

Manufacturing Africa is a regional programme that aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO).

Newsletter – Ethiopia – March 2021



Welcome to the Manufacturing Africa (MA) Ethiopia newsletter

"In the past few months, the Manufacturing Africa programme has continued to develop collaborative ways of working with the Ethiopian Investment Commission (EIC), the Agricultural Transformation Agency (ATA) and development partners. We are delighted to sign a Memorandum of Understanding with the ATA, which sets out a joint framework to support agro-processing investors. Converting just 10% of the current agro-processing and pharmaceuticals investments in the EIC's pipeline could deliver about \$200 million in additional FDI."

- **Julia Kraetke, FCDO Manufacturing Africa Adviser - Ethiopia**

A Snapshot of Our Work

UK Aid Supports Creation of an Investor Grievance Management System

The Systematic Investor Response Mechanism (SIRM) is a framework that aims to improve the retention and expansion of foreign direct investment (FDI) in Ethiopia through a system that better detects, manages and tracks investor grievances.



The mechanism includes response coordination and an IT tracking tool that have been funded by the British Government through the Manufacturing Africa programme and implemented by the International Financial Corporation (IFC) in collaboration with the EIC Investment Grievance Management Unit (IGMU). A complaint is admissible for resolution by the IGMU if it meets the following criteria:

- a) Has been raised by an established and already operational investor
- b) Requires policy, regulatory or administrative intervention to resolve
- c) Targets a specific government agency

So far, 12 grievances have been registered, five of which have been successfully resolved. This translates to \$240 million of investment retained and 590 jobs protected. An investor who wishes to register a formal grievance through this mechanism can do so in person at the EIC office in Addis Ababa or send an email to IGMP@ethio-invest.com

A pharmaceutical company to launch local production

A large pharmaceutical company in Ethiopia that primarily imports and distributes health care products intends to launch local production of generic pharmaceutical products for the domestic market. The company also has a long-term ambition of growing into a regional player to meet rising demand especially in the non-communicable drugs segment. The company however requires a multi-million-dollar investment to carry out the expansion.

MA provided advisory support on the reorganization that will be required for the business to meet the desired goal and carried out a valuation assessment of the business.



MA also connected the company to potential investors and supported stakeholder engagements, including with the EIC. MA will work towards linking the company with international experts and local NGOs that could potentially purchase the locally produced pharmaceutical products.

Upon implementation, the company's installed annual production capacity will reach one billion tablets, 105 million capsules and 13 million bottles for oral liquid dosages.

Some expected long-term ripple effects of the successful completion of the expansion project include a reduction in local prices of certain pharmaceutical products, preservation of foreign currency through import substitution and potentially generating foreign currency through regional exports and finally, developing local skills in pharmaceutical production.



Expanding local glass bottle production

A company that manufactures glass packaging for Ethiopia's beverage, cosmetic and pharmaceutical sectors using local raw materials, modern production processes and technology is looking to triple its production capacity but requires to raise capital to fund its expansion plan.

A private equity firm interested in funding the expansion solicited MA's support to conduct a market assessment of the glass bottle manufacturing sector and assess the power situation on site in collaboration with the local power company. The results of the electricity supply assessment would provide insights on its quality, reliability and adequacy to support expansion.



MA carried out the market studies and provided concrete recommendations for the investment. Through the planned project, Manufacturing Africa's support will contribute to the creation of 24 new jobs in highly technical roles supported by a three-year technical assistance programme with a leading glass player in Europe.

90% of raw materials used at the site will be sourced locally (50% from recycled glass). The project will also have a positive environmental impact as Green House Gas (GHG) emissions will be significantly reduced by using electric furnaces and recycled raw materials.



Prospective investor in edible oil supported

An investor that operates in consumer goods including edible oil is interested in investing in the construction of an oil extraction and refinery plant in Ethiopia. The prospective investor approached MA to provide insights into the edible oil seeds sector and guidance on the various regulations around the sector. MA's intervention delivered both a short- and long-term sourcing strategy, a competitive analysis of global animal feed and the sesame oil market. In addition, MA carried out investment facilitation with the Ethiopian Investment Commission (EIC) and other government agencies, including export license for animal feed and import license for sunflower seeds.



Once completed, it is expected that the new plant will create at least 115 direct jobs and upskill employees by introducing them to new refining processes. The project will also contribute to the creation of several indirect jobs, especially among smallholder farmers who will supply the required oilseeds.

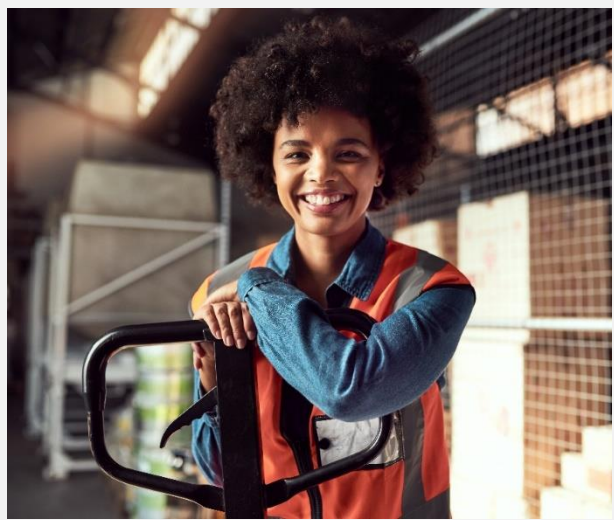


Manufacturing Africa and the 2X Challenge

New Collaboration Announced

On the occasion of the International Women's Day celebrated annually on March 8th, Manufacturing Africa announced a new collaboration with the 2X Collaborative to build the case for investing in gender smart manufacturing in Africa.

The 2X Challenge was launched in June 2018 by the Development Finance Institutions (DFIs) of the G7 nations and is now a collaborative of over 15 DFIs to support gender lens investments and initiatives that advance women's economic empowerment and gender equality.



This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.

For more information about the Manufacturing Africa programme please reach out to:

Mefthe Tilahun

Country Coordinator, Ethiopia

Mefthe.tilahun@manufacturingafrica.org

If you have any questions about the Ethiopia Investment Commission, please reach out to:

Ethiopian Investment Commission

Aschalew Tadesse

Director, Promotion and Marketing Directorate

Aschalew.Tadesse@ethio-invest.com