

City of Mekelle: Enhancing Private Sector Investment



Joerg Simon, Senior Advisor, Investment Promotion
Karin Millett, Senior Research/Advisor, Investment Promotion and
Export Development
**MILLENNIUM CITIES INITIATIVE (MCI),
Earth Institute, Columbia University, New York**

Overview of Presentation (1)

- ◆ MCI's Approach
- ◆ Attracting private sector investment in key sectors:
Assessments of opportunities and challenges:
 - ◆ KPMG report based on research carried out in Mekelle 2008
 - ◆ Profiles of small and medium enterprises (SMEs) developed by UNIDO
 - ◆ Updating by MCI May 2011 of some infrastructure and investment climate data
- ◆ Overview of existing organizational structures engaged in investment promotion

Overview of Presentation (2)

- ◆ Cooperation on investment promotion between City of Mekelle and MCI
 - ◆ Linkages to Millennium Village cluster of Koraro
- ◆ Proposed timeline and activities
 - ◆ Moving to implementation – short and long-term activities
- ◆ Outline of budgetary envelope and sources of funds



MCI's Approach

- ◆ Strengthen the enabling framework for investment
- ◆ Evaluate the investment potential and identify investment opportunities
- ◆ Prepare informational material
- ◆ Disseminate information material
- ◆ Targeting potential investors
- ◆ Facilitate incoming investors and support them after establishment
- ◆ Capacity building at city level

Assessment of Opportunities and Challenges

- ◆ Work carried out by KPMG in 2008 to review and identify key sectors with potential to attract investment, both from within Ethiopia as well as from foreign direct investors.
- ◆ Profiles of Small and Medium Enterprises with investment potential developed by UNIDO
- ◆ Recent and planned expansion of power generation capacity
- ◆ Recent and planned upgrading of roads
- ◆ Data on business operating conditions from World Bank Group 'Doing Business 2011'

Report Prepared by KPMG

- ◆ Team from KPMG conducted desk research and on-site data gathering in the City of Mekelle in 2008 to:
 - ◆ gain a deeper understanding of the location
 - ◆ review first hand the operating environment for business
 - ◆ meet with large numbers of individuals in the public and private sector to benefit from their knowledge, insights and recommendations.
- ◆ The findings, presented here in brief, are contained in the report entitled '**Mekelle, Ethiopia: Potential Opportunities for Investors**' copies of which are available here today and online at <http://www.kpmg.com/Global/en/>

Key Sectors: Favorable Factors and Challenges (1)

- ◆ TOURISM- Favorable Factors:
 - ◆ Moderate, dry climate
 - ◆ Easy access to historic, religious and natural beauty sites
 - ◆ Existing lack of adequate tourist facilities (means there is opportunity to develop these)
- ◆ TOURISM – Challenges
 - ◆ Lack of well-trained workforce to service tourism sector
 - ◆ Insufficient marketing of region
 - ◆ Insufficient tourism infrastructure

Key Sectors: Favorable Factors and Challenges (2)

- ◆ MEAT PRODUCTION- Favorable Factors
 - ◆ Large, good-quality livestock population
 - ◆ Special ox breed (Raya) which is more profitable than other breeds due to its bigger size
- ◆ MEAT PRODUCTION – Challenges
 - ◆ Instability of live animal supply
 - ◆ Meat quality certification required for export
 - ◆ Instability of demand in export markets

Key Sectors: Favorable Factors and Challenges (3)

- ◆ HONEY PROCESSING – Favorable Factors
 - ◆ Moderate climate favorable for honey production
 - ◆ Large bee population
 - ◆ Famous high-quality white honey with low moisture content
- ◆ HONEY PROCESSING – Challenges
 - ◆ Honey supply shortage in the short term
 - ◆ Change to change from traditional to high-production hives

Key Sectors: Favorable Factors and Challenges (4)

- ◆ LEATHER PROCESSING – Favorable Factors
 - ◆ Largest livestock production in Africa
 - ◆ Special quality leather – Cabretta and Bati
- ◆ LEATHER PROCESSING – Challenges
 - ◆ Irregularity of supply
 - ◆ Quality of hides and processing of them needs to be improved

Key Sectors: Favorable Factors and Challenges (5)

- ◆ HORTICULTURE (fruits and vegetables)- Favorable Factors
 - ◆ Favorable agro-climatic conditions
 - ◆ Availability of appropriate land plots
 - ◆ Proximity to export markets
- ◆ HORTICULTURE – Challenges
 - ◆ Poor—but improving- road and airport infrastructure (airport cooling terminal—under construction-- should help address this challenge)

Key Sectors: Favorable Factors and Challenges (5)

- ◆ MINING – Favorable Factors
 - ◆ Abundant mineral resources provide attractive opportunities in relation to dimensional stones and industrial minerals
- ◆ MINING – Challenges
 - ◆ Deposits can be difficult to access
 - ◆ Quality of roads

Opportunities profiled by UNIDO

(Online at: www.mci.ei.columbia.edu)

- ◆ UNIDO identified 17 specific companies—some new, some in business for many years--in Mekelle area seeking to engage business partners—either Ethiopian or international—to develop or expand their operations.
- ◆ Sectors include food production, honey processing, dairy processing, leather industry, electromechanical manufacturing, tile and terrazzo production, chemicals and hotel expansion/upgrading.
- ◆ Opportunities include equity participation or loans, expanding access to markets, access to new technologies

Updated Information on Factors Affecting Investment in Mekelle (1)

- ◆ Since the KPMG report, some positive developments that will affect investment include:
 - ◆ Completion in late 2009 of Tekeze Hydropower project, with 300MW capacity increased Ethiopia's generating capacity by 40%.
 - ◆ The Tekeze Project was recognized by Power Engineering magazine of the USA as the '2010 project of the year' in the category of renewable/sustainable energy projects.
 - ◆ Progress on wind power generation in Ashegoda, with completion of first phase planned 2011, delivering 30 MW and final completion in 2013, delivering a total of 120 MW

Updated Information on Factors Affecting Investment in Mekelle (2)

- ◆ Cooling terminal planned for completion in 2011 at Alu Negra International Airport in Mekelle will permit flowers, fruits, vegetables and meat to be stored at safe temperatures while awaiting export from Mekelle
- ◆ Planned \$133 million expansion by Ethiopia Telecom should greatly increase access and potentially reduce costs
- ◆ Recently completed and planned further road improvements should also facilitate speed of getting goods to Port of Djibouti as well as transporting tourists
- ◆ Development of Tourism Master Plan

Doing Business Indicators – World Bank

(1)

TOPIC RANKINGS

DB 2011

DB 2010

| | | |
|-------------------------------------|-----|-----|
| ➤ Starting a Business | 89 | 94 |
| ➤ Dealing with Construction Permits | 53 | 57 |
| ➤ Registering Property | 109 | 111 |
| ➤ Getting Credit | 128 | 125 |
| ➤ Protecting Investors | 120 | 119 |

Doing Business Indicators (2)

| TOPIC RANKINGS | DB 2011 | DB 2010 |
|--------------------------|----------------|----------------|
| ➤ Paying Taxes | 47 | 41 |
| ➤ Trading Across Borders | 157 | 159 |
| ➤ Enforcing Contracts | 57 | 57 |
| ➤ Closing a Business | 82 | 78 |



Proposed timelines and activities

- ◆ Mekelle Investment Initiative - an action plan for three years
 - ◆ Agreed in 2010
 - ◆ City contributes 15% towards its budget
 - ◆ Aims at increasing the investment flows into Mekelle
 - ◆ Defines concrete actions for capacity building

Moving to implementation (1)

- ◆ Short term activities (until end of 2011)
 - ◆ Initiate public-private sector dialog
 - ◆ Create a website covering all the investment/business related information
 - ◆ Establish Customer Relations Management system
 - ◆ Prepare an investors' guide
 - ◆ Organize capacity-building workshop
 - ◆ Assist with special economic zones development
 - ◆ Organize local investment day

Moving to implementation (2)

- ◆ Long-term activities
 - ◆ Undertake investor targeting for sector and concrete opportunities
 - ◆ Participate in international investment day in Helsinki in December 2012
 - ◆ Organize Diaspora investment day
 - ◆ Develop client charters for investment related departments
 - ◆ Strengthen the investment climate through special task force
 - ◆ Capacity building in targeting

Outline of budgetary envelope and sources of funds

- ◆ Total estimated budget for the Mekelle Investment Initiative:
 - ◆ \$1.543.300 total
 - ◆ 15% committed by the Government of Tigray - \$231.495
 - ◆ \$251.240 raised from Government of Finland
 - ◆ Balance of \$1.060.565 needs to be raised

