



INDO-AFRICAN CHAMBER OF COMMERCE & INDUSTRIES

ETHIOPIA

May 2013

National Day Special Supplement

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INDO-AFRICAN CHAMBER OF COMMERCE & INDUSTRIES



K L Daga - President

The warm welcome, hospitality of Ethiopians is the major attraction to the visitors. The beautiful mountains, the valleys, the lakes, the museum, the national parks are unforgettable Tourism. It is a gateway to Africa in its true sense.

There are ample of opportunities and priorities of investment i.e. Foreign Direct Investment-in the following sectors-Horticulture, Floriculture, Agro, Food Processing, IT, Textiles, leather, etc.

Hearty Congratulations & Felicitation on the National Day of Ethiopia.

INDO-AFRICAN CHAMBER OF COMMERCE & INDUSTRIES



Ethiopia has been called, "The land of thousand smiles" Coffee is Ethiopia's largest export items contributing about 35% of total foreign exchange earnings, plays an important role in international coffee market.

Ethiopia is a mosaic of people more than 80 languages, different lifestyles, costumes and cultural dances.

It has so much to offer visitors: The Historic route, Axum the ancient town, Negash, one of the earliest holy Muslim centres, The Great Rift Valley lakes with 37 islands, 11 national parks, etc.

Ethiopia's major export destinations are Europe, Asia, USA and Oceania. It has political and macroeconomic stability, untapped natural resources, fertile soil and abundant, easily trainable, inexpensive labour force. It offers ample opportunities in privatization programmes.

Last but not the least, I am thankful to H.E. Gennet Ambassador of Ethiopia in India, H.E. Bhagavat Singh Bishnoi our Indian Ambassador in Ethiopia, H. E. Ganet Teshome - The Dynamic Consul General Ethiopia in Mumbai for his valued guidance, co-operation and support, Mr. Geshaw the Secretary General of Addis Chamber, each and everyone from the bottom of my heart for extending whole hearted co-operation and support. We will have opportunity to exchange experiences, learn from each other and look for new ways of cooperation. "Long Live India Ethiopia Relationship".

Sunanda Rajendran
Editor/Secretary General



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Consulate General of the Federal Democratic Republic of Ethiopia - Mumbai, India



At the outset, I would like to thank Indo-African Chamber of Commerce and Industry for bringing out this supplement on the occasion 22 anniversary of the National day of the F.D.R. of Ethiopia, which marks the downfall of ionic dictatorial military regime and the birth of new democratic system in Ethiopia.

Indo-African chamber of Commerce and Industry and particularly Mrs. Sunanda Rajendran has been a strong supporter and promoter of business ties between India and the African Continent in general and Ethiopia in particular.

On May 28, 1991, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) took over Addis Ababa, marking a victorious end of civil war prevailed for long years in Ethiopia. It was a momentous day for the people of Ethiopia who had suffered for so long at the hands of ruthless military dictators and whose lives had been devastated by the erroneous policies and economic and political orientation.

The unified struggle of Ethiopian peoples against the brutal dictatorial communist regime under the leadership of EPRDF finally yielded their victory in 1991. This victory of the Ethiopian people over the military junta has manifested Ethiopia's new milestone for its new way to democracy and good governance.

On May 28, 1991, Ethiopia was rejuvenated and started, in real and practical terms, a new strand on the basis of respect of individual and group rights. All the nations, nationalities and peoples have been given their legitimate rights to determine their own fates; political powers have been devolved to the grass root level. Ethiopia has adopted a new constitution taking the stock of demands of the day by all its people; the political governance has been changed in to a Federal system, comprising nine Regional Autonomous States, who have full rights to determine their economic, political and social development priorities; different nations have started exercising and nurturing their language, maintaining and promoting their culture and history. As the Federal Government, so the regional state governments have their executive, legislative, and judicial powers within their own regional states and they have their own constitutions too.

The victory of May 28 and the subsequent changes in socio-political landscape of the country, the change towards pluralism and multiparty system have contributed a lot in the process of moving the country out of backwardness and conflict and to put it on the path of peace and stability. These vigorous changes have led the country to achieve social and economic transformation. The fight against poverty is yielding substantial results. Now Ethiopia is one of the ten fastest growing economies in the world, with a double digit GDP

growth for the last eight years. This result is accompanied with inclusive growth, which is characterized by rapid and continuous development which has benefited people at all levels, mainly the overwhelming majority of the people whose livelihood is based on agriculture and micro and small scale enterprise.

Ethiopia being a diplomatic hub of Africa, the celebration of the 50th Golden Jubilee anniversary of the African Union is at full swing in the capital, Addis Ababa. We are grateful to our African brothers and sisters for giving us such privilege and opportunity. In fact, Ethiopia's contribution in Pan Africanism and in the current role of the African Union is immense.

Pan Africanism has helped to create a feeling of togetherness and provided the ideology for alignment of the common objectives of people of African descent in achieving political, economic, social and cultural advancement. Pan Africanism has also accentuated the need for the formation of an African continental organization

The liberation of most of the African states from colonial rule and the subsequent establishment of the Organization of African Unity (OAU) in Addis Ababa 50 years ago, was a defining moment in the history of Africa that generated euphoria and high expectation across the Continent.

While the main continental agenda at the time was to rid Africa of the remaining vestiges of colonization and Apartheid, promote unity and solidarity among African States as well as, foster cooperation and development, the topic of Africa's renaissance was also raised from time to time and Africa has since been trying, at various levels, to reinvent itself in that context. Meanwhile, with the emergence of Post-Apartheid South Africa in the 1990's the need to promote the idea of African renaissance regained momentum and became a prominent agenda item.

In the globalized era of our time, it is clear that in order to gain the respect of the rest of the world, Africa needs to have the determination to chart its own course of development while meeting internationally accepted principles of governance. The transformation of the OAU to the African Union, the adoption of New Partnership for Africa's Development (NEPAD) and the African Peer Review Mechanism (APRM) have been strong indicators of the renewed determination of African leaders to embrace and actively promote the ideals of African Renaissance.

As to India - Ethiopia bilateral relationship, in the last few years the economic and commercial relationship has deepened and widened significantly. So far, more than 600 Indian projects have obtained investment license with a total capital of about US\$ 5 billion.

Indian companies have invested in various sectors such as agriculture and floriculture, engineering, manufacturing, consultancy, education and health.

The total trade volume of the two countries has reached US\$ 660 million. The bilateral trade is on course to reach the target of 1 billion US dollars by 2015.

Exports from India to Ethiopia consist mainly of primary and semi-finished iron and steel products, drugs and pharmaceuticals, machinery and instruments, manufactures of metal, food items, plastic products, paper and paper products, yarns and textiles, chemicals, transport equipment, etc., whereas Major Export commodities of Ethiopia to India are pulses.

Similarly, the Government of India has strongly supported Ethiopia's development goals by providing more than US\$740 million concessional lines of credit for rural electrification and the expansion of the sugar industry. The commercial spin off announcement of the Line of Credit was very significant, various Indian companies were introduced to Ethiopian market and out of goodwill generated other Indian companies are given preference in implementing the project financed by Ethiopia. Participation of Indian companies in ongoing infrastructure projects, mainly in road sector is getting momentum.

There is a lot of scope for Indian investors and businessmen to explore business opportunities. The potential sub-sectors for investment in agriculture sector are horticulture, plantation crops namely; cotton, palm tree and rubber tree and livestock.

In the manufacturing sector there is vast opportunity especially in the production of food, beverages, textiles and garment, leather goods, chemicals, pharmaceuticals, metallic and non-metallic minerals and pulp and paper.

Ethiopia offers opportunities for mineral prospecting and development. There are deposits of gold, tantalum, platinum, nickel, potash and soda ash. Included in the construction and industrial minerals are marble, granite, limestone, clay, gypsum, gemstone, iron ore, coal, copper, silica, diatomite, bentonite, etc. With regards to fossil energy resources, there are significant opportunities for oil and natural gas.

We highly encourage businessmen and corporates to invest in Ethiopia, one of the fastest growing economies in Africa and in the world.

Happy National Day and 50th Golden Jubilee of the African Union to All Africans and friends,

Genet Teshome,
Consul General of the F.D.R. of Ethiopia
in Mumbai



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Ethiopian Export Promotion Agency

www.ethioexport.org

Quality and Standards Authority of Ethiopia

www.qsae.org

All about standards and quality, ISO requirements Federal Micro and Small Enterprises Development Agency

www.telecom.net.et/~femseda

Association of Ethiopian Microfinance Institutions

(AEMFI) www.aemfiethiopia.org

Ethiopian Investment Commission (EIC)

Investment guide, investment opportunities, economic and political framework

www.investinethiopia.org

Ethiopian Tourism:

http://www.tourismethiopia.org/

http://www.community-tourism-ethiopia.com

Business/Economy/Trade

http://www.ethiopianchamber.com/

Addis Ababa Chamber of Commerce

www.addischamber.com

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AGRICULTURE : Ethiopia is one of the few countries endowed with ideal climatic conditions and diverse and enormous natural resources that favour commercial production of almost all kind of crops, horticulture, livestock and others. Agriculture is the leading sector in Ethiopian economy with:

- 74.3 million hectares of land (45% of the total area) suitable for agriculture, out of which only about 18 million hectares are currently utilized
- 10 million hectares of irrigable land (only 3% utilized)
- 18 major agro-ecological zone and 62 sub-zones
- Climate suitable for growing of over 146 types of crops

FOOD CROPS PRODUCTION : Cereals and pulses: wheat, sorghum, barely, millet, maize, rice, beans, peas, rough peas, vetch lentils, fenugreek, horse beans, soybeans, chickpeas, pulses, etc.

Oil crops : sesame, Niger seeds, flax, rapeseeds, linseed, cotton seed, sunflower, groundnut, casor beans, etc.

BEVERAGE CROPS PRODUCTIONS

• **COFFEE** : Ethiopia is a leading coffee Arabica producer in Africa. Over 560,000 hectares of land are covered with coffee plantation. Large scale commercial coffee production coffee roasting, grinding and packing for international market

• **TEA** : Ethiopian tea is one of the best quality teas in the world. The total area covered by tea plantation in Ethiopian is 2700 Hectares. Currently, the country has a capacity to produce 7000 tons of black tea per annum.

INVESTMENT OPPORTUNITIES

- Large scale commercial tea production
- Modern tea blending and packing industries

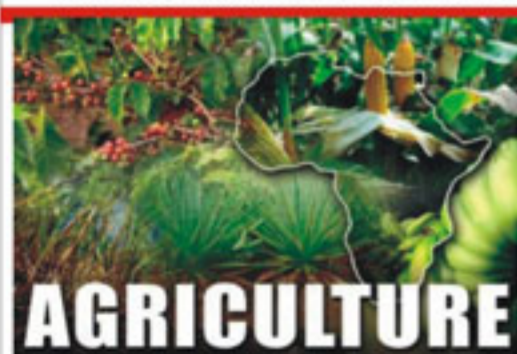


HORTICULTURE

- FRUITS AND VEGETABLES
- HERBS
- CUT FLOWERS
- Ethiopia is the second largest flower exporting country in Africa after Kenya.
- Ethiopia is an ideal location for highland and lowland world class flower due to agro climatic condition.
- Flower industry is the fastest growing sub sectors in the Country.
- Market: Netherland, France, Germany, Italy, Canada, Norway, Sweden, UK, USA, Middle East and other EU and Asian Countries.

COTTON PLANTATION

- Ethiopia has ideal soil and climatic condition for growing cotton. 322,000 ha of land is suitable for commercial



AGRICULTURE
Introduction:
Ethiopia is one of fast growing least developed countries in the world in the last decade. Nevertheless, since the 1960s up to the present time the country has been affected by recurring drought. Since 1975, Ethiopia had two different political regimes with different policies and ideologies. The first one was the dictatorial military regime, which ruled the country with iron and brutal heavy hand since 1975 until midyear of 1991. The second and the current political regime, which came into power since 1991 by toppling the brutal military regime has put in place a multiparty democracy and pluralism. It recognized the diverse nature of the culture, history and language of Ethiopian nations, nationalities and peoples. The performance of the Ethiopian economy during the Military regime (1975-1990), which had followed a command economic system, was characterized by extremely low performance, with only 1.8 per cent of average growth rate of Real Gross Domestic Product and 0.9 per cent of

production of cotton
• **Sugar cane plantation and sugar processing**
The climate and soil type of the country have both proven to be highly conducive for growth and production of sugar cane

LIVESTOCK PRODUCTION

There are:
43 million heads of cattle
31 million heads of sheep
27 million heads of goats
32 million poultry
2.3 million camels
7 million equines

- ✓ Animal fattening
- ✓ Animal feed processing
- ✓ Meat processing
- ✓ Exports abattoir for chilled and frozen meat

INFORMATION COMMUNICATION TECHNOLOGY (ICT)

- ✓ Software, content, application, and database development
- ✓ System integration and data centre services
- ✓ Information technology enabled services like
 - Geographic information service
 - Insurance claim processing
 - Payroll processing
 - Remote maintenances
 - Business process outsourcing, ect.

✓ Manufacturing of ICT equipment like computers and peripheral equipments, audio & video equipment telephone apparatus, and production of semi-conductor and other electronic components.

• **MANUFACTURING**

- **TEXTILES**
 - Spinning, weaving and finishing of textile fabrics
 - Knitting
- **GARMENT**
 - Woven and knitted garment

• **LEATHER AND LEATHER PRODUCTS**

- Leather footwear and leather garments
- Luggage, handbags and gloves
- Saddle and harness
- Integrated tanning and manufacturing

- ✓ Food and beverages products
- ✓ Drugs and pharmaceuticals
- ✓ Chemicals and chemical products
- ✓ Paper and paper products
- ✓ Building materials such as cement, iron, reinforcing bars, steel, etc.

• **MINING**

Ethiopia offers excellent opportunities for mineral prospecting and the development. There is favorable geological environment hosting a wide variety of mineral resources.
✓ Ethiopia's green stone belt offer one of the finest areas for gold mineralization anywhere in the world, and more than 500 metric tones of gold deposits have already been identified by exploration.
✓ In addition to gold, Ethiopia is blessed with a large deposit of:



Per Capita Gross Domestic Product growth rate for the period of 1975-1990. This low level of economic performance resulted from recurrent drought, high population growth and civil war, due to lack of democracy and inequality among different ethnic groups; and inappropriate economic policy and management, which emanated from the socialist ideology of the regime. Following the end of the civil war, in May 1991, a new day has dawned for Ethiopia. The current Government has marked a new start in the country's political and economic spheres. It has amended the constitution in 1994 with a view to address the social and political injustice that was imposed on Ethiopian nations, nationalities and peoples. It has also initiated economic reforms to address the long-term structural problems of underdevelopment with underlying policy of market-oriented economy, wherein the private sector is considered as a driving force. The new government had inherited a weak command economy characterized by fiscal and current account deficits amounting to 8.7 per cent and 6.9 per cent



MAJOR INVESTMENT OPPORTUNITIES

- Precious and metallic minerals such as tantalum, and platinum etc.
- Industrial and construction minerals such as kaolin, diatomite, feldspar, quartz
- Silica sand, potash, phosphate, iron, nickel, chromium, copper, zinc, lead, cobalt,
- soda ash, salt, limestone, marble, and granite.
- Energy minerals including coal, oil shale, natural gas and hot spring have also been
- identified in various parts of the country.
- With regard to fossil energy resources, there are significant opportunities for extracting oil and natural gas in the four major sedimentary basins, namely the Ogaden, the Gambella, the blue Nile and southern rift valley.

• **TOURISM**



Natural riches, cultural heritages, and religious, archeological, and historical places make Ethiopia one of the few awe-inspiring tourist destinations in Africa. The main tourist attractions include:

- Historical and cultural heritages
- Magnificent and scenic landscape
- Rich flora and fauna
- About 7,000 species of plants, out of which 1,100 are endemic.
- About 242 mammals, out of which 23 are endemic.
- About 850 bird species, out of which 16 are endemic
- Arc heological sites.
- Convenient convention venues
- Licensed hunting of animals and birds, etc.

- ✓ Star designated hotels
- ✓ International and specialized restaurant
- ✓ Lodges and resorts
- ✓ Tour operations

• **ENERGY**



- ✓ Nine of Ethiopia's major rivers are suitable for hydroelectric power generation, and hydropower potential is estimated at 45,000MW
- ✓ Geothermal electricity production potential is also estimated at 5,000 MW
- ✓ Electricity generation from any source and sale to the Ethiopian Electric Power Corporation (EEPCo) for transmission and distribution through the Integrated national Grid System
- ✓ Off-grid transmission and distribution of electricity.

• **TELECOMMUNICATION**

- ✓ Participation of private investors in telecommunication services in partnership with the Government.

• **Air Transport**

- ✓ Air cargo service without any restriction on capacity

• **CONSTRUCTION**

- ✓ First grade construction contracting
- ✓ Rental services of construction machinery and equipment
- ✓ Real estate development

• **PRIVATIZATION**

As part of macro-economic reform, the Government has launched a program for privatization of state owned enterprises. Pursuant to the launching of this program, a number of enterprises have been transferred to the private sector. Currently, there are many state owned enterprises in the pipe line to privatized in different modalities. These include:

- ✓ Food processing factories
- ✓ Beverages and breweries
- ✓ Textile factories
- ✓ Chemical industries
- ✓ Hotels
- ✓ Construction firms, etc.

• **Government Support To Priority Areas:**

- ✓ Access to long-term credit with low interest rate
- ✓ Exports incentives
- ✓ Customs duty exemption
- ✓ Carry forward of losses
- ✓ Provision of land at comparative lease price
- ✓ Technical support

• **INVESTMENT GUARANTEES AND PROTECTIONS**

- ✓ The constitution and the investment Law of the country protect private property
- ✓ Foreign investors can repatriate their profit, dividends, interest and loan repayment on external loans, etc.
- ✓ Ethiopia is a member of the Multilateral investment Guaranteed Agency
- ✓ (MIGA), a World Bank affiliate, which issues guarantee against non-commercial risk in signatory countries;
- ✓ Ethiopia is a member of the World intellectual Property Organization (WIPO)
- ✓ Ethiopia has also Concluded bilateral investment promotion and protection agreement with many African, Asian, and European countries like Algeria, Austria, Belgium and Luxemburg, China, Denmark, Egypt, Equatorial Guinea, Finland, France, Germany, India, Iran, Israel, Italy, Kuwait, Libya, Malaysia, Netherlands, Russia, South Africa, Spain, Sudan, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, and Yemen.
- ✓ In addition, the country has signed double taxation avoidance treaties with some countries including Italy

Kuwait, Romania, Russia, Tunisia, Yemen, Czech Republic, France, Israel, South Africa, and Turkey.

• **INVESTMENT POLICY AND INCENTIVE**

- ✓ No restriction on the modality of participation
- ✓ No discrimination between domestic and foreign investors with regards to the provision of incentives
- ✓ 100% exemption from the payment of custom duty on imported capital goods and construction materials including spare parts worth up to 15% of the total value of the capital goods to be imported

• **Income Tax Exemption**

- ✓ 2 up to 7 years for manufacturing or agro-industrial, agricultural or ICT investments
- ✓ 2 years for expansion or upgrading of existing manufacturing or agro-industrial and agriculture investments
- ✓ Loss carry forward for half of the tax holiday period

• **EXPORT INCENTIVES**

- ✓ Duty Draw-back scheme: Duties paid at the part of entry and locally, on goods imported by the beneficiaries shall be refunded, 100 percent, at the time of the export of the finished goods.
- ✓ Voucher scheme: A voucher is a printed documents having monetary value which is used in live of duties and taxes payable on imported raw material. The beneficiaries of the voucher scheme are also exporters.
- ✓ Bonded Manufacturing Warehouse: Producers wholly engaged in exporting their product who are not eligible for voucher scheme but having licensed for bonded warehouse manufacturing are entitled to operate such warehouse in importing of raw material duty free.



• **CAPITAL REQUIREMENTS**

- ✓ Minimum Capital requirements for wholly owned foreign investment:
 - US\$100,000 for a signal investment project in cash and/or in kind;
 - US\$50,000 in cash and/or in kind per project in areas of engineering, architecture, accounting and audit services, project studies or business management consultancy services, or publishing.
 - ✓ The minimum capital requirement for investment in partnership with domestic investors.
 - US\$ 60,000 in cash and/or in kind per project;
 - US\$25,000 in cash and/or in kind if the investment id made in areas of engineering, architecture, accounting and audit services, project studies or business management consultancy services, or publishing;
 - ✓ No capital requirement for an investors who;
 - exports at least 75% of his outputs; or
 - reinvests his profit or dividend,
- **REQUIREMENTS TO OBTAIN INVESTMENT PERMIT**



In accordance with Article 25 of the Investment Proclamation No. 280/2002 (as amended)

- Foreign investors;
- Foreign nationals taken for domestics investors, excluding Ethiopian by birth;
- Domestic investors who are required to obtain business license from concerned federal organ and also eligible for incentives; and
- Domestic and foreign investors making investments in partnership, are required to obtain investment permit from the Ethiopian investment Agency;
- All investors applying to obtain investment permits should submit a properly filled application form to the Agency together with the following documents:
 - Where the application is signed an agent, a photocopy of his power of attorney;
 - Where the investment is to be made by an individual person, a photocopy of the pages of a valid passport showing his identity and his recent two passport size photographs;
 - Where the investment is to be made by a business organization incorporated in Ethiopia, photocopies of its Memorandum and Articles of Associations;
 - Where the investment is to be made by a newly established business organization, in addition to the above said documents, photocopies of the pages of valid passport of each shareholder and photocopies of certificates evidencing the status of the domestic investors, if any;
 - Where the investment is to be made by a branch of a foreign business organization in Ethiopia, photocopies of its Memorandum and Articles of Associations, pages of valid passport, certificates evidencing the status of the domestic investors and photocopies of identity cards, as the case may be; and
 - Where an investors concludes a technologies transfer agreement related to his investment he is required to submit the same for approval and registration.

• **MODES OF DOING BUSINESS IN ETHIOPIA**

Investment can be effected in one of the following forms in Ethiopia:

- Sole proprietorship
- Business organizations incorporates in Ethiopia or abroad
- Public enterprises established in accordance with the relevant law.
- Co-operative societies formed in accordance with the relevant law.

Source : Ethiopia Land of Tomorrow



INDIA - ETHIOPIA: AGRICULTURAL COOPERATION

of Gross Domestic Product (GDP) respectively, in addition to an external debt burden equivalent to 33 per cent of the GDP. Price controls and subsidies were eliminated and the exchange rate was devalued by 250 per cent. The financial services sector was thrown open for competition from the private sector. Judicial and civil service reforms were made to remove impediments to pro-poor strategies, policies and investment programmes. Equally, new regulations introduced to encourage both domestic and foreign investment, particularly in agriculture and agro-processing. These reforms were underpinned by increased pro-poor public spending in agriculture, education, health, water, roads, rural electrification, and telecommunications. The policy directions of the current Government resulted in an improvement in the economic performance of the country.

Structure of the Ethiopian Economy:

Agriculture is the backbone of Ethiopian economy. Its contribution accounted for 41 per cent of the GDP in 2011; it is a livelihood of more than 80 per cent of the population and the main source of foreign exchange earnings (90 per cent of the total export, 2011).



Though the agriculture sector has witnessed decline in the structure over the years from 61 per cent in 1975 to 41 per cent in 2011, it still continues to dominate in overall economy of the country. The share of industry has shown a slight improvement through the periods 1975 from 9 per cent to 13.4 per cent in 2011. The industry sector remains the least contributor to the GDP. The share of service sector has increased significantly from 30 per cent in 1975 to 45.6 percent in 2011.

Gross Domestic Savings and Investment
Gross Capital Formation (GCF) as a percentage of GDP has been increasing steadily and in 2011, it has reached the level of 25.5 per cent. On the contrary, domestic saving is at lower level, i.e., at 8.8 per cent of the GDP in 2011, mainly due to subsistence nature of the economy. Saving-investment gap in Ethiopia and low level of FDI flow, which is at the level of 2.91 per

cent of GDP on average during 2001-2010, implies the importance of foreign finance, i.e., aid and loan. Ethiopia has received 13.4 per cent net ODA as a percentage of GDP in 2009.

Current and Capital Expenditure

As a result of the reform in expenditure policy that has taken place in 1991, capital expenditure kept on growing and current expenditure has been decreasing continuously. Capital expenditure has more than doubled and reached at 57 per cent of the Government expenditure during 2011 compared to the level of 1975, where it was accounted only at 22 per cent of the total expenditure.

On one hand, the share of expenditure on construction, transport and communication has been increasing tremendously since 1991 and Government expenditure on infrastructural investment doubled during 2006-10 and reached 40 per cent of the total expenditure vis-à-vis the period of 1976-1980, where it was at the level of 20 per cent. Likewise, expenditure on human capital is on the rise



reaching 28 per cent of the total expenditure vis-à-vis the period of 1976-1980, where it was 16 per cent.

On the other hand, during the past five years expenditure on consumption has been reduced significantly and constitutes 46 per cent of the total expenditure vis-à-vis the period of 1976-1980, where it accounted 65 per cent of the overall Government expenditure.



The reorientation in government expenditure towards the provision of basic infrastructure, i.e., road, telecommunication, education and health, etc., has resulted in significant economic performance. Especially, from 2004 onwards the economy has continued to grow with an average growth rate of 11 per cent.

Huge investment in infrastructure sector has created conducive environment to ensure uninterrupted and continuous economic growth through years. Major achievements in infrastructure sector include increased total road network covering up to 52,000 km increased national electricity coverage to reaching 46 per cent, improved mobile telephone



Hand woven Ethiopian items follow a timeless tradition and are in great demand overseas.

of 8 per cent per year. The Government of Ethiopia has created the Agriculture Transformation Agency to build on this progress and drive the transformation of the agriculture sector to realize the interconnected goals of food security, poverty reduction, and human and economic development.

Building on the impressive gains of the preceding decade, Ethiopia's current Five Year Growth and Transformation Plan (GTP) establishes ambitious targets for agriculture for 2011-2015. The targets focus on enhancing the productivity and production of smallholder farmers and pastoralists, strengthening marketing systems, improving participation and engagement of the private sector, expanding the amount of land under irrigation, and reducing the number of chronically food insecure households.

Growth Trend of the Agricultural Sector

As per the Ministry of Agriculture and Rural Development, the agricultural sector greatly influences economic performance in Ethiopia. About 11.7 million smallholder households account for approximately 95 per cent of agricultural GDP and 85 per cent of employment. With a total area of about 1.13 million km and about 51.3 million hectares of arable land, Ethiopia has tremendous potential for agricultural development. Only about 11.7 million hectares of land, however, are currently being cultivated, just over 20 per cent of the total arable area. Nearly 55 per cent of all smallholder farmers operate on one hectare or less. The agricultural sector accounts for 41 per cent of GDP, and 90 per cent of exports. Cereals dominate Ethiopian agriculture, accounting for about 70 per cent of agricultural GDP. Livestock production accounts for about 32 per cent of agricultural GDP and draught animal power is critical for all farming systems. Over the past decade, cereal production has more than doubled to nearly 15 million tonnes, due to horizontal expansion and increased yields. Nevertheless, food security remains a critical issue for many households, and the country for as a whole. Moreover, expansion of the cropped area to more marginal lands has led to severe land degradation in some areas.

The past decade has been one of optimism. In the last 5-years, the agriculture sector has grown at a high rate

economic growth through transforming the productivity of agriculture sector amid a very volatile climatic condition would not be a simple task.

On the other hand, support to food insecure population and to protect and create assets at the household and community level, through the Productive Safety Net Programme (PSNP) needs to be continued up to the moment where the overwhelming majority of such people have graduated and have become food self-sufficient. PSNP is believed to create food access, stimulate markets and rehabilitate natural resources.

Technical Cooperation with India in the field of Agriculture

a) Technical Cooperation

India has a good track record in transforming agriculture sector through Green Revolution and Ethiopia can benefit from science and research-led agricultural growth in India.

Moreover, India's Green Revolution can be adopted as a model to transform the current subsistence farming in to sustainable growth of the sector through adopting appropriate technology, creating access to a holistic package of affordable inputs, availing seasonal credit to small scale farmers, creating assured access to markets at stable prices, investing in agricultural research and development, investing in extension, roads, irrigation, power, and other rural infrastructure.



The overall target is a minimum growth rate of at least 8.1 per cent per annum in the agricultural sector over the five-year period. Sub-sectoral targets include tripling the number of farmers receiving relevant extension services, reducing the number of safety net beneficiaries from 7.8 to 1.3 million households, and more than doubling the production of key crops from 18.08 million metric tonnes to 39.5 million metric tonnes.

Challenges in the field of Agriculture

Extreme worldwide weather events such as droughts and floods are predicted to become more frequent. Forest area in Ethiopia declines by 1 per cent each year. About 98,490,000 cubic meters of wood fuel were consumed only in 2008, contributing to land degradation, erosion and desertification.

On one hand, achieving food security, adapting to climate change, and mitigating climate change and its effects would remain the challenge of the day. Moreover, achieving and sustaining broad-based

economic growth through transforming the productivity of agriculture sector amid a very volatile climatic condition would not be a simple task.

On the other hand, support to food insecure population and to protect and create assets at the household and community level, through the Productive Safety Net Programme (PSNP) needs to be continued up to the moment where the overwhelming majority of such people have graduated and have become food self-sufficient. PSNP is believed to create food access, stimulate markets and rehabilitate natural resources.

Technical Cooperation with India in the field of Agriculture

a) Technical Cooperation

India has a good track record in transforming agriculture sector through Green Revolution and Ethiopia can benefit from science and research-led agricultural growth in India.

Moreover, India's Green Revolution can be adopted as a model to transform the current subsistence farming in to sustainable growth of the sector through adopting appropriate technology, creating access to a holistic package of affordable inputs, availing seasonal credit to small scale farmers, creating assured access to markets at stable prices, investing in agricultural research and development, investing in extension, roads, irrigation, power, and other rural infrastructure.

At the 2nd Indo-Africa Summit, held on 24-25, May 2011, India had pledged to send teams of farm experts to African countries to explore ways of helping the continent to improve their agricultural practices. Accordingly, a delegation from Indian Council for Agricultural Research (ICAR) visited Ethiopia and signed a Memorandum of Understanding with Ethiopian Institute for Agricultural Research (EIAR) on 12 December, 2012 for technical cooperation in the field of agricultural research and education.

The priority areas of technical cooperation include agricultural research in horticulture, crop science, fisheries, animal science, agricultural engineering and natural resource management, agricultural extension and agricultural education. The

cooperation will be implemented through exchange of scientists, scholars, technologies, literature, information and germ-plasma and collaborative research projects.



b) FDI in to Agriculture Sector

In any developing country like Ethiopia, high investment flow into Agriculture sector leads to high impacts on the overall economic growth. Ethiopia is highly endowed with fertile land and abundant and productive human resources.

Ethiopia has developed investor-friendly environment through strong changes in national policy framework. Therefore, even though Ethiopia is still securing less foreign direct investment compared to some of the northern and western African countries, the number of foreign investors has increased significantly. Amongst major investing countries, India has emerged as one of the leading investors' source countries in all sectors in general and in agricultural sector in particular. In 2011, the share of India's FDI in Agriculture sector constituted 43 per cent of the total of its FDI in Ethiopia.

According to data from the Ethiopian Investment Agency, at the beginning of 2011 the number of projects that has been approved for investment in agriculture and allied fields by Indian companies and investors of Indian nationals was 148 with a total capital of 30.6 Billion Ethiopian Birr. Out of these 148 projects 22 projects have become fully operational and created 2395 permanent and 166,061 seasonal employment opportunity. Besides, 10 projects were under implementation and the rest 116 projects were on pre-implementation phase.

Main investment in agricultural sector include floriculture, horticulture, bio-fuel and food production; and main investment destination regions for agricultural investment include Oromia, Amhara, SNNPR, Gambela and Benishangul Gumz.

Major problem with FDI in Agriculture is slow performance of investors; low conversion rate, i.e., less number of investors who take a real step towards implementation of their investment project within the given time frame agreed by both the investor and the Government; and lack of basic infrastructure in some regions and in remote areas.

The Way Forward:

The following issues are needed to be deepened in order to enhance further the performances of the agricultural sector:-

- Strengthen cooperation with development partners, especially with India, in agricultural research and human resource development; prepare plan of action for implementation of the technical cooperation with clear mandate of the parties, time frame and monitoring mechanism; due emphasis has to be given for joint research in the areas of high yield improved seeds, human resource development in agriculture sector and technology transfer, exchange of information on best farm practices, etc.
- Strengthen the capacity of supporting institutions such as Agriculture Transformation Agency, Ethiopian Institute for Agricultural Research, Ethiopian Commodity Exchange and the Ministry of Agriculture and Rural Development. Further enhancing best practices achieved so far through research and applying improved technology, and multiplying them; Enhancing water and soil conservation and fertility of soil.



Encouraging the participation of the private sector in large scale agricultural farming, manufacturing and small enterprise development and reducing unemployment challenge; Increasing government investment in agricultural research, rural infrastructure; Implementing PSNP to ultimately graduate



chronically food insecure portion of the population; Implement appropriate policy measures to enhance productivity of the private sector; Address the consequences of the inflationary pressure through different monetary policies, and keep it in a single digit; Address limited implementation capacity of the civil service at all levels through reform; and improve access and quality of service delivery.

Conclusion

Ethiopia eyes to maintain the fast growth track and achieve sustainable economic growth. It has set an ambitious and yet achievable plan to increase income of its citizens, achieve food security and alleviate poverty.

In its on-going 5-year-plan the country targets to double the production of the agriculture sector and achieve food security at the household level. To increase productivity of the sector and its output, the Government has to look in to possibilities of increasing the investment in the agriculture sector from the current level of 10 per cent of the GDP. Partner countries and donors also have to support Ethiopia in crop research and through financing rural development projects and programs.

To improve the performances of the private sector, including FDI, procedures in allotting farm land need to be expedited, and other administrative support also needs to be extended as per the prevailing laws and regulations. On the part of investors, they have to own and run manageable and practical size of farm land and they have to start implementing their project without fail any delay. Investors have to keep them away of being rent seekers.

FOOD PROCESSING

Background and overview. Food processing is among the oldest of Ethiopia's manufacturing industries. Bakeries, grain and oil mills were in operation as early as 1906 and the first food factory, Kaliti, was established in 1938.

In FY2006/07 there were 330 large- and medium-scale firms in the food processing industry, employing about 36,000 people, which amounted to 26% of all employees in the manufacturing sector.

The food processing industry can be broken into eight major subsectors:

Sugar manufacturing is the leading subsector, accounting for 53% of sales revenue and 57% of employment in the food processing sector. This industry is the subject of a separate industry profile.

Meat processing and exporting is the leading export subsector. Processed meat products comprise canned and frozen meat. In FY2008/09, about \$27 million was generated from the export of meat and meat products.

Wheat-based products manufacturing consists of flour, macaroni, spaghetti and biscuit manufacturing, and involves about 200 firms.

Fruit and vegetable processing is dominated by a state-owned firm that produces orange marmalade, tomato paste and tomato juice.



Edible oil production is carried out by mid-size and small-scale businesses that produce vegetable butter, edible oil and cheese for the domestic market.

Dairy products in Ethiopia include yogurt, cheese and butter, mostly produced by small-scale farmers and households.

Grain milling is practiced by numerous small-scale businesses located in villages throughout the country.

Bakeries are mostly small-scale businesses and the subsector is the second largest in terms of employment, after sugar.

Soft drinks. One interesting development involves the appearance during the past few years of over a dozen mid-size firms in the soft drinks (fruit juices and mineral water) area, which has led to a substantial fall in imports of soft drinks. The Access

Synopsis of An Enterprise Map of Ethiopia

Capital Group is particularly active in this area, both in juices (Piko) and mineral water (Real Water).

Most subsectors of food processing have a fringe of small and mid-size firms.

LEATHER



Background and overview. The manufacture of leather and leather products in Ethiopia dates back to historic times, and traditional cottage leather manufacturing is still practiced for both hides and skins.

Leather manufacturing in modern tanneries began in the mid 1920s. Ethiopia possesses the largest livestock population in Africa, and the tenth largest in the world. Ethiopia's livestock population is estimated at 44.3 million cattle, 23.6 million sheep, 23.3 million goats and 2.3 million camels (Central Statistical Authority). The skin removal rate is 7% for cattle, 33% for sheep and 37% for goats (Ministry of Agriculture and Rural Development). The country produces 2.7 million hides, 8.1 million sheepskins and 7.5 million goatskins annually.

Currently, 22 tanneries and another 18 enterprises manufacturing leather products operate in the country (see Annex 3 on page 182), producing products ranging from various forms of semi-processed leather to finished leather articles such as shoe uppers, leather garments, stitched upholstery, school bags, handbags, industrial gloves and finished leather.

Sheep and goatskins represent the bulk of Ethiopian leather production. The three main types of skins from Ethiopia - bati, cabretta and selallie - make the finest leather in the world and are sold at premium prices in the international market. Cabretta, highland sheepskin, is known for its natural characteristics of clarity, thickness, flexibility, strength and compact texture, which make it especially suitable for high quality gloves, sports

equipment and garments. Goatskin, classified as bati-genuine and bati-type, is characterized by thick, highly flexible and clean inner surfaces and is in high demand for the production of fashion leathers and especially suede.

Hides, on the other hand, are not regarded as particularly attractive in international markets due to their poor quality and the small size of the zebu, the most common bovine in Ethiopia.

TABLE 8.1. Number of employees in the leather sector.

Fiscal Year	2002/03	2003/04	2004/05	2005/06	2006/07
No. of Empl.	7,232	7,665	7,913	7,914	8,351

Source: Central Statistical Authority.

The industry employs more than 8,000 individuals according to the Central Statistical Authority and has not shown much increase (less than 1,500 people) in its employing capacity over the five years, as shown in Table 8.1.

Tanneries are mostly large enterprises, while some of the leather product manufacturers such as Kangaroo and Peacock Shoe are also large. There are many mid-size leather product manufacturers as well as small-scale operators such as raw skin suppliers and enterprises making various leather articles.

Most of the leather product manufacturers sell their products through their own sales outlets.

Leather is exported to more than 60 countries, the major destinations Italy, the United Kingdom and China. Leather products such as shoe uppers, leather garments, stitched upholstery, school bags, handbags, industrial gloves, and finished leather are also exported to Europe, the United States, Canada, Japan and the Far East. There are also some export sales to countries in Africa, in particular to Nigeria and Uganda, as well as to the Middle East, and especially Yemen.

TEXTILES AND GARMENTS



Background and overview. The textile and garment industry in Ethiopia dates back to 1939, when the first industrial textile factory was established in Dire Dawa. The first garment factory, Addis Garments, was established in the 1960s.

The industry is one of the largest employers in Ethiopia, with 35,000 direct employees (cotton farming 00%) and textile/garment manufacturing (90%), excluding the 500,000 engaged in the informal handloom weaving sector.

The sector comprises 70-80 large and mid-size companies. Exports sales were worth \$14.6 million in FY2007/08. (See Table 9.1.)

Ambassador Garment (medium-large garment producer). Garment Express was established in 1998 and is engaged in the production of suits for the domestic market. The firm has a production capacity of 1,200 suits per month and employs 480 people. Its revenues are in the range of \$3 million per annum.

Garment Express (medium garment producer). Garment Express was established in 2003 and is engaged in the production of casual wear and sportswear. The firm has a production capacity of 2,400 units per week and employs 480 people. It exports, primarily, to the United States under AGOA terms.

CONSTRUCTION



Background and overview. Ethiopia is currently enjoying a boom in construction, in part due to government initiatives and incentives dating from 2004. Commercial and residential real-estate construction has grown in response to the high demand.

The government is investing heavily in the construction of public housing projects, hydroelectric dams, irrigation and roads.

The construction sector is a major source of revenue for the government, accounting for more than 10% of 'large taxpayer' revenues (Construction Ahead 2008). It is the country's second largest employer after the agricultural sector, and the largest source of urban employment.

The construction industry can be divided into the following subsectors:

Transportation and communication

sector: roads, airport, telecommunications and other related physical infrastructures.

Water works and energy sector: water supply and sanitation, hydropower, irrigation, electric power lines and related physical infrastructure.

Building sector: housing, commercial and industrial buildings and related physical infrastructure.

Other physical infrastructure: such as defence, mining, agriculture and related areas.

In Ethiopia, infrastructure development has typically consisted of roads, hydro-dams, irrigation, water supply, public housing projects and other government buildings such as universities, and has accounted for the major share of construction activity, while commercial and residential real-estate account for the rest.

The commercial and residential markets were driven by pent-up demand from the 1990s when little construction took place.

In the period 2003-8, the government increased its infrastructure spending threefold (Construction Ahead 2008) mainly in road, water works, public building and energy-related construction. The government is aggressively expanding the road network, with a target of 20,000 km of new roads by the end of 2010, and plans to construct five major new hydroelectric dams over the same timescale.

TABLE 11.1. Contractors' classifications and grades.

There are more than 1,000 contractors and 100 consulting firms in the construction industry.

Contractors are classified as general contractors (GC), building contractors (BC) and road contractors (RC) by the Ministry of Construction and Urban Development. They are graded from 1 to 10; 1 being the largest and 10 being the smallest.

Grade	GC	BC	RC	Total
1	31	27	5	63
2	0	2	0	2
3	16	60	0	76
4	0	140	1	141
5	55	320	0	375
6	523	210	2	735
7	422	76	0	498
8	188	34	1	223
9	10	13	0	23
10	1	0	0	1
Total	1,246	882	9	2,137

Source: Ministry of Works and Urban Development "Registered Contractors List", 2009.

PHARMACEUTICALS

Background and overview. The Ethiopian pharmaceutical industry currently consists of 13 pharmaceutical and medical supply manufacturers; about 10 of these produce pharmaceuticals while the rest are engaged in producing medical supplies such as syringes, absorbent cottons and lab equipment. Almost all of these companies are owned by Ethiopian nationals.



The industry is very small in size and has limited capacity; it serves only a small part of the domestic market (less than 20%) while imported drugs cover the rest of the market. Most of the imports consist medicines for tuberculosis, HIV / AIDS and malaria; the procurement process is administered by the Ministry of Health. In 2008, about \$190 million worth of drugs were imported (Customs Authority).

More than 100 types of medicines, mainly generic, are produced in Ethiopia.

The Ethiopian pharmaceutical sector is supported by the Engineering Capacity Building Program (ECBP) - a joint project by the Ethiopian government and the German development cooperative, GTZ. The ECBP supports manufacturers, institutions and associations in regard to the transfer of qualifications and know-how, as well as providing contacts to international buyers and investors.

There are 112 importers and wholesalers registered by the Drugs Administration and Control Authority and 3,228 drug retailers (pharmacies and drug stores) registered in the country.

Pharmaceutical manufacturing is not a relatively attractive area for investors in Ethiopia, since there are, quite appropriately, stringent regulatory controls, and very high technical standards need to be met. The sector has been in difficulty over the past five years and four companies

The largest buyer of pharmaceuticals is the government's Pharmaceutical Fund Supply Agency, which is answerable to the Ministry of Health.

Profiles and lines of business of large firms.

Ethiopian Pharmaceutical Manufacturing and Addis Pharmaceutical Factory are the largest and oldest firms, and produce various medicines in relatively large quantities.

India - Ethiopia Bilateral Trade Relations

regime that ruled the country from 1974-91, visited India in 1983 for the NAM Summit. He later paid a State visit to India in 1985.

Prime Minister Meles Zenawi visited India for the 4th International Conference on Federalism in November 2007. He again visited India, accompanied by **Mrs. Azeb Mesfin**, for the India Africa Forum Summit in 2008. In February 2009, he participated in the Delhi Sustainable Development Summit. He visited India for the Delhi Sustainable Development Summit in February 2011.

From our side, **President S. Radhakrishnan** visited India in 1965. This was followed by the visit of **Vice President Zakir Hussain** in 1967 and **President V.V. Giri** in 1972. **Smt. Indira Gandhi** visited Ethiopia as Minister of Information and Broadcasting in 1964. **Shri Pranab Mukherjee**, then External Affairs Minister visited Ethiopia in 2007. Foreign Minister, **Hailemariam Desalegn** visited India for the first meeting of the Joint Commission in December 2010.

The recently held **India Africa Forum Summit -II** held in May 2011, at Addis Ababa, saw the culmination of the bilateral relations to higher levels. Minister of Commerce and Industry, **Mr. Anand Sharma**, External Affairs Minister, **Shri. S.M.Krishna** and finally the Prime Minister paid visit to Addis Ababa for the IAFS-II. The Minister of Commerce and Industry, **Mr. Anand Sharma**, held bilateral meetings, with the PM, **Mr. Meles Zenawi**, Trade Minister, **Mr. Abdurhman Sheikh Mohammed** and inaugurated the India Africa Trade Exhibition. He also led a delegation of Indian CEOs. He also inaugurated India Africa Trade Ministers meet, which has been announced to be a regular event in the future.

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The Indo-African chamber has led a **23 member delegation** on 27th November 2012, representing multi-sectoral activities to **Ethiopia and Zambia**. The delegation led by **Mr. K. L. Daga**, the president of the chamber and also Director Special Project - Patel Engineering. Along with H.E. Genet Tushome, the very active and dynamic Counsel General of Ethiopia in Mumbai - Who was kind enough organize all the scheduled meeting with the respective ministries - Govt. of Ethiopia.

Bilateral agreements:

The bilateral agreements signed by the two countries are:

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- v) Agreement on Cooperation in Micro Dams and Small Scale Irrigation Schemes (2002)
- vi) Agreement on Establishment of Joint Ministerial Commission (2007)
- vii) Bilateral Investment Promotion and Protection Agreement (2007)
- viii) Agreement on Cooperation in the field of Science and Technology (2007)
- ix) Educational Exchange Programme (2007)
- x) Protocol on Foreign Office Consultations (2007)
- xi) Double Taxation avoidance treaty (2011)
- xii) MOU between NSIC, India and FEMSEDA (2011)
- xiii) MOU between ICAR and Ethiopian institute of Agricultural Research in December 2011.

Bilateral Trade: A trade agreement, signed by the two countries in 2007 provides for the establishment of a Joint Trade Committee (JTC). The first meeting of the JTC was held in Addis Ababa in February 1998, the second in Delhi in March 2001, the third in Addis Ababa in July 2002, the fourth in New Delhi in January 2006 and the fifth in Addis Ababa in October 2008. For the fifth meeting, the Ethiopian side was led by **Mr. Ahmed Tusa**, State Minister for Trade and Industry and the Indian side by **Shri Jairam Ramesh**, MOS for Commerce and Power.

India's annual exports to Ethiopia are in the range of US \$ 636.5 million. This is significant given that Ethiopia's global non-oil imports are only US \$ 6.2 billion approximately. India is the third most important source of imports for Ethiopia, contributing 7.5% of all of Ethiopia's imports. [China at 14.3 and Saudi Arabia at 7.6% are ahead.] These imports cover the entire range of manufactured goods that are imported into Ethiopia.

India's annual imports from Ethiopia have stagnated in the range of US \$ 24.3 million. These mainly consist of cotton, pulses and spices. There has been no significant increase despite Ethiopia's accession to the Duty Free Tariff Preferential Scheme in August 2008. This is because of the small size of Ethiopia's global exports (US \$ 2 billion) and the limited nature of its export basket (coffee, oilseeds, pulses, flowers, khat and gold).

Indian Investments: India is the second largest foreign investor in Ethiopia with approved investment of US \$ 4.78 billion. Of this, approximately US \$ 1 billion is already on the ground or in the pipeline. About 40% of Indian investment is in the field of commercial agriculture. Some of the major investors in this field are: M/s Karturi - 340,000 hectares, Emami Biotech - 40,000 hectares, Ruchi Soya - 25,000 hectares, Shapoorji Pallonji - 15,000 hectares, Ramton Agri - 10,000 hectares.



Another flagship project is of M/s Sainik Potash in the Danakil Depression - one of the hottest places on earth. While mining multinationals like BHP Billiton and Allana Potash had held prospecting licenses for many years, they did not engage in any activity on the ground because of the extremely harsh conditions in the area. They are now starting to follow the example of Sainik. If the Sainik project is successful, its total investment would be approximately US \$ 450 million and annual exports would be 1 million tonnes a year, worth about US \$ 350 million at current prices.

Concessional Lines of Credit: A concessional line of credit of US \$ 65 million was approved during the visit of Mr. Sufian Ahmed, Ethiopian Minister of Finance and Economic Development to India in January 2006. The credit was given to support the rural electrification programme.

The Government of Ethiopia had, in February 2006, requested for US \$ 640 million in concessional lines of credit for financing the development of the sugar industry. The total cost of the project was



Hearty Congratulations on the occasion 22 Anniversary of the National day of the F.D.R. of Ethiopia
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indicated to be US \$ 1.35 billion. The project involves setting up a green field project at Tendaho with an annual sugar production of 600,000 tonnes, expansion of the existing Finchaa Sugar Factory to take its annual production up to 270,000 tonnes and expansion of the existing Wonji-Shoa factory to take its production up to 300,000 tonnes. The project will change Ethiopia from being an importer of sugar to a major exporter. Our willingness to cooperate in the development of the sugar industry had been announced during the then EAM's visit to Ethiopia in July 2007.

The agreement for the first tranche of US \$ 122 million was signed in October 2007. The agreement for the second tranche of US \$ 166.33 million was signed in January 2009. The agreement for the third tranche of US \$ 213.31 million was signed in December 2010. The agreement for the fourth tranche for US \$ 91 million was signed on February 2011.

The pan African e-Network project was launched in Ethiopia in July 2007. The TeleEducation Centre at Addis Ababa University and the Tele-Medicine Centre at the Black Lion Hospital in Addis Ababa are working well and are considered useful by the Ethiopian side. The Tele-Education project has been replicated by the Ethiopian side and linkages established between the Addis Ababa University and the Indian Institutes of Technology at Delhi and Kanpur.

The Central Leather Research Institute and the Footwear Design and Development Institute, both from India, have been cooperating with the Ethiopian Leather Development Institute to raise quality standards in Ethiopian tanneries and leather factories. A 41-member team of Indian professionals, comprising of representatives from the two institutions and also from the leather industry, arrived in Ethiopia in March 2010 for a six-month project. The value of the contract, which is being financed by Ethiopia's development partners, was approximately US \$ 1 million.

Cooperation in Education Sector: We had, in April 2008, doubled to 40 the number of scholarships offered to Ethiopian students for University studies in India. The Indian Embassy in Addis Ababa, after screening, forwards about 80 applications of eligible candidates to ICCR every year for these 40 scholarships.

University studies in India every year. In addition, they also 'top up' the living stipends provided with the ICCR scholarships.

Some 300 Indian faculty members are teaching in various colleges and universities throughout Ethiopia. These teachers are recruited by Universities through private placement agencies or on the basis of word-of-mouth references.

The Educational Exchange Programme signed in July 2007 provides for the establishment of a Joint Working Group (JWG). The first meeting of the JWG was held in April 2011.

A 9-member Indian Army Training Team arrived in Ethiopia in August 2009 for a three-year assignment. The team is to contribute to the enhancement of standards at the Major Gen. Hailom Araya Military Academy at Holleta. This is the successor of the Harar Military Academy. The team is led by a Colonel and one Lt. Col, three Majors and 4 NCOs.

People-to-People contact: The traffic between the two countries is largely limited to the Indian community in Ethiopia, Ethiopian students studying in India, and Indian businessmen. Given the lack of tourism infrastructure in Ethiopia, there is little tourist traffic from India to Ethiopia. Ethiopian Airlines, however, has two daily flights to Mumbai and a separate daily flight to Delhi. Both flights continue onwards to China and serve to carry traffic from various parts of Africa to both India and China. The number of visas issued by the Embassy annually is in the range of 2600.



Indian Community: The traditional Indian community in Ethiopia is from Gujarat. They came to this country in the latter years of the 19th century. During imperial times, there were also tens of thousands of Indian teachers in schools all over Ethiopia, even in the most remote parts. The numbers of the Indian community fell very significantly during the Derg regime. It is now around 3,000 - the majority being the new investors and their employees.

Source: www.mea.gov.in



Prime Minister Manmohan Singh looks on as External Affairs Minister S.M. Krishna and Ethiopian Finance Minister Sufian Ahmed greet each other after signing an MoU at National Palace in Addis Ababa, Ethiopia

Historical linkages

Historical linkages between India and Ethiopia go back about 2,000 years of recorded history. Trade between the two countries flourished during the ancient Axumite Empire (1st century AD), which is seen to be origin of modern Ethiopia. Indian traders flocked to the ancient port of Adulis in the 6th Century AD trading silk and spices for gold and ivory.

Soon after achieving independence, a goodwill mission led by Sardar Sant Singh was sent to Ethiopia. Diplomatic relations at legation level were established in 1948. Full diplomatic relations were established in 1950 with Sardar Sant Singh as the first Ambassador.

A sizeable Indian community consisting of merchants and artisans, settled down in this country in the latter part of the 19th century. Post-war Ethiopia, under Emperor Haile Selassie (1941-1974), saw a large number of Indian teachers in Ethiopia, even in the remotest parts. This, more than anything else, explains the tremendous goodwill that India enjoys in Ethiopia. Ethiopia also values India as an important partner in its development efforts. Our cooperation under the ITEC programme has been considerable. Ethiopia is also receiving US \$ 700 million in concessional credit from us; more than any other country other than those in our immediate neighbourhood. Our cooperation is valued as, unlike that from the EU and the US, there is no attempt to interfere in domestic political processes. Prime Meles Zenawi frequently states publicly that China and India are Ethiopia's preferred partners.

Institutional Framework

An agreement to establish a Joint Commission was signed during the visit of **Shri Pranab Mukherjee**, then EAM to Ethiopia in July 2007. The first meeting of the Joint Commission was held in New Delhi in December 2010. The Ethiopian side was led by Deputy Prime Minister and Minister of Foreign Affairs **Hailemariam Desalegn**. EAM led the Indian delegation.

A Protocol on Foreign Office Consultations was signed during the visit of the then EAM to Ethiopia in July 2007. The first round of Consultations was held in New Delhi in March 2010. The Ethiopian delegation was led by **Amb. Mahdi Ahmed**, Director General for Middle East, Asia and Oceania in the Ministry of Foreign Affairs. **JS(E&SA)** led the Indian delegation.

Bilateral visits: Emperor Haile Selassie visited India in 1956 and again in 1968. **Col. Haile Mariam Mengistu**, who headed the Communist

regime that ruled the country from 1974-91, visited India in 1983 for the NAM Summit. He later paid a State visit to India in 1985.

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- viii) Agreement on Cooperation in the field of Science and Technology (2007)
- ix) Educational Exchange Programme (2007)
- x) Protocol on Foreign Office Consultations (2007)
- xi) Double Taxation avoidance treaty (2011)
- xii) MOU between NSIC, India and FEMSEDA (2011)
- xiii) MOU between ICAR and Ethiopian institute of Agricultural Research in December 2011.

Bilateral Trade: A trade agreement, signed by the two countries in 2007 provides for the establishment of a Joint Trade Committee (JTC). The first meeting of the JTC was held in Addis Ababa in February 1998, the second in Delhi in March 2001, the third in Addis Ababa in July 2002, the fourth in New Delhi in January 2006 and the fifth in Addis Ababa in October 2008. For the fifth meeting, the Ethiopian side was led by **Mr. Ahmed Tusa**, State Minister for Trade and Industry and the Indian side by **Shri Jairam Ramesh**, MOS for Commerce and Power.

India's annual exports to Ethiopia are in the range of US \$ 636.5 million. This is significant given that Ethiopia's global non-oil imports are only US \$ 6.2 billion approximately. India is the third most important source of imports for Ethiopia, contributing 7.5% of all of Ethiopia's imports. [China at 14.3 and Saudi Arabia at 7.6% are ahead.] These imports cover the entire range of manufactured goods that are imported into Ethiopia.

India's annual imports from Ethiopia have stagnated in the range of US \$ 24.3 million. These mainly consist of cotton, pulses and spices. There has been no significant increase despite Ethiopia's accession to the Duty Free Tariff Preferential Scheme in August 2008. This is because of the small size of Ethiopia's global exports (US \$ 2 billion) and the limited nature of its export basket (coffee, oilseeds, pulses, flowers, khat and gold).

Indian Investments: India is the second largest foreign investor in Ethiopia with approved investment of US \$ 4.78 billion. Of this, approximately US \$ 1 billion is already on the ground or in the pipeline. About 40% of Indian investment is in the field of commercial agriculture. Some of the major investors in this field are: M/s Karturi - 340,000 hectares, Emami Biotech - 40,000 hectares, Ruchi Soya - 25,000 hectares, Shapoorji Pallonji - 15,000 hectares, Ramton Agri - 10,000 hectares.

Another flagship project is of M/s Sainik Potash in the Danakil Depression - one of the hottest places on earth. While mining multinationals like BHP Billiton and Allana Potash had held prospecting licenses for many years, they did not engage in any activity on the ground because of the extremely harsh conditions in the area. They are now starting to follow the example of Sainik. If the Sainik project is successful, its total investment would be approximately US \$ 450 million and annual exports would be 1 million tonnes a year, worth about US \$ 350 million at current prices.

Concessional Lines of Credit: A concessional line of credit of US \$ 65 million was approved during the visit of Mr. Sufian Ahmed, Ethiopian Minister of Finance and Economic Development to India in January 2006. The credit was given to support the rural electrification programme.

The Government of Ethiopia had, in February 2006, requested for US \$ 640 million in concessional lines of credit for financing the development of the sugar industry. The total cost of the project was

The pan African e-Network project was launched in Ethiopia in July 2007. The TeleEducation Centre at Addis Ababa University and the Tele-Medicine Centre at the Black Lion Hospital in Addis Ababa are working well and are considered useful by the Ethiopian side. The Tele-Education project has been replicated by the Ethiopian side and linkages established between the Addis Ababa University and the Indian Institutes of Technology at Delhi and Kanpur.

The Central Leather Research Institute and the Footwear Design and Development Institute, both from India, have been cooperating with the Ethiopian Leather Development Institute to raise quality standards in Ethiopian tanneries and leather factories. A 41-member team of Indian professionals, comprising of representatives from the two institutions and also from the leather industry, arrived in Ethiopia in March 2010 for a six-month project. The value of the contract, which is being financed by Ethiopia's development partners, was approximately US \$ 1 million.

Cooperation in Education Sector: We had, in April 2008, doubled to 40 the number of scholarships offered to Ethiopian students for University studies in India. The Indian Embassy in Addis Ababa, after screening, forwards about 80 applications of eligible candidates to ICCR every year for these 40 scholarships.

University studies in India every year. In addition, they also 'top up' the living stipends provided with the ICCR scholarships.

Some 300 Indian faculty members are teaching in various colleges and universities throughout Ethiopia. These teachers are recruited by Universities through private placement agencies or on the basis of word-of-mouth references.

The Educational Exchange Programme signed in July 2007 provides for the establishment of a Joint Working Group (JWG). The first meeting of the JWG was held in April 2011.

A 9-member Indian Army Training Team arrived in Ethiopia in August 2009 for a three-year assignment. The team is to contribute to the enhancement of standards at the Major Gen. Hailom Araya Military Academy at Holleta. This is the successor of the Harar Military Academy. The team is led by a Colonel and one Lt. Col, three Majors and 4 NCOs.

People-to-People contact: The traffic between the two countries is largely limited to the Indian community in Ethiopia, Ethiopian students studying in India, and Indian businessmen. Given the lack of tourism infrastructure in Ethiopia, there is little tourist traffic from India to Ethiopia. Ethiopian Airlines, however, has two daily flights to Mumbai and a separate daily flight to Delhi. Both flights continue onwards to China and serve to carry traffic from various parts of Africa to both India and China. The number of visas issued by the Embassy annually is in the range of 2600.

The traditional Indian community in Ethiopia is from Gujarat. They came to this country in the latter years of the 19th century. During imperial times, there were also tens of thousands of Indian teachers in schools all over Ethiopia, even in the most remote parts. The numbers of the Indian community fell very significantly during the Derg regime. It is now around 3,000 - the majority being the new investors and their employees.

Source: www.mea.gov.in