



Rijksdienst voor Ondernemend
Nederland

PSI experience with doing business in Ethiopia

African Studies Centre

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Structure of presentation



1. Private Sector Support: what is PSI?
2. Results PSI Ethiopia 2003 – today
3. Opportunities in Ethiopia
4. Investment Climate challenges
5. Other private sector instruments:
DGGF, FMO, Match Making Facility
(MMF), ORIO/ DRIVE, DHI, PPP
6. Questions



1. What is PSI?

PSI = Grant for foreign companies investing in emerging markets



By whom? Dutch Ministry of Foreign Affairs, Development Cooperation, implemented by NL Agency – NL EVD International.

Where? In 60 countries worldwide

Why? To stimulate local private sector development by creating long term sustainable employment and transfer of knowledge.

To alleviate poverty and improve life conditions



1. What is PSI?



- Investment budget up to EUR 1.5 million
- PSI finances 50% of the total project budget (grant)
- Remaining 50% is paid by the project partners
- Budget consists of Hardware & Technical Assistance
O&M and real estate excluded!
- PSI contribution payment related to achievement of prior agreed results



2. Results PSI Ethiopia 2003 – today

Number of projects	64
Projects failed/ stopped	12 (reason mainly partners)
Projects succeeded	30
Running projects	22

Impact:

- Jobs, full time and well paid 3,800
- Farmers/ outgrowers 5,500
- This means: significant income growth and lots of training!
- Innovative technologies/ products and sometimes new sectors



3. Huge opportunities (1) in Ethiopia

Export - cheap labor and energy: flowers, sesame,

Import substitution – huge potential due to relative low development of local industry: stone coated metal roof tiles

Local market – huge consumer market for many new products/ services: industry laundry, cosmetics, milk/ yoghurt, eggs, vegetables, ballooning, meat, soy pieces

In general: lots of agri – rich soils and excellent climatic conditions: avocado oil, flowers, (raisin) tomato



Opportunities (2) PSI projects

Ad 1. Export

Production of roses and flowers for export (various years)

Upgrading organic coffee production and export (2005)

Production and processing of oil seeds (2007)

Sesame processing (two projects in 2007: hulling and roasting)

Supply chain for industrial bamboo products (2011)

Fair trade avocado oil (2014)

Ad 2 Import substitution

Cosmetics manufacturing plant (2006)

Introduction of seed potato production (2006)

Stone coated metal roof tiles (2012)

Production and distribution of Solar LED lanterns for rural households (2014)



Opportunities (3) PSI projects

Ad. 3 Local market

Abyssinia Ballooning (2011)

Tissue Culture laboratory (2008)

Agrifood testing laboratory (2010)

Animal Feed Factory (2007) & Premixes (2012)

Poultry Farming (2010)

Laundry services for hotels (2012)

Organic compost production (2009)



Flowers





Sesame





Stone coated roof tiles









Agrifood testing laboratory

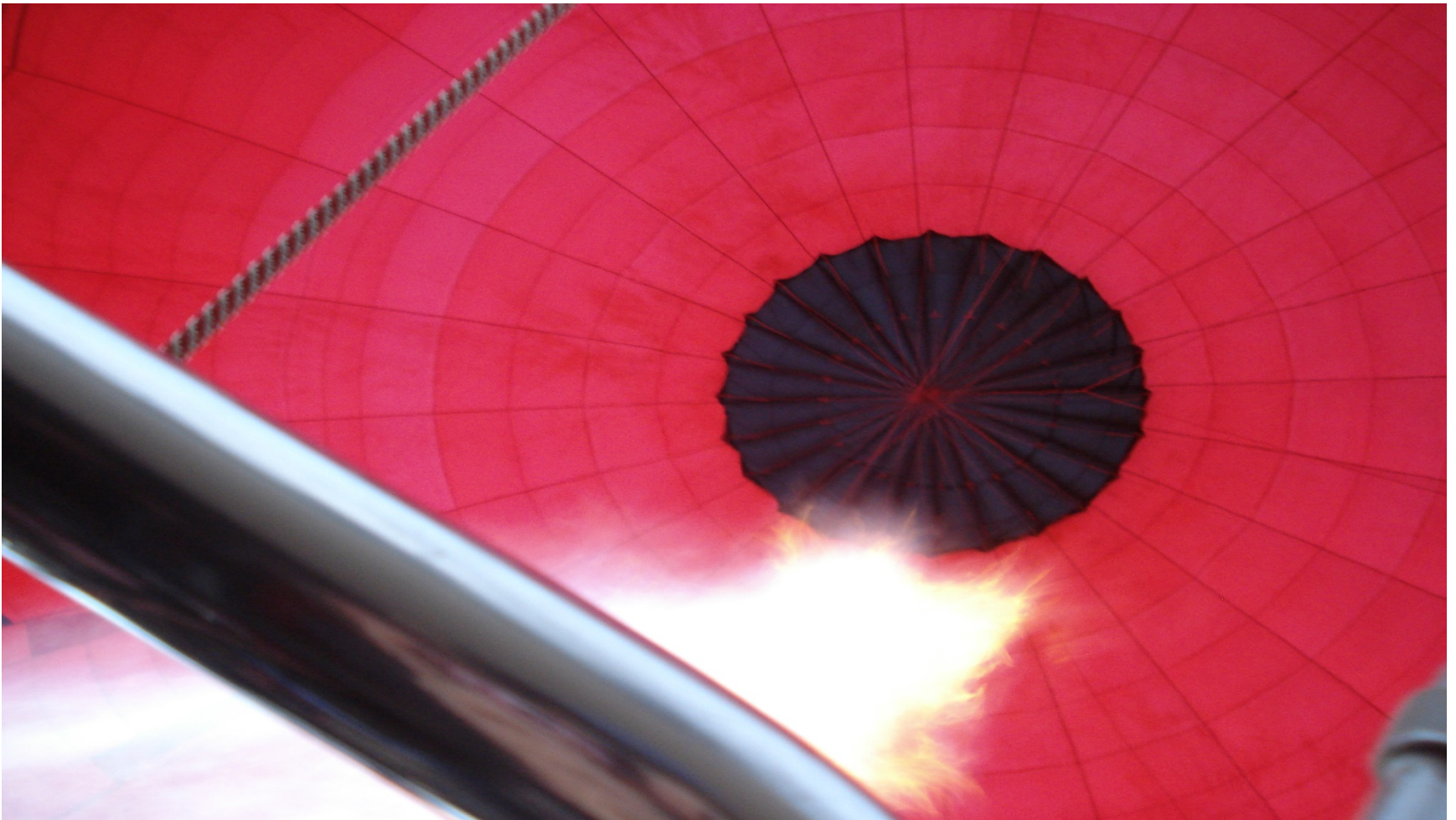








Ballooning





business and cooperation



4. But various Investment Climate challenges

You need lots of time, patience and perseverance!

Challenges:

- Partnership
- Bureaucracy
- Direct government interference
- Land acquisition
- Connection to the grid
- Skills employees, management
- Access to credit
- Access to foreign currency for: imports of input, international payment of dividends and loan repayments
- Customs: imports of goods (uncertain taxing, delays)



5. Other private sector instruments MoFA in Ethiopia

RVO:

- Information and advice: business opportunities, business partner scan
- Dutch Good Growth Fund (DGGF 1), a loan/ guarantee for Dutch entrepreneurs
- Match Making Facility (MMF)
- Infrastructural projects that contribute to good business climate and entrepreneurship (ORIO/ DRIVE)
- Subsidy for Demonstration Projects, Feasibility Studies and Investment Preparation Studies (DHI, former DHK)
- PPPs: sustainable entrepreneurship and food security (FDOV), Sustainable Water Fund (FDW)

(and G2G/ K2K for support on the side)

Other:

- CBI Export development for natural ingredients (oilseeds, specialty coffee) and market intelligence
- PUM Various advisory projects with Dutch experts
- FMO FOM loaning program
- Triple Jump/ PwC: DGGF 2 Financing local SMEs through Intermediary (Investment) Funds
- Atradius: DGGF 3 Export credit



Thank you for your attention!

QUESTIONS...???