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INDUSTRIAL DEVELOPMENT ORGANIZATION



Baseline Assessment Report

UNIDO ITPO Korea

Ethiopia Advisory Program

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Executive Summary

- The ITPO Korea project contributes to Ethiopia's quest for sustainable industrial development by facilitating investment between the private sector in Korea and Ethiopia.
- Ethiopia is one of the fastest-growing economies in Africa. It has a large domestic market. It is the diplomatic hub of Africa and strategically located in the center of global geopolitics.
- The Republic of Korea and Ethiopia have a long and historic diplomatic relationship. The country is among the top ODA receivers of Korea. However, the investment and international trade relationship is low.
- Ethiopia has an agriculture-dominated economy. The sector accounted for more than 35% of the GDP. It is the main source of export earnings to the country. However, it is unmodernized, and the country exports mainly unfinished and semi-processed commodities.
- The Economy is highly dependent on imports. The unfinished agriculture commodities exported earn small foreign currency. Hence, the economy suffers from a severe trade deficit and shortage of foreign currency exchanges. The economic growth strategy aims to ensure industrial development and focus on manufacturing and import substitution.
- Foreign Direct Investment and technology transfer is the primary tool to modernize the economic sectors, bring industrial development, and achieve homegrown growth goals. Hence, the government provides incentives to FDIs in the priority sectors. Ethiopia is the top FDI destination in the Sub-Saharan region and the number one in East Africa, accounting for around 48% of the FDI inflow to East Africa.
- The government of Ethiopia plans to develop a Digital economy by 2025. Hence, its desire to ensure industrial development, modernize and digitalize the economic sectors (including agriculture), and the ICT capacity are good opportunities for Korean startups and investors. Sectors' technology uptake is growing. Promoting investment and Technology transfer between the two countries will bring a win-win result to both countries. Korean businesses can get access to the larger African market through Ethiopia.
- The UNIDO ITPO Korea project will help to upgrade the capacity of the Ethiopian Investment Commission (the government IPA). This will strengthen Ethiopia effort to attract more investment and technology and to successful achievement of sustainable industrial development. Moreover, it creates new markets for Korean businesses.

Section 1: Introduction

1.1. UNIDO ITPO Korea

UNIDO's division of Investment and Technology Promotion Offices (ITPOs) and Institutional Partnerships (GLO/ITP) engages in matchmaking and partnership development at corporate, institutional, and political levels to support developing countries and countries with economies in transition to becoming attractive investment locations resulting in increased levels of investments; engages in technology exchange partnerships to enable them to adopt new technologies for sustainable industrial development. UNIDO ITPO Korea is one of the ITPOs operating in Ethiopia.

UNIDO ITPO Korea promotes productive, environmentally friendly technology and know-how of Korean companies to developing countries in achieving Inclusive and Sustainable Industrial Development (ISID) and Sustainable Development Goals (SDGs). More specifically, the office provides the latest information on the local business environment, investment opportunities, and potential buyers for developing countries that are in need of technology and investment.

UNIDO ITPO Korea objective is to contribute to inclusive and sustainable industrial development by facilitating and boosting industrial cooperation between the private sector in Korea and Ethiopia. It is closely collaborating with the Ethiopian Investment Commission by promoting investment and technology in different economic sectors of Ethiopia. The ITPO Korea project objective is to contribute to Ethiopia's quest towards inclusive and sustainable industrial development by facilitating investment and boosting industrial cooperation between the private sector in Korea and Ethiopia

1.2. Objectives of the baseline assessment report

- To provide baseline information on the current macroeconomic and industrial development context of Ethiopia: Economic sectors, investment, innovation and Technology.
- To highlight opportunities and challenges
- To assess stakeholders' capacity: strength and gaps that can be resolved through partnership
- To laydown recommendations on effective interventions that help the project seize the opportunities for the successful attainment of the project objectives and goal.
- To recommend potential interventions that help build the capacity of the partner institutions in Ethiopia and strengthen their ability to overcome the identified investment and technology promotion challenges.

1.3. Methodology

The baseline assessment adopted qualitative data collection techniques:

- Individual interviews/discussions with representatives/experts of Ministry of Development and Planning, Ministry of Innovation and Technology, Ministry of Industry, Ethiopian Investment Commission, National Bank of Ethiopia, Ministry of Agriculture, Ministry of Finance, and Ethiopian Chamber of Commerce and Sectoral Association.
- The UNIDO ITPO Korea, Ethiopia Advisory program expert observation
- Desk study and literature reviews: review of government strategic plans, economic sector's performance reports, and international organizations' economic outlook reports
- A focused group discussion with the experts of Ethiopian Investment Commission and individual interview with 4 foreign investors in Ethiopia.

Section2: UNIDO ITPO Korea Advisory program for Ethiopia

2.1. Macro-economic and Industrial development context

Ethiopia:

Ethiopia is a landlocked country in the Horn of Africa, in one of the world's strategic geopolitical locations. Consequently, it plays an important role in the international trade arena. The country's total population is estimated to be over 123,000,000 (according to The World Bank's 2023 statistics); it is the second most populous country in Africa with a predominantly young population. Over 60% of the total population is at a young age. The capital city, Addis Ababa, is the diplomatic seat of international and continental institutions such as the African Union, United Nations Economic Commission for Africa (UNECA), etc. Moreover, its geographic position, being midway between West Africa, the Middle East region, and Asia, and its proximity to Europe provides it a strategic advantage in international trade. The country is a signatory to the African Continental Free Trade Area (AfCFTA).

Ethiopia has a strong historical relationship with the people of the Republic of Korea in diplomacy, which dates back to the Korean War (over 70 years). The two countries established a diplomatic relationship in 1963. The Republic of Korea is one of the prominent ODA partners of Ethiopia actively engaged in different development projects in Ethiopia. Korea's development cooperation projects for Ethiopia are the largest in Africa. However, the investment and trade relation between the two countries is still weak (at its lowest stage).

2.1.1. County macro-economic background

Ethiopia has an agriculture-dominated economy. The sector accounted for more than 35% of the GDP. It is the main source of export earnings to the country. Ethiopia's abundant agricultural resources and the country's diverse range of ecological zones are strategic opportunities for large-scale agricultural production and agro-processing. The Government of Ethiopia proactively invested in Agro-processing and industrial parks to modernize the agriculture sector and to create a link to the manufacturing/industrial sectors. The aims are to improve export earnings through value addition and to substitute imports. The service sector's contribution to the GDP grew and became substantial. According to the National Bank of Ethiopia, agriculture's contribution to the

GDP reduced while the service and manufacturing sectors demonstrated consecutive increases in the past ten years. This is a strategic move intentionally implemented by the government to transform the economy from an agricultural-led economy to a more industrialized and middle-income economy.

The economy is dependent on higher levels of imports. High dependence on imports of goods and services and weak or unbalanced exports. The country exports semi-processed and unfinished agricultural commodities. Foreign currency reserve is a major challenge to the economy, exacerbated by the imbalance between the export earnings and the higher demand for importing consumer goods, technologies, manufacturing inputs, etc. The government focused on import substitution strategies to resolve the dire foreign currency challenge and its dependence on imports. Hence, it proactively promotes and incentivizes foreign direct investments in the priority economic sectors. Sectors deemed to contribute to raising export earnings and import substitution. Ethiopia's total exports reached US\$ 10.45 Billion in 2022 (according to The World Bank Data). It grew by 23% from the previous year, 2021.

Ethiopia's GDP was US\$ 126.78 billion in 2022, with an annual growth rate of 5.3% (According to the World Bank's statistics). Compared to the previous year, the GDP growth showed a slight reduction. The Real GDP growth was 5.6% in 2021. However, Ethiopia's GDP growth is still beyond the East African average of 4.4% in 2022. Hence, Ethiopia's economy is still one of the fastest-growing economies in Africa. The country recorded a double-digit annual economic growth for ten consecutive years until 2016. The average annual economic growth during these years was 10.2% (African Development Bank Group, Nov 2022). However, the economic growth declined to 7.8% between 2016 and 2021 due to various reasons such as soaring inflation, foreign currency shortage, and high international debt.

According to the World Bank statistics, the Agriculture, Forestry, and Fishing, value-added contributed 37.6 % of the GDP in 2022. In manufacturing, value-added accounted for 4 % of GDP. Export of goods and services contributed 8.2% of the GDP.

The primary export destinations for Ethiopia are Europe, Asia, Africa, and North America. Whereas, the primary source of import is from Asia and Europe accounting for around 80% of Ethiopia's imports (Asia over 60% and Europe around 20% respectively).

Higher and consistent inflation is the macroeconomic and social challenges in Ethiopia. The annual inflation rate was 34%, 27% higher than the previous year in 2022. Internal and global factors adversely affected the government's effort to curb the soaring inflation rate. Among others, the internal conflict in the Northern part of the country and the Ukraine-Russia war are prevalent.

These internal and global macro factors, coupled with the aftermath of COVID-19, impacted the country's economic growth. However, the end of the internal conflict in the Northern part of the country signaled a horizon of hope for better macro-economic performance in the coming years even though some of the global challenges remain. Ethiopia's GDP is forecasted to grow by 6.2% in 2024.

2.1.2. Industrial development

The agricultural sector's percentage share of the GDP reduced. Instead, the service sector is coming up to take over from the Agriculture sector. The industrial sector's percentage contribution to the total GDP showed a slow growth from time to time. Over the past 15 years, Agriculture's percentage share of GDP decreased by 18%. During this period, the percentage share of the industrial sector increased only by 0.3%.

The dependence on the agricultural sector, which is unmodernized, created more difficulty in bringing economic transformation and economic self-reliance. It contributes over 35% of the GDP and more than 75% of the total domestic employment. It is the most important foreign currency earner for Ethiopia. However, it is not yet contributing its optimum towards the strategic economic transition and for a fast leap towards the country's ambition of becoming a middle-income country by 2025. This is due to a weak link between the agricultural and industrial sectors (such as manufacturing). For instance, Agro-processing accounted for only 5% of the total GDP and 2% of the total exports.

Hence, industrial development is crucial to the Ethiopian Economy and to achieve an economic transformation and the middle-income economy goal. The government of Ethiopia developed an industrial development strategy intending to gear the economic structural transformation from Agriculture to an industrialized economy. In its industrial development strategic plan, the government emphasized "creating a conducive business environment for the industrial development and investment" and "Providing direct support and guidance to strategic

sectors” (Ethiopian Industrial Development Strategic Plan (2013-2025), FDRE Ministry of Industry, September 2013).

In the 12-year industrial development strategic plan (2013-2025), the government focused on “growing and diversifying the manufacturing industry priority sectors, enhancing entrepreneurship and business development, increasing domestic and foreign direct investment, and investing in industrial zones”.

Ensuring a conducive business environment is crucial for industrial development. It will have a paramount impact on economic stability. Moreover, it attracts domestic and foreign direct investments. Over the past few years, the government undertook various policies, legal frameworks, investment incentives, and legislation revisions believed to enhance the business environment. Moreover, it implemented strategies to eradicate bureaucratic hurdles that hindered the growth of the industrial sector and investment. The revised investment legislation is one of the initiatives undertaken in the past few years.

In addition to creating a conducive business environment, the government focused on diversifying the manufacturing sectors that are competent in the global value chains. It clearly stated in its 12-year industrial development strategic plan (2013-2025) that the target is to expand into “biotechnology, ICT, and petrochemical industries (Ethiopian Industrial Development Strategic Plan (2013-2025), FDRE Ministry of Industry, September 2013).

The government prioritized these five key activities: "creating a conducive business environment, developing the human resources and skills, availing and improving the quality of industrial inputs, developing domestic and international markets for industrial products, promoting technology transfer, and building institutional capacities ". Promotion of investment and technology transfer is important to achieve these goals.

Hence, global development partnership is the most valuable resource for Ethiopia's industrialization program. UNIDO-ITPO Korea's project activity is an exemplary international cooperation.

2.2. UNIDO ITPO Korea project implementation in Ethiopia

2.2.1. Investment and Technology promotion

UNIDO-ITPO Korea launched its Advisory program in 2019. So far, the Ethiopia Advisory program has undertaken over 16 online B2B meetings and co-organized the Korean Agricultural Machinery Exhibition (13 Korean corporations participated). It provided COMFAR III Workshop for 19 Ethiopian government officials (trainees). It provides investment and technology transfer consultation and information exchange services for Korean businesses through the assigned National Advisor for the country.

The primary stakeholder from the government of Ethiopia is the Ethiopian Investment Commission. EIC is the mandated government Investment Promotion Agency responsible for promoting investment, registering and licensing new investments, and providing one-stop investment service, aftercare services, and incentives for licensed investors. UNIDO-ITPO Korea is collaborating with EIC in a joint effort to provide information on investment and technology transfer opportunities in Ethiopia.

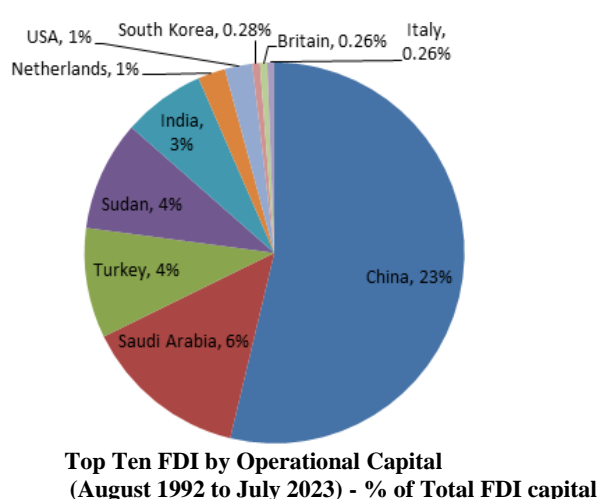
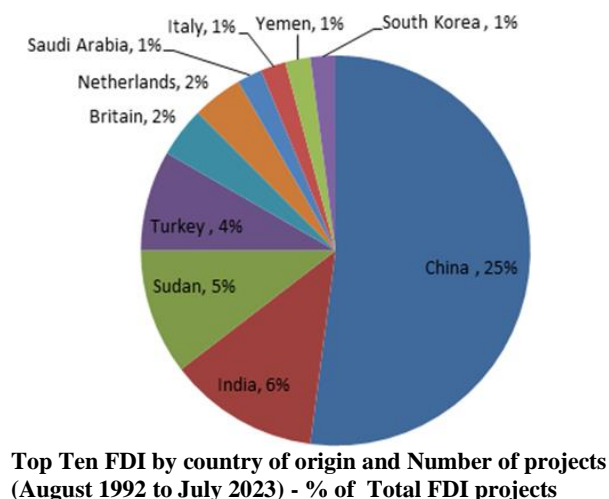
In the past three months, the UNIDO-ITPO Korea Advisory program to Ethiopia and EIC jointly provided investment information and consultation to 6 Korean businesses that showed interest in the Ethiopia market. The Ethiopia advisory program is working towards strengthening collaboration and adding more stakeholders who can provide the relevant resources and information for Korean businesses throughout the investment cycle. Moreover, the program identifies the capacity support needs of the primary stakeholders. After finalizing the needs assessments, it will undertake training and other activities relevant to upgrading the capacities of the investment promotion agency (EIC) and other relevant primary stakeholders.

Ethiopia holds significant market potential and investment opportunities for Korean MSMEs, tech startups, and large corporations. In terms of FDI, it is one of the leading destinations in the Sub-Saharan Africa region and the first in the East Africa region. The World Bank's annual FDI report indicated that the country attained 4,259,445,795 USD worth of FDI inflows for 2021, which is 78% higher than the 2020 annual FDI inflow. According to UNCTAD, the total FDI

inflow of the East Africa region was 8.2 Billion USD in 2021. Hence, Ethiopia accounted for around 48% of the total annual FDI inflows to the East Africa region.

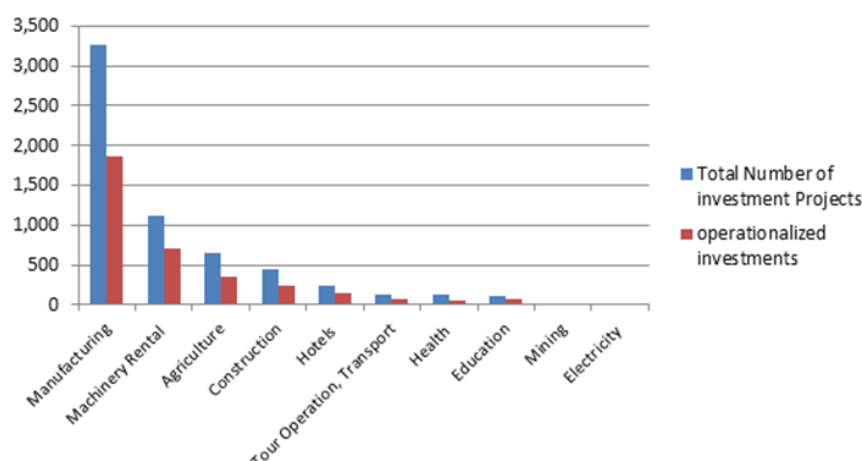
Over the past ten years, the government embarked on a very ambitious economic growth plan. Hence, it provided extensive focus and support to Foreign Direct Investment and infrastructure projects to achieve these plans and targets. Ethiopia's ten-year perspective development plan (between 2021 and 2030) set forth a vision to make Ethiopia "An African Beacon of Prosperity" by 2030.

To successfully realize the development goals, attracting good quality foreign direct investment is one area the government strongly continues to support. According to The World Bank's report, the country's FDI net inflow was 3.8% of the GDP in 2021. Hence, an industrialized economy such as Korea, with global leadership in the ICT market, R &D, and a proven fast-track economic development legacy, is the ideal FDI the country is interested in attracting. The investment and technology transfer cooperation between the two countries will bring a win-win result. Ethiopia benefits from the investment and technology of Korean businesses that supplement the country's economic development agenda. Likewise, The Republic of Korea benefits by creating new markets, resources, and overseas-generated wealth for its MSMEs, startups, and corporations. However, Korean FDI in Ethiopia is low and at the bottom of the top ten list.



Over the past 30 years, Ethiopia attracted 6,271 total (number) investment projects, and Korean investment projects were only 65; from these, only 45 went operational, but very few are active now. Whereas investment projects from China are 1,574, and 1,009 went operational.

Summary of Licensed Foreign Direct Investments by sector (August 1992 to July 2023)



The current government is proactively working to attract more foreign direct investments in the manufacturing sector. This keen interest arises from its industrial development strategy and the desire to substitute imports. It regarded import substitution as an important strategy to narrow down the trade deficit and the foreign exchange challenge in the economy. The country placed itself among the most prominent FDI destinations in the Sub-Saharan African countries by implementing and promoting industrial policies accelerating export-oriented manufacturing and agro-processing sectors. Textiles/garments, leather, and horticulture/floriculture are among the priority sectors the government incentivizes.

According to the country's industrial development plan, the following sectors (industries) are the new focus areas. Hence, these can be significant investment areas for Korean investors: "Food processing industry, Large-scale based products manufacturing, Natural fibers in addition to Cotton (like wool, silk, and sisal; Man-made fibers and technical textile manufacturing industries), Rubber, plastic and textile shoe fabrications, Packaging industries, Machinery and equipment manufacturing, Iron and Steel, Automotive industries including agro machinery parts, Chemical industries (Petrochemical /Bio-based/ industries, Special chemicals/construction chemicals, dyes and dyestuffs), Alcohol-based chemical products (acetic acid, acetone, etc.) industries, Pharmaceutical industries (Specialty medicines and manufactured indigenous medicines, Food supplements, Pharmaceutical components, and ingredients, Cosmetics), Bio-technology industries, Electrical and electronics equipment manufacturing, ICT Software and hardware manufacturing" (Ethiopian Industrial Development Strategic Plan (2013-2025), FDRE Ministry of Industry, September 2013).

Moreover, the government plans to reduce public investment gradually and give way to private investments. This will further raise the role and importance of domestic and foreign private investments in the economic sectors. This is a good opportunity for investors from more industrialized and ICT-expert countries like Korea. By the year 2025, private investment planned to account for 70% of the total investment in the economy, which was only 30% in 2012 and eventually grow up to 50% in 2020 respectively (Ethiopian Industrial Development Strategic Plan (2013-2025), FDRE Ministry of Industry, September 2013).

Innovation and Technology:

According to The World Bank statistics, the number of individuals using the internet in Ethiopia was 17% of the total population. And the high-technology export was 13% of the manufactured export of Ethiopia in 2020. Access to Electricity was 54.2% of the total population in 2021. The research and expenditure was 0.27% of the GDP in 2017 (The World Bank report statistics).

Innovation and technology transfer is a primary tool for successful and speedy industrial development in Ethiopia. Hence, foreign direct investment is the best way to encourage and gain more technology transfers into the economy. So far, the technology transfer into the economy has been latent. However, it is showing an increase as the country opens up its economic sectors for digital transformation following the plan to develop a digital economy and the homegrown economic development agenda. The technology ecosystem is quickly changing. Adopting financial technologies, smart farming, ICT, and industrial technology are growing. The government established an IT park and summer camps for young startups, facilitating entrepreneurship development programs and innovation and technology transfer systems. The Ethiopia IT Park motto is Leveraging a growing and tech-savvy local talent pool to serve the global market.

Innovation and technology (especially ICT) are attractive potentials to Korean startups. The economic sectors and industries recently started adopting technologies and ICT; therefore, it is an untapped market with high demand. The country started liberalizing the telecom industry. Ethio telecom was the only telecom service provider until one year ago. Currently, its subscribers reached 72 Million; the number of subscribers grew by 8% compared to last year (2022).

According to Ethiotelcom's annual performance report, over the past six months in 2023: “ The total mobile voice service subscribers reached 69.5million and 33.9 million Data and internet users; Fixed Services 853.6 K and Fixed Broadband subscribers reached 618,3K. Telecom density reached 66.8%. In 2021, Ethiotelcom is the 2nd largest in Africa and 21st in the world in terms of subscriber base (out of 774 operators in the world)” (Ethiotelcom website). This indicates the market potential for Korean ICT startups and technology companies with a reputation for providing digital and financial technologies.

The government adopted its Digital Ethiopia 2025 strategy in 2020. The Ethiopia Ministry of Innovation and Technology (MINT) and Ethiopia Industrial Parks Development Corporation (IPDC) are attracting ICT-based businesses into Ethiopia. The cost of establishing ICT-based businesses in Ethiopia is relatively low, and the government incentivizes foreign investments. This sector holds good investment potential for Korean investors.

2.2.2. Opportunities and challenges of Investment and technology promotion

Opportunities

Opportunities that play a positive role in the investment and technology transfer promotion activities of the Ethiopian Investment Commission (IPA) and UNIDO ITPO Korea:

- Ethiopia’s trade deficit and foreign currency challenge led to higher demand and government commitment to inward FDI. This is a good opportunity for Korean businesses and start-ups interested in overseas businesses and markets.
- The Ethiopian government implemented various policy reforms that create a conducive business environment for foreign investors, and the business climate is continuously improving.
- The government organized an inter-ministerial committee chaired and monitored by the Prime Minister Office (PMO). The Ethiopian Investment Commission coordinates the committee and delivers a one-stop service to foreign investors. This structural setup enhanced the ease of doing business in Ethiopia. It alleviated the bureaucratic hurdle.
- Ethiopia has a large domestic market, and it is strategically located in East Africa with the potential of being a market hub or a launching pad for market expansion into other African countries by investing at the least cost in Ethiopia. It also offers cheaper means of production.

- Ethiopia is joining the Common Market for Eastern and Southern Africa (COMESA). It is a large economic community and continental Preferential Trade Area (PTA). Moreover, it approved the African Continental Free Trade Agreement (AfCFTA). This is a significant opportunity for Korean businesses/investors to access this large market through investment in Ethiopia. This will create a mutual benefit for Ethiopia and Korean manufacturing investors.
- The Ethiopian government's commitment to reduce public sector investment and empower private sector investment in all economic sectors is an opportunity for Korean investors and the UNIDO ITPO Korea project as the demand for Public Private Partnership is high.
- "Digital Ethiopia 2025" plans: Ethiopia's commitment to developing a digital economy is a significant opportunity and comparative advantage to Korean ICT and Technology companies.

Challenges:

- The conflict in the Northern part of Ethiopia and other inter-ethnic conflicts played a slowing down effect against the government's transformative economic growth agendas and implementations. This directly affected the investment, infrastructure development, and the business environment.
- Negative image created due to the headlines and international news coverage of the interethnic conflict (the war in the northern part of the country) played negative advertisement that counters the Investment promotion activities in the country. Investors worry and slow decisions
- Fitch downgraded Ethiopia's creditworthiness to CCC- on 03 January 2023 (<https://www.fitchratings.com/entity/ethiopia-93705890#ratings>, 2023). And MOODY's rating placed Ethiopia at Caa2 Negative on 22 February 2023 (<https://www.moodys.com/credit-ratings/ethiopia-government-of-credit-rating-806356915>).
- Global economic instability due to the Ukraine-Russia war and rise in fuel prices.
- Shortage of foreign exchange and deteriorating international reserve affected the existing manufacturing businesses, both domestic and foreign investors. They faced capital goods/manufacturing inputs import challenge. Moreover, the difficulty of repatriating profits made on foreign direct investments created frustration and fear among existing foreign investors. This played a ripple effect on potential new FDIs. Negatively counters IPA's effort.
- Following the conflict in the Northern part of the country, the US Government suspended Ethiopia from the Africa Growth and Opportunity Act (AGOA) benefiting countries list.

AGOA was one of the major strategic advantages for many foreign investors, especially in the textile sector. It demotivates foreign investors.

2.2.3. Building the capacity of Investment promotion agencies and stakeholders

UNIDO ITPO Korea's primary stakeholder from Ethiopia side is the Ethiopian Investment Commission. It is a government institution established in 1992. It is mandated to promote investment and attract more FDI into Ethiopia. EIC is closely collaborating with UNIDO ITPO Korea in promoting investment and technology transfer to ensure inclusive and sustainable industrial development in Ethiopia.

One of the project objectives and expected output for the UNIDO ITPO Korea project is to upgrade the capacity of investment promotion agencies, relevant public/private sector, and policymakers. Hence, the ITPO Korea devices capacity-building workshops and training based on the joint assessment of the capacity gaps of the Ethiopian Investment Commission and other stakeholders relevant to the investment and technology promotion endeavor. Additional stakeholders include The Ethiopia Investment Board, the Ethiopia Chamber of Commerce and sectorial associations, the Ministry of Industry, the Ministry of Innovation and Technology, etc.

Strength and challenges:

Strength

- EIC focus on building its capacity to increase the FDI inflow, improve the ease of doing business in Ethiopia, increase export earnings from industrial parks and FDIs, and create more jobs.
- During the last fiscal year's first nine months (2014 Ethiopian Calendar), the institution attracted 2.4 billion USD in foreign direct investments. It achieved 67% of the planned FDI inflows for the fiscal year, which was 3.63 billion USD. It raised the total FDI inflow by 18.8% compared to the preceding government fiscal year (2013 Ethiopian Calendar). It licensed 118 new investments during this period. The planned total for the budget year was 203 new investment projects (licensing). Hence, the institution achieved 58% of its target for the budget year. Of the 118 newly licensed investments, 68 are foreign direct investors, 31 are joint ventures between local and foreign direct investors, and 19 are purely local investment projects.

Of these 118 newly licensed investments, 65 are in the manufacturing sector, while the remaining 50 are in service and 3 in agriculture.

- EIC won the World Bank and The World Association of Investment Promotion Agencies ‘Strengthening IPA Advocacy Services’ Gold award in 2018. This was recognition of the policy reforms and dedication to investment promotion.

Capacity Gaps /challenges:

- Limited promotion capacity: no access to or partnership with international media to counterbalance negative advertisement/press about the country, which impacts investment.
- Limited knowledge of the Korean business environment; investment interest, potential sectors, no Korea-focused strategy developed or no comparative advantages identified.
- Unavailability of data and no strong technical team for investment appraisal/decision-making consultation. Highly limited sector-oriented advisory or Business development service team. Lack of relation/coordination with private investment/business consultation firms (no capacity support or orientation to motivate them to collaborate with foreign investors who require local information and analysis/Business Development Services).
- Budget shortage and limited development partners’ funds to continuously organize strategic international promotion events. Most promotions are through a delegate program where only one or two higher officials (delegates) attend meetings with specific businesses, and the follow-up afterward is slow. The absence of strategized partnerships for a wider range and counterproductive campaigning and promotions.
- Generic investment promotion materials and techniques that are not regularly updated. Sector and country-specific investment promotion techniques and strategies are not available.
- No sector specific investment profiling, higher technological and ICT application gaps, budget limitation to train and enhance the international skills and capacities of internal staffs of the investment promotion department.

Section 3: Conclusion

- Despite various internal and global negative factors playing a slowing down effect on the macro-economic growth of Ethiopia, the economy is still one of the fastest-growing in the

Sub-Saharan region. It demonstrated 5.3% annual GDP growth in 2022, forecasted to sustain slight growth in 2023. The demand for investment and technology also increased.

- The economy suffered from a severe trade deficit, foreign exchange shortage, the aftermath of the COVID-19 global pandemic, and the internal ethnic conflicts in the country. These affected the manufacturing, tourism, and other major sectors. Moreover, the ethnic conflict in the country affected its international image as the most stable and conducive economy. This is directly affecting FDI and is slowing down the decisions of potential foreign direct investors.
- The government is committed to ensuring industrial development, attracting foreign direct investment, and modernizing the economic sectors (adopting technologies). The demand for ICT and manufacturing technologies is a potential opportunity for investors and startups from Korea. Hence, UNIDO ITPO Korea must strengthen its projects and partnerships.
- The Ethiopian Investment Commission is strongly working to attract foreign direct investments. However, its investment promotion capacity is limited. The negative advertisement or image created due to the recent three-year conflict in the Northern part of the country became a challenge in the investment promotion endeavor. More support to build the capacity of EIC for counter-promotion to recover/rebrand the country's international image for FDI is important. Hence, the EIC and ITPO Korea must strengthen the delegate program and the joint promotion activities (business advisory services).
- The foreign exchange shortage limited foreign investors from easily repatriating the profit made on their investment. This is creating frustration among existing foreign investors and demotivating new investors. EIC, in collaboration with other government stakeholders, must find alternative solutions to ease such challenges for investors.
- UNIDO ITPO Korea project interventions are important to EIC and the government's industrial development and investment promotion efforts. EIC strongly believes that projects such as ITPO Korea are the most important resources to upgrade its capacity and promote more investment during this challenging time

Section 4: Recommendations

- UNIDO ITPO Korea must strengthen its country advisory program and continue supporting Ethiopia's industrial development effort. It is mutually beneficial for Ethiopia and Korea.
- The project must support the Ethiopian Investment Commission to develop sector-specific Investment and investor profiling capacity and systems (sector-specific analysis and data).
- Support EIC to provide orientation and awareness-raising workshops for domestic private business consultants and Business Development Service providers and facilitating linkage with Korean businesses that need BDS in Ethiopia.
- UNIDO ITPO Korea must facilitate study tours and trainings for EIC and other stakeholders on the Korean business environment, investment interests, and strategies to attract or provide more information to Korean businesses.
- UNIDO ITPO Korea must support EIC and the Ethiopian Embassy in The Republic of Korea to create partnerships and information exchanges with the influential Media in Korea, institutions, and individuals for a wide range of campaigns and promotion to raise Ethiopia's image and spread information on the investment opportunities in Ethiopia.
- Continue organizing B2B and B2G events, facilitating participation in Exhibitions, trade fairs, and business pitching. Support participation of Korean businesses in locally organized trade events and exhibitions: organizing Korean exhibitions in Ethiopia to facilitate joint ventures and market linkages.
- Arrange experience exchanges and visits between EIC and other IPAs in different countries
- Inviting Korean volunteers to support EIC in training and upgrading the ICT internal capacities is important and must be one intervention in the project.
- Organizing consecutive delegate programs to Ethiopian government officials and influential institutions from Ethiopia to promote the potential in Ethiopia. Facilitating the Korean business delegates program for visits and investment discussions in Ethiopia is an important part of the project intervention. This must continue and strengthen.