

Ethiopian government minister Dr Arkebe Oqubay at the 2018 Tannery of the Year Gala Awards Dinner in Hong Kong.
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Ethiopia can keep growing

The World Bank is to support the government of Ethiopia with an additional \$175 million in credit, saying the money will support government efforts to create more jobs by attracting investment and improving the competitiveness of enterprises operating in the African country's industrial parks.

"Ethiopia has been successful in attracting foreign direct investment in light manufacturing," the World Bank says, "in leather, footwear, garment and textile production, and in agro-processing sectors, by leveraging its relatively low labour costs, competitive energy costs and preferential market access to the European Union and US." It says that, in 2016, Ethiopia received one of the highest foreign direct investment inflows in Africa, reaching \$3.2 billion.

Adding her comments, the World Bank's country director for Ethiopia, Sudan and South Sudan, Carolyn Turk, says: "This project is of strategic importance for Ethiopia as it is supporting the government's industrialisation agenda, providing quality industrial infrastructure for manufacturing in key sectors and facilitating stronger economic ties between the industrial parks and the local economy."

Ethiopian government minister Dr Arkebe Oqubay is a former mayor of Addis Ababa and author of a recently published book called *Made in Africa: Industrial Policy in Ethiopia*. He is now a special advisor to Prime Minister Hailemariam Desalegn. He insists that increasing labour costs in China are helping East Africa in general and Ethiopia in particular to emerge now as a

With high levels of new support from the World Bank for its industrial parks, the Ethiopian government is confident it can create millions of new manufacturing jobs. Footwear is one of the key sectors it has identified for helping it achieve this aim.

manufacturing hub. The economy in Ethiopia has been growing at a rate of 11% per year for 15 years, he says, with this growth "entirely driven by manufacturing and agriculture". He says that the 2016 success in attracting FDI continued in 2017, when, he explains, Ethiopia had the highest level of foreign direct investment (FDI) in Africa. In specific sectors including leather and footwear production, which Dr Oqubay makes clear are top priorities as the government seeks to expand the country's manufacturing sector, Ethiopia had the second-highest FDI level in the world, only behind Vietnam.

"We have a good workforce, low cost of energy, duty-free imports of machinery and an improving hide and skin supply," the minister says, "because currently many meat processing plants are being set up. This is so that we can boost our meat



exports, but it means hide and skin supply will improve too. We have had a mainly traditional hide and skin supply until now."

Other developments that he believes make Ethiopia an attractive place for overseas investment are its AGOA status and a parallel status allowing it to export duty free to the European Union. Its direct link to the international port at Djibouti via an electric-powered railway line is now operational and existing projects in hydro power, plus future ones in wind and solar power, mean energy costs will stay low, Dr Oqubay insists.

AGOA, the African Growth and Opportunity Act, came into effect in 2002 to give manufacturers in sub-Saharan Africa a boost in trade by making it easier for them to ship their products to the US. Only companies operating in countries that have, or are moving towards, a market-based economy qualify and while only certain products are eligible, shoes are among them. Ethiopia was one of the first countries to win AGOA-approved status and the development of its industrial parks and of the shoe production operations taking place there are part of its AGOA success.

While the shoes have to be manufactured in Ethiopia to qualify, the company that owns and runs the factory can be from anywhere in the world. Chinese shoe producers, including Huajian, were quick to take advantage of this. Huajian currently employs around 6,000 people in its facilities in Ethiopian industrial parks but has said it aims to increase its number of employees in the African country to nearer 100,000 in the next four years.

Finn Holm-Olsen, who has been working on developing trade links between the US and Africa since the end of last century, has said he is confident footwear brands looking for new places from which to source their shoes are going to have Ethiopia high on their lists in the coming years. He believes the levels of investment in the footwear industry are impressive and

indicative of the importance the government is placing on the shoe sector.

In 2016, Ethiopia exported just over two million pairs of shoes to the US, according to AGOA statistics, 24% higher than the previous year. These shoes brought in export revenues of just under \$70 million. Figures for 2017 suggest further growth and by October last year, footwear export revenues to the US had already earned more for Ethiopia, \$76.4 million, than in the whole of 2016.

This is encouraging news for the government, including Arkebe Oqubay. The minister says: "We want to create millions of jobs because we have around 2.4 million young people coming into the job market every year. With regard to leather and footwear, we would like to work along the whole supply chain, from hides to leather to finished products and build industrial parks to the highest standard. Ethiopia can keep growing."



One of Ethiopia's up-to-date industrial parks.

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