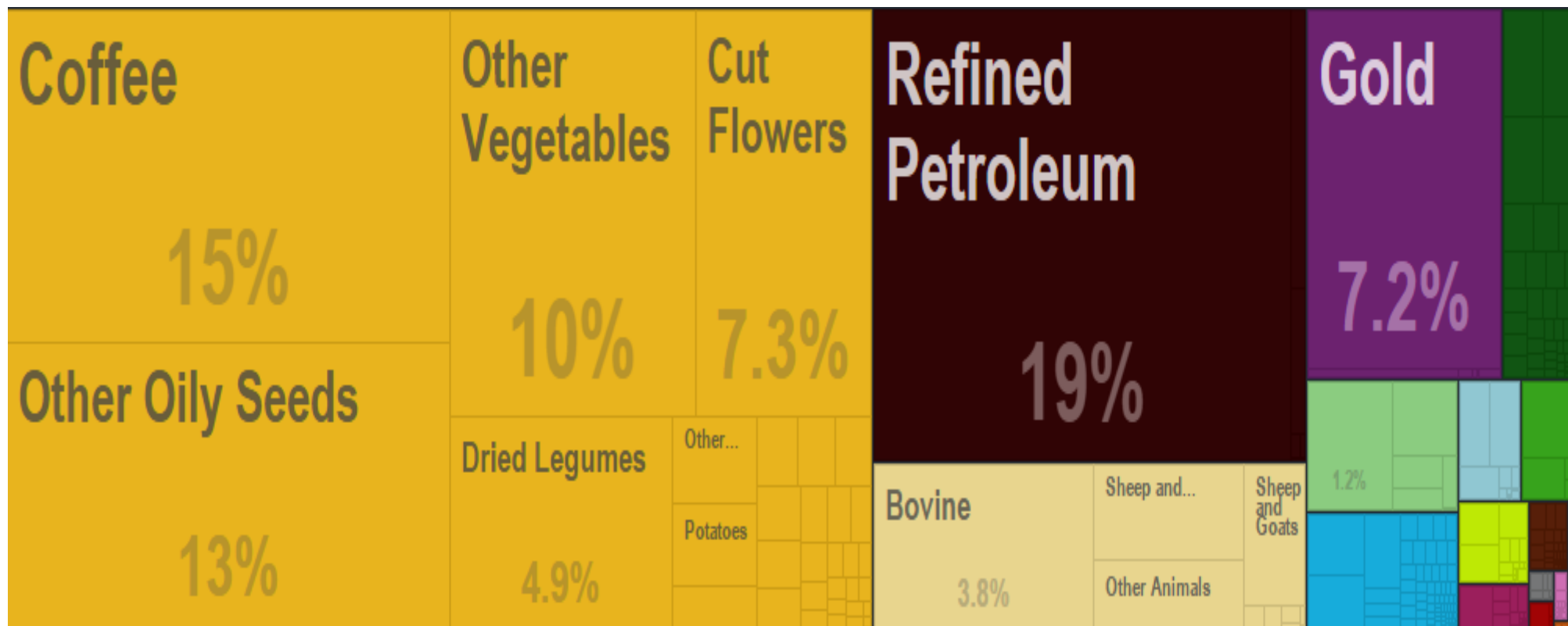
- Industrial Structure



01

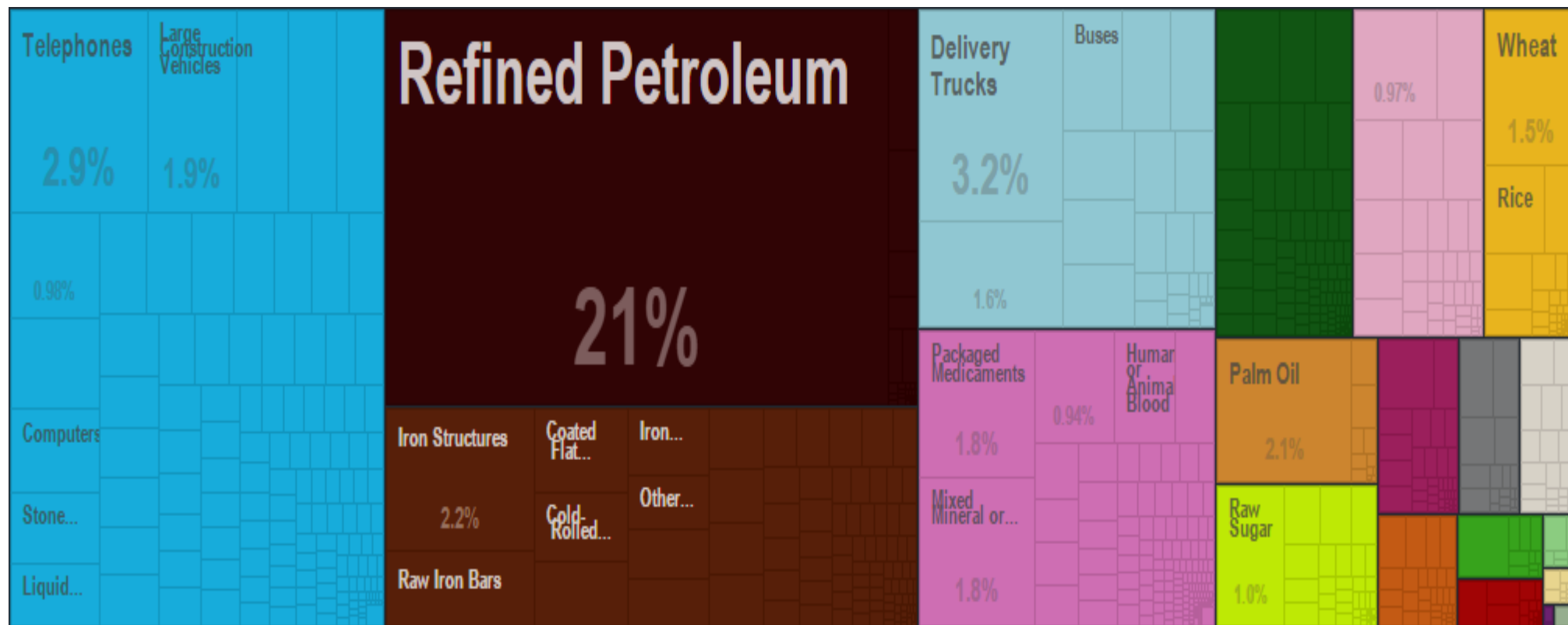
## Recent Economic and Social Development in Ethiopia

- International Trade Analysis—Export



# Recent Economic and Social Development in Ethiopia

- International Trade Analysis—Import







PART

02

# Factor Endowment Analysis: What does Ethiopia have?

Looking Down 2km from Inet Gogo (3926m)  
Simien Mountains, Ethiopia



## 02 Factor Endowment Analysis: What does Ethiopia have?

- Location

01

Inland Country

02

World's 27<sup>th</sup> largest country  
with an area of about 1 million km<sup>2</sup>

03

Located on the Eastern Part of  
Africa



## 02

## Factor Endowment Analysis: What does Ethiopia have?

- Relative High Population Density (people/km<sup>2</sup>)

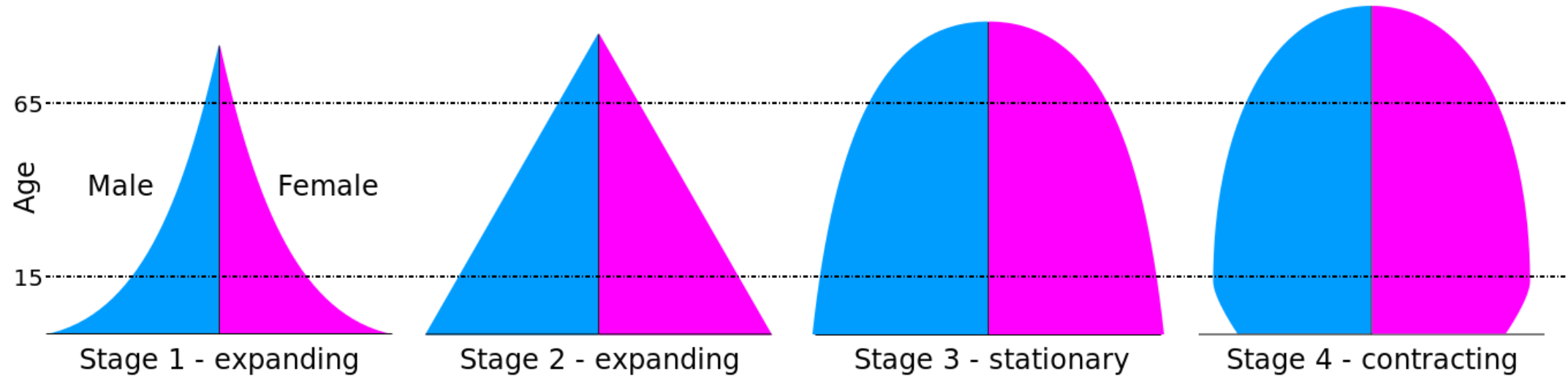
Africa	40
Eastern Africa	
Ethiopia	99.4
Somalia	17.2
Kenya	80.9
South Sudan	20.2
Eritrea	51.8
Djibouti	38.3
Northern Africa	
Sudan	22.8



## 02

## Factor Endowment Analysis: What does Ethiopia have?

- Relative High Population Density

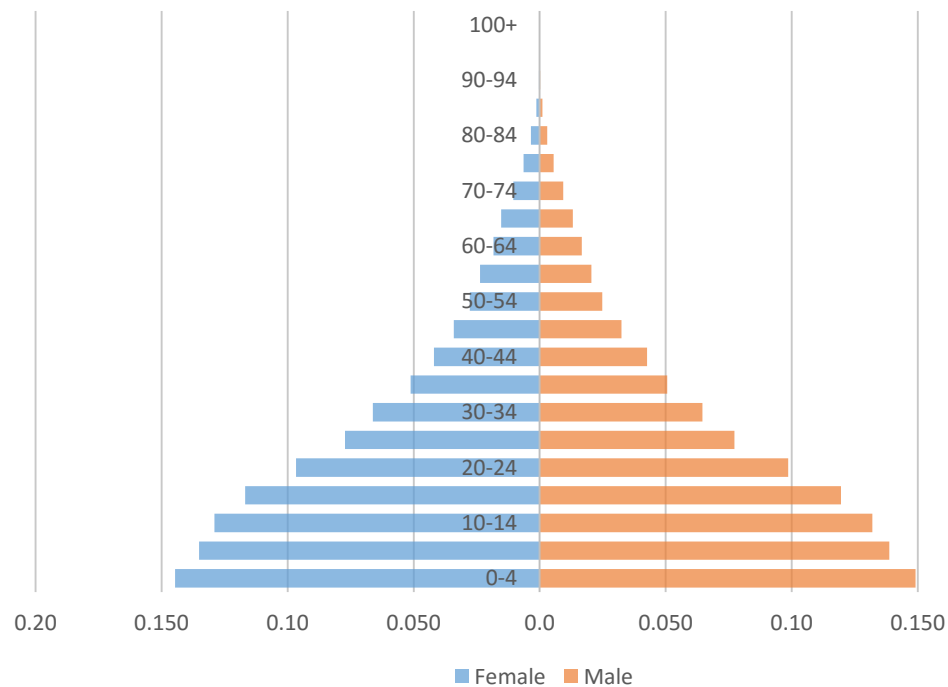


## 02

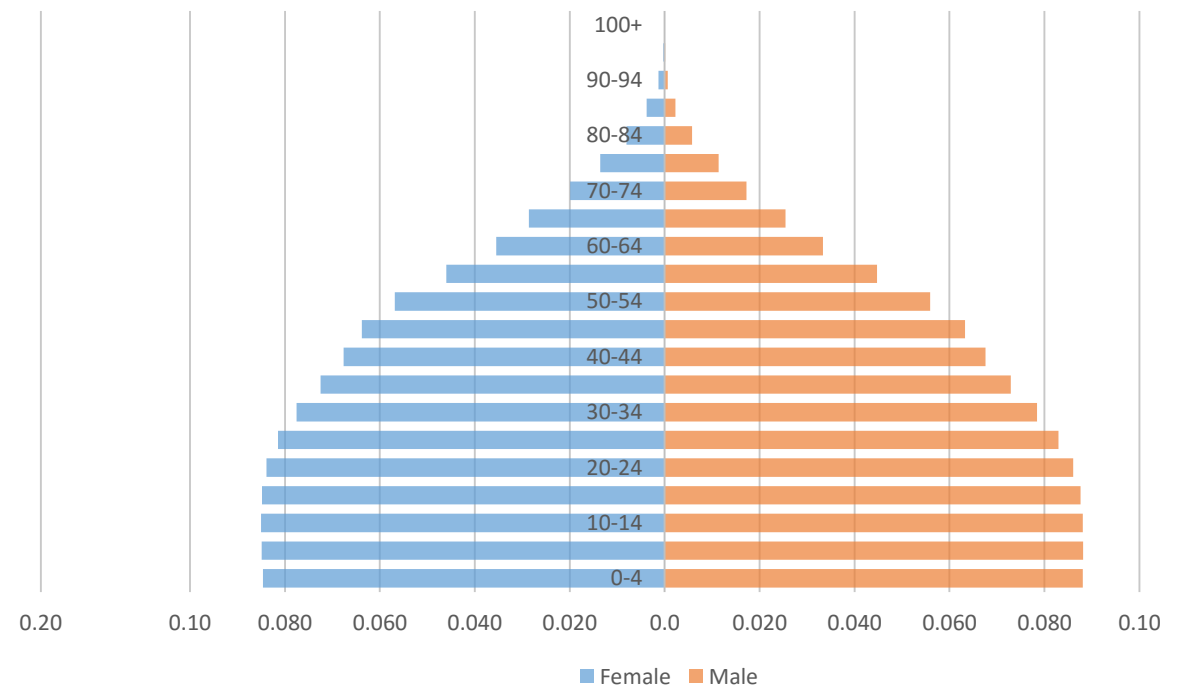
## Factor Endowment Analysis: What does Ethiopia have?

- Relative High Population Density

### ETHIOPIA POPULATION PYRAMID IN 2015



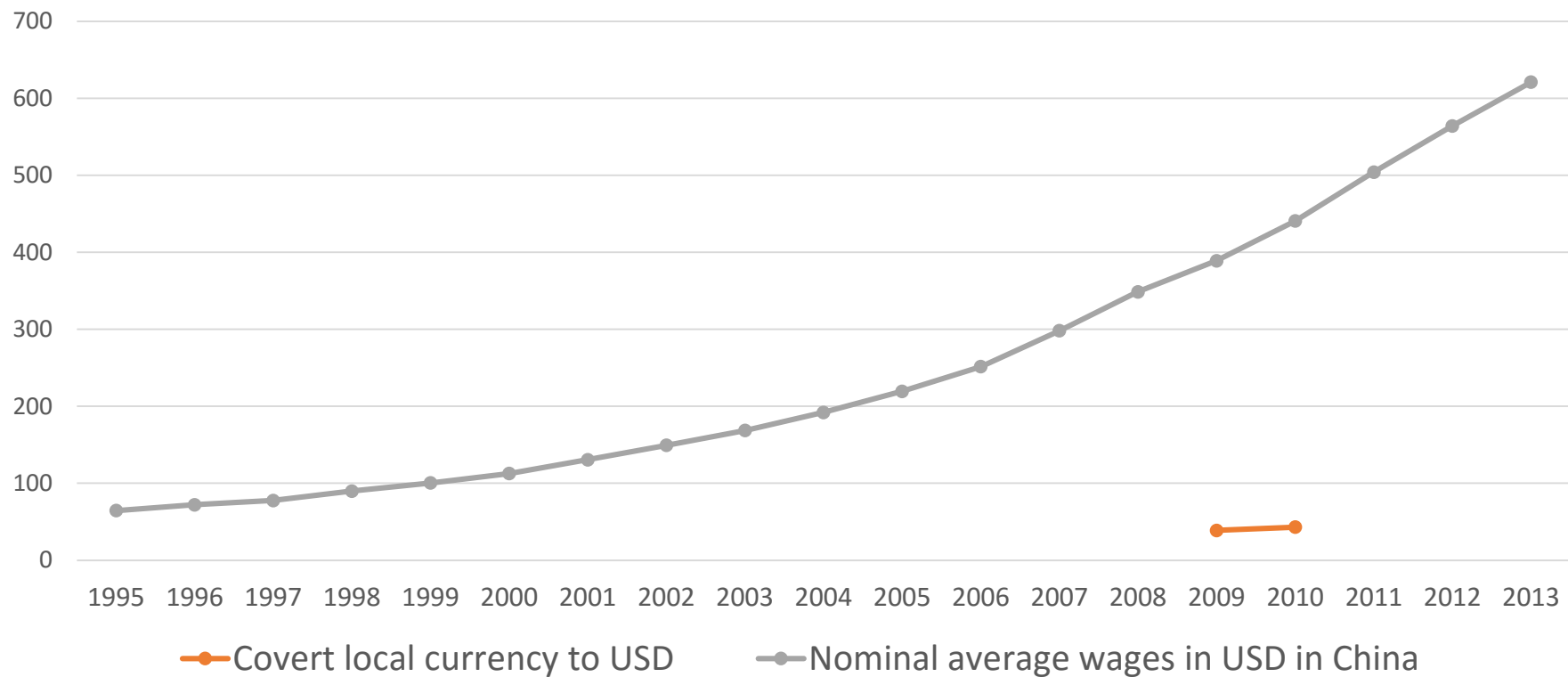
### ETHIOPIA POPULATION PYRAMIDS IN 2050



## 02

## Factor Endowment Analysis: What does Ethiopia have?

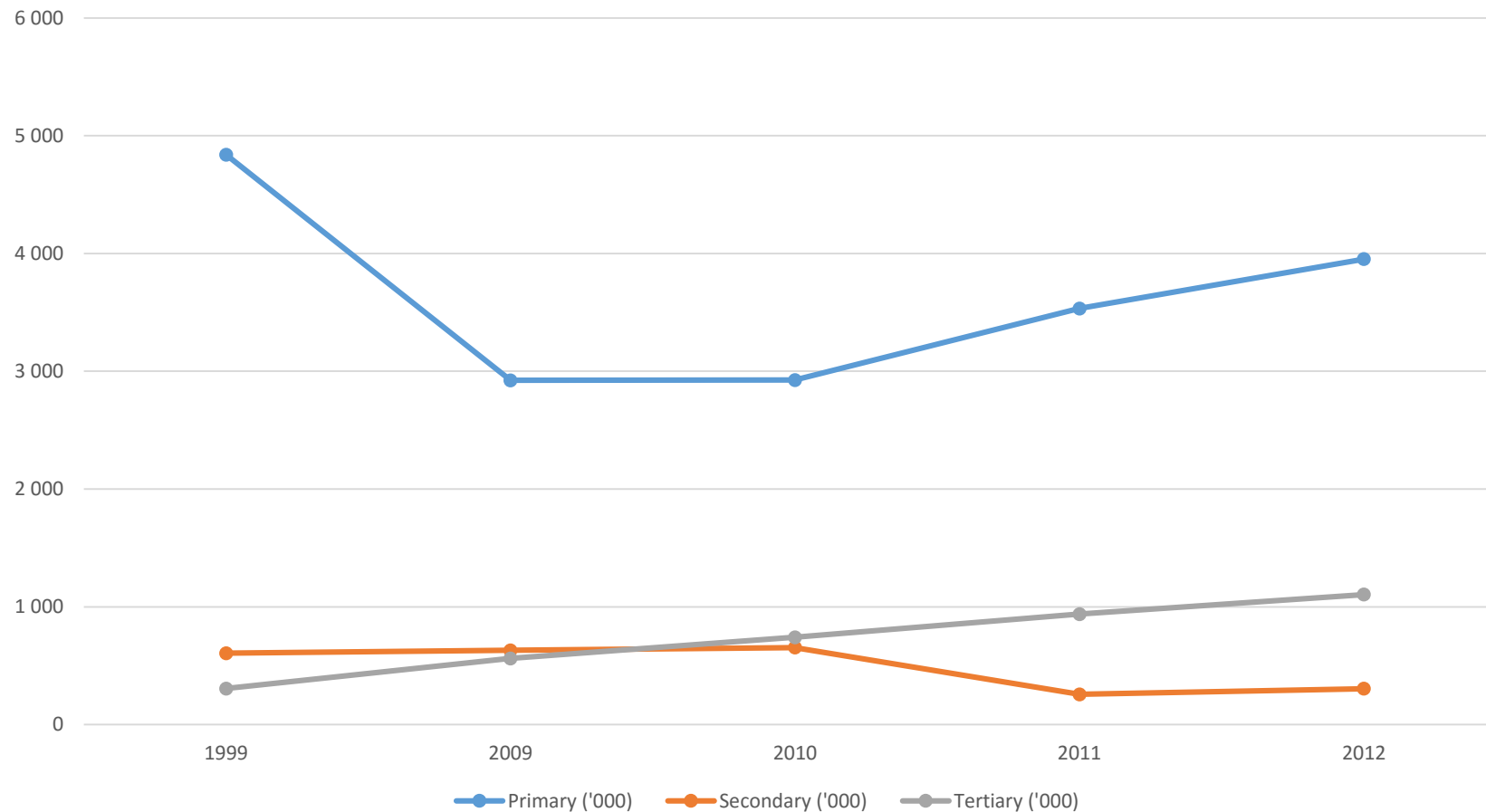
- Low Average Monthly Earnings





## 02 Factor Endowment Analysis: What does Ethiopia have?

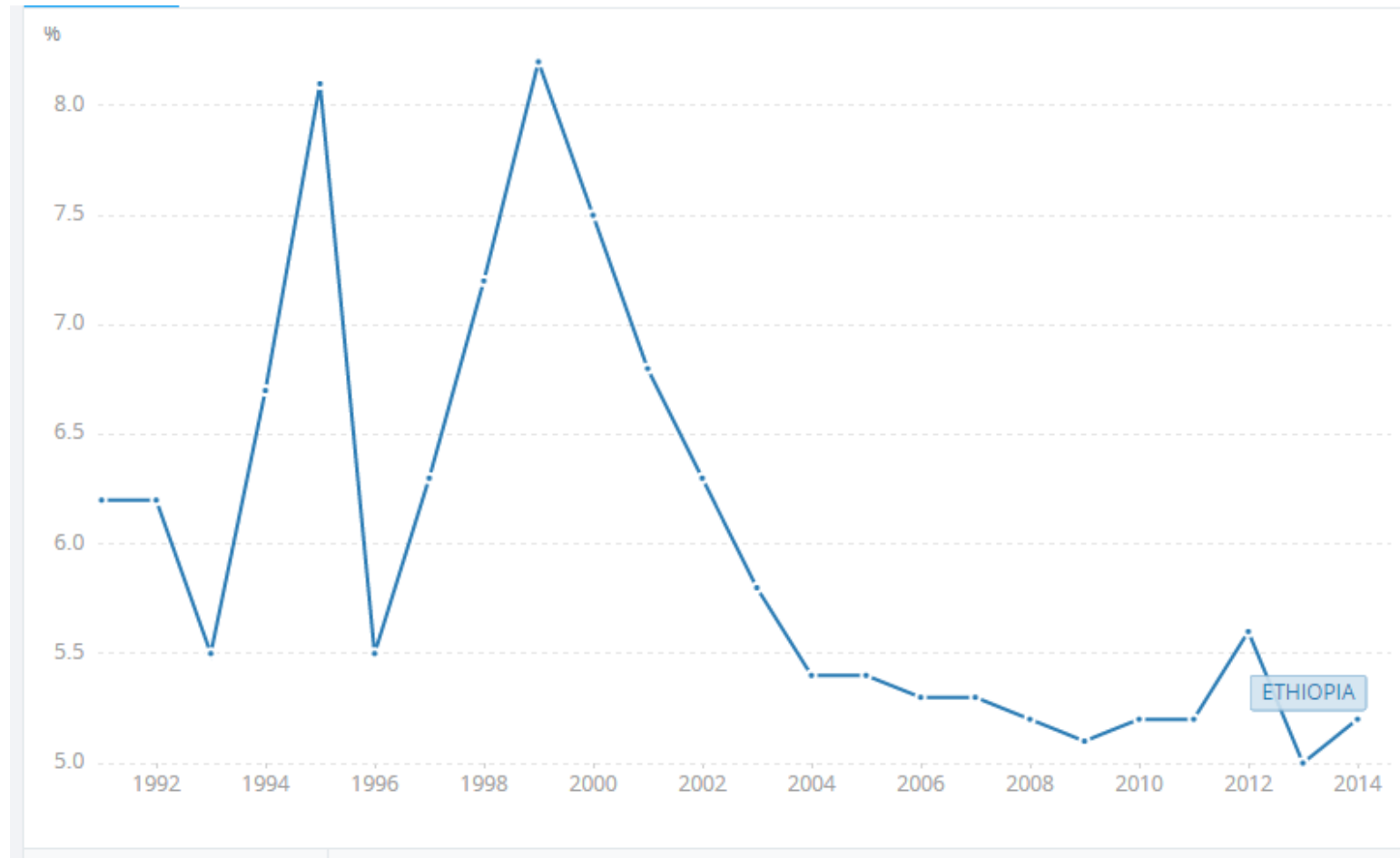
- Labor force by level of educational attainment



02

## Factor Endowment Analysis: What does Ethiopia have?

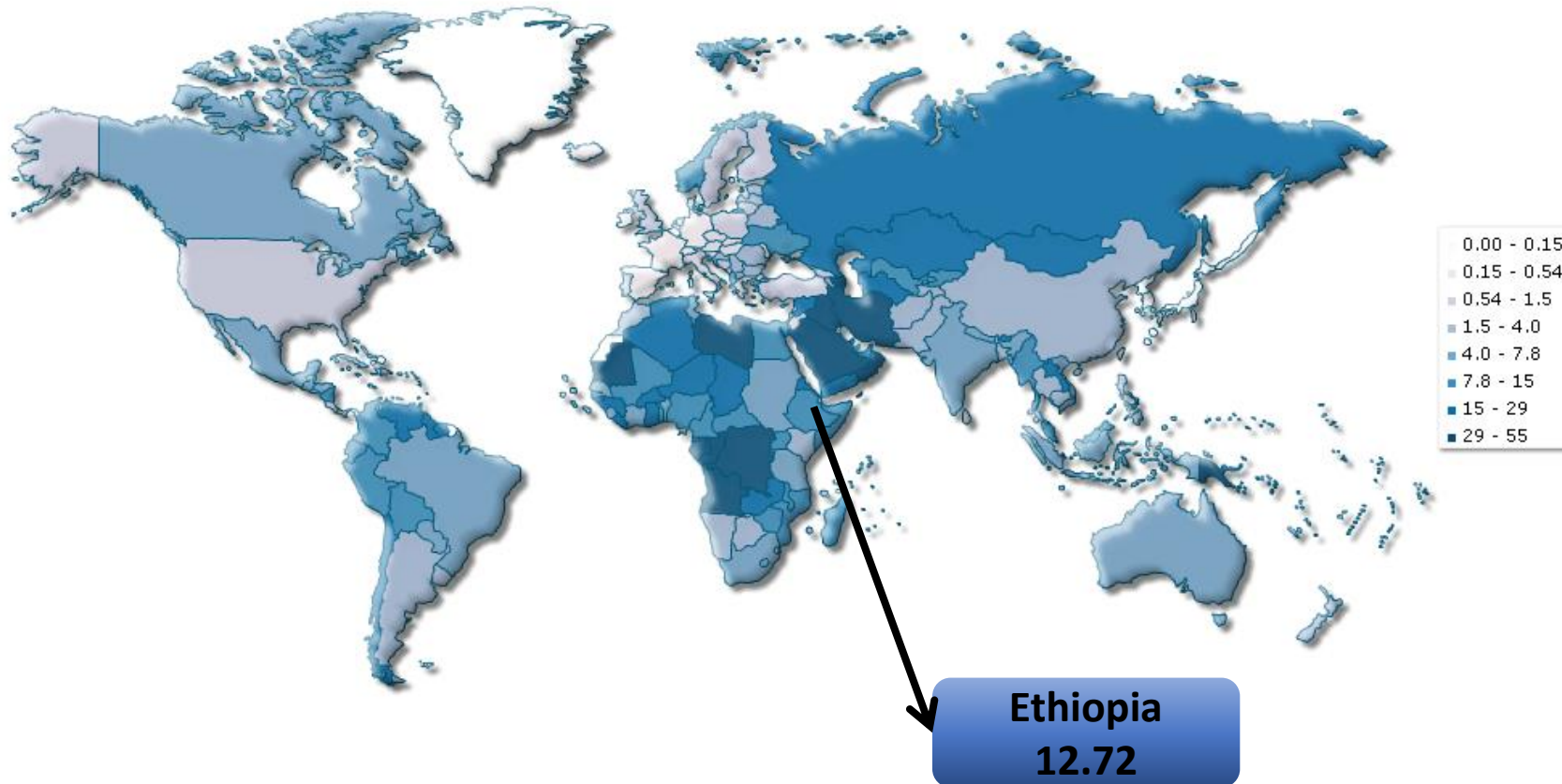
- Unemployment Rate



02

## Factor Endowment Analysis: What does Ethiopia have?

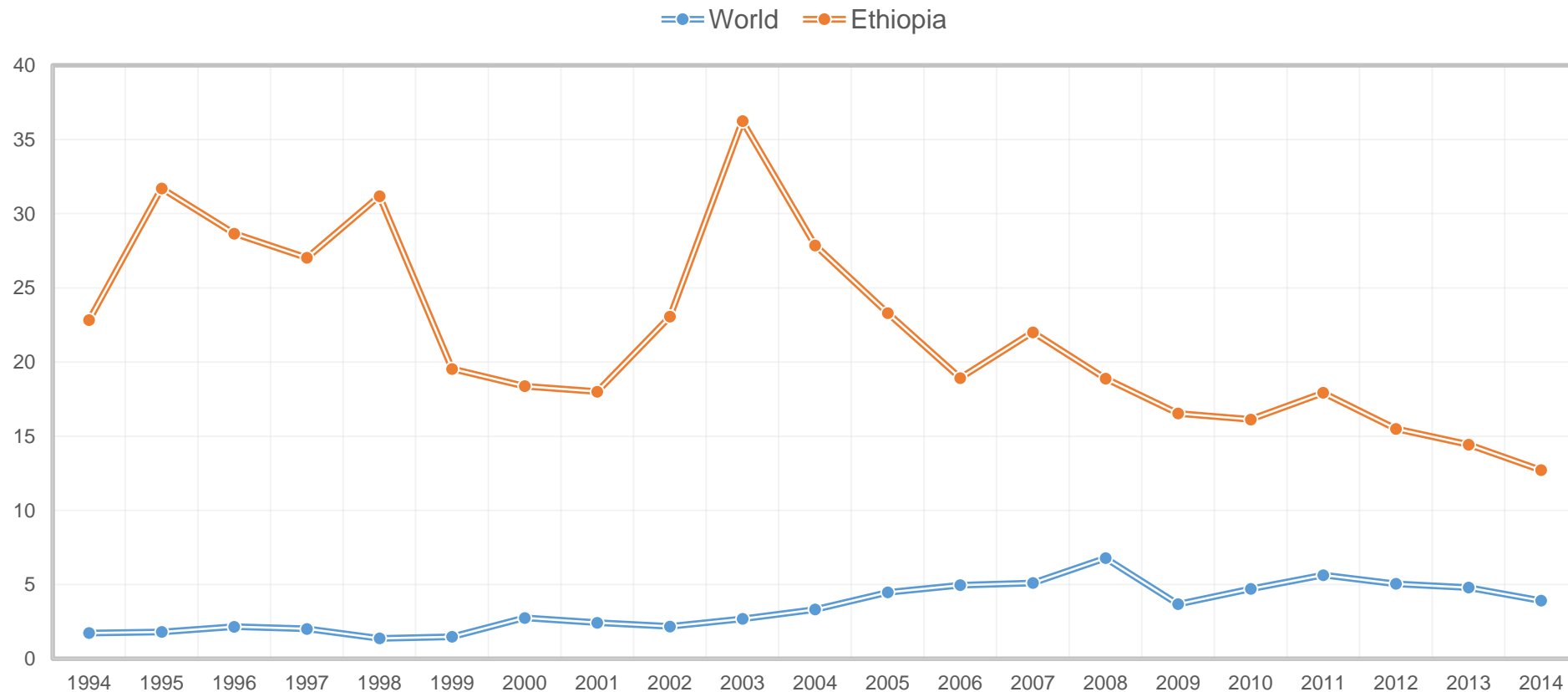
- Total natural resources rents (% of GDP)



## 02

## Factor Endowment Analysis: What does Ethiopia have?

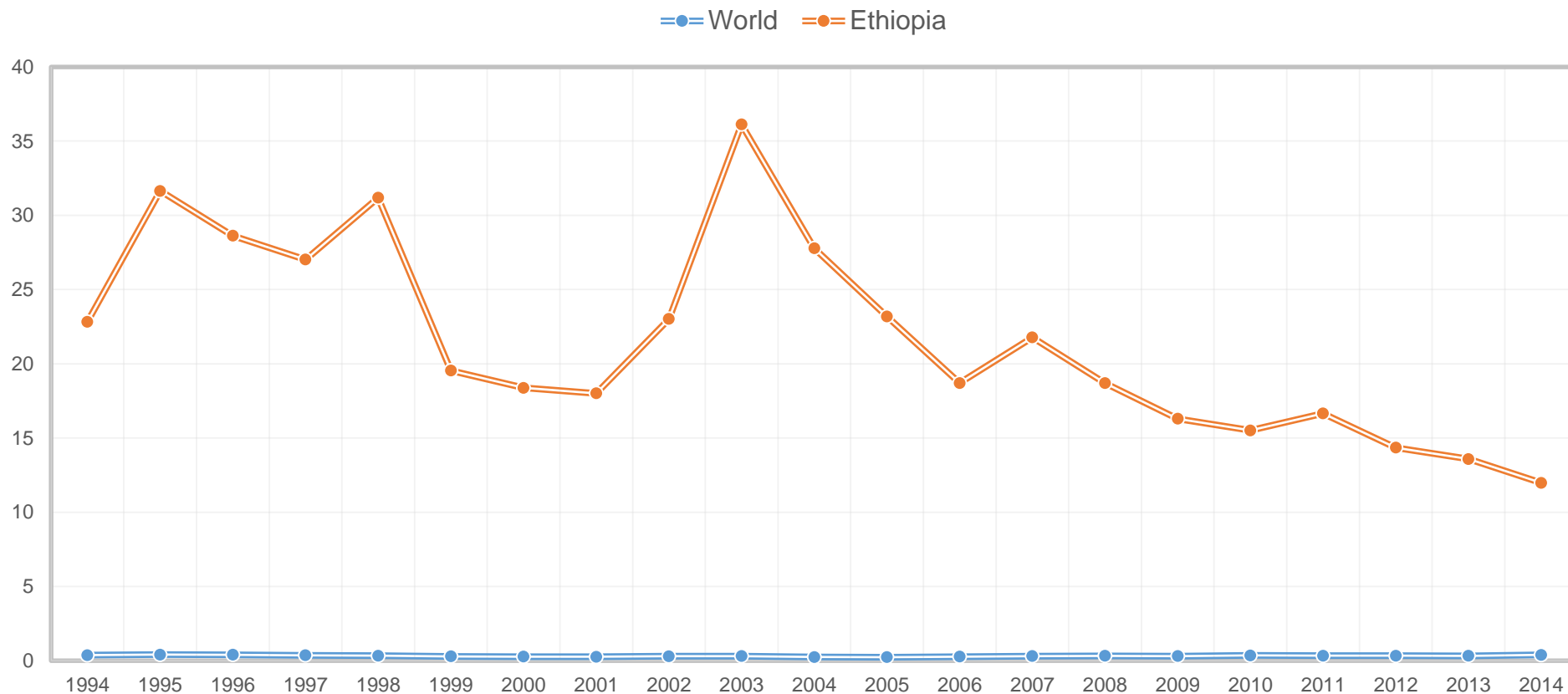
- Total natural resources rents (% of GDP)



## 02

## Factor Endowment Analysis: What does Ethiopia have?

- Forest rents (% of GDP)



The background of the slide is a photograph of a sunset over a mountain range. The sky is a mix of orange, yellow, and light blue. The mountains in the foreground are dark and silhouetted against the bright sky. A red rectangular box with rounded corners is positioned in the upper center of the slide, containing the text 'PART 03'.

PART

03

# LCA: What can Ethiopia potentially do well? & PR on Sector Level



## 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Selecting Benchmark Country

Country	GDP per capita in 2015	Ratio to ethiopia's GDP	Annual Growth Rate from 2005 to 2015	Annual Growth Rate from 2004 to 1994
Uzbekistan	2132.072	3.443583	14.57746	-2.12302
Ukraine	2114.955	3.415936	1.464809	3.055358
<b>Vietnam</b>	<b>2111.138</b>	<b>3.409771</b>	<b>11.67936</b>	<b>10.19142</b>
Sudan	2089.4	3.374662	12.18657	2.324049
Nicaragua	2086.895	3.370616	5.91122	2.477579
Solomon Islands	1982.27	3.201632	8.435416	-4.73455
Congo, Rep.	1851.2	2.989936	0.635234	7.390606
Moldova	1843.243	2.977085	8.289768	4.568516
Lao PDR	1812.327	2.927151	14.3005	2.537895
<b>India</b>	<b>1581.589</b>	<b>2.554478</b>	<b>8.052934</b>	<b>6.131741</b>
Pakistan	1428.989	2.308009	7.184212	4.15356
Cote d'Ivoire	1398.695	2.25908	4.029671	4.552353
Ghana	1381.412	2.231167	10.65877	2.490678
Kenya	1376.713	2.223576	10.01452	5.693658
Zambia	1307.789	2.112254	6.574942	2.725139
Kiribati	1291.88	2.08656	1.172904	4.413948
Cameroon	1250.777	2.020174	3.174307	2.751615

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Potential Comparative Advantages

Descriptions	Criteria1: How Ethiopia's land-lock situation affect its latent comparative advantage?	Criteria2: low capital requirements;production is by small and medium-sized firms	Criteria3: There is factor endowment in Ethiopia( Transferable skills, labor, imported raw materials, etc.)
Cotton yarn and other woven textile	Neutral	Yes	Yes
Clothes, including suits, shirts, jerseys, coats, trousers, jackets, etc.	Negative, if garments are fashionable; Neutral, if garments are less time-sensitive	Yes	Yes
Bed linen, table linen, toilet linen and kitchen linen.	Neutral	Yes	Yes
Sacks and bags of a kind used for packing of goods	Neutral	Yes	Yes

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

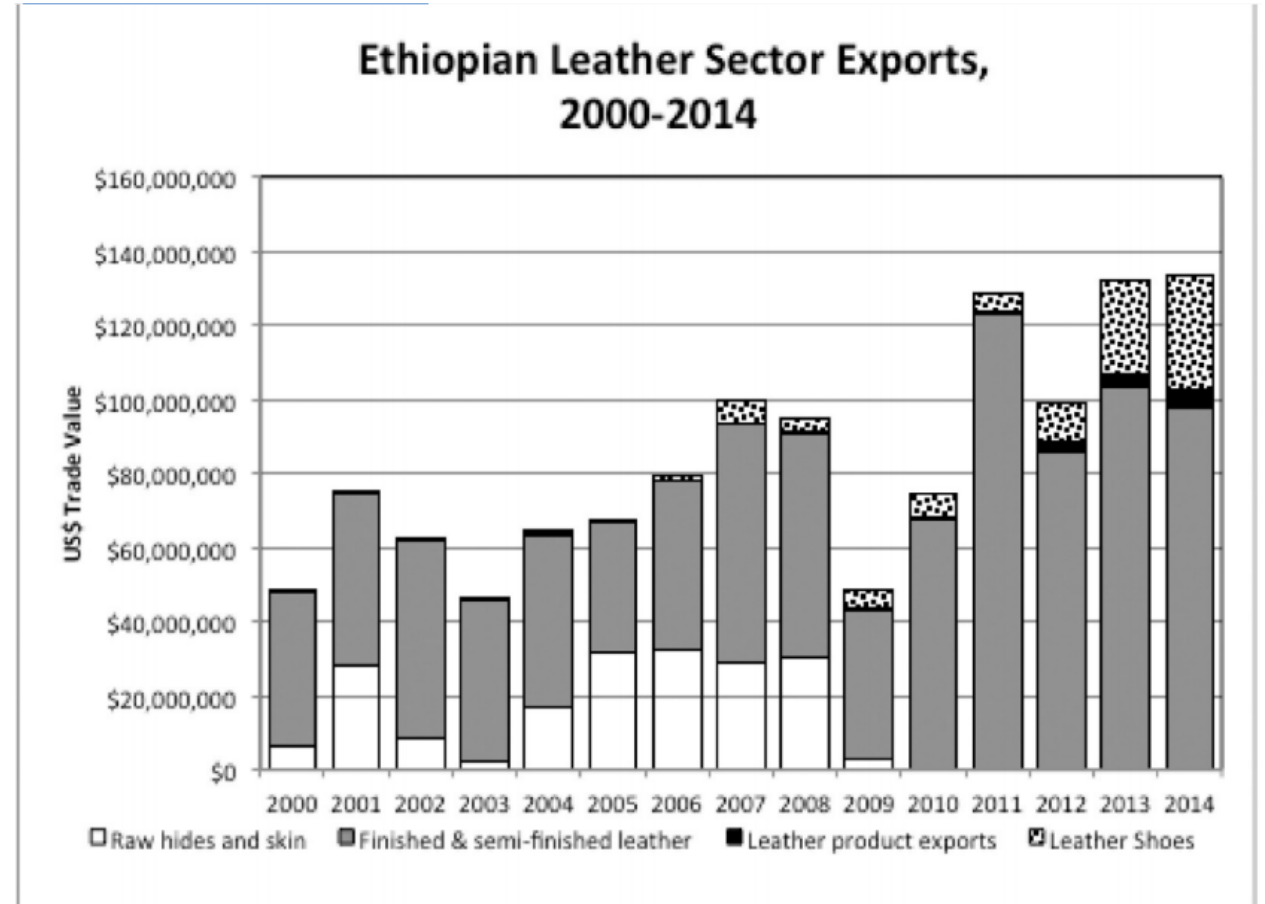
- The Leather Sector--Current Circumstance



Even though some Ethiopian-owned firms did have modest experience of export, none had been able to sustain a prolonged and profitable supplier relationship with a foreign buyer.



In 2015, nearly 79% of footwear export value was produced by foreign (primarily Korean and Taiwanese) firms, while domestic firms retained half of the domestic market.



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



Discrimination against exports



Lack of general support for goals like increasing exports

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



#### **Create a high level focus on the sector**

- Need technologically advanced firm from a slightly higher-cost country.
- Break into global value chains by creating relationships with the companies that produced for the large-scale, global distributors that control international markets, or create relationships with those big distributors directly.
- Raise the quality and standards in its leather products industry, the government should try to.
- Need to set in place opportunities for foreign companies to transfer skills to domestic firms. Allow Ethiopian firms to “emulate” their foreign counterparts, and develop their own capacity to break into international markets.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



**Making strategic use of international development partners needs technologically advanced firm from a slightly higher-cost country.**

- Support from Chinese government was indirect, but also followed the signals from the Ethiopian government that the country was serious about building its manufacturing sector.
- The Chinese government funded part of the capital costs of the Eastern Industrial Zone built outside of Addis Ababa, where one of China's largest shoe companies, Huajian, set up operations early in 2012. The China Development Bank also provided early investment capital through the China-Africa Development Fund (CAD-Fund) for a Chinese tannery in Ethiopia.



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



#### **Not all of these efforts bore fruit.**

- For example, USAID, UNIDO, and other donors also supported a campaign to develop a brand— “Taytu” —for leather handbags made by a cooperative of Ethiopian women, and marketed them as high-end luxury goods in Paris, Tokyo and New York.
- This enjoyed a very small flurry of success, but has not appeared to be sustainable without support from a team of outside consultants. The five-year ATEP program's efforts to link Ethiopian firms to US buyers showed promise but ended in 2011 before it was able to foster lasting linkages. Yet as we will see, Brown Shoes, a \$2.6 billion footwear company briefly introduced to Ethiopia through the short-lived ATEP project, would return to Ethiopia three years later, and play a major role in bringing Chinese investment to the country.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



#### **Attract a “lead goose” in the footwear sector**

- Need technologically advanced firm from a slightly higher-cost country.
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### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The Leather Sector--Current Circumstance



#### **Strengthen business associations**

- Envisioned the formation of a joint forum across the meat, leather and leather products sectors to identify bottlenecks and plan for their resolution.
- Well-organized to promote their own interests.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Tourism Sector—Current Circumstance



- The country has been praised for its outstanding natural beauty, dramatic landscapes and ancient culture.
- Ethiopia has been named as the world's best destination for tourists in 2015 by the European Council on Tourism and Trade.
- Visitor numbers in the country have increased by 10% over the last decade, according to the Ethiopian Ministry of Culture and Tourism. In 2014, more than 600,000 tourists visited Ethiopia, attracted by its fertile national parks, 3,000 year-old archeological history and nine UNESCO world heritage sites.
- Tourism contributed 4.5% to the country's GDP in 2014, generating nearly a million jobs and over two billion dollars in revenue, according to the World Bank.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Tourism Sector—A glimpse of its tourism resources



- It is home to nine UNESCO World Heritage Sites, e.g. the Semien National Park.
- Holy Trinity Cathedral; the Church of St George; one of the most attractive churches in the world.
- The Danakil Depression desert
- Blue Nile
- Great Rift Valley
- Wild animals: Ethiopia has 31 endemic species of mammals and Ethiopia is also a global center of avian diversity. Representative animals: the Ethiopian Wolf, The African wild dog, Mountain Nyala.



## LCA: What can Ethiopia potentially do well? & PR on Sector Level

### 4.Tourism Sector—Current Circumstance



- Construct infrastructure: airports, hotel, restaurant, tourism company...
- Diversify tourism products: security products; landscape products; vocation products; ecological products; service products...
- Maintain public order and guarantee public security
- Simplify visa procedure
- Encourage domestic tourism: e.g. vacation with pay—fundamentally, **economical development**
- Strengthen financial support: loan with low interest; funding; seek help from other countries and international organizations.
- Deepen Ethiopia's degree of opening and embrace more foreign visitors.
- Optimize consumption environment and encourage tourist consumption: optimize consumption policies; strengthen supervision; price management and control; effective management of sellers; develop specific consumption zone.



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Agro-processing Sector—Current Circumstance



- A coffee industry chain contains the following four steps: pluck, roast, grind, and brew.
- Most products only enjoy a little part of the whole value chain.
- Has already set up 4 agro—processing SEZ.

Products	Share
Total	100%
Not Roasted - Decaffeinated	99.858%
Not Roasted - Caffeinated	0.102%
Roasted - Decaffeinated	0.031%
Roasted - Caffeinated	0.006%
Other	0.004%

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Agro-processing Sector—Current Circumstance



- Invite more international producers within Ethiopia to develop its own industry chains.

#### Method

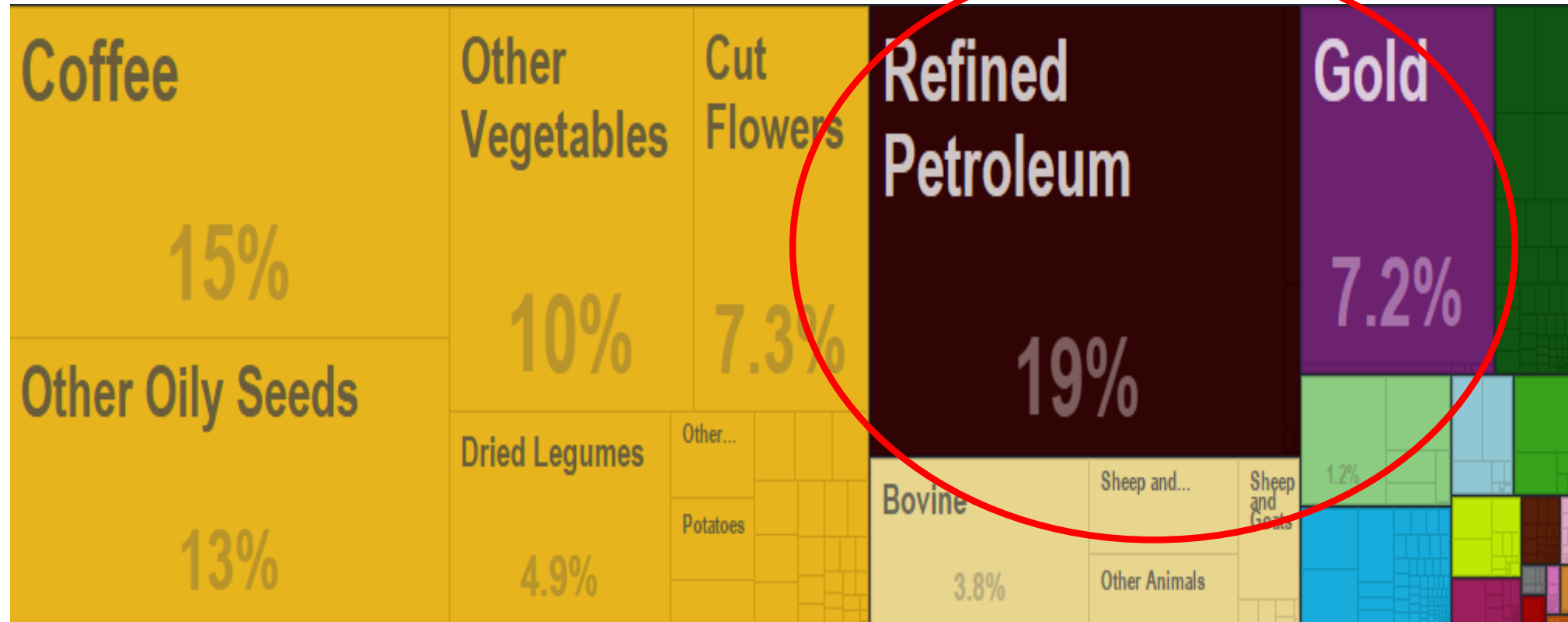
- 1. Offer cheaper land.
- 2. Educate more people in agro-processing.

#### Example

- Mexico has 7000 under-graduates majoring in Agro-processing and it attracts 433 million US\$ FDI in 2014 in agro-processing Industry.

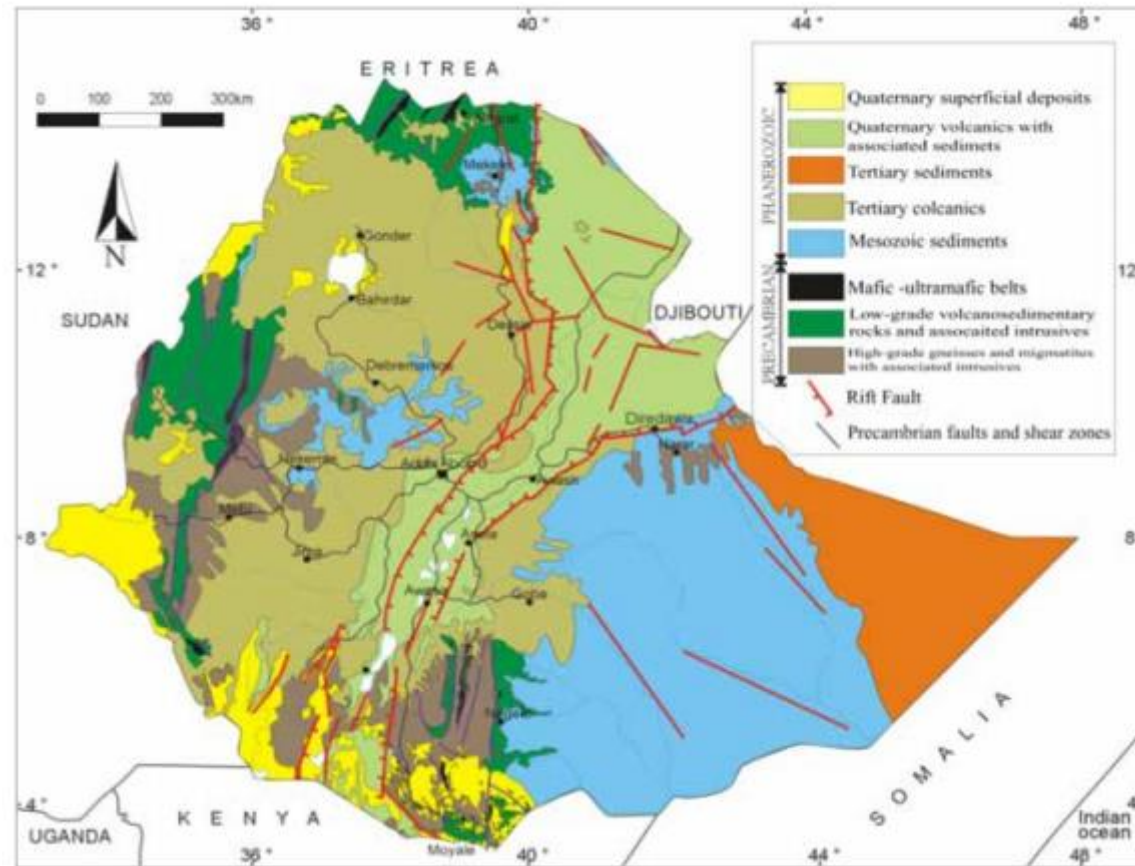
### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The current state of the Ethiopian mineral sector



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The current state of the Ethiopian mineral sector



Geological map showing Proterozoic terrains, the oldest rocks in Ethiopia, in dark green, black and grey.  
There are prospective for a variety of metallic minerals

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- The current state of the Ethiopian mineral sector



- Gold has been mined in Ethiopia for more than 2000 years, but a significant large scale mining sector has not yet developed
- Endowed with a range of industrial minerals deposits
- Despite the fact that large scale mining is still virtually non-existent, Ethiopia does have the geological potential for the discovery of new and sizeable economic deposits.
- Most of its extractive industry is still in its infancy stage

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Policy Recommendation



#### **Obtain good-quality geo-data and put in place an effective data management system**

- Currently, only 74% of Ethiopia is mapped at a low-quality scale
- To manage and plan for the industry, the government needs to know what is actually in the ground
- Effective acquisition, maintenance and dissemination of geo-data can help to attract investment and can help governments to make informed decisions and negotiate more effectively

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Policy Recommendation



#### **Diversification of Ethiopia's economy and facilitation of economic linkages to avoid heavy dependency on the resource wealth**

- The linkages that are being created between the potash and agricultural industries in the Afar Region is just one example of potential economic partnerships
- supporting the production of potash fertilizers in order to increase small holder farmer's crop production.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Policy Recommendation



**A clear legal framework is important both to attract investors and to facilitate regulation of the industry**

- A recent (2013) amendment to the proclamation, while the regulation that is currently in use was drafted pursuant to the old mining proclamation from 1994
- Drafting of new regulations to provide further effect to the new mining proclamation and revising the MMA to make it consistent with the new mining proclamation will make the legal framework more complete



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- Policy Recommendation



**The development of local skills is important for job creation as well as to attract investors and it is possible that the industry may require up to a couple of thousand skilled staff over the next 5-10 years**

- Human resources with skills of direct relevance to mineral sector work are to a large degree lacking in Ethiopia
- While the development of mining related training at TVET institutions is part of the government's strategy, there are as yet no curricula developed.
- As a result, many exploration companies source skilled staff from outside Ethiopia.

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- **Short term**



- Establishment of a clear policy direction
- Addressing organizational and capacity building needs at the MoM
- Given limited supervising capacity on part of the authorities, efforts to encourage mining companies to be proactive
- Increased provision of information on the geological prospectiveness of Ethiopia
- Support to Ethiopia in achieving EITI compliance status
- Development of mineral revenue sharing mechanisms

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- **Mid term**



- The gathering of new geological data, including the dissemination of such data
- Efforts to ensure that local professionals exist that can take on the jobs and opportunities that modern exploration and mining projects will provide
- Research and development in the area of industrial minerals mining and linkages to the domestic industry

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- **Long term**



- The authorities are recommended to plan holistically to ensure that maximum benefits can be derived from the sector
- Once urgent developmental needs are met, then a sovereign wealth fund shall be considered which would contribute to prudent economic growth

## 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—Definition



### Categories

- free trade zones
- export-processing zones
- industrial parks
- high-tech zones
- science and innovation parks
- enterprise zones

### Characteristics

- a) It is a geographically delimited area, usually physically secured
- b) It has a single management or administration
- c) It offers benefits for investors physically within the zone
- d) It has a separate customs area (duty-free benefits) and streamlined procedures

## 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—A Brief Overview of China's SEZ Programs



### **The First 4 SEZs In China**

Shenzhen Zhuhai Shantou Xiamen

- contribution
- significantly to national GDP
- employment
- exports
- attraction of foreign investment
- technological progress and innovation

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—Major Factors for Success and Lessons Learned



- **Strong commitment and support of the government to pilot market-oriented economic reforms**
- **Land Reforms**
- **Investment incentives and institutional autonomy**
- **Foreign Direct Investment and the Chinese diaspora**
- **Technology learning, innovation, upgrading, and strong links with the domestic economy**
- **Innovative cultures**
- **Location advantages**

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—A SEZ Case in Suzhou



- **Investment**      form venture capital    tax exemption
- **Infrastructure construction**      public resources shared
- **Import & export service**      free
- **Human resources support**      big job fair
- **Free counselling service**      invite college professors and Successful entrepreneurs



### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—What Can Ethiopia Learn from China?



- Using SEZs to address the market failures or binding constraints that cannot be addressed through other options.
- A sound legal, regulatory framework and effective institutions with strong and long-term government commitment.
- Adopting the suitable development model through strategic planning and industrial positioning
- A better business environment inside the zone

### 03 LCA: What can Ethiopia potentially do well? & PR on Sector Level

- SEZ—Conclusion



- It is not a panacea and has to be implemented properly and carefully tailored into a country's specific situations
- Establish a clear framework to guide the operations of SEZs

## Applying GIFF to Ethiopia

# Thanks!

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