

Ethiopia's Construction Industry: Transforming a Nation

A MARKET INSIGHTS REPORT BY
ITE BUILD & INTERIORS



Contents

Section 1 – Introduction to Ethiopia	3
Section 1.1 – Population	4
Section 1.2 – Economy & GDP	6
Section 1.3 – Sources of Growth	8
Section 1.4 – Foreign Direct Investment	10
Section 1.5 – Imports.....	12
 Section 2 – Ethiopia’s construction industry by sector	 13
Section 2.1 – Construction Industry Overview	14
Section 2.2 – Infrastructure Construction.....	16
Section 2.3 – Residential Construction	18
Section 2.4 – Industrial Construction	20
Section 2.5 – Other Construction Activities.....	21
 Section 3 – Building Materials Statistics & Opportunities	 22
Section 3.1 – Overview & Import Stats	23
 Section 4 – Major Projects	 25
Section 4.1 – Condominium Construction	26
Section 4.2 – Modjo-Hawassa Expressway.....	28
Section 4.3 – Grand Ethiopian Renaissance Dam....	29
 Section 5 – Doing Business in Ethiopia	 30
Section 5.1 – Doing Business	31
Section 5.2 – Key Business Stats.....	32
 Section 6 – Challenges & Opportunities	 34
Section 6.1 – Opportunities.....	34
Section 6.2 – Challenges	34

Section 1 – Introduction to Ethiopia



Ethiopia is one of Africa's fastest growing, most vibrant economies. Enjoying double digit GDP growth year-on-year for the past decade, and with a quickly growing population, the nation is ready to become a regional leader in construction.

Indeed, the construction industry is a major economic growth driver for Ethiopia. Massive government investment in infrastructure and residential building projects is turning the country into one of the continent's highest performing economies. Rapid urbanisation rates have created a huge need for improved infrastructure systems and a big housing backlog. Demand for quality building materials, for which Ethiopia is heavily dependent on imports, is already on the rise and is expected to skyrocket in the near future.

Billions of dollars is being invested in the construction industry each year, and foreign firms are seeing their products, knowledge and expertise enjoy high demand. In this report, we examine Africa's most exciting economy, the construction industry as a whole, and the manifold opportunities available for international companies to grasp.

Section 1.1 – Population

Population stats
as of April 2016

Total Population	99,465,819
World Population Rank	14th
Predicted Population Growth	2.48% per year (2016 figures)
Median Age	17.7 years old
Urban Population	19.5%

The UN's 2015 revised World Population Prospects report predicts that Ethiopia will be home to over 138 million people by 2030. Currently, Ethiopia is the second most populated country in Africa behind Nigeria.⁶

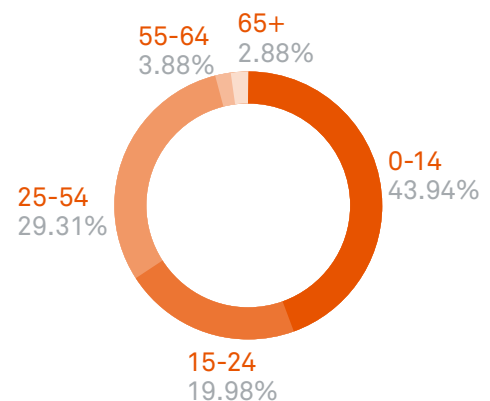
When compared with the largest economies in Africa, including North and Sub-Saharan regions, Ethiopia's comparative population growth looks like this:

*Ethiopia Population
Growth 2015-2050
(UN World Prospects
Report, 2015)⁷*

Country	Population 2015	Population 2030	Population 2050
Algeria	39,667,000	48,274,000	56,641,000
Egypt	91,508,000	117,102,000	151,111,000
Ethiopia	99,391,000	138,297,000	188,455,000
Morocco	34,378,000	39,787,000	43,696,000
Nigeria	182,202,000	262,599,000	398,508,000
South Africa	54,490,000	60,034,000	65,540,000

Ethiopia's population is characterised by having an extremely young average age. According to the CIA World Factbook, the median age of the African state's population is just over 17 years old. A young, eager population often points to an increased labour pool, which has a positive effect for the construction industry.

When broken down into percentages, we can see the following divisions in age amongst the population of Ethiopia:⁸



¹ <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

² <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2119rank.html#et>

³ <http://www.worldometers.info/world-population/ethiopia-population/>

⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

⁵ <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

⁶ <http://statisticstimes.com/population/african-countries-by-population.php>

⁷ http://esa.un.org/unpd/wpp/publications/files/key_findings_wpp_2015.pdf

⁸ <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

As the nation, which has been praised by the International Monetary Fund (IMF) as one of the fastest growing economies in the world⁹, has enjoyed consistent GDP growth, the middle and upper classes are set to expand.

Employment levels play a key role in this expansion. Compared with other nations with similar economies, Ethiopia's unemployment rates are low¹⁰ and have dropped consistently since 2010¹¹. As such, middle and upper income levels are likely to increase.

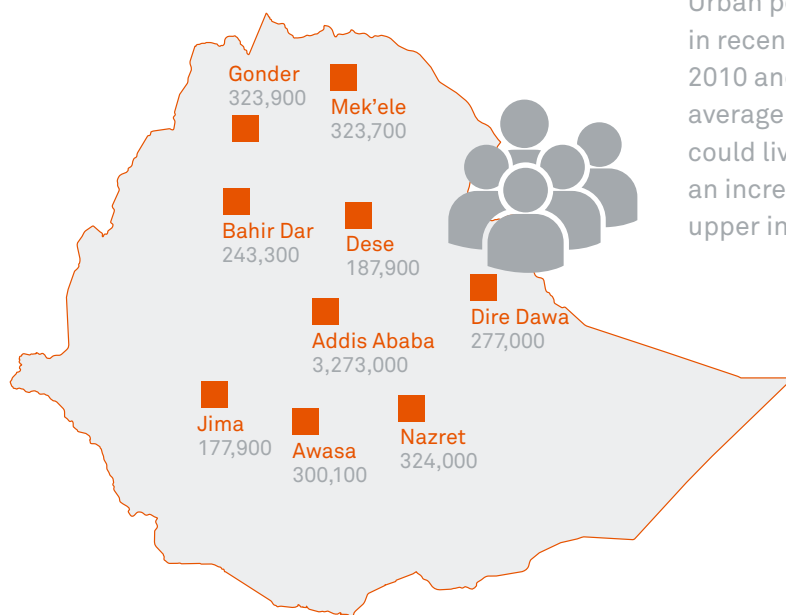
For example, New World Wealth, a South African-based market research consultancy, found that between 2007 and 2013, the level of Ethiopian dollar

millionaires skyrocketed. During this period, New World Wealth stated that the number of millionaires reached 2,700 – an increase of 108%, which was the fastest growth rate in this area across the continent.¹²

According to AfrAsia Bank, Ethiopia's capital Addis Ababa is home to 700 millionaires and is included in the bank's list of top African cities for millionaires.

In April 2011, the African Development Bank suggested that 8.2% of Ethiopians were members of the middle class (excluding the “floating” class of people who could slide back into lower class status more easily than other consumer class members).¹⁴

According to the CIA World Factbook, 19.5% of Ethiopia's population live in urban areas.¹⁵ Addis Ababa is the only city with a population of over a million inhabitants. Ethiopia's top ten cities by population are:¹⁶



Urban population levels in Ethiopia have been growing steadily in recent years. The CIA World Factbook states that, between 2010 and 2015, Ethiopia's urban population has shown an average annual growth rate of 4.89 %. 22 million people could live in urban areas by 2020.¹⁷ This is likely to result in an increased demand for affordable housing and, if middle to upper income levels increase, more expensive options.

⁹ <https://www.nabc.nl/en/africa-business-news/11/energy/318/ethiopia-addis-wind-of-transformation>

¹⁰ <http://www.indexmundi.com/g/r.aspx?c=et&v=74>

¹¹ <http://www.tradingeconomics.com/ethiopia/unemployment-rate>

¹² <http://mgafrica.com/article/2015-12-02-taste-for-luxury-ethiopias-new-wealthy-elite-spur-housing-boom>

¹³ http://www.afrasiabank.com/media/128742/top_african_cities_for_millionaires_afrasia_bank_new_world_wealth_report.pdf

¹⁴ http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/The%20Middle%20of%20the%20Pyramid_The%20Middle%20of%20the%20Pyramid.pdf

¹⁵ <https://www.cia.gov/library/publications/the-world-factbook/fields/2212.html>

¹⁶ <http://www.citypopulation.de/Ethiopia.html>

¹⁷ <http://allafrica.com/stories/201503241685.html>

Section 1.2 – Economy & GDP

Ethiopian key GDP stats as of April 2016

GDP Nominal – \$63.022 billion (2015 est.)¹⁸

GDP PPP – \$159.2 billion (2015 est.)¹⁹

GDP Nominal Rank – 80²⁰

GDP PPP Rank – 69²¹

GDP per capita – \$550²²

While Ethiopia is amongst the poorest nations on Earth, at least in terms of GDP per capita, the economic forecasts are strong. For example, the IMF ranks the nation as amongst its five fastest growing economies in the world.²³

Ethiopia has experienced solid economic performance over the past decade. The World Bank predicts that the 2015/16 fiscal year will see the Ethiopian economy grow by 10.5% after years of similar results.²⁴

According to KPMG, between 2008 and 2013, the country experienced an average annual growth rate of 10.2% showing impressive financial stability.²⁵

A 2015 estimate of Ethiopia's GDP stood at \$63.022 billion, which is likely to increase alongside the nation's rapid GDP rates. GDP based on purchasing power parity (PPP) has also increased to nearly \$160 billion as of 2016. The table below shows Ethiopia's GDP and increases over the last two years, with an IMF prediction for 2016's total levels.

GDP growth in Ethiopia 2014-2016 (IMF)²⁶

GDP Descriptor	2014	2015	2016 (IMF estimate)
GDP - Actual	\$54,809,000,000	\$63,022,000,000	\$70,171,000,000
GDP – PPP	\$145,100,000,000	\$159,224,000,000	\$174,610,000,000

¹⁸ <http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/weorept.aspx?pr.x=67&pr.y=8&sy=2013&ey=2020&scsm=1&ssd=1&sort=country&ds=.&br=1&c=644&s=NGDPD%2CPPP&grp=0&a=>

¹⁹ <http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/weorept.aspx?pr.x=67&pr.y=8&sy=2013&ey=2020&scsm=1&ssd=1&sort=country&ds=.&br=1&c=644&s=NGDPD%2CPPP&grp=0&a=>

²⁰ <http://databank.worldbank.org/data/download/GDP.pdf>

²¹ http://databank.worldbank.org/data/download/GDP_PPP.pdf

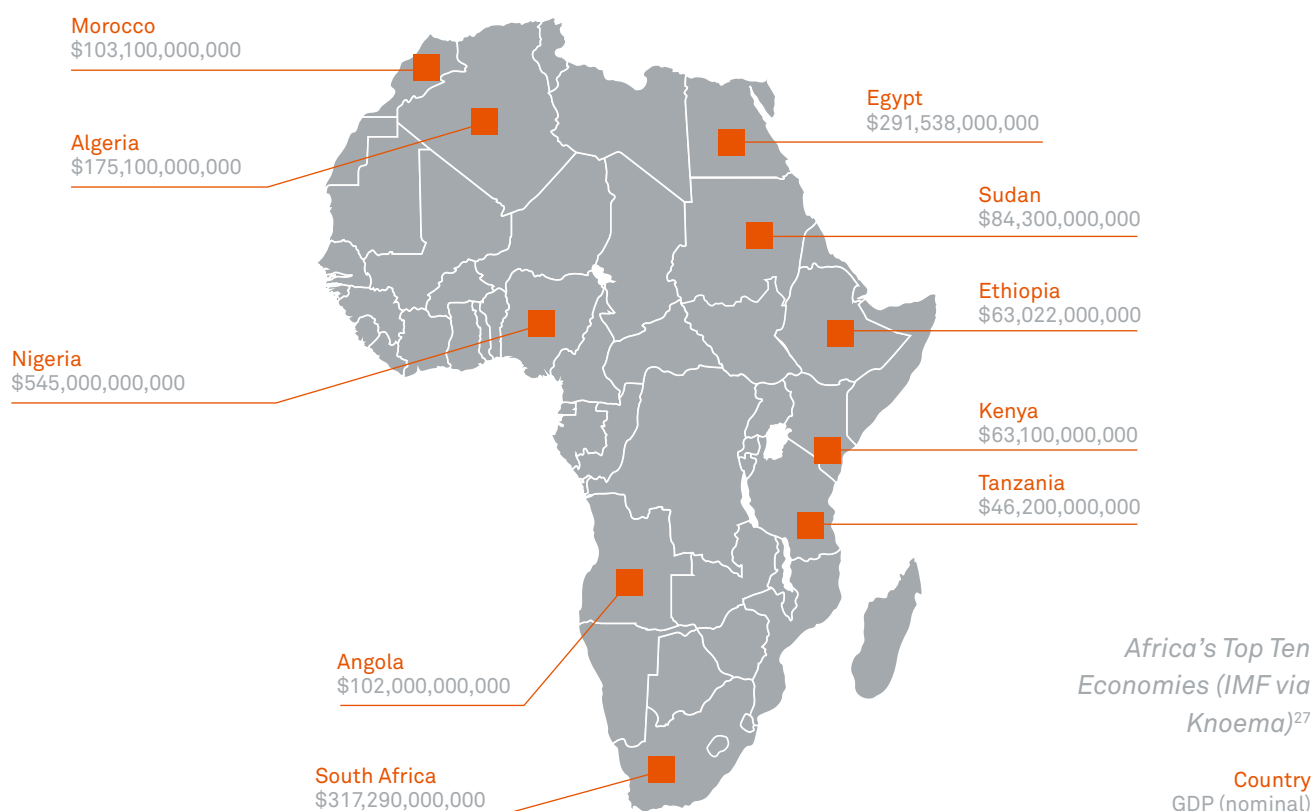
²² <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD/countries>

²³ http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ethiopia_GB_2015.pdf

²⁴ <http://af.reuters.com/article/investingNews/idAFKBN0070LP20150522?pageNumber=1&virtualBrandChannel=0&sp=true>

²⁵ https://www.kpmg.com/Africa/en/KPMG-in-Africa/Documents/2015%20Q1%20Snapshots/KPMG_Ethiopia%202015Q1.pdf

²⁶ <http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/weorept.aspx?pr.x=67&pr.y=8&sy=2013&ey=2020&scsm=1&ssd=1&sort=country&ds=.&br=1&c=644&s=NGDPD%2CPPP&grp=0&a=>



According to the African Economic Outlook 2015 edition, Ethiopia's GDP by sector is as follows:

*Ethiopia GDP by Sector
(African Economic Outlook, 2015)²⁸*

Sector	2015
Agriculture, forestry, fishing & hunting	42.3%
Mining & quarrying	1%
Manufacturing	4.2%
Electricity, gas and water	0.8%
Construction	9.4%
Wholesale & retail trade; repair of vehicles, household goods; restaurants & hotels	18.7%
Transport, storage & communication	4.7%
Finance, real estate & business services	9%
Public administration & defence	4.1%
Other services	5.7%

In the next section, we look at the economic factors that are driving Ethiopia's double-digit growth. The nation is still firmly agrarian, but with increases in urbanisation and income levels, it is likely that the construction industry's share of Ethiopia's GDP will increase in the coming years.

²⁷ <http://knoema.com/IMFWEO2015Oct/imf-world-economic-outlook-weo-october-2015>

²⁸ http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ethiopia_GB_2015.pdf

Section 1.3 – Sources of Growth

Deloitte has called Ethiopia a “growth miracle”²⁹, due to the fact the country has enjoyed double digit growth for several years. So what is driving the nation’s economy? Various financial institutions and development bodies have identified several factors powering Ethiopian growth.

These factors form a crucial part of Ethiopia’s goal of reaching middle-income status by 2025 - something the World Bank believes is possible.³⁰

Development & investment in infrastructure

Investment in infrastructure is a prime driver of GDP growth, as seen in the world’s foremost emerging economies, such as Indonesia and India. Ethiopia is matching these countries by pouring money into infrastructure developments. According to Deloitte, Ethiopia has one of the highest levels of investment, relative to GDP, in the world.³¹

With a projected need for \$1.5 billion investment a year in infrastructure, the country has made massive steps towards boosting power supply, housing stock and transport networks. This in turn has led to improved urban and construction jobs and opportunities, which has had a positive effect on GDP growth.

Foreign Direct Investment

We will discuss FDI in its own section later on in this report, but it is important to note that FDI is one of the key drivers of Ethiopian economic growth. A variety of different countries, including China, Turkey and India, have pumped huge sums into Ethiopia in recent years.³²

According to the United Nations Conference on Trade & Development (UNCTAD), inflows reached \$953 million in 2014, up from \$279 million in 2013. Total FDI inward stocks of \$6.1 billion were observed in 2013 – a massive increase on 2012’s levels of \$941 million.³³

Economic policy changes & plans

Despite previous political instability in the country, resulting in the harmful economic policies and famines of the 1980s, Ethiopia has achieved stability over the past two decades. With this has come a variety of policy measures that have had positive economic growth effects.

For example, the Ethiopian government plans on implementing numerous five-year initiatives, the first of which ran from 2010-2015, known as Growth and Transformation Plans. Featured in these plans are numerous schemes to stimulate economic development including opening Ethiopia to international investment, bilateral trade agreements and so on.³⁴

²⁹ http://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za_ethiopia_growth_miracle_july2014.pdf

³⁰ <http://www.worldbank.org/en/country/ethiopia/publication/ethiopia-economic-update-laying-the-foundation-for-achieving-middle-income-status>

³¹ http://www2.deloitte.com/content/dam/Deloitte/za/Documents/strategy/za_ethiopia_growth_miracle_july2014.pdf

³² <http://addisfortune.net/articles/ethiopia-africas-third-largest-recipient-of-foreign-direct-investment/>

³³ <http://addisfortune.net/articles/ethiopia-africas-third-largest-recipient-of-foreign-direct-investment/>

³⁴ <http://www.state.gov/documents/organization/228594.pdf>

Sustainable economic development initiatives

Alongside various international bodies, Ethiopia has created several economic projects designed to boost and sustain economic development. The United Nations Development Programme is working alongside the country to create a strong, sustainable economic environment.³⁵

These initiatives include an enhanced economic growth project, strengthening industrial development and creating a thriving private sector. USAID is another foreign organisations committed to working alongside Ethiopia in these areas.³⁶ So far, these measures have fed into the double-digit growth rates that Ethiopia has enjoyed in recent years.

Other recommendations

While the above factors are all important for encouraging and sustaining strong growth in the Ethiopian economy, the World Bank has identified several areas that require expansion to further strengthen the nation's economic development:

Boost saving rates – Ethiopia's saving rates are low, but increasing these is predicted to feed into higher investment levels and greater economic growth.

Increase private sector investment – Despite having the third highest public investment rate, i.e. government investment, in the world, Ethiopia sits

in the bottom ten countries for private investment. A strong, vibrant private sector is required for sustainable high growth according to the World Bank.

Improving trade logistics – An average of 42 days is required to import a container to Addis Ababa, compared with a regional average of 37 days. However, internal infrastructure developments, such as rail and road building, will have a positive impact on domestic trade. The World Bank suggests developing a strategy for trade logistics will have a positive net economic effect.³⁷



³⁵ <http://www.et.undp.org/content/ethiopia/en/home/operations/projects/sustainableeconomicdevelopment.html>

³⁶ <https://www.usaid.gov/ethiopia/economic-growth-and-trade>

³⁷ <http://www.worldbank.org/en/country/ethiopia/publication/ethiopia-economic-update-laying-the-foundation-for-achieving-middle-income-status>

Section 1.4 – Foreign Direct Investment

As mentioned briefly in section 1.3 of this report, foreign direct investment inflows to Ethiopia have grown considerably in recent years. The interest from foreign firms looking to invest in the country can be seen in the fact that when Ethiopia released its first Euro-bond offering in 2014, raising \$1 billion, the bond was oversubscribed by enthusiastic international parties.³⁸

The levels of FDI have fluctuated in recent years, reaching around \$953 million in 2013, according to the International Trade Centre³⁹, but reached \$1.2 billion in 2014 according to UNCTAD.⁴⁰ The Financial Times reported that Ethiopia was aiming at FDI levels of \$1.5 billion in 2015.⁴¹

Breakdown of Foreign
Direct Investment
2012-2014 (Santander)

Foreign Direct Investment	2012	2013	2014
FDI Inflow (million USD)	\$279	\$953	\$1,200
FDI Stock (million USD)	\$5,111.4	\$6,064.3	\$7,264.3
Number of greenfield investments	17	17	32
FDI inwards (% of GCFC*)	1.7	5.7	6.7
FDI Stock (in % of GDP)	11.8	13.0	13.9

*Gross Fixed Capital Formation (GFCF) measures the value of additions to fixed assets purchased by business, government and households less disposables of fixed disposals of assets sold off or scrapped.

According to Santander, Ethiopia's main investment partners are Saudi Arabia, China, the United States, India and Turkey.⁴³ China is the country's main trading and investment partner, offering factory construction and infrastructure projects, including the \$475 million Addis Ababa Rail project, alongside billions in exports.⁴⁴

Turkey, as mentioned above, is also another huge player when it comes to Ethiopian investment. In fact, Ethiopia is the recipient of Turkey's highest levels of FDI in Africa. Turkey's Ethiopian envoy, Fatih Ulusoy, stated in March 2016, that Ethiopia has attracted \$2.5 billion of the total \$6 billion Turkey has invested in the continent.⁴⁵

³⁸ <http://www.state.gov/documents/organization/241767.pdf>

³⁹ http://www.investmentmap.org/fdi_PartnerCountry_nav.aspx?selCtry=ETH&selInds=TT&selOpt=inflow&selYear=

⁴⁰ http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_et_en.pdf

⁴¹ <https://next.ft.com/content/0faa1dac-ea88-11e4-a701-00144feab7de>

⁴² <https://en.santandertrade.com/establish-overseas/ethiopia/investing-3>

⁴³ <https://en.santandertrade.com/establish-overseas/ethiopia/investing-3>

⁴⁴ <http://www.aljazeera.com/indepth/features/2015/10/china-rides-rails-ethiopia-development-151020101955760.html>

⁴⁵ http://afkinsider.com/122293/ethiopia-biggest-recipient-turkish-investment-africa/?utm_source=AFKInsider+Newsletter&utm_campaign=33bb4791e9-AFKInsider_Newsletter_3_24_163_23_2016&utm_medium=email&utm_term=0_0aff70cb26-33bb4791e9-177119441

Some of the infrastructure projects Turkey has invested in in Ethiopia include the \$1.5 billion Gibe III dam that is expected to generate nearly 2,000 megawatts of electricity, and a \$300 million loan it plans to invest in the Awash-Woldiya railway project.⁴⁶

As part of the government's five year Growth and Transformation Plans, fostering a strong environment for FDI is an essential part of creating sustainable economic growth in Ethiopia. Much of the investment in developing Ethiopia's infrastructure is sourced from overseas.

According to the Financial Times, there are a number of factors that make Ethiopia attractive for foreign investors – namely cheap labour and wages, inexpensive power and supportive government policies.⁴⁷

In February 2016, the Ethiopian Investment Commission (EIC) announced it was to revise regulations that slow down FDI inflows to the country and would implement these changes soon. Fitsum Arega, the Commissioner of the EIC, stated that the new laws would create a favourable trade environment as well as improving Ethiopia's standings on the World Bank Ease of Doing Business Index.⁴⁸

Foreign investors should find it refreshing that Ethiopia, a country known for its comparatively minimal levels of crime and corruption, is committed to fostering a competitive, welcoming environment for international investment. Currently, the environment is relatively uncompetitive so investors may wish to enter in at the ground level before other firms come flocking in.

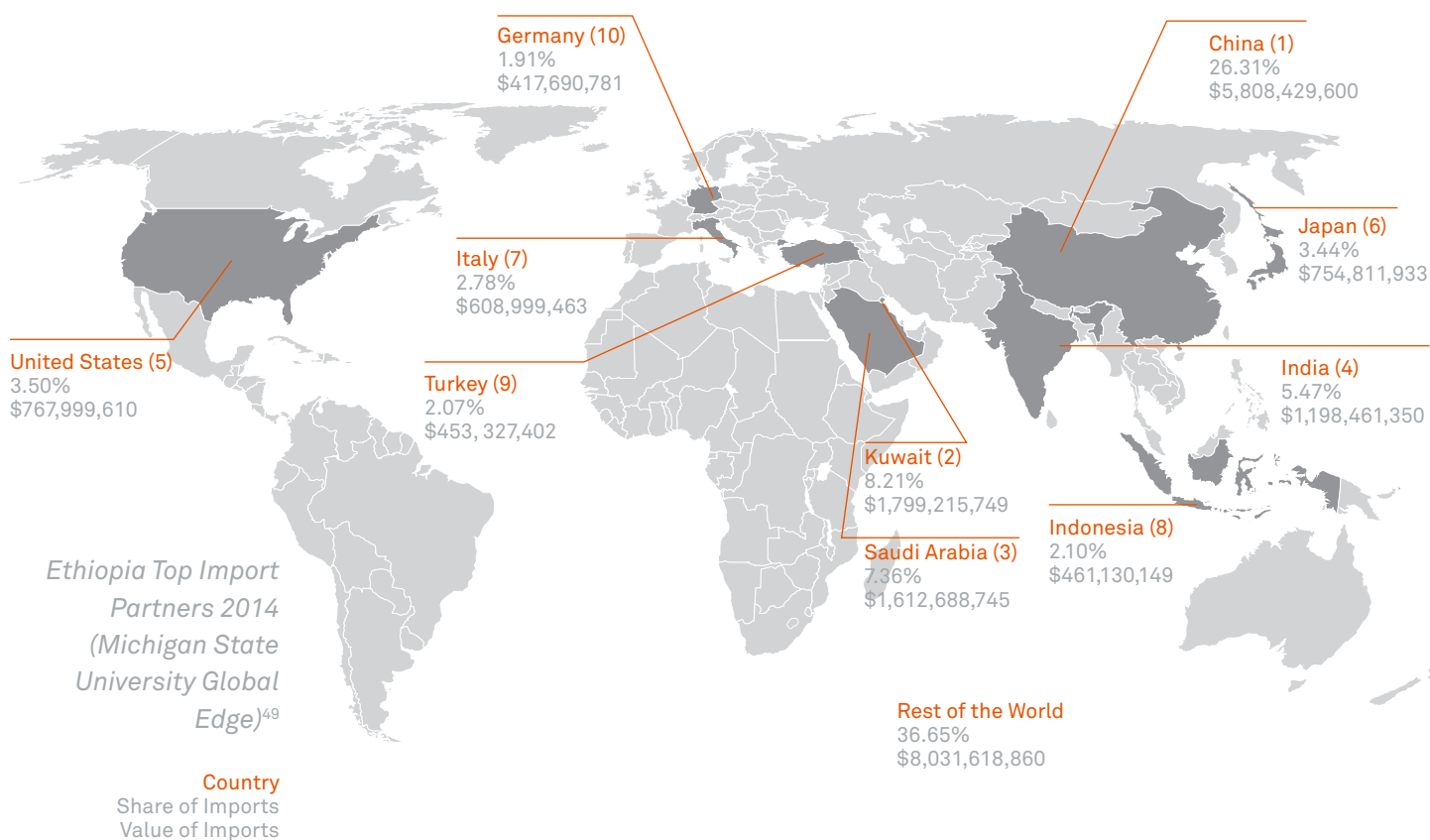


⁴⁶ http://afkinsider.com/122293/ethiopia-biggest-recipient-turkish-investment-africa/?utm_source=AFKInsider+Newsletter&utm_campaign=33bb4791e9-AFKInsider_Newsletter_3_24_163_23_2016&utm_medium=email&utm_term=0_0aff70cb26-33bb4791e9-177119441

⁴⁷ <https://next.ft.com/content/0faa1dac-ea88-11e4-a701-00144feab7de>

⁴⁸ <http://www.2merkato.com/news/alerts/4443-ethiopia-to-revise-regulations-to-boost-foreign-direct-investment>

Section 1.5 – Imports



Ethiopia Top Import Goods 2014 (Michigan State University Global Edge)⁵⁰

Import Goods	Share of Imports	Value of Imports
Oil & mineral fuels	17.66%	\$3,869,389,450
Industrial machinery	13.40%	\$2,936,129,287
Electrical machinery	9.02%	\$1,977,441,553
Motor vehicles & parts	8.43%	\$1,846,604,169
Iron & steel articles	4.88%	\$1,068,831,784
Plastics	4.55%	\$996,015,527
Iron & steel	3.97%	\$869,629,628
Cereals	2.57%	\$562,806,575
Fats & oils	2.33%	\$511,133,667
Fertilisers	2.16%	\$474,180,149
Other goods	31.04%	\$6,802,211,859

⁴⁹ <http://globaleedge.msu.edu/countries/ethiopia/tradestats>

⁵⁰ <http://globaleedge.msu.edu/countries/ethiopia/tradestats>

Section 2: Ethiopia's construction industry by sector



Section 2.1 – Construction Industry Overview

Ethiopia's construction sector is one of the most robust in Africa. Conditions are ripe for a surge in building across the country. The updating and building of new infrastructure links, residential developments and so on is of considerable interest to the Ethiopian Government. Indeed, development of these areas features heavily in the nation's Second Growth and Transformation Plan (GTP II).



The GTP five year plans lay out the blueprint for Ethiopia's continued economic growth. As such, construction will play a key role towards achieving the country's economic prosperity goals.

According to the National Bank of Ethiopia (NBE), construction accounts for half of all the nation's industry.⁵¹ What's more, the industry is expanding rapidly. Data from the NBE also suggests that during 2013/14 the building sector grew 37%. Industrial

activity accounted for 15% of Ethiopia's total output.⁵²

Using these stats, it can be seen that construction accounted for 7.5% of Ethiopia's total GDP during this period. According to African Economic Outlook, this equates to 9.4% of total output at current prices.⁵³ This would give the construction industry a market value of around \$6 billion.

⁵¹ <http://www.bloomberg.com/news/articles/2016-03-21/evictions-unrest-cast-shadow-over-ethiopia-s-construction-boom>

⁵² <http://www.bloomberg.com/news/articles/2016-03-21/evictions-unrest-cast-shadow-over-ethiopia-s-construction-boom>

⁵³ http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ethiopia_GB_2015.pdf

According to BMI Research, Ethiopia is set for further building-related growth in 2016. BMI estimates that the nation will maintain its status as a “regional growth outperformer” by posting real growth of 18.6%. The research firm also suggests that Ethiopia will enjoy 12.7% growth until 2021 with final ten year growth averaging 10.7% in 2025.⁵⁴

In short, the figures above are painting a bold picture for construction in Ethiopia. It is expected that massive foreign investment will be required to fuel this growth.

Alongside attracting overseas investors, the government has outlined other strategic goals related to development of the construction industry. As explained in GTP II, the government is planning to:

- Reduce the cost of projects by increasing the capacity, efficiency and effectiveness of contractors
- Implement kaizen* and construction project management system tools⁵⁵

*kaizen is a Japanese business philosophy of continuous improvement of working practices, personal efficiency and so on.

These strategic directions are designed to foster a competitive construction industry in Ethiopia. Project management itself offers scope for international contractors to enter the Ethiopian market. What better way than to promote an foreign building company than through consultancy? Of course, the major projects and initiatives planned offer other avenues for overseas brands to explore.

GTP II also includes major objectives to be achieved over the next five years. As such, the goals for the building industry are:

- Improve the industry's capacity in a sustainable way
- Ensure efficiency and effectiveness of construction contract procurement and management
- Develop internationally competent contractors alongside design and construction consultants
- Improve availability of raw materials and machinery in the construction industry
- Implement new technologies and construction methods⁵⁶

In short, Ethiopia has big plans for construction over the next five years. The focus seems to be mainly focussed on infrastructure and housing initiatives. However, if Ethiopia's economy continues its impressive upward trajectory, hotel, retail and other sectors could see a big boost in construction levels. But as it stands, Ethiopia remains Africa's leading nation for building industry growth.

It should be noted that up to 70% of all construction materials needed in Ethiopia are imported. This includes cables, steel, ceramics, locks, furniture and electrical fittings. All are critical for the completion of the nation's lofty building and infrastructure goals. As such, foreign firms can find promising opportunities in the export trade regarding Ethiopia.⁵⁷



⁵⁴ <http://www.bmiresearch.com/news-and-views/regional-growth-outperformer-status-maintained>

⁵⁵ <https://www.africaintelligence.com/c/dc/LOI/1415/GTP-II.pdf>

⁵⁶ <https://www.africaintelligence.com/c/dc/LOI/1415/GTP-II.pdf>

⁵⁷ <http://www.bloomberg.com/news/articles/2016-03-21/evictions-unrest-cast-shadow-over-ethiopia-s-construction-boom>

Section 2.2 – Infrastructure Construction

Infrastructure investment accounts for the majority of the government's construction spending. The East African reported that 2014 saw \$1.5 billion of Ethiopia's total \$8.5 billion government budget being invested in infrastructure.⁵⁸ A wealth of construction projects began under the auspices of the first Growth and Transformation Plan. The second GTP will improve on the targets laid down in the initial plan. Mr Yigzaw revealed the below construction activities planned under GTP II:

*Breakdown of Foreign
Direct Investment
2012-2014 (Santander)*

Project	GTP II Target	GTP II Target
All weather road construction	120,000 km	220,000 km
Railway network expansion	691 km	2,782 km
Electric power generation	2,220.5 mw	17,347 mw

Construction Review Online noted that roughly \$20 billion has been set aside by the government for energy infrastructure construction. GTP II will be the main beneficiary of this huge investment level. Much of the funds will go towards 10-12 new power generation projects.⁵⁹

Ethiopia has the potential to become a massive supplier and producer of energy. As such, major power-producing building projects have been finished or are underway or in the planning stages. One such project is the Grand Ethiopian Renaissance Dam. This \$4.8 billion hydroelectric development is estimated for completion in 2017. Italian construction firm Salini Impregilo is building the huge dam alongside the Ethiopian government. More details on this project can be found in section 4.3 of this report.

Hydroelectric power generation is vital to Ethiopia. Three dams, including the 1,870 MW Gibe 3, 1,450 MW Gibe 4 and the 660 MW Gibe 5, are already producing power.

In March 2016, Prime Minister Hailemariam Desalegn announced the development of a 2,000 MW hydropower project⁶⁰. Essentially, this means another massive dam will be built – a further opportunity for foreign firms to do business in Ethiopia.

Updating transport links is another aspect of infrastructure that the Ethiopian government is keen to explore. A number of collaborative projects have been completed in recent years. These demonstrate the vast sums Ethiopia is willing to invest in such developments.

For example, numerous Chinese banks and construction companies have invested billions in new railway track. Updated networks now mean trade can flow easily from neighbouring Djibouti to Ethiopia's capital. The 700km electrified railway was partly funded by \$3 billion of loans from the Exim bank of China.⁶¹ As of January 2016, 90% of the track had been completed.

⁵⁸ <http://www.theeastafrican.co.ke/news/ethiopia-under-construction/-/2558/2541166/-/uoxbt1/-/index.html>

⁵⁹ <http://constructionreviewonline.com/2014/11/us20bn-set-aside-energy-projects-ethiopia/>

⁶⁰ <http://www.hydroworld.com/articles/2016/03/ethiopian-pm-announces-new-2-000-mw-hydropower-project.html>

⁶¹ <http://www.railway-technology.com/features/featureimproved-access-for-ethiopia-opening-the-addis-ababa-djibouti-line-4836968/>

Chinese investment in Ethiopian railways is extensive. \$475 million was poured into the construction of the Addis Ababa light rail line, again partially funded by China's Exim bank. Addis Ababa is the first Sub-Saharan city to enjoy an inner-city metro line.⁶²

Further rail projects include the \$1.7 billion Awash Woldia-Hara Gebeya line. Turkish construction firm Yapi Merkezi is developing the line alongside the government. Incorporated into this project will be 389 kilometres of new track, 40 kilometres of maintenance lines and 18 kilometres of station lines. New tunnels, three terminal stations and six intermediate stations are planned for construction too.⁶³

Like many developing nations, road building is an essential part of infrastructure expansion in Ethiopia. Rural roads in particular are of vital importance. 85% of the nation's population still lives in rural areas. Linking these places to more urbanised areas is of vital importance for the country's long-term development, according to news outlet All Africa.⁶⁴

As such, many roads are planned or in the midst of construction. A 48 kilometre stretch linking Sanja and Keraker is one example. The \$36 million project is once more being built by a Chinese consortium headed by Chinese Railway Number 3 Engineering group.⁶⁵ Further roads planned include the Qerani Medhanialem-Ambo road⁶⁵, the Sodo-Tercha asphalt road, the 99 kilometre Gash and Laibela-Sekota asphalt road and the Dichito-Gaifeli roundabout in the North East.⁶⁷

Some \$240 million was set aside by the government for road building projects in 2015. Whether this investment rises over the course of GTP II's five year duration remains to be seen. It does, however, demonstrate the huge sums being thrown into infrastructure in Ethiopia.

Outside of this sum is the \$222 million project linking Agamsa-Bure and Nekempte-Anger Gutin-Andhode.⁶⁸ The World Bank is providing funding for this road development. Construction will be handled by Indian contractor IL&FS, with the firm's Spanish subsidiary Elsamex building an 85 km route connecting Agamsa-Bure as well as an 86 km stretch from Nekempte-Anger Gutin-Andhode.⁶⁹

There is also the \$700 million Modjo-Hawassa Expressway, which is examined in more detail in section 4.3 of this report.

As Ethiopia is landlocked, road, rail and air links are vital. The \$21 million Hawasa Airport is soon to be completed, further improving the region's trade and travel connections, as of April 2016.⁷⁰

A huge airport, rivalling London Heathrow in size, is also underway. The new facility will, it is claimed by the Ethiopian Airport Enterprise, have a capacity of 120 million passengers. Four runways and a number of terminal buildings are also planned.⁷¹ Airport Technology has reported that costs for the new facility could reach as high as \$4 billion.⁷²

⁶² <http://www.bbc.co.uk/news/business-34549253>

⁶³ <http://www.railway-technology.com/projects/awash-woldia-hara-gebeya-railway-line-project/>

⁶⁴ <http://allafrica.com/stories/201604280752.html>

⁶⁵ <http://allafrica.com/stories/201604280752.html>

⁶⁶ <http://allafrica.com/stories/201604261324.html>

⁶⁷ <http://constructionreviewonline.com/2015/04/us-240m-set-aside-road-projects-ethiopia/>

⁶⁸ <http://constructionreviewonline.com/2016/03/ethiopia-to-construct-a-us-222m-road-project/>

⁶⁹ <http://constructionreviewonline.com/2016/03/ethiopia-to-construct-a-us-222m-road-project/>

⁷⁰ <http://www.2merkato.com/news/alerts/4553-ethiopia-hawassa-airport-to-go-operational-soon>

⁷¹ <http://constructionreviewonline.com/2015/09/mega-international-airport-in-ethiopia-to-be-constructed/>

⁷² <http://www.airport-technology.com/news/newsethiopian-airports-enterprise-confirms-on-mega-international-airport-project-4694321>

Section 2.3 – Residential Construction



With a large and growing population, Ethiopia is facing a major housing deficit. As such, residential construction has been targeted as main area of development by the government. The Ministry of Urban Development, Housing & Construction says it will build 2.45 million houses over the course of the five year GTP II.⁷³

The housing deficit can perhaps be best exemplified by the capital. A 2011 UN report suggested, at that time, that Addis Ababa needed at least 300,000 new homes to meet demand.⁷⁴ However, with the city expanding at a rate of 3.8% per year, in terms of both wealth and population⁷⁵, more and more housing units are needed.

While investment figures have yet to be released, costs are expected to reach billions. For example, 700,000 condominiums are planned for construction over the next five years. Total costs for these housing units is estimated at \$312 million.⁷⁶

750,000 homes are to be built in urban areas where, at present, roughly 19.5% of Ethiopia's population lives. 1.7 million rural homes are also planned for

construction. Some major schemes have already been completed, such as 18,000 apartments in the nation's capital.⁷⁷

Foreign companies are expected to play a vital role in this huge housing construction effort. Driba Kuma, the Mayor of Addis Ababa, said in 2015 that the city is considering opening up housing tenders to international companies to help alleviate the demand.⁷⁸

Projections from Ethiopia's Central Statistics Agency suggest that 22 million people will make up the country's urban population by 2020.⁷⁹ At this time, the total population is expected to exceed 100 million. It is only logical that housing demand will rapidly expand during this period.

⁷³ <http://allafrica.com/stories/201503241685.html>

⁷⁴ http://www.iut.nu/Facts%20and%20figures/Africa/Ethiopia_CondominiumHousingUN-Habitat2011.pdf

⁷⁵ <http://www.knightfrank.com/resources/wealthreport2015/wealthpdf/04-wealth-report-global-cities-future.pdf>

⁷⁶ http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=3246:67-bln-birr-needed-for-new-housing-project-&catid=35:capital&Itemid=27

⁷⁷ <http://constructionreviewonline.com/2015/04/ethiopia-yeka-abado-to-deliver-18-000-housing-units/>

⁷⁸ http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=5043:city-administration-prepares-new-house-ownership-scheme&catid=35:capital&Itemid=27

⁷⁹ <http://allafrica.com/stories/201503241685.html>

The above mainly refers to affordable housing. Schemes pertaining to this are outlined in more detail in section 4.2 of this report. But what about luxury developments? As one of the world's fastest growing economies, it is expected that wealth will increase in Ethiopia's capital. In turn, demand for higher-end developments could rise over the coming years.

A luxury housing boom is being seen in and around Addis Ababa. For example, a 600-hectare area in the city's suburbs has been transformed from empty fields into the villa-studded Yerrer View estate. Prices for houses here begin at around \$330,000. The Addis Gojo project, which incorporates 113 apartments into three 10 storey towers, is underway in the Kazanchis business district.⁸⁰

5,400 new homes are planned for the Yerrer View development. A mixture of villas and apartments are planned. Space for some 20,000 people would be available for purchase here.⁸¹

Addis Adaba, it should be noted, is home to the headquarters of the African Union and the United Nations Economic Commission for Africa. As such, affluent international visitors can be found here. A demand for luxury developments is likely to be, in part, driven by their presence.

With housing demand comes a demand for finishings and interior materials. Suppliers should, however, be made aware that many of the truly affordable houses won't feature wall or floor finishings in a bid to save costs. But for mid-to-high end developments, there are many opportunities.

The primary need will be for quality construction materials, as has been evidenced by other countries prioritising residential construction. Foreign firms are well placed to supply these much needed products.



⁸⁰ <http://mgafrica.com/article/2015-12-02-taste-for-luxury-ethiopias-new-wealthy-elite-spur-housing-boom>

⁸¹ <http://mgafrica.com/article/2015-12-02-taste-for-luxury-ethiopias-new-wealthy-elite-spur-housing-boom>

Section 2.4 – Industrial Construction

The industrial output of Ethiopia currently stands at 15% of the nation's total GDP. As with many aspects of the nation's economic composition, the government is keen to increase this. A range of new construction projects are thus underway to boost industrial output.

One such project is the building of four new industrial parks in Adama, Mekelle, Kombolcha and Dire Dawa. Construction of these facilities was expected to commence in late May 2016. The building of these facilities is expected to cost in the region of \$1 billion. Each has a construction time of 9 months so could be fully operational by February 2017.⁸²

Increasing industrial output is likely the main objective of this development, as this forms the basis for one part of the second Growth and Transformation Plan.⁸³ Updating the number of industrial parks across the country also has the added benefit of attracting further foreign investment. Dr. Arkebe Equbay, Board Chairman of the Ethiopian Industrial Parks Development Corporation, told Awramba Times that by establishing further parks, foreign direct investment levels should increase.⁸⁴

A total of nine new industrial parks are to be built across Ethiopia. The Jewish Business News reported that AlfaBet Planners, one of Israel's largest design groups, was approached by the Ethiopian Urban and Development Ministry to consider collaborating on construction of these new facilities.⁸⁵

Recently, major international companies have constructed or updated their existing Ethiopian facilities. Diageo PLC, one of the world's largest liquor groups, spent \$119 million on upgrading its Meta Abo bottling plant.⁸⁶ Beer brand Heineken opened a brewery in Ethiopia in 2014. After just six months, the

Dutch brewers reported that its plant was up to full capacity. Heineken currently owns and operates three breweries across the country as part of a \$356 million investment plan.

Construction of a modern engine factory began in September 2015. Under the auspices of Ethiopia's government, the 30-hectare site is set to be able to manufacture between 20-30 thousand different engine types annually. Power units for tractors, cars, trucks, industrial machines and other smaller types are set for construction in the facility.⁸⁸

Becoming a local, and potentially global, manufacturing hub is one of Ethiopia's long-term goals. As such, the government has pledged to spend some \$10 billion on updating the nation's industrial infrastructure across the next decade. A number of Chinese and European lenders are involved in financing this scheme, alongside the International Finance Corp.⁸⁹

This is just a snapshot of the many industrial developments planned in Ethiopia. Many more projects are currently on the slate – many with the backing of international finance firms and construction companies. Is there room for more? Certainly. With large-scale commitment from the government to nurture and expand industrial output, it makes sense that more and more construction opportunities will arise in the industrial sector.

⁸² <http://www.awrambatimes.com/?p=14755>

⁸³ <https://www.africaintelligence.com/c/dc/LOI/1415/GTP-II.pdf>

⁸⁴ <http://www.awrambatimes.com/?p=14755>

⁸⁵ <http://jewishbusinessnews.com/2016/04/13/israelis-to-build-condominiums-and-industrial-parks-in-ethiopia/>

⁸⁶ <http://afkinside.com/90602/diageo-unveils-119m-upgrade-ethiopia-meta-abo-brewery/>

⁸⁷ http://www.just-drinks.com/news/heinekens-new-ethiopia-brewery-hits-full-capacity_id115908.aspx

⁸⁸ <http://constructionreviewonline.com/2015/09/a-modern-engine-factory-in-ethiopia-to-be-constructed/>

⁸⁹ <http://mgafrica.com/article/2015-05-19-seeking-to-be-africas-top-manufacturer-ethiopia-plans-export-hubs-with-10bn-factory-parks>

Section 2.5 – Other Construction Activities

While the infrastructure, industrial and residential sectors are seeing the most construction activity, there is still much being built in other areas. Civic and hotel construction in particular is flourishing in Ethiopia.

A number of new stadiums are to be built across the country. Addis Ababa will see five alone. Dotted around the city, they will range in size from 40,000 square metres, 70,000 square metres, and 110,000 square metres. Each will have a maximum capacity of 30,000 occupants.⁹⁰

This comes following the news that the government will collaborate with Chinese developers on a new 60,000 seat national stadium. \$94 million has been put aside for construction of the stadium. The Chinese State Construction Engineering Corporation was selected to develop this project.⁹¹

Developing Addis Ababa's business district is also a top priority. The headquarters of major pan-African organisations are situated here. Thus, a big effort is being put into developing the city's business related areas.

For example, the Commercial Bank of Ethiopia recently hired the Chinese State Construction Engineering Corporation Ltd (CSCEC) to construct a new 42-storey block to house its offices. The \$266.5 million development will become the tallest building in African once completed.⁹²

The government too is expanding its own presence in Ethiopia's capital. It was announced in June 2015 that

12 towers, each with 12 storeys, will be built in Addis Ababa. 42 of the country's 132 federal institutions will be housed here. Projected costs for this development are expected to reach around \$24 million.

It should be noted that, at present, Ethiopia's office and retail building sectors are intrinsically linked. Most retail spaces in the nation's urban areas can be found in the first three to four floors of office blocks.⁹³ This has a knock on effect for international developers. Many struggle to plan adequately for this quirk of Ethiopian office building design – but those that take this into account could easily flourish.

Raising tourism levels is targeted under GTP II. As such, hotel construction has seen an upswing in recent years. Hyatt was the first to kick off the boom, building a 5-star development in Addis Ababa.⁹⁴ Kacha announced plans in April 2015 to construct two international hotels in Ethiopia.⁹⁵ The Wyndham hotel group announced the construction of multiple hotels around the country in May 2016 too, demonstrating Ethiopia's burgeoning hotel construction market.⁹⁶

The construction industry as a whole is moving forward at a terrific pace in Ethiopia. Moreover, international companies are required for their expertise, knowledge and product quality to help lead the country further along the path to success.

⁹⁰ <http://constructionreviewonline.com/2016/04/ethiopia-to-construct-5-stadiums-in-addis-ababa/>

⁹¹ <http://constructionreviewonline.com/2016/01/construction-us-94m-stadium-ethiopia-commence-soon/>

⁹² <http://constructionreviewonline.com/2015/05/ethiopia-cscec-to-build-a-new-headquarters-for-cbe/>

⁹³ <http://www.afribiz.info/content/2016/ethiopia-real-estate-market-2015/>

⁹⁴ <http://afkinsider.com/17727/new-hyatt-hotel-under-construction-in-addis-ababa/>

⁹⁵ <http://constructionreviewonline.com/2015/04/kacha-to-build-two-international-hotels-in-ethiopia/>

⁹⁶ <http://www.hotelnewsresource.com/article89061.html>

Section 3 – Building Materials Statistics & Opportunities



Section 3.1 – Overview & Import Stats

Ethiopia imports over 70% of all its required construction materials, including cables, steel, ceramics, locks, furniture and electrical fittings.⁹⁷ In a nation that has such lofty construction goals, a range of import opportunities are available for the relevant international companies.

Construction machinery is also in high demand. International trade data reveals that Ethiopia imported \$307 million worth of large construction vehicles in 2014 – 7.8% of the \$3.92 billion spent by the country on machinery imports that year. A further \$24.8 million was spent on imports of other construction vehicles this year too.⁹⁸

Any large-scale construction projects will require metals in abundance. Reflecting this, Ethiopia imported close to \$2 billion worth of metal products, including raw iron bars, aluminium, copper wire and steel, in 2014.⁹⁹

According to a study from the Ethiopia's Chinese Embassy, structural steel is very much in high demand. Between 2005 and 2010, for example, Ethiopia imported an average of 31 million tons of structural steel.¹⁰⁰ Demand is only set to expand alongside the country's construction ambitions.

Glass and building stone is in high demand too. 2014 saw stone and glass imports reach a value of \$149 million. \$13.8 million worth of building stones were imported over 2014 alongside \$9.42 million in refractory bricks and \$6.66 million in float glass.¹⁰¹

Expert insight

Dessalegn Yigzaw –

Trade & Development Manager, British Embassy, Ethiopia

“The Ethiopian construction industry is heavily dependent on imports. Only cement, steel, which only amounts to roughly half of local need, sand, gravel and paint are sourced locally.

“Aluminium, ceramics, the remaining half of the local requirement for steel panels, welding panels, bitumen and all finishing materials are imported. There is no local supply for these products.

“Given the size of the infrastructure projects underway, as part of the second Growth and Transformation Plan, you can imagine the volume of imports needed. Demand from specialist products from overseas will be very high over the next five years.

“In fact, I expect the need for construction materials imported from foreign firms to greatly accelerate as the Ethiopian government invests more and more in infrastructure projects and associated spending.”

¹ <http://www.bloomberg.com/news/articles/2016-03-21/evictions-unrest-cast-shadow-over-ethiopia-s-construction-boom>

¹ http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/eth/all/show/2014/

¹ http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/eth/all/show/2014/

¹ https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=20&cad=rja&uact=8&ved=0ahUKEwillcvE1NHMAhVJthoKHQqFDDI4ChAWCFAwCQ&url=http%3A%2F%2Fwww.ethiopiaemb.org.cn%2Finvest%2Fmetal_industry_profiles_from_midi.docx&usg=AFQjCNG0Io5RE94fyWgeeXfto8543qEzjA&sig2=n2Dp2fx2NBhIMt0_XkQGlw&bvm=bv.121658157,d.d2s

¹ http://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/eth/all/show/2014/

It should be noted that Ethiopia is naturally abundant in a number of materials utilised in the construction industry. These include marble, granite, limestone, clay and gypsum.¹⁰² At present, the nation lacks the facilities to extract these minerals for processing.

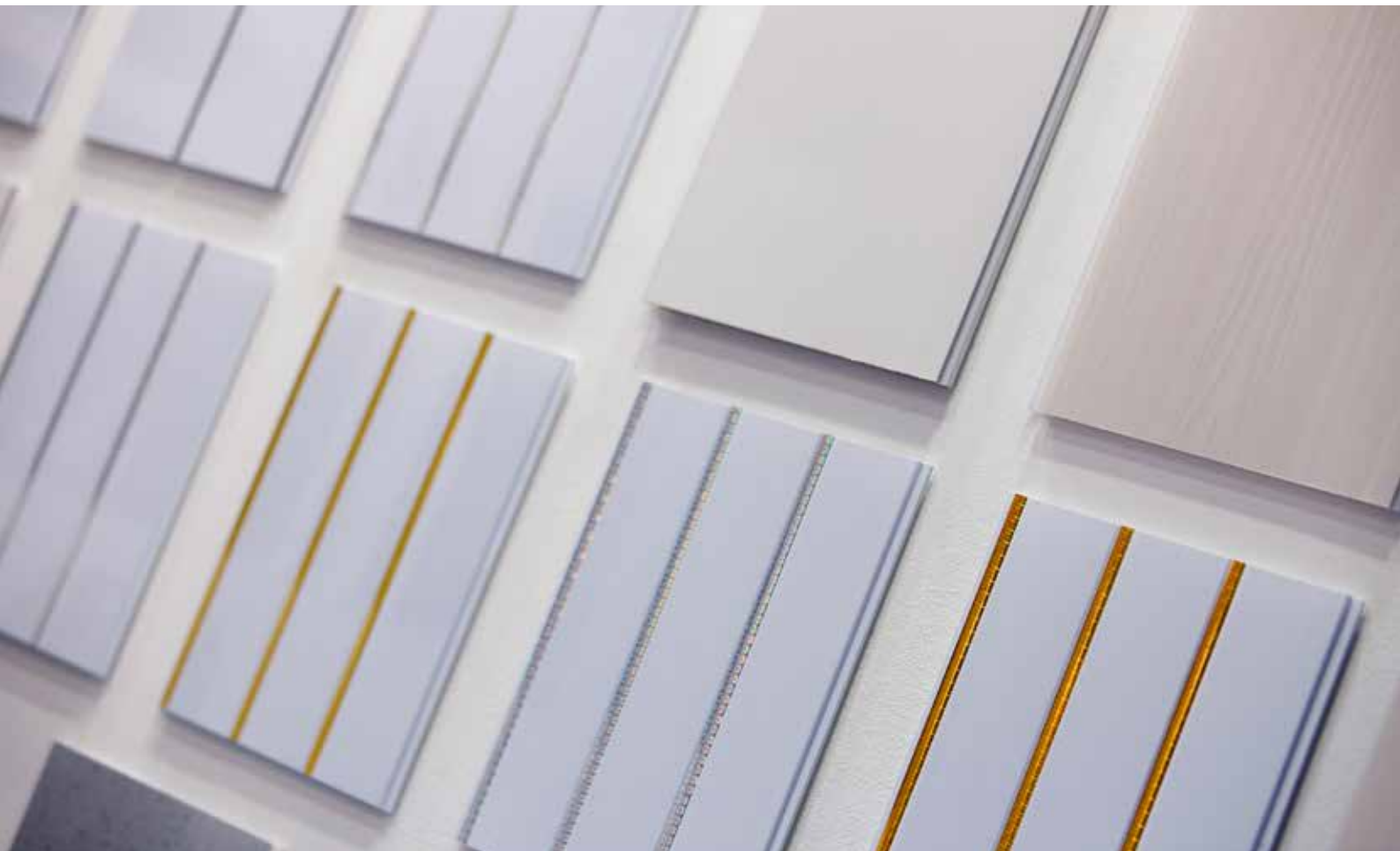
This lack of mining capacity has a knock on effect for international construction material suppliers – especially given the wide range of infrastructure and construction projects planned or in progress. Trade opportunities for processing machinery suppliers are available now and only expected to improve in the future.

Cement is one area where Ethiopia appears to be excelling. According to Construction Review Online, the domestic industry manufacturers around 5.74 million tons of cement annually. Consumption totals

match production levels. However, it has been noted that demand could quickly outweigh the nation's domestic production capabilities.

While local manufacturers, such as market leaders Dangote, hold an installed capacity of 11.2 million tons,¹⁰³ demand is quickly outstripping supply. Expansive road building and infrastructure upgrading programmes are expected to increase demand for quality cements.¹⁰⁴

A lack of product diversification in the domestic industry also places the supply of quality, specialised cements into foreign distributors' hands. Imports of both bespoke cement mixes and the machines to provide them could rise.



¹⁰² <http://www.ethiopia.gov.et/web/Pages/Investment>

¹⁰³ <http://constructionreviewonline.com/2015/04/ethiopia-construction-challenges-and-prospects-of-ethiopias-cement-industry-strategic-perspective/>

¹⁰⁴ <http://waset.org/publications/7965/low-cost-eco-friendly-building-material-a-case-study-in-ethiopia>

Section 4 – Major Projects



Ethiopia is currently home to some major construction projects, chiefly in the field of infrastructure but residential developments feature heavily as well. Here, we look at some of the chief projects that demonstrate Ethiopia's commitment to improving the nation via construction.

Section 4.1 – Condominium Construction

As Africa's second most populated country, a substantial amount of housing is needed in Ethiopia. As such, the government has responded by stepping up condominium construction in numerous sites across the country.



700,000 condominiums are planned for construction, according to Ethiopia's Minister for Urban Development and Housing Mekuria Haile. This burst of housing construction is part of the government's second Growth and Transformation Plan period, which will run from the tail end of 2015 to 2020.¹⁰⁵

According to Capital Ethiopia, 67 billion Ethiopian birr in funding will be required to fund these multiple developments. At current exchange rates, the total set aside for housing construction comes to roughly \$312 million.¹⁰⁶

¹⁰⁵ <https://www.africaintelligence.com/c/dc/LOI/1415/GTP-II.pdf>

¹⁰⁶ http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=3246:67-bln-birr-needed-for-new-housing-project-&catid=35:capital&Itemid=27

The initial phase of construction is set mainly in Addis Ababa. More than 1,200 houses have been built under various affordable housing schemes in the capital so far. A further 20,000 condominiums and an additional 39,000 units are planned for construction in 2016 across the capital.¹⁰⁸

As a result of these construction projects, a wealth of employment and infrastructure opportunities have been presented. According to Mr Haile, over 10.5 million permanent and casual jobs have been created by nationwide housing initiatives over the past 10 years.¹⁰⁹

In terms of infrastructure, water and power supply lines have also had to be constructed. This is a major requirement, given the current low levels of urbanisation in Ethiopia. Power requirements are being taken care of by major hydroelectric dams, but the facilities needed to supply this power to housing complexes are still required.

Affordability is vital in any country facing housing shortages. As such, numerous schemes have been put in place to ensure these condominium developments are within reach of the nation's population.

Freshly built apartment blocks are separated out into 10/90, 20/80 and 40/60 developments. The individual figures, such as 10/90, refers to the amount contributed towards the unit's cost by

the homeowner and the government. So a 10/90 condominium means the buyer contributes 10% of the value with the government making up the remaining 90%.¹¹⁰

The Addis Ababa Saving Houses Development Enterprise (AASHDE) is planning to construct 75,000 new condominium units under the 40/60 scheme in the capital within the next five years. The organisation also plans to construct 15,000 additional residential units in the capital featuring new designs, in terms of Ethiopian housing, across 2016.¹¹¹

The updated units feature “experimental” designs, which essentially constitutes an increase in the number of floors per building. Currently Ethiopian condominiums tend to feature 12 storeys whereas the updated units will be expanded to feature 15 storeys.¹¹²

Building new housing units across the country is a high priority for the Ethiopian government. While much of this construction is stemming from the government and domestic developers, in May 2015, the government invited foreign companies to invest in its numerous housing projects.¹¹³

As such, the housing deficit does present international construction firms, architects and other related companies opportunities to expand into one of Africa's fastest growing economic climates.

¹⁰⁷ <http://addisbiz.com/blog/285-current-status-of-40-60-condominium-in-addis-ababa-ethiopia>

¹⁰⁸ <http://addisbiz.com/blog/107-40-60-condominium-apartments-addis-ababa-ethiopia-latest-statistics-news>

¹⁰⁹ <http://constructionreviewonline.com/2015/12/housing-in-ethiopia/>

¹¹⁰ <http://afkinsider.com/96379/ethiopia-invites-foreign-companies-to-invest-in-housing-project/>

¹¹¹ <http://www.2merkato.com/news/alerts/4017-ethiopia-75000-new-40/60-condos-to-be-constructed-in-addis-ababa>

¹¹² <http://www.2merkato.com/news/alerts/4017-ethiopia-75000-new-40/60-condos-to-be-constructed-in-addis-ababa>

¹¹³ <http://afkinsider.com/96379/ethiopia-invites-foreign-companies-to-invest-in-housing-project/>

Section 4.2 - Modjo-Hawassa Expressway

Hundreds of millions of dollars is being poured into road construction in Ethiopia. With an annual urbanisation growth rate at around 4.5%, as outlined in section 1.1 of this report, there is a need for strong transport links including roads.

One large-scale road construction project is the 200 kilometre Modjo-Hawassa Expressway, linking the two towns across South-Central Ethiopia. The project is expected to cost approximately \$700 million.¹¹⁴

Prime Minister Hailemariam Desalegn presided over the launch of the first phase of construction, which will stretch from Modjo to Meki, in December 2015. Phase 1 will cover a distance of around 60 kilometres. Projected timescales for the expressway suggest that it will take five years to complete with an end date of 2020.¹¹⁵

As part of Ethiopia's infrastructure expansion regime, the new road will be linked to the pre-existing Addis-Adama Expressway. What's more intriguing about this project is that it will also form part of a 10,000km pan-African highway linking Cairo in the North to Gaborone and Cape Town in Southern Africa.¹¹⁶

This is a major project for Ethiopia. As such, the government has reached out to a number of international financial institutions and companies for the funding, design and construction of the road.

The World Bank has approved a \$370 million loan to improve Ethiopia's transport links. Part of sum has been apportioned to the Modjo-Hawassa Expressway.¹¹⁷ \$171 million has come from the China Railway Seventh Group, a subsidiary of the state-owned China Railway Engineering Corporation, who will be responsible for the route's construction.¹¹⁸ Other groups providing funding for the road include the African Development bank and the Exim Bank of Korea.¹¹⁹

Financing the Expressway was a lengthy process. In 2013, for example, none of the key financiers had been lined up.¹²⁰ But, as explained above, construction is well underway. Further adding to the international flavour of the project is the fact that the road was planned by Italian firm Techniplan International Consulting, with local consultancy firm Ethio-Infra Engineering reviewing the final plans.

Four construction phases are planned. We touched on the initial stage earlier on in this section, but the four stages are:

Modjo-Meki – 57 kilometres

Meki-Zeway – 37 kilometres

Zeway-Arsi Negele – 57 kilometres

Arsi Negele-Hawassa – 52 kilometres¹²²

One intriguing feature of the Expressway is, according to Construction Review Online, is the fact that that a million new trees will be planted along the length of the route.¹²³

Of course, the most appealing factor for construction and engineering firms is the global character of this project. Through the cooperation of a number of international companies, the road has begun construction after years in limbo. It also demonstrated the Ethiopian government's commitment to seeking overseas funding and expertise when it comes to large-scale infrastructure projects.

¹¹⁴ <http://www.globalconstructionreview.com/news/700m-ethiopian-high8w8a8y-gets-started-after-four/>

¹¹⁵ <http://constructionreviewonline.com/2015/12/construction-of-top-notch-expressway-in-ethiopia-launched/>

¹¹⁶ <http://constructionreviewonline.com/2015/12/construction-of-top-notch-expressway-in-ethiopia-launched/>

¹¹⁷ <http://addisbiz.com/ethiopian-business-news/128-world-bank-approves-370-mln-usd-to-improve-ethiopia-s-transportation-system>

¹¹⁸ <http://hornaffairs.com/en/2015/11/11/chinese-firm-awarded-modjo-meki-highway-project/>

¹¹⁹ <http://www.2merkato.com/news/alerts/4340-first-phase-of-modjo-hawassa-expressway-project-in-ethiopia-begins-today>

¹²⁰ <http://addisfortune.net/articles/era-casts-wider-net-for-13-6-billion-br-modjo-hawassa-expressway-loan/>

¹²¹ <http://www.globalconstructionreview.com/news/700m-ethiopian-high8w8a8y-gets-started-after-four/>

¹²² <http://hornaffairs.com/en/2015/11/11/chinese-firm-awarded-modjo-meki-highway-project/>

¹²³ <http://constructionreviewonline.com/2015/12/construction-of-top-notch-expressway-in-ethiopia-launched/>

Section 4.3 – Grand Ethiopian Renaissance Dam

If there is one project that sets the tone for Ethiopia's infrastructure development ideals, it is the Grand Ethiopian Renaissance Dam (GERD). This mega structure, situated some 500 kilometres north of Ethiopia's capital spanning the Blue Nile river, will be Africa's largest dam once it is completed.¹²⁴

A workforce of around 9,000 people is busy working on the dam, according to a report from news outlet France 24.¹²⁵

Italian construction firm Salini Impregilo is responsible for building the GERD alongside the Ethiopian government. Salini Impregilo won a \$4.8 billion dollar contract in 2011 to build the dam. Once construction is completed, which is estimated to be finished by 2017,¹²⁶ the dam will span a length of 1.8 kilometres with a height of 175 metres. The total body volume will stand at 10.2 million cubic metres.¹²⁷

The Grand Ethiopian Renaissance Dam is a core component of the Ethiopian government's plan to turn their country into a regional hub for power generation. Two hydroelectric plants, situated on opposite banks of the Blue Nile, will offer a total installed capacity of 6000 megawatts of power with a total expected output of 15,000 gigawatts a year.¹²⁸ In a country where 77% of the population is without electricity, the GERD is vital in improving the quality of life for its many millions of inhabitants.¹²⁹

In terms of funding, the majority of the \$4.8 billion figure comes from the government itself. A conglomerate of Chinese banks is providing \$1.8 billion for the turbines and equipment for the power stations.¹³⁰ With international finance and construction, this dam perfectly demonstrates Ethiopia's growing openness towards providing international companies access to prestigious construction projects.

Like many colossal construction projects, the building of the Grand Ethiopian Renaissance Dam hasn't been without its fair share of controversy. A report from International Rivers for example suggests that the plant load factor – the expected electricity production divided by potential production if used permanently at full capacity – stands at 33%. Smaller hydropower dams in Ethiopia feature plant load factors of between 45-60%, calling into question the cost effectiveness and potential oversizing of the GERD.¹³¹

Due to the fact that the dam will span the width of the Blue Nile, which feeds into the greater Nile and off into Egypt, the GERD has also been a source of tension between the Ethiopian and Egyptian governments.

Water Technology reported that construction of the dam reached the halfway point in 2014.¹³² However, Construction Review Online contradicts this by estimating that in March 2016, the dam was roughly 30% complete.¹³³ Reports have also speculated that the first 750 mw of power will be generated in 2016.¹³⁴

Beyond being a powerful symbol of Ethiopian ambition, the GERD also represents how foreign construction companies can find especially lucrative opportunities in the African state.

¹²⁴ <http://www.salini-impregilo.com/en/projects/in-progress/dams-hydroelectric-plants-hydraulic-works/grand-ethiopian-renaissance-dam-project.html>

¹²⁵ <http://www.salini-impregilo.com/en/press/news-events/gerd-france-24-looks-at-the-green-dam-that-will-help-relaunch-ethiopia.html>

¹²⁶ <http://www.salini-impregilo.com/en/press/news-events/gerd-france-24-looks-at-the-green-dam-that-will-help-relaunch-ethiopia.html>

¹²⁷ <http://www.salini-impregilo.com/en/projects/in-progress/dams-hydroelectric-plants-hydraulic-works/grand-ethiopian-renaissance-dam-project.html>

¹²⁸ <http://www.salini-impregilo.com/en/press/news-events/fourth-anniversary-of-grand-ethiopian-renaissance-dam-project.html>

¹²⁹ <http://www.salini-impregilo.com/en/press/news-events/gerd-france-24-looks-at-the-green-dam-that-will-help-relaunch-ethiopia.html>

¹³⁰ <http://www.economist.com/node/18587195/>

¹³¹ <https://www.internationalrivers.org/files/attached-files/ethiopiadamefficiency.pdf>

¹³² <http://www.water-technology.net/projects/grand-ethiopian-renaissance-dam-africa/>

¹³³ <http://constructionreviewonline.com/2016/03/satellite-to-monitor-construction-of-ethiopian-renaissance-dam/>

¹³⁴ <http://www.sudantribune.com/spip.php?article57757>

Section 5 – Doing Business in Ethiopia



Section 5.1 – Doing Business

Currently, Ethiopia ranks 148th on the Heritage 2016 Index of Economic Freedom with a total score of 51.5. This means that the African country sits below the global average score of 60.7. Ethiopia also sits below the regional average of 55.5.¹³⁵

Compared with 2015, Ethiopia's rankings have remained static. As such, the business environment has remained relatively unchanged in recent years. However, according to the World Bank and International Financial Corporation's 2016 Doing Business rankings, Ethiopia's score has increased by 2 points from 148 to 146 – showing progress is slowly being made.¹³⁶

In 2014, the world's leading financial ratings services awarded Ethiopia its first sovereign credit ratings.¹³⁷ Moody's Financial Services¹³⁸, Standard and Poor's¹³⁹ and Fitch¹⁴⁰ have all rated Ethiopia as a stable country for investment.

Ethiopia Investment Ratings 2016

Ratings Institution	Rating	Outlook
Moody's	B1	Stable
Fitch	B	Stable
S&P	B/B	Stable

From these rankings, we can see that Ethiopia could present some challenges for international firms looking to establish themselves in the country. However, with stable credit ratings and slowly rising ease of doing business rankings, Ethiopia could very well become an important African country for international investment.

¹³⁵ <http://www.heritage.org/index/country/ethiopia>

¹³⁶ <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/>

¹³⁷ <https://next.ft.com/content/cb3a02ee-d9c7-11e3-b3e3-00144feabdc0>

¹³⁸ https://www.moody's.com/research/Moodys-Ethiopias-favourable-growth-prospects-and-low-debt-burden-support--PR_326617

¹³⁹ https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/1476849

¹⁴⁰ <http://www.reuters.com/article/idUSFit93653120151009>

Section 5.2 – Key Business Stats

All data taken from the World Bank and International Financial Corporation (IFC) Doing Business guide:¹⁴¹

Topic	DB Rank 2016	DB Rank 2015	Change
Starting a business	176	170	-6
Dealing with construction permits	73	70	-6
Getting electricity	129	127	-2
Registering property	141	140	-1
Getting credit	167	165	-2
Protecting minority investors	166	165	-1
Paying taxes	113	113	No change
Trading across borders	166	165	-1
Enforcing contracts	84	84	No change
Resolving insolvency	114	118	+4

Time and Cost of Exports/Imports¹⁴²

Indicator	Value
Time to export: Border compliance	57 hours
Cost to export: Border compliance	\$144
Time to export: Documentary compliance	126 hours
Cost to export: Documentary compliance	\$175
Time to import: Border compliance	203 hours
Cost to import: border compliance	\$668
Time to import: Documentary compliance	209 hours
Cost to import: Documentary compliance	\$750

Cost/time of border compliance includes time/cost for obtaining, preparing and submitting documents during port or border handling, customs clearance and inspection procedures – World Bank/IFC definition.

Cost/time of documentary compliance includes the time/cost for obtaining documents, preparing documents, processing documents, presenting documents and submitting documents – World Bank/IFC definition.

¹⁴¹ <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/>

¹⁴² <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/#trading-across-borders>

While export and import times vary, it should be pointed out that Ethiopia itself is a landlocked country with no natural seaports available. The country relies on its neighbours Djibouti and Kenya for sea access but a number of infrastructure projects, such as the construction of overland railways, will reduce transport times and costs significantly. The British government's Doing Business Guide suggests that it can take up to 75 days to clear imports.¹⁴³

Enforcing contracts is a lengthy procedure in Ethiopia. However, the Doing Business guide points out that it takes substantially less time than Sub-Saharan Africa's regional average. The average time in Ethiopia is 530 days compared with the Sub-Saharan figure of 653 days.¹⁴⁴

The cost in claims is also much lower than the average regional costs. In Ethiopia, it costs 15.2% of the total debt value, including court and attorney fees, compared with the much higher figure of 44.9% expected across Sub-Saharan Africa.¹⁴⁵

Resolving insolvency in Ethiopia¹⁴⁶

Indicator	Value
Recovery rate (cents on USD)	\$0.29.6
Time (years)	3.0 years
Cost (% of estate)	14.5%

The recovery rate calculates how many cents on the dollar secured creditors recover from an insolvent firm at the end of insolvency proceedings – World Bank/IFC definition.

Time refers to the average duration of insolvency proceedings. The time of the proceedings is recorded in calendar years and includes all appeals and delays – World Bank/IFC definition.

Cost refers to the average cost of insolvency proceedings. The cost of the proceedings is recorded as a percentage of the estate's value – World Bank/IFC definition.

¹⁴³ <https://www.gov.uk/government/publications/exporting-to-ethiopia/doing-business-in-ethiopia-ethiopia-trade-and-export-guide#challenges-doing-business-in-ethiopia>

¹⁴⁴ <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/#close>

¹⁴⁵ <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/#close>

¹⁴⁶ <http://www.doingbusiness.org/data/exploreeconomies/ethiopia/#resolving-insolvency>

Section 6 – Challenges & Opportunities

Section 6.1 – Opportunities

Young, growing population

Huge investment in infrastructure, housing and other construction projects

One of the world's fastest growing economies

Heavy reliance on imports for vital construction materials

Growing demand for international expertise, knowledge and products in the construction industry

Government in favour of foreign direct investment

Section 6.2 – Challenges

Low quality and coverage of infrastructure

Low Doing Business ranking

Occasional delays in accessing foreign exchange

Lack of sea ports

Potentially long import times (75 days to clear)

Connecting your business to the world

ITE Build & Interiors

At ITE Build & Interiors, we specialise in producing high quality trade exhibitions around the world, where our exhibitors & visitors have the opportunity to do business, share information, and learn about the latest developments in the market.

We organise the AfricaBuild series of building and interiors exhibitions, with events in Lagos and Addis Adaba.



AfricaBuild Addis – your gateway to Ethiopia’s construction industry



AfricaBuild Addis is a brand new trade show dedicated to the architecture, building, décor, and design industries. The event will bring together Ethiopia’s key construction professionals with international manufacturers and suppliers from around the world. AfricaBuild Addis makes the ideal platform for entering Ethiopia’s thriving building and interiors industry.

Contact us



Ricardo Falcioni

Marketing Analyst

T: +44 (0) 2075965045

E: ricardo.falcioni@ite-exhibitions.com