

# Ethiopia Expects Policies to Yield Higher Value Addition in Coffee and Tannery Industries

Addis Ababa, Mar. 25, 2013 – Ethiopia expects government policies to positively impact value addition in its coffee and leather industries, two major sectors spearheading the country's robust economic growth, according to a new report on Africa's economy.

Moves by the government to improve linkages between coffee grower and exporters, together with improved storage, transport and other post-harvest services, will help boost value addition in the coffee sector, says this year's Economic Report on Africa (ERA), co-authored by the Economic Commission for Africa (ECA) and the African Union (AU).

Also, the introduction of a 150% tax on the export of semi-processed hides and skin, resulting in near total local processing of raw skin into finished products and boosting the production of items such as shoes, leather gloves, and leather garments, is helping to increase value in this sector, says the report.

"In both sectors, significant gains in value addition reside in the value chains leading to final processing and exporting of the products," ERA 2013 adds.

The East African country follows an agricultural development-led industrialization policy in which the agricultural sector feeds the industrial sector through its outputs (forward linkage) and the industrial sector develops the agricultural sector by providing market opportunities.

Ethiopia's current strategy is called the Growth and Transformation Plan. Its key features are to "consider the private sector an engine of the industrial development strategy, implement export-led industrialization, focus on the expansion of labor-intensive industry, implement effective domestic-foreign investment partnerships, have the government play a leading managerial role, and encourage active participation of the public, according to the report.

Coffee contributes about 10% of Ethiopia's GDP and is the country's largest export item. A quarter of the entire population depends directly and indirectly on the commodity. However, there are suggestions that earnings from the export of leather products could soon outstrip receipts from coffee thanks to the deliberate policy to encourage local value addition in the tannery sector.

The theme of this year's report is "Making the Most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation." It argues for a commodity-based industrialization for African countries if they are going to use their abundant resources to transform into a global economic power.

# ETHIOPIA

