

Opportunities for Investment and Business Development in Mekelle, Tigray

Presentation by

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Mekelle and the Regional Partnership to Promote Trade & Investment in Sub-Saharan Africa

- ◆ Mekelle one of three 'Millennium Cities' in Africa to participate in the Regional Partnership to Promote Trade and Investment.
- ◆ Initiative launched in 2011, funded by the Government of Finland, and implemented by the Millennium Cities Initiative of the Earth Institute at Columbia University in New York

Goals of the Project

- ◆ Help City of Mekelle to identify key sectors and opportunities for attracting new productive private sector investment and expanding opportunities for trade.
- ◆ Assist Mekelle to put in place structures, processes and trained staff to target and win new private sector investment.

LOCATION

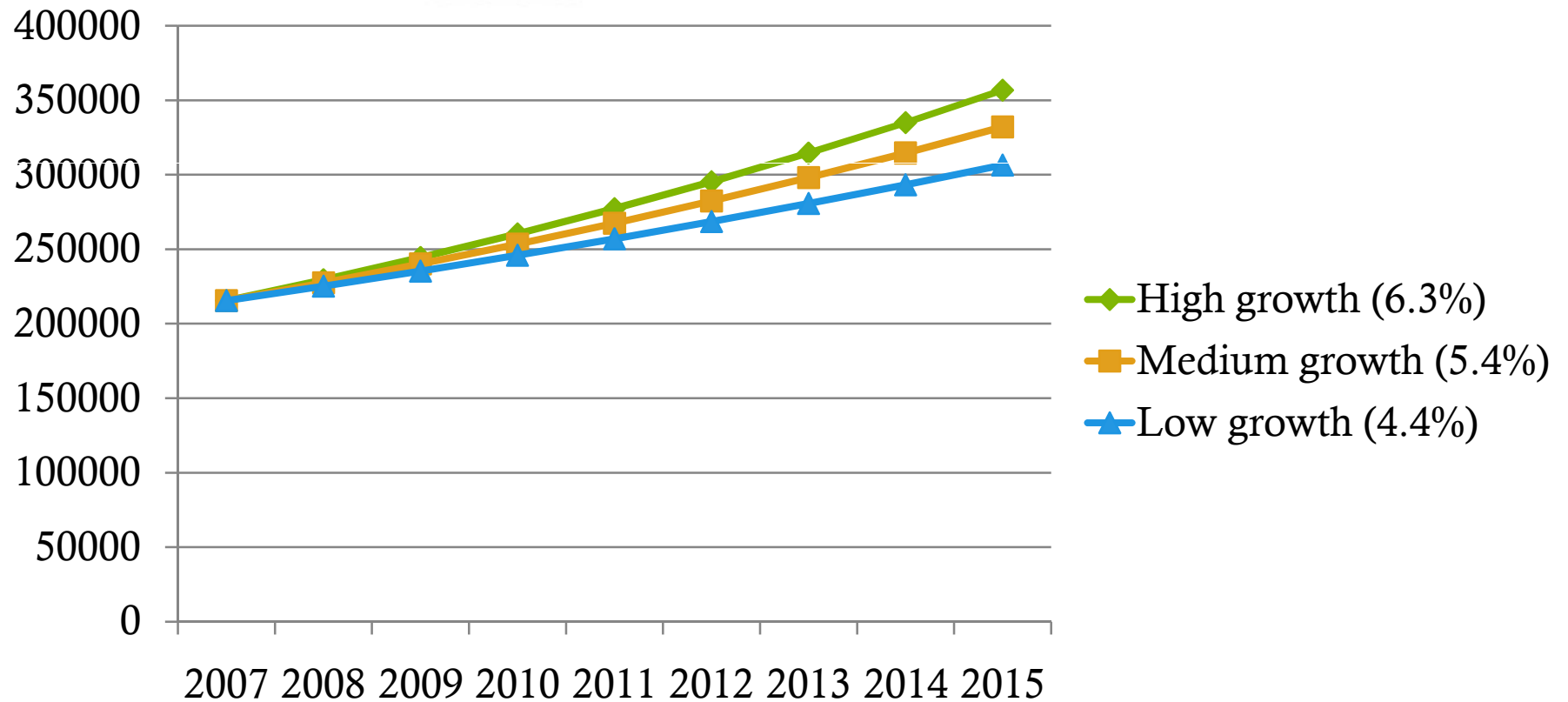


Location Map of Mekelle City

Some Key Facts About Mekelle

- ◆ located about 783 kms by road from Addis Ababa
- ◆ population of approximately 316,000, and is the capital of the State of Tigray, which has a population of 5,061,991 (2012)
- ◆ the closest big city in Ethiopia to Port of Djibouti (837 kms by road)
- ◆ has a well educated and trained workforce
- ◆ has one university, including a medical school, and 14 technical and specialized institutes (Mekelle Institute of Technology, Dr. Tewelde Health Science College, Mekelle Technical and Vocational Training Center, Poly Institute Technology College, Micro link Technology College, Nile College, Sheba University College, New Millennium College.....)

Growing population = growing market for many products



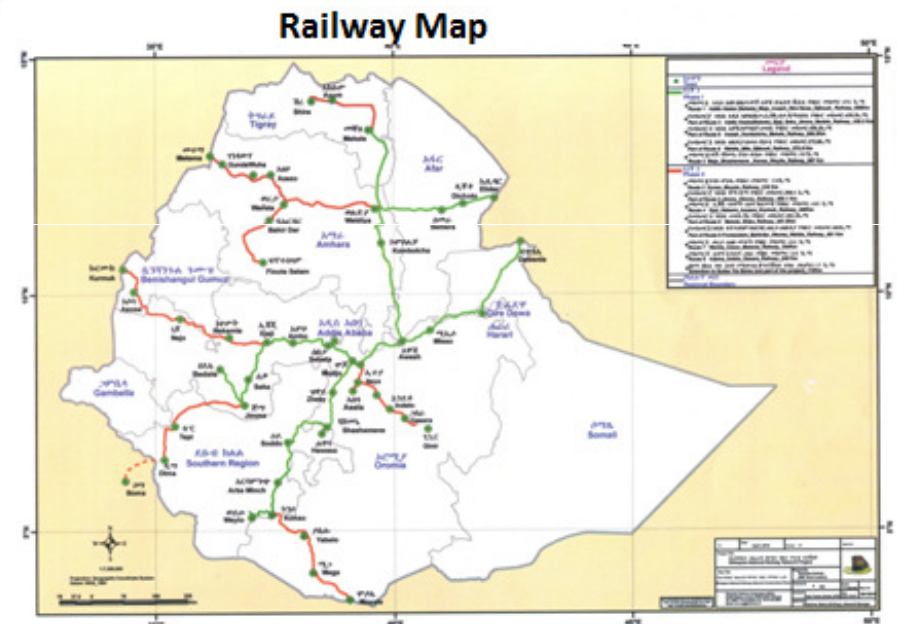
Mekelle: A Preferred Location for Trade and Investment

- Well-developed industrial zone with over 230 firms engaged in activities such as:
 - heavy engineering, metal working,
 - plastics, medical equipment,
 - agro processing, product packaging.



Mekelle: A Preferred Location for Trade and Investment (2)

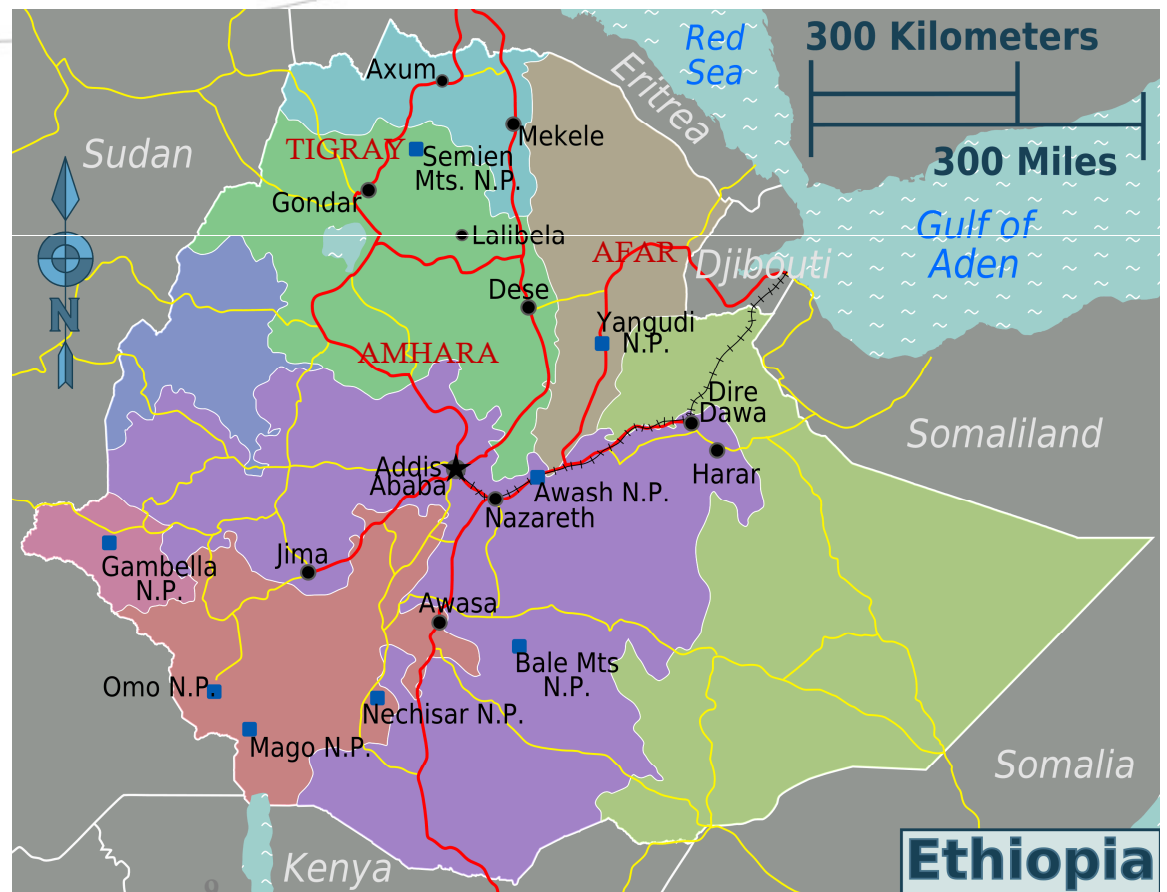
- ◆ Mekelle is a rapidly growing city and commercial hub for northern Ethiopia
- ◆ Good existing infrastructure with additional upgrades to road and railway networks on schedule to be completed by end of 2015.
- ◆ Multiple daily flights between Addis and Mekelle
- ◆ Supportive pro-business local government and MIPP and TIO providing support services.



Mekelle: A Preferred Location for Trade and Investment (3)

Inhabitants – potential customers

- 🟢 Tigray: 5.1 mil.
- 🟢 Amhara: 19.2 mil.
- 🟢 Afar: 1.6 mil.
- 🟢 Ethiopia: 86.6 mil.



Mekelle: A Preferred Location for Trade & Investment (4)

- ◆ Fertile farmlands offer opportunities for agribusiness and foodprocessing
- ◆ Linkages to Korraro Cluster of Millennium Villages offers opportunities for sourcing agribusiness inputs
- ◆ Airport has cold storage facility.



Mekelle: A Preferred Location for Trade & Investment (5)

- Significant mineral deposits
- Proximity to major tourist attractions (rock-hewn churches near Mekelle; Axum within 200 km on a good road)



Mekelle: A Preferred Location for Trade & Investment (6)

To sum up:

Mekelle is a modern city with market opportunities in many areas



Sectors for Investment

- ◆ Detailed Sector Investment profiles have been prepared under the project for:
 - ◆ Beekeeping and Honey Processing
 - ◆ Manufacture of Animal Feedstuffs
 - ◆ Pharmaceuticals
 - ◆ Production of Essential Oils

Additional Sector Opportunities

- ◆ Textiles, apparel and leather goods manufacturing
- ◆ Metal products and engineering
- ◆ Medical equipment (high-tech syringe manufacturing)
- ◆ Meat Processing, dairy products, edible oils (from sesame)
- ◆ Processing of cereals and starch
- ◆ Tourism infrastructure and services

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Beekeeping & Honey Processing

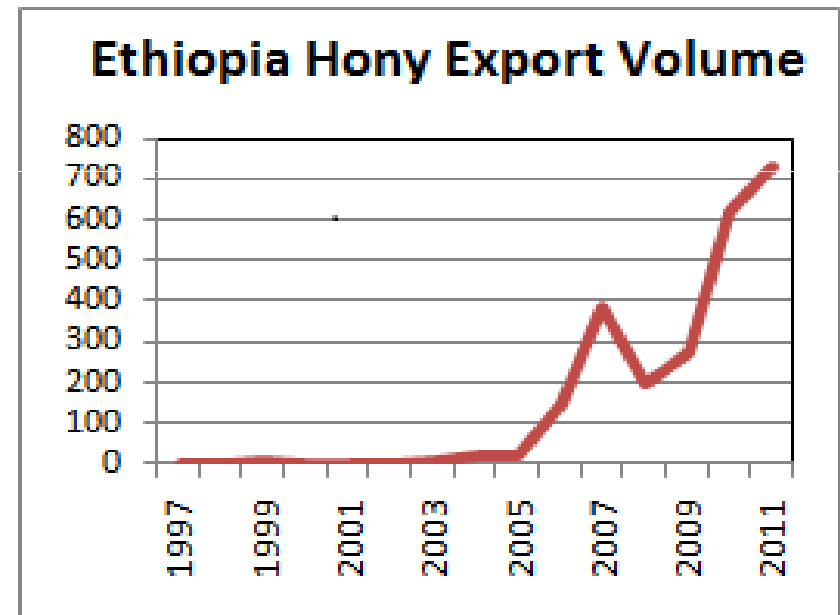
- ♦ Ethiopia is the largest honey-producing country in Africa and one of the top 10 in the world.
- ♦ There are about 10 million bee colonies and over 800 identified honey-source plants
- ♦ It has the potential to produce 500,000 tons / annum

Top World Honey Producers, 2010

Rank	Country	Prod. (MT)
1	China	398000
2	Turkey	81115
3	USA	79788
4	Ukraine	70900
5	Argentina	59000
6	Mexico	55684
7	Ethiopia	53675
8	Russian	51535
9	Iran	47000
10	India	39500

Beekeeping & Honey Processing (2)

- Since 2006, world honey supply decreased due to colony collapse disorder in Europe, USA, South America.
- Globally, there is unmet demand for honey.



- Ethiopia is one of only six African countries eligible to export honey / honey products to Europe

Why Invest in Beekeeping/Honey Processing in Mekelle?

- ◆ Tigray is known for its white honey, no chemicals are used in production
- ◆ It meets international quality standards. Low moisture content, low metal.
- ◆ It has high demand in the domestic market
- ◆ Mekelle is strategically located at the crossroads of Middle Eastern and European markets.
 - ◆ Closest to Sudan, a major importer (76%)

Beekeeping & Honey Processing :

Why Mekelle? (2)

- ♦ Beekeeping is important off-farm activity: productivity per modern hive increased from 23 kg (2004) to 43 kg (2009)
- ♦ Mekelle accounts for around 20% of regional bee colony
- ♦ Land is available at low lease price: ETB 60 -100/ha/year.

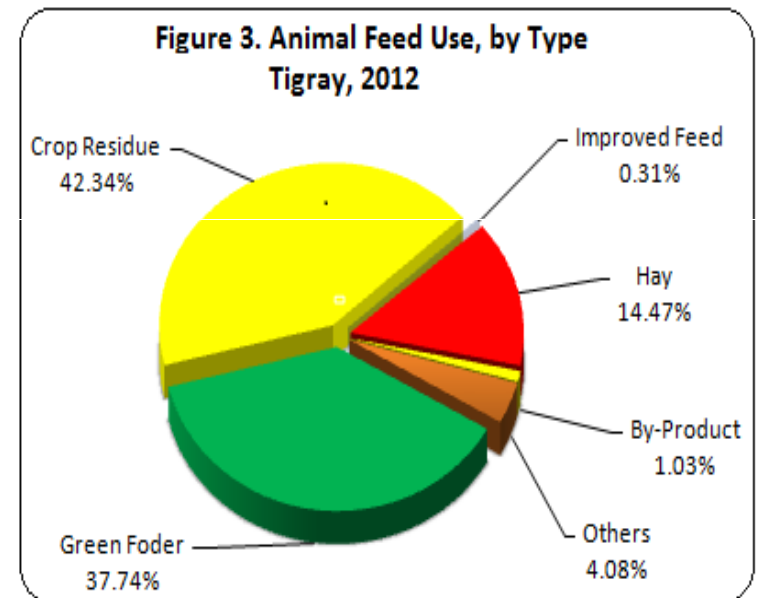


Manufacture of Animal Feedstuff

- ◆ Ethiopia is the first in Africa and the tenth largest livestock producer in the world
- ◆ The livestock sub-sector contributes about 12% of national GDP, over 45% of the agricultural GDP and 16% of total exports.
- ◆ The supply of processed animal feedstuffs in Ethiopia is very limited, totalling 19,392 tons in 2010 G.C.
- ◆ There are 11 animal feedstuff manufactures in the country. However, only five of them producing purely for sale.
- ◆ The country imports animal feed

Manufacture of Animal Feedstuff (2)

- ◆ Tigray possess nearly 9% of of the national livestock:
- ◆ Productivity of the sub sector is hampered by shortage of quality feed
- ◆ Major feeding sources are crop residues, green fodder/natural grazing, hay
- ◆ All existing animal feedstuffs production facilities are located near Addis Ababa, nearly 800 kilometres from Mekelle



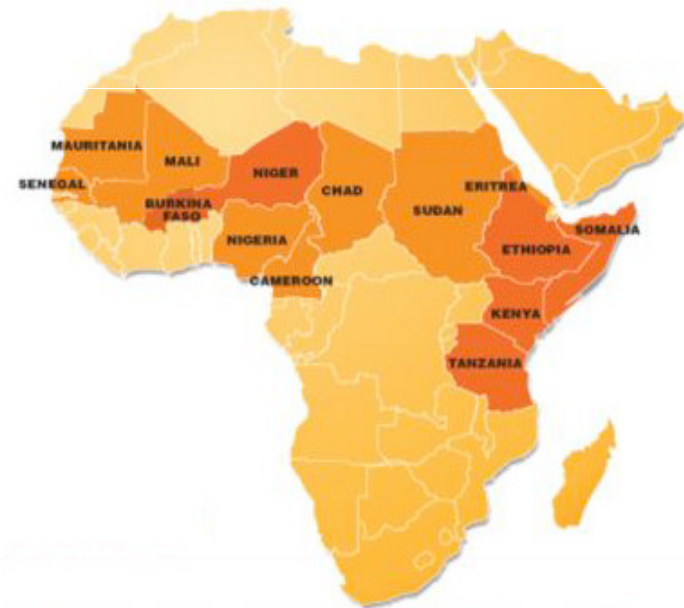
Why Produce Animal Feedstuff in Mekelle?

- ◆ Availability of byproduct raw materials:
 - ◆ There are 11 flour milling factories, many traditional edible oil extractors, cotton ginning factory, modern export-oriented slaughter house, establishment of big sugar factory
- ◆ Growing number of cooperatives and private investments in fattening, creates market for modern animal feed.

Producing Essential Oils from Aromatic Gums

- ♦ Ethiopia, located in the African Gum Belt, with large frankincense and myrrh resources.
- ♦ Africa's leading exporter of natural gums (other than gum arabic) - 28 percent of Africa's export trade
- ♦ In the last 15 years, export has increased both in volume and value by 6 and 12 percent.

Fig 1. Gum Belt of Africa



Source: John Corcoran and Karen Manheimer (2010)

Producing Essential Oils from Aromatic Gums (2)

- ◆ However, Ethiopia has not fully benefited from the subsector
- ◆ It exports raw gum and resin materials without further industrial processing
- ◆ Price of essential oils is 5-10 times higher than price of raw gums.
- ◆ Industrial demand for the products in the country is met through imports. It spent nearly 30 million USD to import the oil and mixtures in 2011



Producing Essential Oils from Aromatic Gums: Why Produce in Mekelle?

- ◆ Tigray is well endowed with gum resources, accounting for 33 percent of the country's potential
- ◆ Tigray is the major producer of frankincense in the country, contributing over 90% of total exports of gums and resins
- ◆ Tigray type frankincense is the purest in terms of botanical origin
- ◆ Sorting and grading of gums are advanced in Tigray because of the long history of processing
- ◆ Mekelle is the closest city to the gum resource base

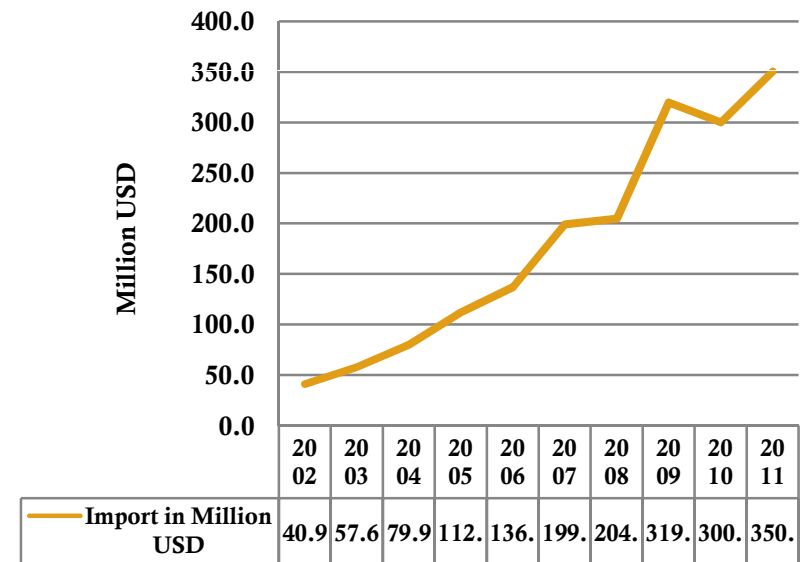
Pharmaceuticals

- ◆ The manufacturing of pharmaceutical products in Ethiopia is quite small.
- ◆ There are only 12 pharma factories in the country, producing only 20% of domestic demand.
- ◆ The country heavily depends on imports
- ◆ Expenditure on importing drugs increased by nearly 29% annually for the last decade

Pharmaceuticals (2)

- Import increased from 40m USD (2002) to 350m USD (2011)
- Most of the imports are TB, HIV/AIDS and malaria medicines
- Although Ethiopia is a net importer, some local firms export to Sudan, Zambia, DRC. Kenya, and Yemen

Figure 2: Import values of Medical & Pharmaceutical Products (2002-2011)



Pharmaceuticals (3)

- ◆ Ethiopia is a member of COMESA with annual imports of Pharmaceuticals around USD 32 billion
- ◆ Manufacturers could gain access to this large and growing market while taking advantage of low production and transportation costs
- ◆ Ethiopia has identified pharmaceuticals as one of its strategic sectors and targets raising the share of local producers to 50%, making it easier for local firms in the sector to receive priority treatment for access to credit, tax holidays, upgrades of infrastructure and availability of technical support and technology transfer.

Pharmaceuticals (3)

Recently the government announced some measures:

- ◆ Any investment is matched by loan up to 70%.
- ◆ Manufacturers recently exempted from duty tax (35%) payment on 80% of their imported raw materials.
- ◆ The government gives preferential treatment to local manufacturers in its own procurement.
- ◆ It has put in place a system of paying a 30% advance in respect of payments.

Why Produce Pharmaceuticals in Mekelle?

- ◆ Proximity to major ports and good transport gives competitive advantage
- ◆ **Availability of skilled personnel:** currently, more than 27,000 students are enrolled in higher education institutions, annually more than 600 graduates in health
- ◆ **Existence of relatively better industrial base:** Addis Pharm. Factory, Fanus Meditech PLC are operating in the region

Mekelle: Online Sources of Information

- ◆ KPMG Report: '*Mekelle, Ethiopia: Potential Opportunities for Investors*'
<http://mci.ei.columbia.edu/files/2012/12/kpmg-mekelle-report.pdf>.
- ◆ Invest in Ethiopia: Focus Mekelle. December 2012.
http://mci.ei.columbia.edu/files/2013/04/Mekel_English_web.pdf

Further Information on Mekelle Opportunities

- ◆ **Mekelle Investment Promotion Process (MIPP)**

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- ◆ **Tigray Investment Office**

www.investintigray.gov.et



Thank you for your attention!

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