

Trade and Investment Promotion in Denmark and Ethiopia

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Abstract

Companies often need assistance in their internationalization process, whether they enter foreign markets through exporting or foreign direct investment. At this, trade and investment promotion come into play. Numerous intermediaries carry out promotional activities, and their relevance has been emphasized in research. They become even more critical for companies from developed countries entering developing countries, like Denmark and Ethiopia, as the market poses many internationalization difficulties for Danish companies.

In the presence of such difficulties, we explore the role of intermediaries in helping Danish companies cope with these difficulties. Therefore, this paper addresses three main research questions: 1) What are the range of services Danish companies can receive from intermediaries for their internationalization process to Ethiopia? 2) Is there a potential interaction between home and host country actors in rendering support to Danish companies, and if yes, how does it look? 3) What are the main factors that deter Danish companies from their internationalization to Ethiopia?

While following theories mainly related to internationalization and the role of intermediaries with a view to trade and investment promotion, we conducted expert interviews with public intermediaries and two Danish private companies. We gained qualitative insights into the investor-home-host triangulation and, subsequently, analyzed our data by using the concept of thematic analysis.

Our results showed a wide range of intermediary services available to Danish firms both in Denmark and Ethiopia. As for the interaction between the intermediaries in the triangulation, we found room for improvement. Both the services of intermediaries and a potential improvement in the triangulation can help companies overcome the internationalization difficulties when entering Ethiopia.

For future research, it is essential to address either the trade or investment promotion side specifically. Furthermore, case studies with the Ethiopian Investment Commission will be beneficial to enhance further the research on the role and effectiveness of Investment Promotion Agencies.

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List of Abbreviations

Danida.....	Danish International Development Agency
EIC.....	Ethiopian Investment Commission
EKF.....	Eksport Kredit Fonden
EUBFE.....	European Union Business Forum Ethiopia
FDI.....	Foreign direct investment
Forex.....	Foreign exchange
GDP.....	Gross Domestic Product
IFU.....	Investeringsfonden for udviklingslande
IPA.....	Investment Promotion Agency
MNE.....	Multinational Enterprise

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1 Introduction

Compared to developed countries, emerging and developing countries were latecomers in international trade. However, they significantly benefited from open markets and less protectionist measures (Klasen, 2011). Exporting companies frequently need insurance covers for risks associated with export transactions to developing countries. The most typical risks surge from non-payment for commercial or political reasons (Klasen, 2011). At this, trade promotion plays a crucial role. Intermediaries, such as Export Credit or Promotion Agencies, provide export credit insurance or mediate relevant information between the exporting company and the foreign market (Morel, 2010; O’Gorman & Evers, 2011).

The benefits of foreign direct investment (FDI) for an emerging market can be significant, including technology spillovers, human capital formation support, or improving the business environment (Kurtishi-Kastrati, 2013). Overall, FDI can lead to higher economic growth, which is the main instrument for alleviating poverty in these economies (Kurtishi-Kastrati, 2013). Considering that, private companies also have numerous reasons to internationalize to developing markets, such as obtaining specific resources, gaining market share, seeking efficiency, or acquiring strategic assets (Dunning & Lundan, 2008). However, they may face many challenges in their internationalization process to distant markets. At this, investment promotion, with the primary purpose of generating FDI, comes into play (Wells & Wint, 1990). Numerous intermediaries fall under the category of investment promotion, and their activities are undertaken with three main objectives: to improve a country’s image for potential investors, to generate investment, and to provide services to current and potential investors (Wells & Wint, 1990).¹

Ethiopia is the second-most populous nation in Africa and the fastest growing economy in the region (World Bank, 2021a). The country experienced remarkable economic growth averaging 9.4 percent per year from 2010/11 to 2019/20 (World Bank, 2021a). This consistent economic progress led to poverty reduction, with the share of the population living below the country's

¹ For the sake of readability & gender equality, when we state “he”, “him” or “his”, we may be referring to both male and female.

poverty line decreasing from 30 percent in 2011 to 24 percent in 2016 (World Bank, 2021a). However, with a per capita income of \$850, it is still considered one of the poorest countries in the region (World Bank, 2021a). To sustain economic growth and achieve lower-middle-income status by 2025, the Ethiopian government has launched a 10-year perspective plan in 2020/21, emphasizing improving its underdeveloped private sector by attracting FDI and expanding industrial parks (World Bank, 2021a).

Such initiatives open up many opportunities for Danish companies aiming at trading with or investing in Ethiopia. When it comes to trade, the country experienced consistent export growth over the last decade. It reached a total export value of goods and services double the median exports in Sub-Saharan Africa (World Bank, 2021b). However, the country has a negative trade balance, which the government wants to counteract through boosts to the country's export sector (The World Bank, 2021b). Concerning FDI inflows, they had their peak in 2016 and, since then, are on a declining trend (The World Bank, 2021c), which could be due to political and economic issues, such as a shortage of foreign exchange (forex), which discourages FDI. The social and economic impact of the COVID-19 pandemic is expected to be transitory, with a potential recovery possible in 2021 (The World Bank, 2021c). However, overall, lower FDI, tourism, and exports could negatively impact the economic growth in Ethiopia (The World Bank, 2021a).

Various empirical studies have been conducted to understand the role and effectiveness of public intermediaries in rendering support to private companies in their internationalization process while focusing on a country's private sector development and thus, working on trade and investment promotion (Bennett, 2011; Klasen, 2011; O'Gorman & Evers, 2011; Moons & van Bergeijk, 2017; van Bergeijk & Moons, 2018; OECD, 2021). Furthermore, there has been much research on Investment Promotion Agencies (IPAs) (Wells & Wint, 1990, 2000; Lim, 2008; Harding & Javorcik, 2011; Anderson & Sutherland, 2015; Miskinis & Byrka, 2015).

However, none has explicitly focused on a country's setting of intermediaries and observes the interaction among them and those located in a foreign country. Similarly, few studies observe an investor-home-host relationship, or triangulation, between a developed and

developing markets, such as Denmark and Ethiopia. We found that this field of research is relatively new and that a study of this kind about Denmark and Ethiopia has not been done before. Thus, this is a novel study about the public intermediaries in Denmark, their range of services, the relationship with Ethiopian counterparts, and overall, how this would help Danish companies who want to internationalize into Ethiopia and motivate those that are hesitant about expanding into such a distant market.

That Danish companies may show caution and restraint when trading with and investing in Ethiopia is naturally not a surprise, as Denmark is a developed country, while Ethiopia is characterized as a developing economy. Given the differences between the two markets, there are many arguments why an internationalization into Ethiopia could prove difficult for Danish companies. The more different an international environment is compared to the home country, the more difficult it will be to collect, analyze, and interpret information for trading and investment (Håkanson & Ambos, 2010). There is a high perceived psychic and cultural distance associated with developing markets, such as Ethiopia, and investors will naturally face information asymmetry when expanding into such a distant market. Furthermore, low-quality institutional environment and other country-level effects, including political instability, infrastructural challenges, and macro-economic issues, pose significant challenges for Danish companies.

1.1 Research Questions and Objective

In the presence of such internationalization difficulties, it is vital to explore the role of intermediaries in helping Danish companies cope with these difficulties. Therefore, this paper seeks to explore three research questions:

- 1) What is the range of services Danish companies can receive from intermediaries for their internationalization process to Ethiopia?
- 2) Is there a potential interaction between home and host country actors in rendering support to Danish companies, and if yes, how does it look?
- 3) What are the main factors that deter Danish companies from their internationalization to Ethiopia?

In order to provide answers to the research questions, our objective is to conduct semi-structured expert interviews to gain qualitative insights into the investor-home-host relationship. The semi-structured method can be defined as a guided and semi-structured outline of themes and issues that can vary in wording and sequence during the conversation (Eriksson & Kovalainen, 2011). An expert interview is a specific form of the application of semi-structured interviews. At this, the whole "person" of the interview partner is less of interest but instead their capability as experts for a specific field of activity (Meuser & Nagel, 2002). Our experts represent various public intermediaries in Denmark and Ethiopia as well as two Danish private companies.

For this purpose, we begin with creating two interview guides, one for public intermediaries and the other for private companies. We choose our experts according to specific selection criteria, conduct the expert interviews, and afterward transcribe them in a standardized format. The transcripts serve as data for our thematic analysis, which we conduct in an abductive way. This type of qualitative analysis can be defined as a foundational method to find themes and patterns within a particular dataset (Saunders, Lewis, & Thornhill, 2019). The use of NVivo as computer-assisted qualitative data analysis software in this work helps us

organize, explore, code, and retrieve the data and record our thoughts in a systematic way (Saunders et al., 2019).

Our results indicate a wide range of intermediary services available to Danish firms that want to expand their products or services into Ethiopia. These are provided by intermediaries on the Danish side and also on the Ethiopian side. The available services include, among others, advisory, risk capital, partnership facilitation, guidance, or information provision services, to name a few. Next, there is some level of interaction among public intermediaries within Denmark and Ethiopia. When it comes to the collaboration between Danish and Ethiopian intermediaries, the relationships tend to be very “individualistic” for each actor. However, we found that there is room for improvement in the investor-home-host relationship. Ultimately, the main factors that deter Danish companies from their internationalization into Ethiopia include, among others, macro-level factors, such as political instability, infrastructural challenges, or the forex issue, and micro-level factors, like investors' uncertainty, information asymmetry, bureaucracy, and the difficulty of doing business.

1.2 Structure

The structure of this thesis is as follows: Chapter 2 provides a brief overview of Denmark's economy, trade, and investment. This overview is followed by introducing Ethiopia and both countries' bilateral relations, including overall trade and investment flows. Subsequently, chapter 3 represents the theory part of this paper. First, it includes theories on internationalization motives, internationalization processes, and foreign entry modes. Second, it consists of theories related to arguments why internationalization proves difficult for companies. Third, it contains theory about the role of intermediaries with a view to trade and investment. Next, chapter 4 presents our chosen methodology, elaborating on the research process in-depth. Chapter 5 shows the results of our study, followed by a discussion of these in chapter 6. The conclusion of this study is drawn in chapter 7.

2 Context

We divided this chapter into three parts. Section 2.1 gives a brief introduction to Denmark, its business environment, and its trade and investment activities. The same content will be covered in more detail for Ethiopia in section 2.2. Ultimately, section 2.3 presents the relations between the two countries.

2.1 Denmark at a Glance

Denmark has a small and open economy with a population of approx. 5,8 million people (IHS Markit, 2020). Given the coronavirus pandemic, experts expected its economy to contract by 4.0 percent in 2020. However, its recovery is projected to happen relatively fast, with real Gross Domestic Product (GDP) growth amounting to 3.5 percent in 2021 and output returning to pre-crisis levels by 2022 (Economist Intelligence Unit, 2021a). Denmark's long-term growth will depend on trends in productivity, which will be driven by investment (Economist Intelligence Unit, 2020). Its current government and successors are expected to introduce labor market reforms and enhance domestic and international investment (Economist Intelligence Unit, 2020).

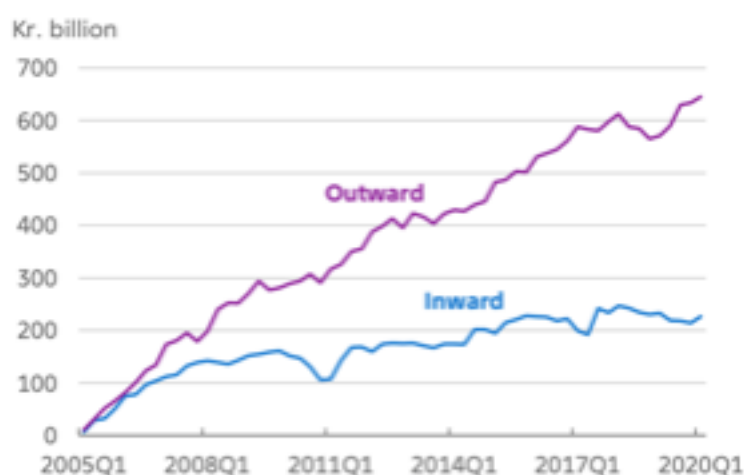
The business environment is characterized by a transparent regulatory system, excellent infrastructure, a highly skilled and mobile labor market, and a well-organized bureaucracy. In 2019, Denmark ranked third out of 190 countries in the World Bank's ease of doing business report and consistently ranks among the least corrupt countries worldwide. Furthermore, the country has a liberal foreign trade and investment policy with the government supporting its open economy and encouraging FDI (MarketLine, 2019).

The geographic diversification of Danish exports has increased, with much of industrial production now being export oriented. The share of exports going to the EU decreased from almost 50 percent in 2010 to 45 percent in 2019 (MarketLine, 2019). The share of exports going to emerging or developing markets, including Ethiopia, has grown from one-third to almost 36 percent. (MarketLine, 2019).

Overall, exports and imports of goods and services account for approx. 56 percent and 50 percent of GDP, respectively. In 2019, Denmark recorded a current account surplus of US\$30.9bn. In the short run, this figure is set to increase due to the decline in import demand caused by the coronavirus pandemic (Economist Intelligence Unit, 2021b). Furthermore, figure 1 shows that over the past 15 years, outward and inward FDI flows have grown significantly, with outward flows increasing to three times more than inward flows. This increase is partly due to Denmark's considerable current account surplus, causing a need for large investments abroad (Denmark's Nationalbank, 2020).

Figure 1

Accumulated FDI Flows (Outward and Inward) since 2005



Source: (Denmark's Nationalbank, 2020)

2.2 Ethiopia at a Glance

Ethiopia is located in Sub-Saharan Africa, with a population of 112 million people (The World Bank, 2021a). It is the second-most populous nation in Africa and the fastest growing economy in the region (The World Bank, 2021a). Ethiopia has achieved remarkable economic progress over the last decade, coming out of extended periods of civil wars and drought (The World Bank, 2021a). The country's GDP amounted to \$95.91 billion in 2019 (The World Bank, 2021a). According to the World Bank, GDP growth averaged 9.8 percent a year from 2008/09

to 2018/19 (The World Bank, 2021a). However, given the weak global demand due to COVID-19, Ethiopia's GDP growth is expected to slow to 1.9 percent in 2020 (IHS Markit, 2020). It is expected that the economy will recover, and the annual GDP rate will return to pre-pandemic levels by 2025 (IHS Markit, 2020).

The sectors contributing the most to GDP are industrial, services, and agriculture. The agricultural industry contributes an estimate of 30 percent to Ethiopia's GDP and employs 85 percent of the country's workforce (Zakrzewska, Keeble, Sullivan, Beyene, & Vadlamani, 2020). Despite its economic growth, Ethiopia is still considered a developing country with a per capita income of \$850, primarily due to the underdeveloped private sector, limited manufacturing capabilities, and over-dependence on unprocessed agricultural exports (Zakrzewska et al., 2020).

Ethiopia has been adversely impacted by COVID-19 both economically and socially, like the rest of the world. The pandemic has impeded economic growth, increased unemployment, and has exacerbated poverty in the country. In order to cope with the pandemic shock, policymakers increased spending on healthcare, welfare, and emergency food aid as well as tax breaks in 2020 (Economist Intelligence Unit, 2021). Furthermore, economic growth and foreign investment can be affected by political instability in the country in the short term. The opposition parties ignited the ongoing civil conflicts in Tigray province because the government delayed the originally planned election for August 2020. While the election is rescheduled to June 2021, the ongoing civil unrest will keep the instability high in 2021 (Economist Intelligence Unit, 2021). As such, looting from rioting, violence, unemployment, hunger, internal displacement, and other related social issues will continue to deteriorate the country and pose a threat to the developmental efforts (Economist Intelligence Unit, 2021).

Ethiopia's strong economic growth is primarily due to the government-led development policies focusing on public and foreign investment, commercialization of agriculture, and non-farm private sector development (Country Watch, 2020). In 2015, the Ethiopian government finalized the current Growth and Transformation Plan (GTP II) for five years until 2020. The GTP II promoted manufacturers' development to boost exports from sectors such as textiles

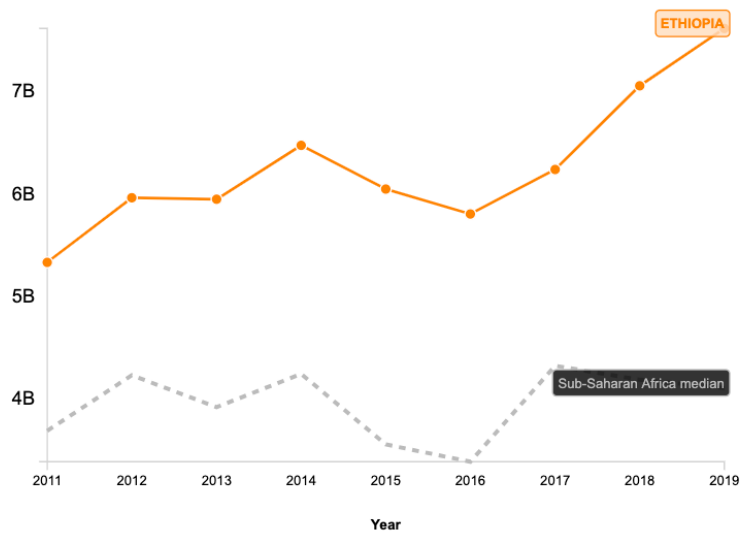
and garments, leather goods, and processed agricultural products (Country Watch, 2020). Additionally, the plan emphasized new infrastructure projects, including power production and distribution, roads, railroads, airports, and industrial parks (Country Watch, 2020). The government recently initiated the “Home Grown Economic Reform Programme” to increase forex availability and create a supportive environment for foreign investment (IHS Markit, 2020).

Ethiopia is an export-oriented country, and its exports have grown consistently over the last decade. The country has experienced a year-on-year average export growth rate of 1.32 percent since 2012 (The World Bank Group, 2021c). As figure 2 below shows, in 2019, the total export value of goods and services amounted to \$7.6 billion, which is about double the region’s median exports. Total merchandise export in 2019 amounted to \$276 million. Despite the continuous growth, the country has a negative trade balance. Ethiopia’s imports in 2019 amounted to \$20.02 billion with a year-on-year average growth of 9.67 percent since 2011 (see figure 3).

Consequently, the country is facing a foreign currency shortage due to this imbalance of high imports and low exports. (IHS Markit, 2020). The negative trade balance could be another explanation for widespread policy reforms such as increased Private Public Partnership initiatives aimed at increased FDI and exports.

Figure 2

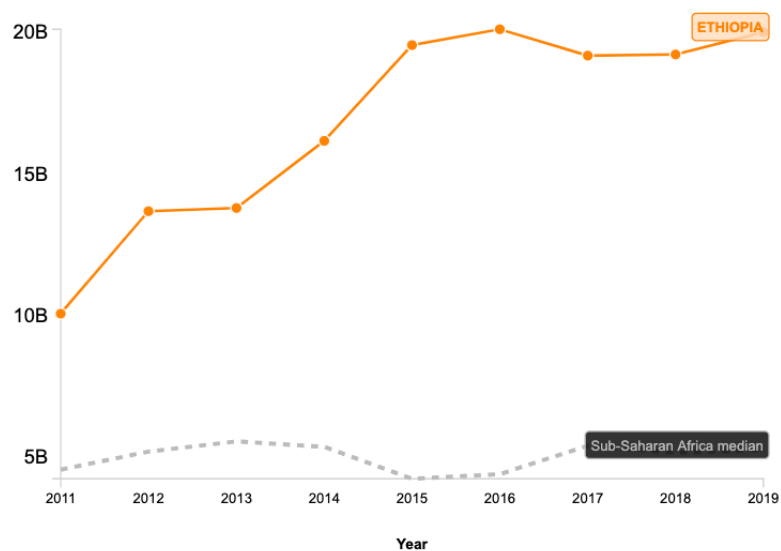
Exports of Goods and Services (USD, Value)



Source: (The World Bank, 2021c)

Figure 3

Imports of Goods and Services (USD, Value)



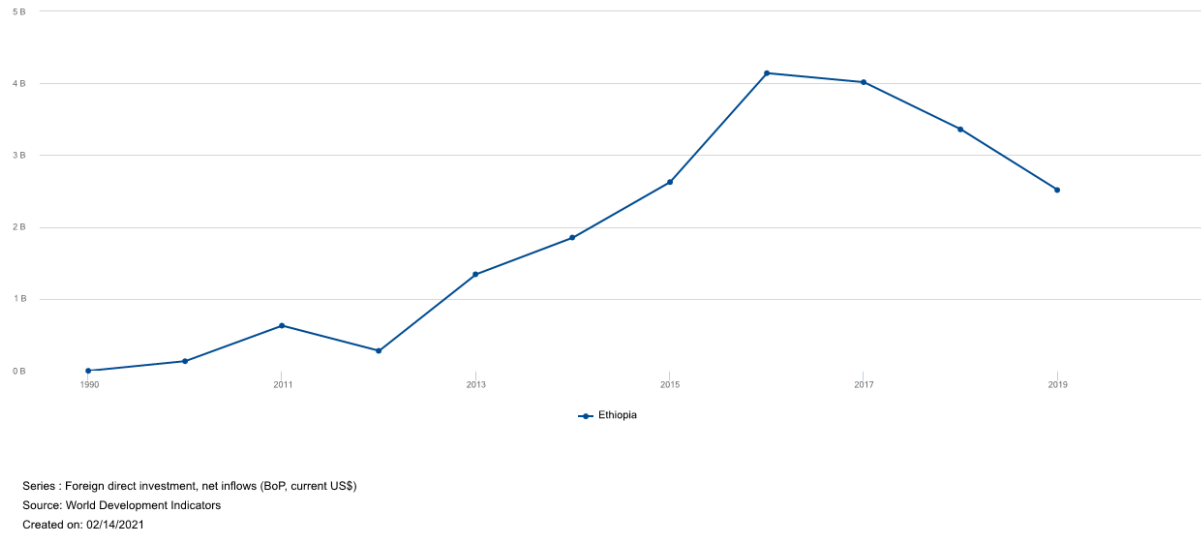
Source: (The World Bank, 2021c)

FDI inflow in Ethiopia amounted to \$3.3 billion in 2018 and \$2.51 billion in 2019. As figure 4 below depicts, the peak year in terms of inflow was 2016, where FDI amounted to \$4.15 billion. That year was the second year of the GDP II plan implementation, hence, the highest inflow into the country. Much of the FDI has been attracted towards the privatization efforts and infrastructural projects. Since then, the declining trend could be due to political issues and economic issues such as a shortage of forex that could discourage the inflow of investment.

Furthermore, Ethiopia's primary motivation to host foreign investors has been to gain a competitive advantage in industrial production by imparting knowledge, know-how, and tools and boosting this sector's exports to resolve the forex issue. The strong GDP growth, liberalization of the economy, and export orientation policies are encouraging factors for FDI. However, political instability, shortage of forex, and overall underdevelopment could hamper FDI inflow growth.

Figure 4

FDI, Net Inflows (Current, USD)



Source: (The World Bank, 2021d)

Ethiopia's business environment is characterized by a range of changing policies aimed at facilitating an inclusive environment both for foreign investors and domestic small and medium-sized enterprises (SMEs). Ethiopia ranks 159th in ease of doing business (Doing Business, 2020). It usually takes 32 days to establish a business by completing 11 procedures and can take 52 days to obtain a construction permit (Doing Business, 2020). The time needed to import is 194 hours (Statista Country Report, 2020). Ethiopia takes 126th in the Global Competitiveness Index, and the operational risk is relatively high (Statista Country Report, 2020). Furthermore, in terms of retail and consumption, Ethiopia is in the beginning phases of development. The country's retail market is characterized as "opening", where global grocery chains are not present, handcart or independent stores are common, and traditional payment methods are being used primarily to pay for purchases (Statista Country Report, 2020).

2.3 Denmark Ethiopia Relations

Ethiopia represents a strategic partner for Denmark in the African region and globally in various mutual interest fields. With many years of history, the strong bilateral relationship

between the two countries is being reinforced continuously. As Ethiopia plays a significant role within the African Union and promotes key issues on the African agenda, Denmark sees the potential for an even stronger relationship in the future. (Denmark In Ethiopia, 2016).

In 2001, Denmark and Ethiopia established a bilateral investment treaty for the promotion and reciprocal protection of investments. The treaty is still in force and aims to improve conditions for investments in both countries and enhance the cooperation between private companies to stimulate the productive use of resources. (UNCTAD, 2001).

Denmark initiated development cooperation with Ethiopia in 2004 and increased its speed over the years. The cooperation deals with poverty reduction, peace and security, climate change, sustainable agriculture, and women's rights. Furthermore, it includes a wide range of Ethiopian partners to foster Ethiopia's goal of achieving middle-income status by 2025 through green growth and the fight against poverty. (Denmark in Ethiopia, 2016).

For instance, the Danish-Ethiopian cooperation and partnership program "Accelerating Wind Power Generation," initiated in 2017, ran until the end of 2020 to contribute to the sustainable development of Ethiopia's energy sector (Denmark In Ethiopia, 2021). In 2019, Ethiopia's president Sahle-Work Zewdie and Danish prime minister Mette Frederiksen discussed strengthening overall bilateral relations at the United Nations General Assembly, further focusing on energy production and preventing climate change (ENA, 2019).

Furthermore, Danish companies have a growing interest in the Ethiopian market, which illustrates the potential for improved trade relations between the countries (Denmark in Ethiopia, 2016). Figure 5 substantiates this trend as it shows the development of overall export and import flows to and from Denmark and Ethiopia, respectively. The table particularly showcases eye-catching numbers in the pandemic year of 2020, in contrast to the general slump in global trade that year (The Economist, 2020).

Figure 5

Exports and Imports between Denmark and Ethiopia

Geography	Category	Unit	2015	2016	2017	2018	2019	2020
Ethiopia	Exports to Denmark	USD million	1.3	1.1	2.5	1.0	1.1	1.4
Ethiopia	Imports from Denmark	USD million	34.5	28.8	24.9	30.7	29.0	38.5
Denmark	Exports to Ethiopia	USD million	22.4	18.8	16.8	20.4	20.4	32.3
Denmark	Imports from Ethiopia	USD million	1.3	1.0	2.4	1.0	1.2	1.2

Source: (IMF, 2021)

It is essential to mention that figure 5 shows discrepancies in the trade data between the two countries. There may be two reasons for this. The first reason could be trade registration. Typically, imports are registered as free onboard, whereas exports get registered with insurance and freight rates. Therefore, the exact same figures for trade data of two countries can rarely be found. The second reason could be Intra-European trade. Denmark typically does not count all Danish imports from Ethiopia. Many imports stop in Amsterdam or Antwerp and thus count as Intra-European trade.

Regarding FDI, the Ethiopian Investment Commission (EIC) counted 72 Danish investment projects in 2019 with an overall capital of 75 million Birrs in Ethiopia (equivalent to approx. 11.5 million DKK). Ethiopia would like to see more investments from Danish companies, especially into the manufacturing sector, to stimulate the country's export sector with products manufactured in Ethiopia. Furthermore, the African country is open to substantial increases in trade as well. (APO Group, 2019).

3 Theory

This study's theoretical background consists of three main subsections. Section 3.1 covers the motives and benefits of internationalization, internationalization processes, and entry modes. Afterward, section 3.2 represents the core part of the theory. It includes internationalization difficulties, such as psychic and institutional distance or liability of foreignness. It also explains and justifies the role of intermediaries with a view to trade and investment promotion. Ultimately, 3.3 elaborates on the connection between the theory chosen and the research questions of this study.

3.1 Internationalization and Entry Modes

This section first presents the reasons why firms internationalize and highlights the economic, social, and ecological benefits for the home and, respectively, the host country. Furthermore, it provides an overview of prominent conceptual notions in the internationalization literature, followed by a summary of six major foreign entry modes, including each mode's advantages and disadvantages.

3.1.1 Motives for Internationalization and Benefits to the Home and Host Country

There are many different motives for a company to expand into foreign markets. The motivational background differs depending on whether the multinational enterprise (MNE) originates from an advanced economy or an emerging market (Cuervo-Cazurra, Narula, & Annique Un, 2015). Numerous classifications of motives have been carried out in the literature throughout the 1970s until the 1990s (Cuervo-Cazurra et al., 2015), with the prominent seeking-motives (resource seeking, market seeking, efficiency seeking, and asset seeking) coming from Dunning (1993). More recent articles on internationalization motives include comprehensive classifications (Cuervo-Cazurra et al., 2015; Tulder, 2015), revisions of Dunning's seeking-motives (Cuervo-Cazurra & Narula, 2015; Meyer, 2004), refinements of FDI motivations by incorporating global value chains considerations (Giroud & Mirza, 2015), as well as rethought FDI motives from the emerging market MNE perspective (Pananond, 2015).

Hence, companies have numerous motives to internationalize and there is already an immense amount of motive classifications in the literature. Therefore, we chose to focus on Dunning's

(1993) four main internationalization motives. They can be applied to companies from developed markets internationalizing into developing markets, such as Denmark and Ethiopia. Since the internationalization motives are not the main focus of this paper, the choice of Dunning's (1993) motives seems reasonable. They provide a comprehensive, and at the same time, a clear overview. Dunning classifies internationalization motives into natural resource seeking, market seeking, efficiency seeking, and strategic asset or capability seeking motives (Dunning & Lundan, 2008):

1. *Natural resource seeking* means that companies invest in a foreign country to obtain particular and specific resources with higher quality and less real cost than in the home country (e.g. physical resources, unskilled or semi-skilled labor, technological capability). When setting up a foreign factory, most, or all, of the output of the facilities of resource seekers tends to be exported primarily, although not exclusively, to developed countries.
2. As for *market seeking*, companies invest in a particular country or region to supply goods or services to these markets or adjacent countries. Probably most, or all, of these markets will have been an export destination for the investing company previously but are no longer best supplied by this route due to either tariff or other trade barriers imposed by the host government, or the size of the market that now justifies local production.
3. *Efficiency seeking* means that companies invest abroad to rationalize the structure of established resource-based or market-seeking investment in such a manner that the investing company benefits from the common governance of geographically dispersed activities (e.g., economies of scale and scope, risk diversification).
4. Regarding *strategic asset seeking*, companies usually acquire assets of foreign firms to foster their long-term strategic objectives, especially with regard to sustaining or advancing their global competitiveness (e.g., augmenting the global portfolio of physical assets and human competencies to sustain or strengthen their position).

From both the home and host country perspectives, the advantages of companies internationalizing are numerous- whether this is done by exporting or establishing a subsidiary in the foreign market. Although developing countries were latecomers in international trade, compared to developed countries, they, too, have benefited significantly from open markets and reductions in protectionist measures (Klasen, 2011).

When it comes to FDI, Kurtishi-Kastrati (2013) provides a comprehensive picture of host country benefits:

"[...] the maximizing benefits of FDI for the host country can be significant, including technology spillovers, human capital formation support, enhancement of competitive business environment, contribution to international trade integration and improvement of enterprise development. Moreover, further than economic benefits FDI can help the improvement of environment and social condition in the host country by relocating 'cleaner' technology and guiding to more socially responsible corporate policies. All of these benefits contribute to higher economic growth, which is the main instrument for alleviating poverty in those economies." (Kurtishi-Kastrati, 2013, p. 26).

However, the author also stresses that, like all things, FDI flows can have a potential adverse side and that the benefits of FDI vary among countries, sectors, and local communities (Kurtishi-Kastrati, 2013). Nonetheless, it is safe to assume that the positive side is predominant by looking into the main benefits of inward FDI for a host country. They arise from resource-transfer effects (supply of capital, technology, and management resources), employment effects (generation of jobs), balance-of-payment effects (by improving the current account), and ultimately enhance competition and stimulate economic growth (Hill & Hult, 2017b).

FDI provides the home country with three significant benefits. First, the balance of payments can be improved from the inward flow of earnings in the host country. Furthermore, the home country's balance of payments can benefit if a foreign subsidiary demands exports of capital equipment from the home country, intermediate goods, or complementary products, and the like. Second, the job generation may also occur in the home country when a subsidiary established in the host country creates demand for home-country exports. The third and last significant benefit for the home country is the reverse resource-transfer effect. This effect

occurs when an MNE from the home country acquires valuable skills from its exposure to the host country market which then can be transferred back to the home country. (Hill & Hult, 2017b).

3.1.2 Internationalization Processes

A company's internationalization process can occur in many different ways. The expansion into foreign markets can be manifested by establishing subsidiaries, by forming international joint ventures, through licensing agreements, by creating international advertising campaigns, through international trade, and through exhibitions and other events and activities (Johanson & Vahlne, 1990). Different conceptual notions exist in the literature on internationalization (Forsgren, 2002; Johanson & Vahlne, 1977, 1990; Johanson & Wiedersheim-Paul, 1975), foreign market entry (Buckley & Casson, 1998; Dunning, 1998), and subsidiary development (Birkinshaw & Hood, 1997).

The prominent Uppsala Internationalization model explains the firm's internationalization as "a process in which the enterprise gradually increases its international involvement" (Johanson & Vahlne, 1990, p. 11). The model suggests that experiential learning and knowledge development go hand in hand with increasing resource commitment to foreign markets (Johanson & Vahlne, 1977, 1990). The authors imply that companies follow a step-by-step approach when expanding into foreign markets and assume that experiential learning and the gradual commitment is the primary method for reducing market uncertainty (Johanson & Vahlne, 1990).

The model explains two patterns in the internationalization of a firm (Johanson & Wiedersheim-Paul, 1975). The first pattern is that a company's expansion into a specific market develops following an establishment chain. At the beginning of the establishment chain, the company does not perform any export activities in the market. Then, it exports via independent representatives, afterward through sales subsidiaries, and eventually, manufacturing operations may follow. This sequence indicates, on the one hand, the increasing resource commitment in the specific market. (Johanson & Vahlne, 1990).

On the other hand, it indicates that the company gains market experience with every further step in the sequence. In the first stage (i.e., no exporting activities), there is practically no market experience. In the second stage, the firm has an information channel to the market and receives regular but superficial information about market conditions. Further steps include more differentiated and broad market experiences. (Johanson & Vahlne, 1990).

The second internationalization pattern explained by the model is that companies enter new markets with successively greater psychic distance (Johanson & Vahlne, 1990). Psychic distance includes linguistic, cultural, and political differences between markets and can hinder information flows between the firm and market. Thus, firms typically start their internationalization process by expanding into markets they can most easily understand, where they observe opportunities and where market uncertainty is perceived as low (Johanson & Vahlne, 1990).

Buckley and Casson (1998) provide an extension to the internationalization theory by presenting a model with an integrated analysis of foreign market entry decisions, including exporting, licensing, forming joint ventures, or establishing wholly-owned subsidiaries. Furthermore, the choices between acquisition and greenfield investments and two other alternatives based on Subcontracting and Franchising are investigated (Buckley & Casson, 1998).

The Uppsala Internationalization model primarily deals with learning through own experience, which is only one dimension of organizational learning (Forsgren, 2002). Forsgren (2002) provides a complementary view on a firm's internationalization process by looking at learning through mimetic behavior of various kinds, incorporating other units with the desired market knowledge, or searching for information about the specific market. The author states that firms, for example, acquire other companies to learn about a foreign market or as a means to internationalize at a quicker pace (Forsgren, 2002). Furthermore, firms may "follow the herd" or imitate other organizations when they invest in a foreign market. Alternatively, firms can also search for information on their own about attractive business activities despite the current operations (Forsgren, 2002).

Thus, the internationalization process of companies can take many different routes and is more multifaceted than the Uppsala Internationalization process (Forsgren, 2002). Furthermore, born global firms are emerging around the world. This type of company conducts its internationalization activities at or near its founding. The early and quick internationalization of born global firms contrasts with the incremental internationalization patterns of older MNEs. This phenomenon indicates that any enterprise of any size, age, experience, and resources can actively engage in and benefit from international business. (Knight & Liesch, 2016).

Birkinshaw and Hood (1997) further extend the internationalization process by introducing the development process, which defines the increase and enrichment of subsidiary resources that provide additional value-added to the MNE as a whole. The point at which the typical internationalization process ends is the first incidence of FDI as well as the point where subsidiary development starts. (Birkinshaw & Hood, 1997).

3.1.3 Foreign Entry Modes

Once a company decides to expand across borders, the question arises which entry mode is most suitable. Since there are several comprehensive reviews on market entry modes and entry mode choice in the academic literature (Brouthers & Hennart, 2007; Schellenberg, Harker, & Jafari, 2018; Surdu & Mellahi, 2016), this paper is limited to giving a brief introduction to the most prominent modes available. Furthermore, figure 6 covers their advantages and disadvantages. On one side, flexibility and speed to market are advantages of exporting, while trade barriers and high transportation costs pose the entry mode's major disadvantages. On the other end of the internationalization sequence, wholly-owned subsidiaries enable IPR protection but also entail the highest costs and risks (see figure 6). The following list outlines six major foreign entry modes, bearing in mind that several variations and spin-offs exist.

1. *Exporting*: A large part of manufacturing firms start their internationalization process with exporting into foreign markets and only at a later stage switch to another entry mode (Hill & Hult, 2017a). However, as mentioned in the previous section, this standard process, which is consistent with the Uppsala Internationalization process

(Johanson & Vahlne, 1977, 1990), does not apply to born global firms (Knight & Liesch, 2016).

2. *Turnkey projects*: Companies that focus on the design, construction, and start-up of turnkey plants are common in some sectors. In this kind of project, the contractor has an agreement to handle every detail of a foreign client project, including services such as training of operational personnel. When the contract is completed, the contractor hands over the “key” to a plant that is ready for full operation. Turnkey projects present a mode for exporting process technology to foreign markets and are most common in the chemical, pharmaceutical, petroleum- and metal refining industries. (Hill & Hult, 2017a).
3. *Licensing*: A licensing agreement is an arrangement in which a licensor grants the rights to intangible property to another party (the licensee) for a specified period. In return, the licensor obtains a royalty fee from the licensee. Examples of intangible property are inventions, patents, formulas, processes, copyrights, trademarks, and designs. (Hill & Hult, 2017a).
4. *Franchising*: A specialized modification of licensing in which the franchisor not only provides the franchisee with intangible property (in this case usually a trademark) but also asserts that the franchisee complies with strict rules on how to do business. Franchising typically involves longer-term commitments than licensing. (Hill & Hult, 2017a).
5. *Joint Ventures*: The establishment of a firm that two or more otherwise independent firms jointly own. The most typical form is a 50-50 venture, in which two parties hold a 50 percent ownership stake and contribute a management team to divide operating control. (Hill & Hult, 2017a).
6. *Wholly-owned subsidiary*: The company can either set up a new operation in a foreign market (often called greenfield venture) or acquire an existing firm in the host country and use it to promote the products. In either way, the company owns 100 percent of

the stock. (Brouthers & Brouthers, Hennart & Park (1993), as cited in Hill & Hult, 2017a).

Figure 6

Advantages and Disadvantages of Entry Modes

Entry Mode	Advantages	Disadvantages
Exporting	Ability to realize location and experience curve economies Increased speed and flexibility of engaging target markets	High transport costs Trade barriers Problems with local marketing agents
Turnkey contracts	Ability to earn returns from process technology skills in countries where FDI is restricted	Creation of efficient competitors Lack of long-term market presence
Licensing	Low development costs and risks Moderate involvement and commitment	Lack of control over technology Inability to realize location and experience curve economies Inability to engage in global strategic coordination
Franchising	Low development costs and risks Possible circumvention of import barriers, and strong sales potential	Lack of control over quality Inability to engage in global strategic coordination
Joint ventures	Access to local partner's knowledge Shared development costs and risks Politically acceptable Typically no ownership restrictions	Lack of control over technology Inability to engage in global strategic coordination Inability to realize location and experience economies
Wholly owned subsidiaries	Protection of technology Ability to engage in global strategic coordination Ability to realize location and experience economies	High costs and risks Need for more human and nonhuman resources, and interaction and integration with local employees

Source: (Hill & Hult, 2017a)

This section discussed motives for internationalization from a micro- and macroeconomic perspective, different internationalization processes, and the most prominent foreign entry modes. The reason for presenting the general theories of international business is to give a broad overview of the basic concepts in international business, which will help understand the more specific, core part of the theory presented in the section below. It is vital to elaborate on the internationalization difficulties companies may face in their internationalization process, as well as the trade and investment promotion activities carried out by different intermediaries.

3.2 Internationalization Difficulties and the Role of Intermediaries

As companies decide about their entry modes and are in the process of internationalization, they need to consider the difficulties affecting their expansion and operations in the host country. Though some of these difficulties might exist in developed markets, they are mostly prominent in shaping the character of developing and emerging markets. As such, these difficulties might be more challenging for a company from a developed country, such as Denmark, to expand into a developing market. These factors include cultural distance, differences in the business environment, institutional distance, information asymmetry, and liability of foreignness. To mitigate the negative impact of such factors, MNEs often rely on the services of intermediaries whose existence is motivated by such difficulties. In the following section, 3.2.1, we will explain distance effects and internationalization cost followed by the institutional environment and other country-level effects in section 3.2.2. Section 3.2.3. explains investment and trade promotion while elaborating on the role of intermediaries such as export credit agencies, governments diplomatic missions, development finance institutions, chambers of commerce, and IPAs.

3.2.1 Distance and Internationalization Costs

As mentioned above, psychic distance is the sum of factors preventing information flow from and to the market (Johanson & Wiedersheim-Paul, 1975). Such factors include differences in language, business practices, culture, and developmental level (Johanson & Wiedersheim-Paul, 1975). It is generally assumed that the more different an international environment is compared to the home country, the more difficult it will be to collect, analyze, and correctly interpret information leading to higher uncertainties (Håkanson & Ambos, 2010). This difference is mostly felt when a firm from a developed country expands into a developing country. Firms shouldn't underestimate psychic distance, but at the same time, "exaggerated distance perception may lead managers to forgo profitable business opportunities abroad" (Håkanson & Ambos; p.195, 2010).

Similarly, cultural distance (i.e., differences in cultural values between two countries) is also significant for MNE's internationalization choice. Cultural distance is essential for choosing a location, entry mode, transfer of practices, and firm's performance (Beugelsdijk, Kostova,

Kunst, Spadafora, & van Essen, 2018). The authors concluded that firms tend to stay away from culturally distant markets, as MNEs' subsidiaries are impacted negatively by large cultural distance. Hakanson & Ambos (2010) claim that cultural distance is not similar to psychic distance; however, they showed that cultural distance and absolute geographical distance are great contributors to the concept of psychic distance. The higher the geographic and cultural distance, the higher the country's perceived psychic distance (Håkanson & Ambos, 2010). Since geographic proximity can facilitate better information availability and processing, some firms might choose investment locations close to their home country. This idea confirms the idea that the closer the host country, the lower the perceived psychic distance. It is also in line with the Uppsala's internationalization process model explained in section 3.1.2. Furthermore, we perceive that other factors such as economic development and political system also contribute to psychic distance, making the perceived psychic distance of developing markets particularly higher given their underdeveloped economies, poor infrastructure, and unstable political system.

Another prominent view in the field of international business is the transaction cost view. As MNEs expand their operations and internationalize, they inevitably face costs such as information, bargaining, and enforcement costs, i.e., transaction costs (Hennart, 2010). Among these, information costs are of high importance. In an imperfect market, information is not readily available and is costly to attain (Hennart, 2010). Since accurate information is expensive to obtain, investors face significant information asymmetry compared to domestic investors in choosing a location for investment (Hennart, 2010). Compared to domestic firms, foreign investors are less aware of the host country's economic conditions and business environment (Hennart, 2010). They lack a general knowledge of running business operations in an unfamiliar setting (Mariotti & Piscitello, 1995); hence, they face uncertainty. The availability of pertinent information could remedy this uncertainty.

While developing countries have opened their doors to foreign investors and have experienced fast growth, companies still struggle to obtain reliable information about consumers, especially those with low incomes (Palepu, Sinha, & Khanna, 2005). Factors such as information costs are more critical for foreign firms than indigenous investors, who put

more decisional weight on traditional forms of production and transportation costs when it comes to locational choice (Mariotti & Piscitello, 1995). In their study of FDI inflows into Italy from 1986-91, Mariotti and Piscitello (1995) showed that information costs contribute significantly to investors' decisions about the location. The authors also showed that other mitigating variables such as distance from the country core, the preexistence of major international enterprises, the investment age, and the economic stability are also considered by investors when choosing a location (Mariotti & Piscitello, 1995). Furthermore, Mariotti, and Piscitello (1995) categorize information into zero cost (very low cost) information and high-cost information. While information about traditional location factors like workforce, raw materials, and transport is readily available and can be acquired at a low cost, information about institutional setting and customer behavior are considered costly (Mariotti & Piscitello, 1995).

3.2.2 The Institutional Environment and other Country-Level Effects

In the context of country-level effects (i.e., Country-level effects are country-specific characteristics affecting MNE's internationalization process and foreign operations.), a critical factor is the country's institutional environment. Coining the term "country institutional profile," Kostova (1997) argues that a country's institutional profile encompasses all relevant institutions that have been established through time, are in operation within that country and gets transmitted into an organization through individuals affecting international firms (T. Kostova, 1997). The institutional environment comprises three main types of institutions; regulatory, cognitive, and normative (Scott, 1995). Regulatory pertains to laws and rules that encourage lawful types of behaviors while discouraging others. Cognitive institutions refer to the mental interpretations of rules and regulations. Finally, the normative pillar refers to the social values, norms, beliefs, and assumptions about human behavior that individuals share in a social context (T. Kostova, 1997). In other words, the normative and cognitive pillar consists of the culture of a country.

Institutions include both formal and informal. Formal institutions include rules and laws (regulatory pillar), while informal institutions consist of a country's culture, values, beliefs, and traditions (normative and cognitive pillars) (Palepu et al., 2005). When institutions are

weak, informal rules governing managers' interpersonal relationships become helpful in successfully implementing a firm's strategy (Palepu et al., 2005).

Scholars have developed different theories to capture the complex relationships between organizations and foreign (institutional) environments. The institutional environment is varying in developed and developing markets. In other words, when expanding abroad, MNEs will experience not only physical distance but also institutionally distant markets, more so when expanding into developing markets. Institutional distance is defined as the degree of similarity and dissimilarity between two countries' institutions, including regulatory, cognitive, and normative institutions. As Palepu, Sinha, & Khanna (2005) put it, "the absence of specialized intermediaries, regulatory systems, and contract enforcing mechanisms in an emerging market -Institutional voids- hampers the implementation of globalization strategies" (Palepu et al., p4, 2005). In general, the authors mention that the least developed markets suffer from institutional voids, but developed economies enjoy sophisticated intermediaries and contract-enforcing mechanisms (Palepu et al., 2005). As such, MNEs cannot smoothly transfer the strategies they employ in their home countries; therefore, they need to pay special attention when expanding into such markets.

Moreover, Chao & Kumar (2010) studied the effect of institutional context on the firm's international diversity (defined as the extent of the firm's presence in different markets from its home market at various capacities) and performance. They claimed that "a weak host-country institutional context might further increase costs associated with entry and liabilities of foreignness and newness owing to unclear regulations and weak enforcement of rules" (Chao & Kumar, 2010). However, this effect depends on the firm's previous experience in other institutional contexts, mainly in contexts similar to its home country. "A firm that is based in a weak institutional context is likely to overcome challenges of operating in another country with a weak institutional context much more easily than a firm that has had no such experience" (Chao & Kumar, 2010; p.95).

Furthermore, MNEs need to be aware of institutional distance because this construct affects MNEs in two aspects: establishing legitimacy in the host country and transferring

organizational practices to host country operations (Tatiana Kostova & Zaheer, 1999). Legitimacy is defined as "the generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (Suchman, 1995, p.574) The larger the distance, the more difficult it is for an MNE to establish legitimacy and transfer strategic resources to its subsidiaries (Tatiana Kostova & Zaheer, 1999). Gaining legitimacy will be more complex and challenging for MNEs in institutionally distant markets (Chao & Kumar, 2010). Similarly, the higher regulative distance will negatively impact the firm's overall performance and international expansion (Chao & Kumar, 2010). As such, managers need to understand the regulative distance when choosing a location for investment to mitigate its adverse impact better. If institutional distance can affect a firm's legitimacy, it has to be a key determinant of FDI decisions (Xu & Shenkar, 2002).

In the context of Sub-Saharan Africa, one study across 19 countries in the region showed that institutional distance significantly influences the establishment of domestic linkages by MNEs (Pérez-Villar & Seric, 2015). The main finding suggests that investors' familiarity with formal and informal institutions in the host country lowers uncertainty and facilitates partnering with local firms. Furthermore, institutional distance in contract enforcement between home and host country deters the establishment of domestic linkages when institutions are worse in the host country than in the investors' origin country. (Pérez-Villar & Seric, 2015).

For Sub-Saharan Africa, it is widely recognized that natural resources and market size are major influencing factors for attracting foreign investors (Asiedu, 2005). However, the range of factors contributing positively or negatively to FDI attraction in the region is more extensive, including government policies, political instability, and the host country's institutions' quality. Asiedu (2005) suggests that good infrastructure, lower inflation, openness to FDI, an educated population, less corruption, political stability, and an efficient legal system promote FDI to Africa, just as richness in natural resources and having a large market size. Furthermore, the author uses a benchmark specification that depicts that a decline in corruption from Nigeria's level to that of South Africa leads to a similar positive effect on FDI as a rise in the share of fuels and minerals in total exports by approx. 35 percent. The study's findings suggest that

small economies or countries that lack natural resources can attract foreign investors by improving their policy environment and institutions. (Asiedu, 2005).

Furthermore, Yimer (2017) examines the macroeconomic, political, and institutional factors influencing FDI inflows to Ethiopia for 1970-2013. The author finds that political and institutional factors affect FDI inflows to Ethiopia significantly in the short and the long run. Improved macroeconomic conditions, a stable political system, institutional quality, and resources' availability affect FDI inflows positively. Adequate fiscal and monetary policies to counteract the negative effect of inflationary pressures on FDI inflows and move carefully towards a liberalization of the forex market and external trade are crucial options that the government can work on to enhance FDI inflows. Furthermore, the author suggests improving the regulatory quality of Ethiopia's institutions to foster FDI attraction. (Yimer, 2017).

The following study picks up on the development process of subsidiaries described in section 3.1.2. Holm, Decreton, Nell, & Klopff (2017) investigated the responses to conflicting institutional demands faced by a company headquartered in Europe, with a subsidiary located in Sub-Saharan Africa. The findings show that the host country's conflicting institutional demands lead subsidiary managers to respond to headquarter requests dynamically, taking one response after the other. They sometimes postpone or test headquarters' requests or respond in ways that may not fit either the headquarters' demands or the local actors' demands, such as customers and suppliers, ultimately causing delays in the implementation process. Thus, implementation of headquarters' demands in foreign subsidiaries can take longer than expected, especially when the institutional environment differs substantially from the home country. (Holm et al., 2017).

We discussed different distance effects, internationalization costs, and institutional environments above. It is now vital to explore the role of public actors that may act as intermediaries between a company and the host country in the company's internationalization process. There are various sets of actions public entities can take to market a country and promote trade and investment. Thus, the next section will present these activities, carried out by intermediaries, starting with trade, up until investment.

3.2.3 Trade and Investment Promotion

Compared to developed countries, emerging countries were latecomers in international trade, as mentioned in 3.1.1. However, they significantly benefited from open markets and less protectionist measures. Exporting companies frequently need insurance covers for risks associated with export transactions. The most typical risks surge from non-payment for commercial or political reasons. Commercial causes of loss can be payment defaults by customers or insolvencies. Political risks include, for example, the lack of hard currency in the buyer's country, civil unrest, a payment moratorium imposed by the government, or wars. (Klasen, 2011).

Private credit insurers offer cover against these two types of risk. However, export credit coverage from private intermediaries is restricted. The reason is that export transactions in risky markets, typically involving extended credit periods for capital goods, can often only be carried out based on governmental support (Klasen, 2011). An export credit agency is an official or semi-official branch of the government. It plays an integral role in the national governments' industry, foreign aid activities, and trade promotion (Klasen, 2011). The public intermediary aims at supporting exports and securing jobs in the domestic market. Despite this, importers from emerging countries can also receive finance on terms that are not accessible in private markets (Kavaljit Singh, 2010). The activities to reach the objectives include providing export credit insurance of privately financed transactions through direct lending or pure cover support (Morel, 2010).

Furthermore, O'Gorman & Evers argue that Export Promotion Agencies, as intermediaries, have a significant role in information mediation (O'Gorman & Evers, 2011), which may be crucial in situations of information asymmetry. They help firms identify foreign opportunities and customers, facilitate introductions, and provide the market knowledge and resource for capacity development (O'Gorman & Evers, 2011).

The term economic diplomacy can be defined as "the use of government relations and government influence to enable international trade and investment" (Moons & van Bergeijk, 2017, p. 336), including activities of the government and its national and international

networks. Typically, countries interact with other countries through a wide range of semi-permanent or permanent international representations. These representations include actors such as embassies, consulates, other public sector business support facilities, and bilateral activities (trade and state visits) (Moons & van Bergeijk, 2017). Export and investment promotion offices, for example, also fall under the field of economic diplomacy (Moons & van Bergeijk, 2017).

All the domestic intermediaries that the field of economic diplomacy covers support companies in their trade and investment decisions and use information from their network. In many states, these institutions form the primary basis for trade and investment actions employed within the embassy network. Since economic diplomacy is a whole and growing, interdisciplinary subject of its own, this paper only covers it briefly, while comprehensive information can be found elsewhere (Moons & van Bergeijk, 2017; van Bergeijk & Moons, 2018).

Next, national and international development finance institutions are development banks or subsidiaries focused on supporting private sector development in developing countries. Typically, they are majority-owned by national governments and get capital from national or international development funds or benefit from government guarantees. As a result, they are creditworthy intermediaries able to raise vast amounts of money on international capital markets while providing financing on very competitive terms. (OECD, 2021).

Furthermore, chambers of commerce are vital private sector partners in almost all countries (Bennett, 2011). They can advise, support, and represent companies globally in their internationalization process (AHK, 2021). Chambers of commerce can be divided into public law chambers with compulsory membership and private law chambers with voluntary membership (Bennett, 2011). While public law chambers are typically large organizations and have a national network in all areas, private law chambers vary in size depending on member commitment and usually have gaps in low-density rural areas. Public chamber systems can be found in most of continental Europe. In contrast, the Nordic countries have private law systems. (Bennett, 2011).

In the following, investment promotion in general, as well as the role of IPAs, will be highlighted. The primary overarching purpose of investment promotion activities is to generate FDI (Wells & Wint, 1990). Investment promotion activities are undertaken with three objectives: to improve a country's image for potential investors (image building activities), to generate investment (investment generating activities), and to provide services to current and potential investors (investment-service activities) (Wells & Wint, 1990). Moreover, among the main activities of investment promotion is information dissemination for MNEs to help decrease the information asymmetry faced them in a foreign environment; IPAs will help lower transaction costs of investing in a country by providing information and services that may not be readily available to MNEs (Anderson & Sutherland, 2015). As Harding & Javorcik (2011) put it,

“Investment promotion is to reduce transaction costs facing foreign investors by providing information (on business opportunities, prevailing laws, and regulations as well as factor cost in a host country) and helping foreign investors to deal with bureaucratic procedures. Investment promotion is a widespread but a relatively new phenomenon.” (Harding & Javorcik, 2011, p. 1445)

Most countries specify a particular agency to achieve the promotion goals, mainly referred to as IPAs and often employ different activities depending on their immediate policy environment. IPAs involve both public and private sectors in their investment promotion function (Wells & Wint, 1990). While different literature provides different categorization when it comes to tasks of IPAs, Wells & Wint (2000) mention that the role of IPAs includes information dissemination, investment facilitation, investment generation, image building, and building linkages between investors and host country organizations (Wells & Wint, 2000). In their sample of countries, Wells and Wint (1990) found that most of the agencies in those countries employed image-building activities to change their image as a place to invest and not expected to generate investment. Image building aims to create a perception that a given market is attractive for FDI (Lim, 2008).

In contrast, investment generating activities such as direct mail or telemarketing, industry or sector-specific investment missions, information seminars, and others were undertaken to directly generate new investments in the country (Wells & Wint, 1990). Furthermore, investing services activities, including counseling, process expedition of permits, and post-investment services were also integral to the overall promotion objectives; however, these services did not help generate investment interest or change the country's image. They were only there to help investors who have already committed to the country (Wells & Wint, 1990).

It is evident among the majority of the literature that investment promotion is effective in attracting FDI. According to Wells & Wint (2000), a 10 percent increase in the investment promotion budget will lead to a 2.5 percent increase in FDI (Wells & Wint, 2000). Similarly, in their study of benefits and costs of investment promotion of US outward investment, Harding & Javorcik (2011) showed that one dollar spent on investment promotion would increase FDI by 189 dollars (Harding & Javorcik, 2011). Moreover, Lim (2008) studied how and to what extent promotional efforts through an IPA influence the level of FDI Inflows by regarding an IPA as a catalyst between the FDI environment and FDI attraction performance of a host country (Lim, 2008). Through an empirical study, the author proved the hypothesis that "IPA promotion effectiveness, measured by IPA Age, IPA overseas staff intensity, and the number of IPA staff, has a positive influence on attracting FDI by mediation effect between a host country's FDI environment and FDI inflows" (Lim, 2008).

Similarly, Wells & Wint (1990) concluded that an efficient investment promotion program has the potential to attract certain types of investors to a country with benefits that outweighs its costs. They found that investment promotion programs towards attracting export-oriented investments are the most successful (Wells & Wint, 1990). However, along with enhancing an IPA's promotion activities, other determinants of FDI attractiveness, such as market size and labor, will need to be improved to attract potential investors (Lim, 2008). These factors are more critical in developing economics (Wells & Wint, 1990). Therefore, FDI policies can be directed towards promoting IPAs and enhancing their services and other factors that could improve the location attractiveness of a country. Furthermore, in their analysis of the most successful activities of IPAs, Miskinis & Byrka (2015) found that some actions are crucial to

attracting more FDI. These activities include aftercare activities such as promoting re-investment, online promotion, new media usage, networking through close partnerships, attracting ambassadors to promotional activities, forming strategic partnerships with local authorities, and other IPAs creating diverse cities (Miskinis & Byrka, 2015).

Given their role in attracting FDI, IPAs are important bodies and often are the first contact of potential investors (Miskinis & Byrka, 2015). The IPA's importance increases mainly in the countries with a more considerable cultural distance between home and host country, locations where English is not an official language, and have an environment characterized by lack of transparency and limited access to information (Miskinis & Byrka, 2015). Similarly, argue that investment promotion is a cost-effective way of increasing inward investment, mainly for developing countries where data is less readily available for investors, and bureaucratic procedures tend to be more burdensome (Harding & Javorcik, 2011). Hence, investment promotion works better in places where there is a higher information asymmetry.

3.3 Connection to Research Questions

Thus far, we discussed different motives for internationalization of a firm that mainly includes natural resource seeking, market seeking, efficiency seeking, and strategic asset seeking followed by internationalization benefits for home and host countries. We then presented internationalization processes, including the prominent Uppsala model and some of the typical entry modes a company can employ to internationalize along with their advantages and disadvantages.

Our discussion of the general subjects was followed by the discussion of different internationalization difficulties and the motivation for the existence of intermediaries. It is essential to discuss some of these difficulties in the context of Danish companies' internationalization into Ethiopia and explore the role of intermediaries that help companies in the process. Ethiopia is a strategic partner for Denmark in the African region, as stated in chapter 2.

Denmark is a developed country, while Ethiopia is characterized as a developing economy. For Danish firms to expand into Ethiopia, the difficulties mentioned above should be considered with the utmost care given the differences between the two markets. As mentioned before, the more different an international environment is compared to the home country, the more difficult it will be to collect, analyze, and interpret information (Håkanson & Ambos, 2010). There is a high perceived psychic and cultural distance associated with developing markets of which Ethiopia is one, and investors will naturally face information asymmetry when expanding into such a distant market. Moreover, low-quality institutional environment and other country-level effects, including political instability, inadequate infrastructure, macro-economic issues such as inflation, and lack of availability of forex will pose significant challenges ahead of Danish companies.

In the presence of such difficulties, it is vital to explore the role of intermediaries in helping Danish companies cope with these difficulties. Therefore, this paper seeks to explore three main research questions: 1) What are the range of services Danish companies can receive from intermediaries for their internationalization process to Ethiopia? 2) Is there a potential interaction between home and host country actors in rendering support to Danish companies, and if yes, how does it look? 3) What are the main factors that deter Danish companies from their internationalization to Ethiopia?

4 Methodology

This chapter presents the research design and elaborates on the methodical procedure. First, the philosophical approach will be explained in section 4.1, followed by an introduction to semi-structured expert interviews and how we go about it in section 4.2. Then, the survey instrument (i.e., interview guide) will be presented in section 4.3. Afterward, sections 4.4 and 4.5 elaborate on the data collection and preparation process. Next, the concept of abduction and the performed thematic analysis, using the software NVivo, will be presented in section 4.6, followed by section 4.7, which contains quality criteria of the chosen methods.

4.1 Philosophy of Science

Philosophy of science is a branch of philosophy focused on sciences and is interested in how knowledge is produced (Coghlan & Brydon-Miller, 2015). Since a research goal is to create knowledge, some of the beliefs and assumptions of the philosophy of science are relevant to it. The assumptions a researcher makes include ontological assumptions (about realities), epistemological assumptions (beliefs about human knowledge), and axiological assumptions (different ways a researcher's values influence the project) (Saunders, Lewis, & Thornhill, 2019).

Ontology refers to assumptions about the realities' nature (Saunders, Lewis, & Thornhill, 2019) and is concerned with what is there in the world. It is also concerned with the relationships between people, society, and the world (Eriksson & Kovalainen, 2011). A researcher's ontological assumptions shape how he sees and studies a research object, for example, an organization. Moreover, epistemology refers to beliefs about knowledge, what constitutes adequate and valid knowledge, and how we communicate this knowledge with others (Saunders, Lewis, & Thornhill, 2019). Finally, axiology refers to the role of values, beliefs, and ethics. As a researcher, you will need to decide how to deal with your values and beliefs and that of your research participants (Saunders, Lewis, & Thornhill, 2019).

Within the above set of assumptions, there exist two prominent views: objectivism and subjectivism. Objectivism argues that social reality is external to us as researchers and others

(Saunders, Lewis, & Thornhill, 2019). Objectivism refers to the idea that social reality exists independently outside the knower (Eriksson & Kovalainen, 2011). Ontologically, in its extreme form, objectivism assumes that social entities like physical entities exist independent of how we know them, label them, or are aware of them. In the stances where interpretations of social actors influence social reality, objectivists believe that there is only one actual social reality that actors experience (Saunders, Lewis, & Thornhill, 2019). From epistemology's standpoint, "objectivists seek to discover the truth about the social world, through the medium of observable, measurable facts, from which law-like generalizations can be drawn about the universal social reality." (Saunders, Lewis, & Thornhill, 2019; p. 136) And finally, axiologically, objectivists tend to keep their research free of their values.

On the other hand, subjectivism states that social reality is made from perceptions and consequent actions of (social actors) people (Saunders, Lewis, & Thornhill, 2019). The subjective view believes that there is no access to the external world beyond our own interpretation (Eriksson & Kovalainen, 2011). Unlike the objectivist researcher, a subjectivist is interested in people's opinions and narratives explaining different social realities of other actors.

There are five major management philosophies according to Saunders, Lewis, & Thornhill (2019),

1. Positivism: positivism refers to the assumption that only legitimate knowledge can be found from experience. "Positivists believe in empiricism: the idea that observation and measurement are the essence of scientific endeavor" (Eriksson & Kovalainen, 2011; p.10). Positivism shares some basic ideas of knowledge production, and the aim of research should be to find causal explanations and regularities. Positivism is mainly associated with logic and quantitative research methods (Eriksson & Kovalainen, 2011).
2. Critical realism: "Critical realism focuses on explaining what we see and experience, in terms of underlying structures of reality that shape the observable events." (Saunders, Lewis, & Thornhill, 2019; p.147). While agreeing with positivism, critical realism

suggests that the knowledge about the world is socially constructed (Eriksson & Kovalainen, 2011). In critical realism, there are two steps in understanding the world. First, the sensations and events that we experience. Second, the mental process that goes on after the experience, "when we reason backward from our experiences to the underlying reality that might have caused them." (Saunders, Lewis, & Thornhill, 2019; p.147)

3. Interpretivism: states that humans are different from physical phenomena because they create meanings (Saunders, Lewis, & Thornhill, 2019). This philosophical position is keen to understand how people, as individuals or groups, interpret and understand social events and settings (Eriksson & Kovalainen, 2011). The purpose of interpretivism research is to create new, richer and interpretations of social worlds and contexts. This would mean studying an organization from a different perspective.
4. Postmodernism: emphasizes the role of language and power relations, seeking to find alternative ways to the current phenomena (Saunders, Lewis, & Thornhill, 2019).
5. Pragmatism: pragmatism states that concepts are only relevant to support actions (Saunders, Lewis, & Thornhill, 2019).

Having discussed different philosophical assumptions and management philosophies, we believe that our research method can follow different sets of assumptions. To try to narrow it down, we think our approach is subjective and follows interpretivism. In our expert interviews, we seek to understand our interviewee's perception, opinion, and interpretation of different realities. We base our analysis on the expert's view of the intermediaries' nature, range of services, institutional setting, challenges, and interaction among the different actors. Furthermore, we listened to various experts and used their input to form a better and richer interpretation and understanding of the social realities of what is going on pertaining to our research questions. Epistemologically, we believe that different experts had different variations and knowledge of the realities that formed the basis of our research; hence, constituting good knowledge.

4.2 Semi-Structured Expert Interviews

As mentioned in chapter 1, our research method consists of qualitative, semi-structured expert interviews. The semi-standardized method can be defined as a guided and semi-structured outline of themes and issues that vary in wording and sequence. This method is done to generate answers for primarily open-ended questions, such as "what" and "how" questions (Eriksson & Kovalainen, 2011). By that means, semi-structured interviews contain a complex stock of knowledge about the topic under study, commonly referred to as subjective theory (Flick, 2009).

The semi-structured interview is a widely used data collection method in qualitative research (Kallio, Pietilä, Johnson, & Kangasniemi, 2016). Choosing it for this study is appropriate for three reasons: First, an associated interview guide is used as an instrument, which substantially influences the results of the study (Kallio, Pietilä, Johnson, & Kangasniemi, 2016) and allows for guidance and structure in the discussion (Holloway & Wheeler, 2010). Second, the material is, to a certain extent, systematic and comprehensive, while the sequence of questions is based on the conversation flow. By this means, the dialogue is relatively conversational and informal (Eriksson & Kovalainen, 2011). Third, presenting the actual interview questions in appendix I and II allows for assessing the study results concerning earlier knowledge and enables further researchers to test and develop the guide further (Kallio, Pietilä, Johnson, & Kangasniemi, 2016).

An expert interview is a specific form of the application of semi-structured interviews. At this, the whole "person" of the interview partner is less of interest but rather their capability as experts for a specific field of activity. Thus, whenever expert interviews are used, most persons with a specific function, a specific professional experience, and knowledge within an organization are the target groups. However, expert interviews do not preclude people as experts due to, for example, their biographical background or chronically ill people as experts for their illness. (Meuser & Nagel, 2002).

Choosing the expert interview as a form of semi-structured interviews seems reasonable for this study as the selected experts possess practical insider knowledge and represent surrogates

for a wider circle of players. Furthermore, the method offers researchers an effective means to quickly and efficiently obtain good results. Also, it might prove challenging to gather quantitative data at this stage due to the explorative character of this study. (Bogner, Littig & Menz, 2009).

In order to conduct a thorough analysis at a later stage of our project, it is necessary to cover all topics of the interview guide and, at the same time, to be prepared to ask follow-up questions to gather more in-depth responses. However, this dynamic between being flexible with the conversation flow and sticking to the pre-planned questions also provides the major challenge of this method. Furthermore, although the data is somewhat systematic, it can prove challenging to compare the empirical data as the answers may vary in style and depend on the experts' interpretation. (Eriksson & Kovalainen, 2011).

4.3 Survey Instrument – The Interview Guide

In semi-structured interviews, an interview guide includes several topic areas that reconstruct the contents of the underlying theory (Flick, 2009). It brings more or less open-ended questions to the interview (Flick, 2009) and significantly influences the study's outcomes (Kallio et al., 2016). For the development of the qualitative, semi-structured interview guide, a framework suggested by Kallio et al. (2016) has been followed:

1. *Identification of prerequisites to use a semi-structured interview:* The justification of the data collection method's appropriateness can be found in this section's introduction above.
2. *Retrieval and utilization of previous knowledge:* Chapter 3, the theory part, fulfills this step as it enabled the acquisition of a comprehensive and adequate understanding of the subject.
3. *Formulation of a preliminary interview guide:* The aim is to formulate an interview guide as a data collection tool by operationalizing previous knowledge.
4. *Pilot testing:* The introductory guide has been sent to our supervisor before its use to confirm its content's comprehensiveness and relevance and to identify

any possible need to reformulate specific questions. Besides, internal testing between us has been carried out to test the implementation. Furthermore, at the beginning of the interview period, the first interviews were somewhat of an explorative format while determining which questions are practical in use.

5. *Presentation of the complete interview guide:* The aim is to develop a clear and logical guide for the data collection. Since our study deals with various home and host country public actors and private Danish companies, it is deemed necessary to amend the interview guide in each interview to a small extent. While for some public institutions, it was necessary to include a few specific questions, for others, it was not. Nevertheless, two general interview guides, one for public actors and one for private companies, can be found in appendix I and II. Both have been adjusted to the specific public institution or private company before each interview.

The interview guide has several functions: In semi-structured expert interviews, the interview guide has a directive function while excluding unproductive topics due to time pressure (the experts' limited time). Also, the development of the guide ensures that we can present ourselves as competent interlocutors in the conversation. Furthermore, sticking to the guide's pre-planned questions ensures that the interview does not get lost in topical areas that are irrelevant to the aim of the study and allows the experts to extemporize his or her specific issue and opinion on the different matters. This means the guide also has a protective function for coping with indeterminate answers to open questions, so the uncertain conversational situation. Finally, the interview guide enables the comparability of the gathered information and ensures that the data will be more structured due to the guide's questions. (Flick, 2009).

The interview guides consist of different topical areas with a set of question types that are mainly open-ended. Preliminary questions can usually be found at the beginning of an interview guide, which allows the interviewee an easy entry to the conversation and builds up a positive, conversational atmosphere (Kaiser, 2014). Therefore, the question "Could you please briefly introduce yourself and your role in the organization?" is included. Then, open

questions, such as "What kind of services does your organization provide?" or "In what ways does your organization help businesses expand into Ethiopia?" can be answered based on the knowledge that the expert has immediately at hand. Furthermore, the guide includes theory-driven questions oriented to the academic literature about a specific topic or grounded on the researcher's theoretical presuppositions. For example, "What factors, do you think, deter Danish companies from expanding into the Ethiopian market?" is based on theoretical presuppositions, such as institutional distance, the liability of foreignness, and the like, that are explained in Chapter 3. This type of question aims at making the implicit knowledge of the experts more explicit. (Flick, 2009).

4.4 Data Collection

The experts for this study were selected according to two criteria: First, those interviewees were selected who could be assumed to have the complete knowledge relevant to trade and investment in Denmark or Ethiopia. The basis for this was the specific functions, professional experience, and knowledge of the interviewee within a particular organization (Meuser & Nagel, 2002). Second, they should belong to a public organization in Denmark or Ethiopia or a private Danish company internationalizing into Ethiopia. Numerous private actors act as intermediaries, too, but they are out of the scope for this study as we aim only to cover public intermediaries. However, we included a few intermediaries with private affiliations in order to broaden the perspective.

The first step in getting in contact with the interview experts was carried out via email request. The emails contained relevant information regarding the purpose, length, and period of the interviews. Subsequently, a specific time for the interviews has been set. Two experts requested information regarding potential questions, so a few sample questions have been shared in these cases. Ultimately, ten semi-structured expert interviews (plus two written documents) have been carried out online from November 05, 2020, through April 10, 2021, for the later analysis and to provide answers to this paper's research questions. The average duration of the interviews is between 20 and 40 minutes.

The selected experts on the Danish and Ethiopian side and the organizations or companies they work in are presented below.

The first expert works as Chief Analyst at Eksport Kredit Fonden (EKF), Denmark's export credit agency. He works in the Country, Bank, and Sector Risk Department. Together with a group of experts, he determines the country risk scores depicting a country's risk level. He has been working with EKF for 2.5 years. Our expert has a Ph.D. in economics and is also an author.

The second expert within EKF works as the Deputy Director of the organization. Until recently, he headed the last corporate team responsible for relationships with all the major Danish exporters. Now, he focuses on offshore wind transactions at EKF, a vast area of the organization accounting for about 70 percent of all transactions. Overall, he has been with EKF for more than 17 years. Before joining EKF, he worked as a relationship manager for a global bank in Denmark.

Our third expert is an Investment Director at Investeringsfonden for udviklingslande (IFU), short for Investment Fund for Developing Countries. This expert works with Danish SMEs advancing abroad and high-risk/high-impact projects in Africa. He has been working with IFU for over ten years. Our expert has an MBA degree from Copenhagen Business School.

Our fourth expert is the CEO of the private company, Engsko. This expert has been with Engsko for approx. Three years now, but he has more than 20 years of management experience in different capacities and has an MBA from Aros business academy.

Our fifth expert is a Commercial and Climate Program Advisor at the Embassy of Denmark, Ethiopia. In the last two years, she has been working with trade-related activities at the Trade Council of the embassy, focusing on agriculture and energy aimed at promoting green growth and sustainable trade.

Our sixth expert is also from the Trade Council. He is heading the Global Response Team of the Trade Council. He has a vast amount of experience in emerging markets, as he has been working with the Trade Council for around 20 years. He has spent many years abroad working for the Ministry of Foreign Affairs or with the Trade Council at Danish missions abroad and Danish embassies. Our expert has a Master's degree in Economics from Aarhus University.

Our seventh expert is the Regional Coordinator for Eastern Africa Projects and works in Ethiopia at the Delegation of German Industry and Commerce for Eastern Africa. He has six years of experience with the organization.

Furthermore, our eighth expert works in Africa, Policy and Development Department at the Ministry of Foreign Affairs of Denmark, provided written information about the Danish International Development Agency (Danida), Denmark's development cooperation. The information provided answered our questions and was coded in the same manner as other interviews.

Our ninth expert works as the Executive Director at the European Union Business Forum Ethiopia (EUBFE). He has worked with the organization for the past 3.5 years and has vast amounts of experience in management consulting. This expert has a Master's degree in Lifelong learning, policy, and management.

Our tenth expert works at the Embassy of Ethiopia, Stockholm. He is a medium-level diplomat that has worked in different capacities within the embassy. He has been engaged with the bilateral economic relations between Ethiopia and the Nordic countries.

Our eleventh expert in the sample works as the head of Sales for Africa in Siemens Gamesa. This expert works in the area of onshore wind projects within the sales community. He has been working with the organization for the past seven years and has vast amounts of experience in Renewable Energy.

As we did not succeed in interviewing an expert from the EIC, we included the EIC's investment proclamation in our sample that would function as the written information on the scope of services provided by EIC.

Figure 7 lists all experts of the sample with relevant Information in a clear form.

Figure 7*Sample of the Study*

	Function	Organization/Company	Date	Form
Expert 1	Chief Analyst	EKF	Thu 05 Nov 2020	Online call
Expert 2	Deputy Director	EKF	Thu 17 Nov 2020	Online call
Expert 3	Investment Director	IFU	Thu 12 Nov 2020	Online call
Expert 4	CEO	Engsko	Wed 13 Jan 2021	Online call
Expert 5	Commercial and Climate Program Advisor	Trade Council (Embassy of Denmark, Ethiopia)	Wed 20 Jan 2021	Online call
Expert 6	Head of Global Response Team	Trade Council	Tue 02 Mar 2021	Online call
Expert 7	Regional Coordinator for Eastern Africa Projects and Services	AHK Eastern Africa	Fri 12 Feb 2021	Online call
Expert 8	Africa, Policy and Development	Ministry of Foreign Affairs (Danida)	Mon 08 Mar 2021	Email
Expert 9	Executive Director	European Business Forum Ethiopia	Thu 04 Mar 2021	Online call
Expert 10	First Secretary / Medium-level diplomat	Embassy of Ethiopia, Stockholm	Wed 17 Mar 2021	Online call
Expert 11	Head of Sales for Africa	Siemens Gamesa	Fri 09 Apr 2021	Online call

Source: Own elaboration

4.5 Data Preparation

After finishing the data collection process, the semi-structured interviews were transcribed for later analysis (Mayring, 2014). Transcription can be understood as translating oral language, with its own set of rules, to a written language with a different set of rules (Kvale, 1996). Interview transcripts are not copies of actual reality; they are interpretative constructions and serve as valuable tools for a given purpose (Kvale, 1996). While transcribing, the goal is to be as true to the dialogue as possible, yet pragmatic for the later data analysis (Bazeley & Jackson, 2013). In the course of this paper, the transcription takes place with the program Microsoft Word, while the recordings are carried out with a computer internal or video conference software's internal recording application. The interview transcripts can be found in appendix III (ranked by our expert numbers).

The translation of spoken language into text needs transcription rules. These rules can be represented in a transcription system (Mayring, 2014). Depending on the research questions, language characteristics, theoretical background of the analysis, and how much information should be preserved; different transcription systems can be used for this purpose (Mayring, 2014). This paper focuses on the content of the spoken language, not the psychoanalytic aspects of it, and thus, a thorough transcription of nonverbal aspects is not relevant (Mayring, 2014). Consequently, a clean read or smooth verbatim transcript constitutes an appropriate transcription system (Mayring, 2014).

With the clean read or smooth verbatim transcript, the transcription is carried out word for word, but all expressions like "ahs" or "uhms," decorating words, such as "like," "right," or "you know" are left out. Furthermore, short-cut utterances and dialects are transformed into a standard language (e.g., c'mon = come on) (Mayring, 2014). Pauses in the dialogue get apparent through two points for a short break and three for a more extended break. Interjections from the interviewer respectively interviewee are put in brackets. This also applies to utterances that may enhance the interviewee's arguments, such as laughter. The interviewer's paragraphs are marked by an "I:" while the experts' paragraphs all receive a particular abbreviation. Incomprehensible words or sentences are portrayed as "(...)". All personal data will be anonymized within the transcripts. (Kuckartz, 2010).

Furthermore, due to internal data privacy regulations in some organizations, recordings were not allowed; thus, creating a transcript was impossible. In these cases, notes and written information, provided via email, were included, like in the case of the EIC. This step is reasonable because when nuances of expression are not necessary for the later analysis, notes may be adequate as well (Bazeley & Jackson, 2013).

4.6 Data Analysis: Thematic Analysis and Abduction

After gathering and preparing the data, it is now necessary to analyze it to answer this paper's research questions. For our analysis, we employ thematic analysis, commonly thought of as a typical approach to analyzing qualitative data (Saunders et al., 2019). Braun & Clarke (2006, p. 78) define it as a "foundational method for qualitative analysis." The method's objective is to look out for themes and patterns within a particular dataset (Saunders et al., 2019). In this case, the series of interviews resulting in transcripts constitute the dataset. Thus, by applying the thematic analysis, the researcher codes the qualitative data to identify themes or patterns for further analysis concerning the research questions (Saunders et al., 2019).

Due to its applicability independent of the theoretical approach, the thematic analysis constitutes a flexible and useful research tool (Braun & Clarke, 2006). The applicability, irrespective of the research philosophy, is also why the thematic analysis is commonly viewed as a standalone analytical process (Saunders et al., 2019). It also offers a systematic and accessible approach to analyze smaller and larger qualitative datasets, leading to comprehensive descriptions, explanations, and theorizing (Braun & Clarke, 2006). Furthermore, thematic analysis is a fairly straightforward approach and allows for investing energy in a rigorous analysis rather than spending too much time on a particularised qualitative analysis approach that follows strict rules (Saunders et al., 2019). The thematic analysis is also flexibly applicable to the deductive, inductive, or abductive approach (Saunders et al., 2019).

The deductive approach examines themes in the data based on existing theory, while research questions are typically firmly established early (Saunders et al., 2019). In contrast, the inductive approach is based on and derives themes from the gathered data (Saunders et al., 2019). Furthermore, the inductive approach leads to modifications in the research questions

depending on which themes the researcher decides to explore in the dataset (Saunders et al., 2019). We chose a mix of both approaches, the deductive and inductive, an approach referred to as abductive or abduction (Saunders et al., 2019). By following the abductive approach, researchers commence the analysis with themes based on underlying theory. Then, themes will be modified or added to when making progress and exploring the dataset further (Saunders et al., 2019). Abduction is also primarily used in business research (Saunders et al., 2019).

The application of computer-assisted qualitative data analysis software in this research helps organize, explore, code, and retrieve the data and record thoughts in a systematic way (Saunders et al., 2019). By leveraging the benefits of NVivo, the qualitative data analysis software utilized for this paper, time to only “manage” gathered data can be saved, which allows for an increased focus on examining its meaning. The use of NVivo during the analysis of the data helps manage the data through organizing and keeping track of the numerous records used in this qualitative project. These include the raw data files (i.e., transcripts) and rough notes from one interview and an email. Next, it allows managing ideas by enabling quick access to theoretical and conceptual knowledge generated in the course of the study while at the same time providing access to the raw data. Despite other beneficial functions, such as making queries and visualizing data within the program, it ultimately enables reporting from the data through the use of contents of the qualitative database. This includes insights about the original data sources, the knowledge and ideas derived from them, and the overall process that led to these outcomes. (Bazeley & Jackson, 2013).

Saunders, Lewis, & Thornhill (2019) presented the procedure outlined below to perform the thematic analysis. It is worth mentioning that the following steps did not occur in linear progression but rather in a concurrent manner.

1. *Becoming familiar with data*

During the research process, we undertook different practices to make ourselves familiar with the data. After an interview was conducted, we developed full transcripts of the interview and uploaded them to our shared folder for review. We also reviewed

some notes that were taken during the interview. After that, a brief meeting was held to discuss the interview's main points and significant themes. Once a few interviews were completed, the major themes were also presented to our supervisor in our routine meetings. Such practices allowed us to become familiar with the data, which was helpful when coding the data.

2. *Coding the data*

Coding involves labeling a piece of data with a code to symbolize or summarize the extract's meaning (Saunders et al., 2019), making it accessible for further analysis. It can be a single word, a short phrase, a sentence, or a chunk of data. We used the NVivo software to develop a list of codes and apply it to our data for this stage. We uploaded the transcripts into the software, after which we started coding. We developed two sets of codes. Since we employed the abductive method, one set of our codes was developed based on this paper's theory section and were applied to the data. The codes derived from the theory and the literature are referred to as 'priori' codes (Saunders et al., 2019). The other set of codes were progressively developed based on the data as we reviewed transcripts. We continuously developed new codes and refined our existing codes.

3. *Searching for themes and recognizing relationships*

This stage was done concurrently with the data coding stage. First, we developed a long list of codes both based on theory and based on data. Next, we searched for themes and categorized our codes into different themes. A theme is a broad category that consists of several codes relating to each other (Saunders et al., 2019). We started with general themes (Top-Level themes in NVivo's term) and added sub-themes, and further categorized them into sub-themes. For instance, we started with the general theme of "Services Intermediary" broken down into codes such as "Services," "Number of Clients," "Internationalization Stage," "Companies' activities in Ethiopia," and "Companies' utilization of Services." The last code was broken down into codes such

as "Cutting out intermediary services" by firms. The details of the themes and the number of codes are presented at the end of this section.

4. *Refining themes*

As we continued to screen our data, we refined our themes, added new themes, discarded or merged other themes in the process. When a theme had similarities with another theme, we merged the two, for instance.

A snapshot of the themes, list of codes, and the number of references are presented in figure 8.

Figure 8

Themes, List of Codes, and Number of References

Name	Files	References
▼ <input type="radio"/> Theme A - Services intermediaries	0	0
<input type="radio"/> A1 - Services	10	80
<input type="radio"/> A2 - Number of clients	3	4
<input type="radio"/> A3 - Internationalization stage	8	14
<input type="radio"/> A4 - Companies' activities in Ethiopia	5	15
▼ <input type="radio"/> A5 - Companies' utilization of services	6	12
<input type="radio"/> A5.1 - Cutting out intermediaries	3	5
▼ <input type="radio"/> Theme B - Actors' interaction	0	0
▼ <input type="radio"/> B1 - Interaction between actors	4	6
<input type="radio"/> B1.1 - Mutual awareness	5	8
<input type="radio"/> B1.2 - Danish collaboration with Ethiopian actors	6	18
<input type="radio"/> B1.3 - Ethiopian collaboration with Danish actors	1	1
<input type="radio"/> B2 - Governmental collaborative efforts	3	6
▼ <input type="radio"/> Theme C - Internationalization difficulties	1	2
<input type="radio"/> C1 - Political stability and security	5	5
<input type="radio"/> C2 - Infrastructure	3	5
<input type="radio"/> C3 - Forex issue	6	22
<input type="radio"/> C4 - Uncertainty and information asymmetry	1	1
<input type="radio"/> C5 - Bureaucratic hurdles	4	10
<input type="radio"/> C6 - Ease of doing business	7	20
<input type="radio"/> C7 - Challenges related to trade and investment promotion	2	3
<input type="radio"/> C8 - Coronavirus pandemic	2	3
▼ <input type="radio"/> Theme D - Overcoming difficulties	2	2
<input type="radio"/> D1 - Firm's prior experience	3	4
▼ <input type="radio"/> D2 - Role of government	6	12
<input type="radio"/> D2.1 - Trade and investment incentives	2	3
<input type="radio"/> D2.2 - Other investment attracting factors	3	10
<input type="radio"/> D3 - Local partnerships	6	13
▼ <input type="radio"/> Theme E - Institutional environment	0	0
<input type="radio"/> E1 - Institutional setting	5	16
<input type="radio"/> E2 - Institutional voids	2	2

Source: Own elaboration (within NVivo)

Themes A through E, shown on the left, are our final chosen themes. We had 26 codes in total in our list of codes. Furthermore, the column "reference" on the right of the above figure shows the number of references for each code. It represents the chunk of data we extracted and fed into codes. In total, we had 302 references from all our interviews.

4.7 Quality Criteria

This section assesses the quality criteria, validity, and reliability, of the utilized methods and the whole research process, including the data collection in the form of interviews, the data preparation, and the later qualitative data analysis using NVivo.

Generally, reliability pertains to the extent to which the data collection technique will lead to consistent findings (Saunders et al., 2019). The question addressed is whether or not the research will lead to consistent results at different times and under different conditions, such as with a different study sample (Saunders et al., 2019). The quality criterion is essential for evaluating qualitative research against the background of a particular theory of the researched subject and concerning the use of methods (Flick, 2009). Researchers may pursue different ways to increase the reliability of data and interpretations (Flick, 2009). How the reliability of this study is increased will be addressed in the following.

Reliability can be divided into internal and external reliability. Internal reliability ensures consistency during the research project. This may be achieved by using more than one researcher to conduct interviews and analyze data (Saunders et al., 2019). As two researchers carry out this project, the internal reliability is ensured. External reliability refers to whether the data collection method and the analytic process would lead to consistent findings if carried out again on another occasion or if they were replicated by a different researcher (Saunders et al., 2019). In order to achieve a high degree of external reliability in this study, the data collection method, data transcription, and qualitative data analysis were described in detail in the preceding sections so that the entire research process is transparent and comprehensible for external parties.

For interview data, reliability can be increased by interview training for the researchers and by reviewing the interview guides or single questions in test interviews or after the first

interview (Flick, 2009). The interview training was carried out before every interview to gather knowledge about the specific organization. Also, the familiarization with the underlying theory and the Ethiopian market enabled the researchers to discuss the topic under study with a solid knowledge base. By this means, threats to reliability, such as researcher error or researcher bias, were overcome.

Ensuring good-quality research is not only dependent on its reliability but also its validity. Validity pertains to "the appropriateness of the measures used, accuracy of the analysis of the results and generalisability of the findings" (Saunders et al., 2019, p. 214). Again, it can be differentiated between internal and external validity. Internal validity "refers to the extent one's findings can be attributed to the intervention one is researching rather than to flaws in one's research design." (Saunders et al., 2019, p. 215). We made sure to overcome threats to the internal validity by not handing out questions of the interview guide before the interview (this was only necessary in two cases). Furthermore, by consciously selecting experts representing a larger group of people and having vast expertise in their field, internal validity is ensured.

External validity addresses whether a study's research findings can be generalized to other relevant contexts (Saunders et al., 2019). For example, whether the results of this study may apply not only to public actors in Denmark and Ethiopia or solely to Danish companies in their internationalization process into Ethiopia but also organizations in other regions. Since this study is exploratory and seeks to investigate the institutional setting and the interaction of home and host country actors in Denmark and Ethiopia, the external validity is only ensured to a certain extent. Also, in such cases, it will be relevant to replicate the study in other contexts and conduct quantitative studies.

Furthermore, pilot tests can be carried out to minimize the likelihood of problems in data collection, recording and also allow for some assessment of the reliability and validity of the data (Saunders et al., 2019). Pilot tests have been carried out at the beginning of our research process to discuss and review the interview guide's questions. Also, we made sure that the electronic devices and recording software used were fully functional. Next, a pilot test after the first interview was deemed necessary to avoid irrelevant or confusing questions.

5 Results

This chapter presents the results of our study based on the generated coding system in NVivo. The first section, 5.1, introduces the public intermediaries in Denmark and Ethiopia and explains their range of services. Additionally, it presents companies' activities in Ethiopia and their utilization of the intermediaries' services to get insights into how everything looks in practice. Next, section 5.2 shows the results related to the current state of interaction between different home and host country actors, including mutual awareness. Ultimately, section 5.3 explains the difficulties that Danish companies may face in their internationalization process into Ethiopia and the challenges the market poses on public intermediaries when providing trade and investment promotion.

5.1 Services of Intermediaries

The intermediaries and the range of services they offer are presented below.

Denmark's Export Credit Agency (EKF):

EKF aims at creating growth and prosperity in Denmark by helping Danish companies in their internationalization process (EKF, 2021c). It stimulates Danish exports by increasing the attractiveness for customers abroad to buy Danish products. This is done by raising financing and insuring companies and banks against potential risks in trading with other countries (EKF, 2021b). The export credit agency, owned by the Danish state, employs between 51-200 people (EKF, 2021a).

One of the primary services of EKF is to take on the risks of Danish projects or exports in Ethiopia through financing transactions. "EKF functions as an insurance company; taking on the risk in projects that involve Danish exports" (EKF, p.106) They aim to make the projects cheaper, particularly risky projects that involve Danish exports. However, their services are not free. EKF has a minimum premium they charge for financing a transaction, and this minimum fee could change depending on a country's risk level. A country's risk level is determined through a risk score assigned to a country by a group of EKF's and country

classification experts of the OECD. Currently, Ethiopia has a score of 7 out of 7, which is "high risk." The higher the score, the higher the risk; hence, the higher the premium.

Moreover, their typical projects involve multiple actors. They can do transactions with public entities, the Ministry of Finance, other public institutions, banks, and private buyers in Ethiopia and Denmark. As our expert explains, "the bank which brought the money will have the risk of the Ethiopian country, Ministry of Finance. And the risk is something we don't like as bankers; we like to get rid of it. And then the role of EKF is to take on that risk" (EKF, However, it is the Danish exporter as the primary client. It is worth mentioning that EKF is open to service exporting companies and provides services to companies who employ other strategies such as greenfield investment in Ethiopia.

Investment Fund for Developing Countries (IFU):

IFU belongs to the family of Development Finance Institutions and is the only one in Denmark. The government-owned organization provides advisory services and risk capital to companies aiming to do business in developing countries and emerging markets (IFU, 2021). Investments are made on commercial terms in equity, loans, or guarantees for projects in the 146 countries eligible for IFU investment, including Ethiopia. They have an office in Nairobi, Kenya, that oversees activities in Ethiopia. IFU has 89 full-time employees, with 1/5 of the staff working in regional offices worldwide (IFU, 2021).

According to our expert, IFU is currently involved in 200-205 active investments. The business model is to enter a project, sit on the project for many years, and exit once the business or project is fully operational.

The role of IFU is twofold, investing in commercially viable projects/businesses in emerging markets and making an impact at the same time. While providing investment opportunities, the company puts a great emphasis on impactful projects. As our expert mentions,

"I mean, the impact is an essential keyword for us. We have to do good. We have to do something that makes sense. Not just providing jobs but providing decent jobs, for instance" (IFU, 114).

IFU's goal is to enable projects to generate jobs, bring new technologies and new ways of doing business, and enhance export revenues. Moreover, IFU was initially founded to solely help Danish companies financially with their investments in emerging markets. However, they can now provide services to foreign partners with no Danish links involved. For example, IFU can finance a project in Ethiopia without the involvement of a Danish firm. The companies they have helped in Ethiopia were looking for funding to set up operations or seeking advice.

Embassy of Denmark, Ethiopia:

In Ethiopia, the Danish embassy runs a trade section that belongs to the Trade Council within the Ministry of Foreign Affairs. The Trade Council helps Danish and international companies by providing export and investment promotion services through the Danish embassies in different world regions. The export promotion services include guidance for export activities, innovation, and internationalization guidance for Danish companies that want to expand abroad (Ministry of Foreign Affairs of Denmark, 2021b).

In addition to providing support to about seven current Danish businesses, the embassy has many programs within the agriculture and energy sectors to promote green growth and sustainable trade while creating jobs. Their range of support services includes partnership facilitation, information provision on customers and market, and helping Danish businesses maneuver various procedures and processes while resolving potential issues that might arise. A typical client of the embassy looks to export into Ethiopia or find a local partner while being hesitant to establish a subsidiary.

On a general level, the trade council offers partner searches, market analyses, and guidance to Danish firms and SMEs who want to expand into Ethiopia. Their promotional efforts include holding seminars, exhibitions, and meetings with notable stakeholders important to Danish companies. The trade council has expert advisors in different sectors, including but not limited to green energy, agriculture and water, food, science and healthcare, fashion, and textiles. Moreover, the trade council also works with public affairs issues or Government Public Affairs. As our second expert from the Trade Council states:

"Government Public Affairs, a certain type of door opening function for the benefit of Danish companies, is building on the networks that we either have towards the system makers in the very country that we are talking about or networks that we can establish by formally requesting a meeting. It is also possible to have the Danish company joining that meeting to address whatever topic it is that they wish" (Trade Council, p.131).

Another important program of the Trade Council is Strategic Business Alliances. It is a system where larger Danish firms with more resources and experience are grouped with SMEs to obtain business opportunities in other countries under the council's guidance. The council has advisors abroad who will help large and small firms reach the targeted business opportunity. While it is a public entity, the Trade Council charges a fee in exchange for its services, although there are some exceptions. Typically, "limited services" or a service offering that would take up to five hours is free to Danish companies where investors can get surface information not exceeding five hours of effort. Furthermore, the Trade Council can provide businesses that want to establish a subsidiary with information about legal necessities.

Delegation of German Industry and Commerce for Eastern Africa (AHK Eastern Africa):

The organization fosters positive bilateral business relations between Eastern Africa and German companies. They have 80 chambers within Germany and over 140 chambers worldwide, including the USA and China. In Africa, the delegation represents the German industry in the region and other countries, specifically Ethiopia (AHK, 2021). Their office in Africa is in Nairobi, Kenya, and they service Ethiopia through that office. The delegation's services are not merely for German companies. As such, they can service Danish businesses as well.

Their services include but are not limited to finding partners, business matchmaking, arranging business trips, administrative guidance, and conducting product studies in different sectors. On average, the expert stated that they get one inquiry related to Ethiopia per day and are open to service the Danish businesses expanding into Ethiopia. Typically, the companies

that refer to them aim at trading or finding a local partner to sell products or services in Ethiopia.

Danish International Development Agency (Danida):

Danida is Denmark's development cooperation, a field of activity under the Ministry of Foreign Affairs of Denmark. Denmark's development policy has the purpose of fighting poverty through supporting human rights and economic growth. The organization is responsible for planning, implementation, and ensuring the quality of the cooperation programs. (Ministry of Foreign Affairs of Denmark, 2021a). The management of Denmark's development cooperation within individual countries is carried out by local and posted staff at Danish embassies and missions present in that country.

The strategic goal of Danida is to promote economic growth in all sectors, especially within the areas of agriculture and climate change. In agriculture, "the Agricultural Commercialization Clusters stimulates inclusive and environmentally responsible, market-driven value chain development. This initiative provides smallholder farmers with better opportunities to increase their production and sales combined with more value-added by private sector engagement and investment" (Danida, p. 139). Moreover, within climate change, "green energy and resilience," Danida is striving to create green growth. An example of such a project is the funding of a windmill farm in Ethiopia that currently produces energy for 3 million people. The financing of such projects is provided by the Danida Sustainable Infrastructure Finance division of Danida.

Furthermore, Danida supports the Investment Fund for Developing Countries. "Together, the Ministry of Foreign Affairs and IFU have mobilized capital from private sources, including major Danish pension funds, for investments in developing countries and emerging markets. Currently, the IFU has an expected total investment of 596 Mio. DKK in Ethiopia" (Danida, p.140).

European Union Business Forum Ethiopia (EUBFE):

EUBFE is the lead in coordinating the engagement of European companies with the Ethiopian authorities. It was established in 2012 to facilitate E.U. companies doing business in Ethiopia (EUBFE, 2021). EUBFE is a source of information for current and potential investors. It has been working with the Ethiopian government on a policy level to address systemic issues affecting the business climate in the country. It is the lead organization because it functions as a "chamber of the chamber," having other chambers of commerce as their members. Besides having bilateral business associations such as Ethiopia Netherlands and Ethiopia French Associations as its members, EUBFE offers direct membership to individual companies. However, they do not have Danish companies as their members.

EUBFE provides advocacy services, information exchange, networking opportunities, and supporting new entry into Ethiopia. Currently, it represents 150 foreign companies in the region. The advocacy work involves analyzing the business environment, identifying problematic areas in terms of the regulatory bottlenecks, applying regulations, and providing input into new and upcoming laws and policies. As our expert states, "these are the areas that we are most successful in" (EUBFE, p.141). Moreover, the organization has signed three memorandums of understanding with the Ethiopian Ministry of Revenue, customs commission, and trade and industry. It presents the issues related to the business environment that needs to be addressed, which will become an essential input to the upcoming policies. As such, EUBFE is involved mainly at the policy level, and addresses issues felt among many businesses rather than individual firms' cases.

EUBFE is aware of the institutional setting in Ethiopia, including the prominent EIC. According to our expert, EIC is the "gateway to entry" into the Ethiopian market and is the leading agency promoting trade and investment in Ethiopia. Aside from EIC, there are also chambers of commerce that promote trade and investment on regional levels, both public and private. Similarly, Ethiopian diplomatic missions are also tasked with investment promotion.

Referring to information provision and networking services, the expert in our study deems the services of EUBFE necessary and says, "it is important to join associations such as ourselves. Not only because we have the right tools at our hand immediately, but we create opportunities

for similar companies to engage with those companies who have made it here. I think that is critical. To learn from each other is the most helpful thing one can offer" (EUBFE, p.145). The organization strives to share past experiences with new entrants to avoid mistakes, leading to losses for the companies, mainly in the initial stages.

Furthermore, EUBFE's direct members are fully operating in Ethiopia, but they also have few members who are not yet operational in the country but want to stay updated. "These are a minority; 2 or 3 companies who have the interest to invest. They keep an eye on the latest development of what we do because they get an honest opinion about what is going on from us" (EUBFE, p.142).

Ethiopian Embassy in the Nordic Countries:

The embassy of the Federal Democratic Republic of Ethiopia to Sweden covers Nordic countries, Sweden, Norway, Finland, and Denmark, and is a prominent actor in attracting investment in Ethiopia. It is responsible for promoting investment, trade, and tourism and keeping an enhanced relationship with Nordic countries.

"The embassy serves as a bridge between Nordic countries and Ethiopia" (Embassy of Ethiopia, p.146). The embassy promotes trade and investment by organizing business seminars, actively attending conferences and forums organized by others, and providing detailed information about the business environment in Ethiopia for interested companies. Interested companies will be connected to the relevant authorities in Ethiopia through support letters. As our expert summarized, "So, we give them information, we create a connection between them and Ethiopian authorities, and then we provide them general information on incentives that they may get in Ethiopia as a foreign company, and all other relevant information" (Embassy of Ethiopia, p.146). The embassy serves 10-15 companies annually from the Nordic countries. The clients mostly start with exporting, but some also have contractual activities in Ethiopia when it comes to the internationalization stage. "So that is how they start their business relations with Ethiopia, and sometimes, of course, it also grows into some further expansion" (Embassy of Ethiopia, p.147).

Referring to the institutional setting in Ethiopia, our expert asserted that EIC is the principal agency responsible for trade promotion. While operating at two levels: national and regional, it provides one-stop services to businesses from registration to the end process. There are chambers of commerce at the regional level that promote trade and investment, which contact their counterparts. For example, "The Addis chamber of commerce has operations with Danish industry, and they also sometimes travel abroad and promote their business along with the embassy" (Embassy of Ethiopia, p.148). Additionally, The Ministry of Trade is responsible for trade and investment promotion in Ethiopia. Under the Ministry of Foreign Affairs, Ethiopia has an economic diplomacy department tasked with linking businesses and attracting foreign investment.

The Ethiopian Investment Commission (EIC):

The EIC is an autonomous government institution and a major actor in trade and investment promotion in Ethiopia. EIC operates under the country's Investment Board, which the country's Prime Minister chairs. The organization has recently conducted internal changes to become more effective at FDI attraction and service provision to foreign investors (Ethiopian Investment Commission, 2021).

EIC administers all types of investment in the country, including a Wholly Owned Subsidiary, Joint Investment, and any other investment made by a foreigner through issuing, renewing, or canceling investment permits, business licenses, and construction permits. It will also provide monitoring and other after-care services to investors. EIC is mandated to build the country's image as a preferred investment location, identify and compile business opportunities, prepare and distribute profiles and promotional materials for potential investors in each sector. It organizes workshops and seminars locally and abroad and provides training opportunities for current and prospective investors (EIC, Investment Proclamation²). Furthermore, along with the investment services, EIC will handle work permits and visa applications for foreign investors and their family members who wish to travel and reside in Ethiopia. EIC has been offering a one-stop service to current investors through which it

² EIC's Investment Proclamation is not included in the Appendices section.

coordinates all relevant agencies and synchronizes their daily functions (EIC, Investment Proclamation).

Furthermore, at the policy level, EIC initiates policy and implementation measures through the government to create a conducive and competitive business environment.

EIC closely works with the Ethiopian Civil Aviation Authority, Ethiopian Energy Authority, and the Ethiopian Communications Authority to process any licenses or permits related to those authorities through EIC. Similar to the federal level, EIC mandates regional level IPAs to offer One-stop services.

Having presented the intermediaries and their range of services, below are the interviews with two private companies active in Ethiopia. The results depict their activities in Ethiopia and their utilization of the services provided by different intermediaries.

Engsko - A/S United Milling Systems:

Engsko is a private company producing grinding mills and millstones mainly for the North African and Middle Eastern markets. Its biggest market is in Ethiopia. The company has been making millstones in Ethiopia for over 12 years but had been exporting to Ethiopia since 1945. Determined to be more competitive, Engsko started its operations in Ethiopia with two partners and financing from IFU. It is one of the best success stories in Ethiopia and the investment environment due to annual increases in turnover and profit of about 10-15 percent each year ever since its inception in Ethiopia. For Engsko, Ethiopia is one of its most important markets for millstones and grinding mills. It supplies bakeries, organic millers, farmers, and those who want to produce organic/stone ground flour. Their products are for flour and for coffee, spices, and grinding various types of grains. Furthermore, from an annual production of 3,000-4,000 bits of milling stones, in the beginning, Engsko's output increased to 22,000 per year as of now. Engsko is an example of a successful business that gets much attention in Ethiopia.

In its internationalization process, Engsko utilized the services provided by IFU and EKF, mainly financial related and advisory. However, now that they are fully operational, IFU's role

has ended. The company deems the input from IFU and EKF valuable in their successful internationalization process. If they were to start it all over again, they would still use the services provided by intermediaries such as IFU and recommend it for other businesses who want to expand into Ethiopia. When it comes to Ethiopian institutions such as EIC, our export at Engsko stated that they have heard about EIC but did not utilize its services directly.

Siemens Gamesa Renewable Energy S.A.:

Siemens Gamesa is a leading supplier of wind energy products around the globe. It develops and manufactures wind turbines. Siemens Gamesa is heavily involved in selling wind turbines. However, it also offers services such as turbine maintenance and building a wind farm. The company operates in more than 90 countries, offering innovative solutions and offshore and onshore technology. The company has three primary target markets in Africa, including Morocco, Egypt, and South Africa. These are the recurrent markets for Siemens Gamesa, but the company has been looking into Ethiopia, as the country shows potential for wind farm projects. However, they currently do a project in Ethiopia funded by the Danish government, which is expected to finish in 2023. Through this project, the company has made its initial entry into the country by opening a branch. While this project has paved the way for their entry into Ethiopia, Siemens Gamesa is interested in continuing its operations upon completing its current project. As our expert states,

"I would say we are prematurely present because we have now opened a branch there, we have something to hire people, we have a window of 27 months. We know we will be there for the project, and then we will be there for the following five years. So, our interest is to find other opportunities and to stay there." (Siemens Gamesa, p.155)

Siemens Gamesa has also used the services provided by IFU in the process of their initial project into Ethiopia. They have also utilized the services of Danida of the Ministry of Foreign Affairs. The company has also used private consultants to assess the Ethiopian market five years ago but could not provide any further details.

5.2 Interaction between Actors

This section presents the results regarding the current state of interaction between the different actors. First, it presents the interaction between actors from the Danish side, including (1) intranational and (2) European interaction of Danish public intermediaries as well as (3) Danish and (4) European interactions with Ethiopian public actors. Also, we will present collaborations between (5) Danish private companies and the different actors. Afterward, this section deals with the (6) Ethiopian side's interaction. Ultimately, it includes (7) mutual awareness of, for example, the EIC and Danish organizations.

- (1) *Intranational interaction of Danish public intermediaries:* According to the experts, public intermediaries are generally well connected in Denmark. Also, they are aware of each other. It is not that Danida, for example, is one actor working entirely on its own, and the Trade Council, another actor. There is a link between the two. Our expert explains that in many countries, the Trade Council starts by assisting through ODA (Denmark's Official Assistance to Developing Countries), in other words, Danida insurance, and as the countries develop, the Trade Council phases out Danida assistance. Then, it would implement the Trade Council tools and instruments.
- (2) *Interaction of Danish public intermediaries with European intermediaries:* The export credit agency, EKF, had a railway project in Ethiopia and did the financing together with the International Bank, D.B., and KfW, which were funding the project. Furthermore, the intermediary joined together with other export credit agencies from other European countries, such as Switzerland, Italy, Sweden, and Austria. It was a large project of international scope.
- (3) *Interaction of Danish public intermediaries with Ethiopian public intermediaries:* EKF communicated through the banks. The primary way for the actor to do this kind of transaction was that it received much information both from the Ethiopian side and the banks. EKF can collaborate with all creditworthy banks in Ethiopia, such as the state-owned commercial bank in Ethiopia. Then, EKF can work with governmental

buyers with the ministry of finance guarantee. This is the best option EKF can get and usually the requirement in the country.

“We do not know the market for, let’s say, car oil in Ethiopia. You can't be an expert on everything. So, what we would do was ask that customer to contact his bank to take the risk of him. So, you would assume that his bank knows them well, and they think he is creditworthy, so that the Ethiopian bank would have the buyer's risk. We would take the risk of the Ethiopian bank because it is a little bit easier to assess the creditworthiness of a bank than a corporate.” (EKF, p.107)

When the public intermediary carries out big projects, it usually partners with a national bank. In the case of the railroad project in Ethiopia, the African Development Bank provided half of the financing.

Furthermore, the Danish energy agency has energy cooperation with Ethiopia. Then, the Ethiopian government has an authority called ATA, which is the agricultural transmission agency. This Ethiopian actor contacted the Embassy of Denmark in Ethiopia to provide the agency with companies wanting to work with them. Moreover, the Danish embassy in Ethiopia works mainly with the ministry of finance. Also, it collaborates with the ministry of foreign affairs for travel documents and the Ministry of Water Irrigation and Energy. Thus, one of our experts mentions that “a lot of the work that I also do is within agriculture and energy and trying to promote green growth and sustainable trade.” (Embassy of Denmark, Ethiopia, p.126).

The Danish authorities partner with the Ethiopian authorities to promote and develop renewable energies and specifically wind energy.

“This big windmill park that is being built and is funded by the Danish government.” (Embassy of Denmark, p.127)

“So, that was the idea of the Danish authorities, to say, let's find an opportunity, let's finance it, and we will organize a tender so that some private companies

will build the wind farm, that the wind farm will belong to the EEP, to the local utility. However, technically speaking, we will demonstrate that it is feasible to have this wind farm running. And then, the page will be open to private investors; they will be convinced that the technological risk at least is not existing." (Siemens Gamesa, p.152)

Generally, when the Danish government is involved, for some countries, such as Ethiopia, that is a good quality mark on the project, bringing in credibility. As our expert states: "We may not have tried if it was not financed by the Danish authorities, because when the Danish authorities finance it, you say, okay, it should be something serious, and it will happen" (Siemens Gamesa, p.155).

Furthermore, Ethiopia is one out of 12 priority countries for Danish development aid. Therefore, Denmark has strong ties with the Sub-Saharan country concerning development cooperation. The Country Program for Ethiopia 2018-2022 provides the general framework for the partnership:

"The overall vision is: "A more stable, secure, and prosperous Ethiopia advancing towards increased freedom, democratic space, and respect for human rights, based on sustainable, inclusive development, thus addressing the root causes for migration." The engagement operates within four strategic areas: (1) Commercialisation and economic opportunities within agriculture; (2) Climate Change: green energy and resilience; (3) Good governance, rights, and civil society; and (4) Sustainable solutions about refugees and migrants." (Danida, p.139)

(4) *Interaction of European intermediaries with Ethiopian public intermediaries:* As for the Delegation of German Industry and Commerce for Eastern Africa, the semi-public intermediary collaborates with sector-specific sub-chambers from Ethiopia. Similarly, in Ethiopia, the EUBFE collaborates with Ethiopian ministries, gathering the challenges that companies face and presenting them in a broader scope for solution-seeking.

"So, to give you an example, the latest is the new investment law that came into force about 6 or 7 months back where at the drafting stage, we were consulted two times to provide input into the legislation. This new investment correlates to establishing the EIC itself that overlooks new entrants into the Ethiopian economy. We made several recommendations into the legislation that came into effect, as I said 6 or 7 months back." (EUBFE, p.142)

Further interaction of the public intermediary with the Ethiopian Ministry of Revenues was when they pinpointed specific directives or regulations that seemed confusing and were not applied as they should, based on empirical data of their members. Afterward, the E.U. Business Forum presented it to a task force that coordinated between the actor and the ministry of revenues to find a solution. The result was a workshop between the E.U. Business Forum and the ministry representative, including presentations of tax compliance and related challenges. The Ethiopian part also gained some inputs from the finance managers on how to improve the ministry of revenues' service.

(5) *Interaction of Danish private companies with Ethiopian public intermediaries:* A Danish company was involved in EKF's railway project in Ethiopia. It delivered the tracks. For EKF, some Danish exports were needed to be involved in the transaction of the international project. Furthermore, the millstone company Engsko has not dealt with the EIC at all. Also, it has not dealt with any Ethiopian public actor or received their services for their business activities in Ethiopia. The same picture resulted for Siemens Gamesa. Both companies mainly used the services from Danish public intermediaries, such as the embassy, IFU, EKF, or others.

The Ethiopian government has made efforts to improve the interaction between the two countries. There was a change in the management of the EIC.

"And the last thing that we spoke with her about was to make a desk for danish companies so that they would have direct access to this investment commission. In collaboration with the embassy, which would then be the person taking over for me, this Denmark desk at the Ethiopian investment

commission would help Danish companies. So, they are doing a lot to help investments and make sure that they can attract foreign exchange into the country." (Embassy of Denmark, p.129)

- (6) *Interaction of Ethiopian public intermediaries with Danish public intermediaries:* The current state of different types of interaction of Ethiopian public intermediaries with Danish public intermediaries from the Ethiopian Embassy in the Nordic Countries and the EIC are presented. The cooperation of the Ethiopian Embassy in the Nordic Countries looks as follows:

"Well, we have cooperation, as you mentioned, with Danida, which is our major focal point. Moreover, we collaborate, to some extent, with the ministry of foreign affairs, chambers of commerce, like the Danish industry. Another investment company that I say IFU I think the abbreviation is in .. Danish, but it is an investment fund for developing countries. And the Danish energy, I do not remember the name, but there are funding institutions that mostly work on energy. Most of the Danish companies engaging in Ethiopia, of course, have something to do with energy and those sorts of Agribusiness. So, those are some of the institutions, I think." (Ethiopian Embassy, p.148)

Next, the EIC negotiates and signs bilateral investment promotion and protection treaties with countries that can be sources of outward foreign investment. It aims to establish an information exchange system that enables current and accurate information flows between the Commission, government agencies, regions, investors, and other relevant organs to enhance investment.

- (7) *Mutual awareness:* Regarding EKF, there is usually an Ethiopian buyer wanting to find a Danish exporting company while being aware of the public intermediary, EKF, in Denmark. The Ethiopian buyer would then contact EKF because the bank involved requires a specific percentage, and they would get the guarantee from EKF.

“So, you would have an Ethiopian buyer who would find a Danish exporter, and they have found a bank that can finance the purchase, and the bank would go to EKF. Every bank knows us, and many exporters know us, but few may not and even few Ethiopian buyers. So, it could be the bank; it could be the Danish exporter, and I also get inquiries from local buyers.” (EKF, p.108)

Some public intermediaries are not aware of the EIC. For instance, one of our experts within EKF states: “I have never heard of it as we do not work directly with them” (EKF, p.109). Other public intermediaries, however, are familiar with the EIC and its services:

“Yes, so it is the one-stop solution. It is really the key actor where they help you. They have all the relevant actors, be that to open a bank account or others.” (AHK, p.137)

“Some (companies) register through the ministry of trade, not the EIC. Usually, the EIC is the first point of contact.” (AHK, p.137)

As for the private companies, Engsko and Siemens Gamesa, both are aware of the existence of the EIC but have not had any interaction with them.

“I have heard of that organization, yes.” (Engsko, p.121)

“Yes. Well, I would say, I have heard about it, but I cannot say that I know it in the sense that- never worked directly with them.” (Siemens Gamesa, p.155)

5.3 Internationalization Difficulties

There are many challenges Danish companies may face when internationalizing into Ethiopia. Most of them are challenges typically prevalent in developing countries or emerging markets. The experts mentioned that political instability, social disputes, and security concerns bother companies. Ethiopia's perception of this political risk is due to the many different tribes, the current Tigray conflict, and different rules and regulations. Also, one crucial factor deterring companies from their internationalization into Ethiopia is the country's image. The mainstream media does not always portray the country as politically correct, which influences

corporate decision-making. However, the current president Sahle-Work Zewde made a good impression in terms of overcoming political risk on one of our experts: “I have a good impression of the president. He seems to be fine to make things work. I think it is difficult” (EKF, p.109).

Next, the experts referred to infrastructural challenges in the country. The prevalent opinion is that Ethiopia lacks sea and road infrastructure, which affects exporting activities, and the country suffers from power outages. Compared to other countries in Sub-Saharan Africa, Ethiopia is a landlocked country and seeks to loosen the dependence on the Djibouti port while engaging with other ports. One of the experts said that Ethiopia has a reasonably good infrastructure and adds that it has much agriculture but faces severe challenges in its forex market. This opinion about forex in the country is consistent among all the interviewees and explained in the following.

Many companies complain about the access to forex, i.e., a lack of foreign currencies, as a significant challenge. Ethiopia’s currency, the Ethiopian Birr, is managed through a dirty float mechanism with some government intervention at times. Hence, there is a significant difference between market valuation and major currency baskets. This currency system puts limits on the country’s investment climate. At the same time, Ethiopia’s export is not as it should be, the country exports much less than it imports. Thus, Ethiopia has a significant trade deficit, leading to a considerable shortage of forex. Due to the massive lack of forex, the Ethiopian government has proclaimed where it splits sectors into different priority groups. Some of these have a right to 50 percent of any available forex. The rest of the sectors struggle to get the rest of the available forex.

A series of strategic plans were launched in 2010, named GTP1 and GTP2, by the Ethiopian government. These strategies aim to beget green transformation and open sectors, especially in agriculture, mining, and tourism, to increase forex in the country. GTP2 was concluded at the end of 2020, and currently, the "Home Grown Economic Reform Programme" is being implemented.

When companies do want to internationalize into Ethiopia, they count the forex issue as a profit risk.

"The biggest challenge that we have in Ethiopia is that we have a profit every year in Ethiopian birr, of course, in the company. We cannot transfer that out of Ethiopia. .. So, that means that the profit we have had for the last ten years is in Ethiopia because they have the current currency system. And the currency, the Ethiopian birr, is depreciating every single year." (Engsko, p.121)

The Forex issue is an entry and, at the same time, an operational challenge for companies. It is operational because once they have a subsidiary on the ground in Ethiopia, they have to import raw materials and other business-related products but lack foreign currency, such as Dollars, Euros, or Danish Krone, to import them. At the same time, companies cannot get the profits out of Ethiopia due to the depreciation of the Ethiopian Birr.

"What we do with the capital that we have there is that we actually want to see if we cannot invest or make some sort of Ethiopian investment fund or something, invest in small businesses in Ethiopia, invest maybe in property, and so on. In that way, get the money out to breed, not just hanging on the account." (Engsko, p.121)

For one company, the forex issue could likely have been a reason not to set up a subsidiary in Ethiopia in the first place, but rather somewhere else, if they had known about it earlier. The forex challenge deters many companies from investing because they cannot get money out of the country. Thus, many foreign companies want to export to the market and find partners able to handle the currency and forex challenges. To attract foreign investors, the climate on the forex market needs to change. However, one expert foresees that the situation might change in 10-15 years, and it could be possible to get capital out of the country.

"(...) they have a very big project where they are building a big dam. That project, so that they can produce energy and so on, will not be finalized until ten years from now. When that is finalized, they will start making much money in Ethiopia on that dam.

And then, I think, they will give it free. However, it is not complete until 10-15 years from now." (Engsko, p.122)

Nevertheless, the forex issue can be overcome by having a long-term investment strategy:

"I went to a regional meeting in Kenya, where I tried to speak to one of the Danish companies which had established a subsidiary and went into a joint venture with a Kenyan company, and they are doing really, really good now. And I asked them what their best advice was to Danish companies to go into the market in Africa. He said, to have a very long strategy." (Embassy of Denmark, Ethiopia, p.127)

Furthermore, the lack of exports is the reason why Ethiopia has a vast number of industrial parks. The government aims to attract international companies to produce locally for exporting activities, and once products are exported, the country gets more international currency. For exporting companies, the government provides trade and investment incentives such as tax holidays, export taxes, and leasing incentives related to receiving space in the industrial parks.³ This is done "to increase foreign exchange earnings by encouraging the expansion in volume, variety, and quality of the country's export products and services" (EIC, Investment Proclamation)

Then, the Ethiopian government also conducted a change in policy concerning FDI:

"For example; for investment, before you had a positive list, you would have to specify whatever sector you could invest into as a foreign country, and now they change that into a negative list, and only closed off a couple of sectors which is a huge thing for foreign investors." (Embassy of Denmark, Ethiopia, p.128)

The primary challenges for Danish companies related to uncertainty and information asymmetry consist of understanding the legal and finance frame of the market, understanding the rules of the specific sector a company seeks to enter, understanding which the relevant

³ The details of the trade and investment incentives are available at the website of the EIC (<http://www.investethiopia.gov.et>).

players are, and identifying whether there is a trade or investment opportunity in that particular market.

“(...) is there a market for me, and the other question is that if there is a market for me, what are the rules of this market? And then, how far may I cope with those rules? And then decide whether or not to go to this market.” (Siemens Gamesa, p.154)

Furthermore, bureaucratic hurdles pose challenges to companies as well as to public intermediaries. In Ethiopia, communication with public entities is perceived as slow and much time is spent on follow-ups with government officials. The reason is that the employees are so busy that they forget to respond unless they are called back every day. Hence, it is difficult to reach out to the government unless done through the embassy and an ambassador. Then, the registration of a company, licensing processes, and bureaucratic processes, in general, are perceived as challenges due to many trade rules and administrative barriers: "For everything you need a license, for everything you need a permit, for everything you need authorization, and those are really the problems" (Siemens Gamesa, p.154).

The bureaucratic hurdles, in turn, affect the ease of doing business in the country, which is still 159 out of 192 countries. To attract foreign investors, the experts believe that the investment climate needs to change. This is something the EIC is currently working on with a new commissioner. The new commissioner is considered as fierce while having the will to improve the ease of doing business. The Ethiopian Embassy in the Nordic Countries also has a project of ease of doing business with the World Bank. Danish companies have been reluctant to internationalize into Ethiopia because the trade and investment environment is still very new, and many sectors have not matured yet. Despite this, some sectors are complicated to enter.

However, different viewpoints exist regarding bureaucratic hurdles and the ease of doing business. The E.U. Business Forum in Ethiopia credits the country in registering companies and getting investment licenses.

"They have been extremely efficient and shortened the time to do so. One can actually do the registration online before they come into the country. So, this has become much

more efficient. There are also moves of automated customs which also has been a fairly problematic area. Taxation is also becoming automated, and that was not the case before. It was also a very problematic area." (EUBFE, p.144)

The same can be recognized in the EIC's investment proclamation.

“Any investor wishing to transfer to another investor a project which is in the implementation phase and for which no business license has been issued shall submit his request to the appropriate investment organ and obtain the approval of such organ. The appropriate investment organ shall not deny or delay the approval sought without sufficient cause.” (EIC, Investment Proclamation)

At the same time, investors who have been issued an investment permit shall submit their progress quarterly to the appropriate investment organs and provide information whenever requested by the investment organ. Furthermore, any investor concluding a technology transfer agreement related to the investment should have it registered with the EIC.

Furthermore, Ethiopia is considered a high-risk country ranking in category 7 of the OECD scale, where 7 contains the highest risk. This rank means that for some actors, for example, EKF, there are limits on what kind of transactions the organization can conduct. Countries typically want to have a small number because it makes the financing of projects cheaper.

When looking at public actors only and their challenges related to trade and investment promotion in Ethiopia, some did not suffer any losses in terms of money. However, what public intermediaries do whenever they approach a new project is to figure out how to mitigate and minimize the risk involved. They try to transfer the knowledge to their partners not to make the same mistake that the public actors have made previously. Partners smaller in size may not have the resources and capacity to do a proper background investigation and business planning. Some typical challenges of public actors are improper management, poor resource planning of partner companies, and delays related to the ease of doing business described above.

"If you look at it historically, then I would say that some of the typical faults and reasons for failures are very much about management, that we did not succeed in implementing the right management. And that can be both- from the local side, where nepotism may not be a negative word in some of these countries (I am talking in

general) and, in cases of the Danish partner- not always set aside the right resources. So that is one issue. The other issue is that very often, things get delayed. There would be cost overruns, delays in implementing the project, and this would cost money. Maybe the partners are not willing to do that. So, there are many reasons why things are not always working according to expectations. But this is where we try to bring in our experience so that we can guide the partners not to repeat these faults." (IFU, p. 116)

Lastly, the coronavirus pandemic, of course, also affected Ethiopia. During 2020, trade and investment activities have been going downwards. The Danish Trade Council, for example, decreased the cost for their services and established a more straightforward pricing structure to enable a larger pool of Danish companies to make use of their services, as the intermediary was needed even more during the crises than before. The Trade Council also worked collectively with Danish companies by arranging export promotions to the region, which have been stopped for the time being because of the pandemic.

6 Discussion

The first section, 6.1, provides answers to our research questions and discusses the results. Next, section 6.2 elaborates on implications for research and practice. Then, section 6.3 explains our study's limitations, presents our learning reflections, and gives suggestions for future work.

6.1 Answers to Research Questions and Discussion of the Results

What are the range of services Danish companies can receive from intermediaries for their internationalization process to Ethiopia?

The results indicate a wide range of services available to Danish firms that want to expand their product or services into Ethiopia. Advisory, export credit, and risk capital services are available for exporting companies or those that want to perform a project, including major infrastructural projects. Such insurance and funding services have numerous benefits, such as insuring against the potential risk of trading with Ethiopia, increasing the attractiveness of Danish exports, and reducing the cost of risky projects. Their existence should be a motivation for Danish businesses to export or get involved with a project in Ethiopia. They can provide “peace of mind” for firms enabling them to overcome the risks involved in financial transactions and focus on other aspects of their internationalization process. Without such services, financial risks could discourage any Danish business from exporting or investing in Ethiopia.

The two prominent organizations in this field are EKF and IFU. In addition to commercial benefits, the work of these organizations creates social benefits for communities in Ethiopia. IFU is involved in projects with positive impacts aimed at creating jobs, bringing new technologies, and increasing the country's export potential. The organization can fund developmental projects in Ethiopia without the involvement of a Danish firm. This level of openness provides an excellent opportunity for Ethiopian public and private actors to initiate impactful businesses and viable projects.

Similarly, EKF enabled the major project of building a railroad in Ethiopia that connects different communities and millions of people. Those country benefits of exports, investment, or projects are many for Ethiopia. It can improve the environment and social conditions in Ethiopia by relocating better technology and business practices. The benefits also include technology spillovers, human capital formation, enhancement of the competitive business environment, contribution to international trade integration, and improvement of enterprise development (Kurtishi-Kastrati, 2013).

In response, the country's primary promotion agency, EIC, is committed to attracting investment and facilitating the absorption of spillovers from foreign firms. However, EIC needs to exclusively strengthen its relationships with Danish actors and promote its services to Ethiopian businesses through proper communication and information sharing. Further research, such as a case study, could be done in this regard.

"The Commission, in collaboration with the Ministry of Trade and Industry, shall prepare and implement a guideline regulating the duty of investors to design and provide training programs and to ensure the transfer of skills and knowledge to substitute Ethiopian workers." (EIC, Investment Proclamation)

The other services available to Danish firms include partnership facilitation, information provision and guidance, market analysis, business trip arrangement, and product studies. Similarly, advocacy services, including identifying problematic areas in regulations, applying regulations, and providing input into upcoming policies, are of paramount importance to firms expanding their products or services into Ethiopia. Firms can overcome some of the difficulties of internationalization by utilizing these types of services from intermediaries. When asked whether intermediaries such as Trade Council, IFU, Danida, and Danish Embassy helped overcome difficulties, our expert from the private firm states,

"Yes, they helped a lot in understanding the rules of the country and were the main actors and stakeholders for our project." (Siemens Gamesa, p. 154)

Intermediaries and IPAs provide information, facilitate investment and build the country's image and linkages between investors and the host country (Wells & Wint, 2000). The importance of such intermediaries increases in countries such as Ethiopia with a considerable cultural distance and where the primary language is not English.

It is important to note that actors such as Danida, in collaboration with IFU, play a more crucial role here. They provide funding to projects or businesses, which could be a means to achieving internationalization goals for those firms who lack the capital or risk appetite to invest abroad. They can provide the jump start for firms to consider exporting or investing in Ethiopia. For example, by providing the funding of the windmill park in Ethiopia, they enabled Siemens Gamesa to initiate their project and operations there. Upon completion, Siemens Gamesa, a major MNE, considers the possibility of continuing operations there, as mentioned before. In this way, they enabled a firm to expand into Ethiopia even if Ethiopia was not on the company's radar as an investment location in the near term.

Additionally, actors such as Danida provide collaboration opportunities between different intermediaries via their projects. For instance, a project will involve IFU, EKF, private firms, and the Ethiopian government to create public awareness. EUBFE and AHK are intermediaries who support companies on the ground on the policy level. Therefore, it is vital to emphasize the existence and the importance of such crucial services for other firms in expanding into Ethiopia.

To make our discussion in line with the theory, we attempted to categorize the services rendered by intermediaries in our sample into image-building activities, investment generating activities, and after-care services (Wells & Wint, 2000). It is worth mentioning that some of these categories can overlap. When it comes to image-building activities, the intermediaries we explored function as sources of information and provide networking opportunities, meetings with notable stakeholders, and organize regular exhibitions, seminars, and forums for potential investors. They also actively participate in events organized by others. Image building aims to create a perception that a given market is attractive for FDI (Lim, 2008).

Moreover, networking services, information provision, holding exhibitions and seminars, and providing support letters are among the activities undertaken by intermediaries aimed at generating investments. Direct mail or telemarketing, industry or sector-specific investment missions, and information seminars are undertaken to directly generate new investments in the country (Wells & Wint, 1990). It is worth mentioning that Ethiopia, in recent years, has done a lot to attract FDI. The country has developed the investment proclamation and the Growth and Transformation Plan II (GTP II) and has undertaken various efforts to improve the business environment, including changes in policies and changes to EIC. The embassy in Stockholm and others such as the Trade Council will expand their programs upon easing COVID-19 restrictions. We expect that Ethiopia will attract even more inflow investment once the pandemic is over.

Finally, after-care services rendered by intermediaries include advocacy, policy work, guidance, and monitoring and evaluation. Such services did not help generate investment interest or change the country's image. They were only there to help investors who have already committed to the country (Wells & Wint, 1990). Miskinis & Byrka (2015) found that some actions are crucial to attracting more FDI. These activities include after-care activities such as promoting re-investment, online promotion, new media usage, networking through close partnerships, attracting ambassadors to promotional activities, forming strategic partnerships with local authorities, and other IPAs creating diverse cities (Miskinis & Byrka, 2015).

Is there a potential interaction between home and host country actors in rendering support to Danish companies, and if yes, how does it look?

There is some level of interaction among public intermediaries in Denmark, as indicated by our experts. The prominent Danish intermediaries seem to have mutual awareness and a good relationship with each other. EKF, IFU, and other public intermediaries such as Danida and Trade Council have an interchangeable relationship. They are also involved with private firms and vice versa. The two firms we included in our research had a good relationship with Danish intermediaries. There is a high possibility that other Danish firms are aware of different Danish

actors and utilize their services, but further research is needed to include a broader sample of Danish companies.

The host country actors (Ethiopian actors) seem to have a good level of interaction among themselves as well. As indicated before, EIC is the central government entity responsible for investment promotion and investment services. It is a well-connected institution that most of the intermediaries have either worked with or know of. For example, EUBFE has active collaboration with EIC and other public authorities in Ethiopia at the policy level. They are also in touch with foreign and domestic chambers of commerce, as they have such entities as their members. Similarly, AHK Eastern Africa collaborates with sector-specific sub-chambers from Ethiopia. Such collaboration is essential because this interaction, mainly at the policy level, helps improve the business conditions for companies internationalizing into Ethiopia.

When it comes to the collaboration between Danish intermediaries and Ethiopian actors, we would say it is very "individualized" for each actor. We came up with this term to try to capture the idea that each actor is only concerned with their own counterparts in Ethiopia. The Danish export credit agencies such as EKF only know about banks and the finance ministry as they have interacted with them before. They do not know about EIC or related chambers of commerce because they are not directly involved with the organization. Instead, they help Danish exporters by financing transactions. The Danish firm will then have potential contact with EIC.

Moreover, The Danish government cooperates with Ethiopian ministries and carries out related activities through IFU, Danida, Trade Council, and Danish Embassy in Ethiopia. Their collaboration with the Ethiopian government exists because they create opportunities for Danish businesses to get involved. Finally, on the firm level, the interaction with Ethiopian actors does not look very good. The two companies in our sample never got in touch with entities such as EIC. They had used the services of consultants when it came to completing procedures on the ground in Ethiopia. However, since Danish actors helped these companies, their needs may go fulfilled through these Danish actors; hence, undermining the need to contact Ethiopian intermediaries.

According to the Ethiopian Embassy in Stockholm, many Danish firms are either not aware of their services or do not use them. Similarly, EUBFE does not have Danish companies as their direct members despite the essential and vital services. One can assume that prior experience and availability of local partnerships could be the reason for skipping intermediaries such as the embassy. Some companies use the services of consultants and, therefore, are skipping intermediaries and avoiding interaction with them. There are also possible private investment promotion intermediaries that were not included in the scope of this research and whose services could be utilized by Danish firms.

Further research is needed in this regard. However, observed from the investor-home-host country triangulation perspective, the investor-home relationship looks good, as mentioned before. The investor-host country direct relationship does not look very good and needs improvement. Similarly, the home-host relationship between the actors could also improve to attract more investments.

There is room for improvement in our perspective. The Ethiopian government has already taken steps to improve the interaction of its central agency, EIC, with the Danish private firms. They have changed the management at EIC and are willing to dedicate an exclusive desk to help danish businesses directly with their inquiries. Such types of facilitation are beneficial to Danish businesses both to get timely information and complete the required procedures more efficiently and motivate potential investors. A better state of collaboration and awareness has potential benefits to the current Danish businesses and effectively attracts potential businesses who might be hesitant about expanding into Ethiopia.

Continuous interaction and collaboration between home and host country actors could facilitate a smooth internationalization process of the firms. The mere dependency on information provided by Danish actors could pose a difficulty for firms given the distance and other issues related to developing markets. As discussed in theory, investors' familiarity with formal and informal institutions in the host country lowers uncertainty and facilitates partnering with local firms (Pérez-Villar & Seric, 2015). Furthermore, a coordinated approach

for both home and host sides could reduce bureaucratic hurdles, a challenge many firms face in their internationalization process.

What are the main factors that deter Danish companies from their internationalization to Ethiopia?

Numerous factors play a role when companies determine whether or not to internationalize into Ethiopia. The results revealed that there are factors deterring Danish companies on a macro level, such as political and macroeconomic challenges, primarily addressed at the policy level. These are typical challenges prevalent in developing countries or emerging markets. To sum up, these macro-level factors deterring Danish companies from entering Ethiopia are political instability, infrastructural challenges, the forex issue and the related lack of foreign currency and the trade deficit, as well as a high country-risk score.

These factors are mainly hurdles addressed at the policy level. As explained in chapter 2, the government already has development policies in place, focusing on public and foreign investment, commercialization of agriculture, and non-farm private sector development. One of such growth and transformation plans is, for example, the GTP II to boost exports from many sectors and counteract the negative trade balance (Country Watch, 2020). The plan also emphasized the development of infrastructure and the expansion of industrial parks (HIS Markit, 2020). Ethiopia's strong GDP growth, the liberalization of the economy, and export orientation policies are all encouraging factors for foreign investors that help overcome the market's challenges.

Furthermore, the results revealed that there are factors deterring Danish companies that could be addressed at the micro-level, i.e., on the public intermediary and investors' level. In short, these include the forex issue, investors' uncertainty, information asymmetry, bureaucracy, and the difficulty of doing business in Ethiopia. One way to overcome the forex issue as a company wanting to establish a subsidiary in Ethiopia, is to have a long-term strategy for the market. This seems reasonable for reasons of profit risk and because the results indicate that often delays in implementing projects and hence, cost overruns occur.

Delays may occur on both sides of the host and home country: First, bureaucratic hurdles in the host country, Ethiopia, can pose challenges to the company's operations. Second, theory suggests that the implementation of headquarters' demands in foreign subsidiaries can take longer than expected, especially when the institutional environment differs substantially from the home country (Holm et al., 2017). Subsidiary managers sometimes have to postpone or test headquarters' requests or respond in ways that may not fit either the headquarters demands or the local actors' demands, such as customers and suppliers, ultimately causing delays (Holm et al., 2017). Thus, the findings and theory suggest that a long-term strategy for establishing subsidiaries in the Ethiopian market is desirable from an investors' perspective.

Then, current and potential investors face uncertainty and information asymmetry in the market. Here, public intermediaries play a crucial role in providing information regarding the legal and finance frame, local rules, sector-specific information (as some sectors are difficult to enter), and connecting companies with relevant players and partners. Furthermore, as mentioned earlier, the online presence and promotion of government offices and public intermediaries are crucial (Miskinis & Byrka, 2015), such as having an efficient website, call center, customer service, and advertisements.

Next, Ethiopia's bureaucracy challenges both private companies and public actors. Communication with public entities is perceived as slow and much time is spent on follow-ups with government officials. Trade rules and administrative barriers, such as licensing processes, permits, and authorization rules, hinder improving the ease of doing business in the country. The EIC already has many measures to improve it, such as the online registration before entering the country as an investor. Moreover, a further simplification of the processes needed to enter the country might help, for example, decreasing the list of documents to get a permit. Then, it could be necessary that the EIC employs English-speaking staff and maintains a fast response time for potential investors. Next, one-stop services might be inefficient in some cases. As an alternative, the responsible government office could pass on the request to other offices or public entities, which could lower bureaucracy. Perhaps, too many domestic middlemen are involved in one-stop services, who may not perform the tasks as needed, which could harm the whole process. Thus, a direct completion of the procedures by the

investor itself might be cheaper and more efficient. It is essential to mention that it is out of the scope of this paper to deeply analyze processes and procedures or business models of the EIC, for example, and the improvement suggestions are our assumptions.

We consider the available services of the numerous public intermediaries presented further above as the primary response to overcome internationalization difficulties as a Danish private company. Also, an enhanced trade and investment promotion by public intermediaries, proper information provision for investors, and a potentially improved interaction in the investor-home-host triangulation could help stimulate the country's exports, reduce uncertainty, improve the efficiency of the internationalization processes of companies and, as a result, attract more Danish trade and investment. However, during the interview process, some other factors have emerged, which are also essential to cope with the difficulties and facilitate a smooth and successful entry into Ethiopia.

According to our experts, a crucial factor in overcoming the internationalization difficulties is a company's prior internationalization experience. When clients reach out to public actors, such as the Embassy of Denmark in Ethiopia, they are often already present in other African countries. They tend to be well established in their internationalization process and want to enter the Ethiopian market because of the enormous population of approx. 112 million people. Therefore, it cannot be ignored that the two private companies involved in this research, Engsko and Siemens Gamesa, also exhibit vast internationalization experience.

„I mean, you cannot take away the experience that we have by being an export company for more than 75 years. It is incredibly important to know the local conditions, to know the markets where you operate, and so on.“ (Engsko, p.120)

“The internationalization process is not something new for us. For those kinds of projects, we already used, for example, the Spanish funds to develop into some Latin American countries in the past. We have factories in China, so we have also used some Chinese export credit to be present in other countries (...).“ (Siemens Gamesa, p.155)

These results build on existing evidence of the effect of institutional context on the companies' international diversity and performance. As defined previously, international diversity is the extent of the firm's presence in different markets from its home market at various capacities (Chao & Kumar, 2019). While a Danish company perceives liability of foreignness in a developing market, such as Ethiopia, its previous experience from operating in other institutional contexts helps to overcome the challenges of operating in such a distant market (Chao & Kumar, 2010). The success story of Engsko's partnership cooperation with Engsko Ethiopia and, in general, its vast amount of prior internationalization experience also underpins the findings that investors' familiarity with formal and informal institutions in the host country lowers uncertainty and facilitates partnering with local firms (Pérez-Villar & Seric, 2015). Hence, it is important to note that both private companies already had a vast amount of prior experience and still used intermediary services, such as funding or export credits. This again substantiates the importance of intermediary services in a company's internationalization.

Another country where our experts have seen quite a few Danish startups becoming successful is Kenya. These companies established subsidiaries in Kenya and used the country as a platform for penetration into neighboring countries, such as Ethiopia. According to our expert from AHK Eastern Africa, in most cases, companies start with trading rather than investing in the country. "They look for a partner to sell products and service- Distributor or end customer, or sometimes they have their own representative." (AHK, p.137) This finding does fit with the theory that many firms start their internationalization process with exporting as an entry mode, and only at a later stage switch to another mode (Hill & Hult, 2017a).

Another important factor influencing the ability to cope with the internationalization difficulties is the company size. Most large companies have the financial capacity to withstand such challenges. SMEs could significantly be affected by the internationalization difficulties. Regarding the difficulty of doing business in Ethiopia, delays in implementing projects could harm SME operations. In contrast, large companies can better withstand delays due to their financial capacity.

„And for me, that is quite unfortunate because it is actually the SMEs that create more jobs; these are the investments they bring in. Whereas large businesses usually bring in high-tech manufacturing systems that do not even require much manpower. So, I mean, it is not precisely an SME-friendly environment, and that had to be addressed soon enough in my view. Because what is happening is that bigger companies are not only joining in but expanding their presence already, and by the time when their system has become streamlined, there will be little space for SMEs to join in. This is what is happening at the moment.“ (EUBFE, p.144)

It is not that SMEs do not have a role to play in Ethiopia. However, some experts believe that certain markets can be complex without financing, financial strength, prior experience, and specialized staff to assist. For some companies, it might be better to start out in more mature markets and afterward get step by step to developing countries, such as Ethiopia. This result also fits the theory of Uppsala's internationalization process very well (Johanson & Vahlne, 1977, 1990). The authors implied that companies follow a step-by-step approach when expanding into foreign markets and assume that experiential learning and the gradual commitment is the primary method for reducing market uncertainty (Johanson & Vahlne, 1977, 1990). The same can be observed for Danish businesses internationalizing into Ethiopia.

However, one expert states: “But we also have companies starting in those markets. It is doable, it is possible, and we can assist in those phases as well.” (Trade Council, p.134). This statement is in accordance with the fact that a firm's internationalization process can take many different routes and is more multifaceted than the Uppsala internationalization process (Forsgren, 2002). This is also consistent with the emergence of born global firms around the world. As explained earlier, a born global firm conducts its internationalization activities at or near its founding. The early and quick internationalization of these types of companies contrasts with the incremental internationalization patterns of older MNEs. As stated, born globals indicate that any enterprise of any size, age, experience, and resources can actively engage in and benefit from international business (Knight & Liesch, 2016). This also seems to be the case for some Danish companies doing business in Sub-Saharan Africa. While most of

them do their internationalization in accordance with the Uppsala internationalization process, some startups might directly start business activities in Sub-Saharan Africa.

Next, overcoming difficulties related to internationalization could also be project-related in Ethiopia. When IFU, for example, enters into a discussion with a Danish company as a potential client, the question arises whether to aim for engaging with a local partner on the ground or not. In most cases, the Danish companies that cooperate with IFU want to engage with an Ethiopian partner as they lack an understanding of the community.

“(...) but it may not always be a good choice. It depends on the project. If you are into a business where you need the distribution of goods in the country, then maybe a local partner having a distribution channel network could be a good choice. If you set up business in emerging markets where you want to have a cost center for supplying your operations in Denmark, then maybe a local partner is not necessary or could be a challenge because then your interests are not aligned.” (IFU, p.117)

The establishment of a distribution channel network, together with a local Ethiopian partner, can be classified as a market seeking motive, where a company invests in a particular country or region to supply goods or services to these markets or adjacent countries (Dunning, 2008). The will to operate a cost center for supplying operations in Denmark, which might be reasonable without a local partner, can be classified as strategic asset or efficiency seeking (Dunning, 2008). This suggests that choosing whether to engage with a local partner or not could be directly related to the underlying internationalization motive.

Furthermore, the results indicate that the choice of partnering with an Ethiopian organization on the ground does not depend on the company size. The Danish Embassy in Ethiopia had different smaller companies reaching out to see if the public intermediary could find them customers or partners. Also, larger companies were looking for partners through the embassy services. As for Danish businesses that have contacted the Danish embassy in Ethiopia in the past, some tried to internationalize without the involvement of either the embassy or trade council as an intermediary. “(...) tried before they contacted us, and they did not get so far. So, that is why they also wanted our assistance.” (Embassy of Denmark, Ethiopia, p.125)

The EU Business Forum in Ethiopia did an investment mapping a few years ago. The findings were that most European investment in Ethiopia was a Joint Venture to overcome the risk of operating in Ethiopia. “Understanding the market, navigating the legislative and bureaucratic system, and so on. I think the European businesses have found a way around it by joining a local company.” (EUBFE, p.144) This builds on the evidence of the advantages of the Joint Venture as an entry mode, which are access to local partner’s knowledge, shared development costs and risks, political acceptability, and typically that there are no ownership restrictions (Hill & Hult, 2017a).

6.2 Implications for Research and Practice

The findings of our study imply several implications for research and practice. As for the research, this study builds on and underpins existing theory related to the importance of intermediaries in a private firms’ internationalization process. Next, our findings substantiate the Uppsala internationalization process, as Danish firms typically choose a step-by-step approach when entering Ethiopia. However, the results also include some arguments which imply that the internationalization process is rather multifaceted because some companies may directly enter Ethiopia or another Sub-Saharan African market.

Furthermore, this study makes an important contribution to the research as there is no other study that addresses public intermediary services on both the Danish and Ethiopian sides. Also, no similar study deals with the interaction or collaboration between home and host country actors in the two countries. Hence, this study reveals how a potential interaction in an investor-home-host relationship could improve the internationalization process of private companies, declutter the work of public intermediaries, and, most importantly, make the overall trade and investment activities more efficient. Improvements in this investor-home-host triangulation could lead to increases in trade and investment flows into Ethiopia, an improvement in the country’s trade balance, and ultimately, higher economic growth and reductions in unemployment and poverty.

As for practice, this study reveals some implications for managers and public entities that were elaborated in detail above. To sum it up, managers of Danish private companies should carefully consider the difficulties that the Ethiopian market currently poses on their

internationalization process. Depending on the company size and prior internationalization experience, it might be better to start in more mature markets and move step-by-step to a developing country. However, this study sheds light on the range of the numerous services of different public intermediaries on both the Danish and Ethiopian sides. This is something managers should be aware of, and also, that the services can play a major role for a smooth and successful entry to Ethiopia. Hence, an internationalization into Ethiopia might be attractive, also because the country would like to see more investments from Danish companies, especially into the manufacturing sector, to stimulate the country's export sector with products manufactured in Ethiopia (APO Group, 2019). Furthermore, Ethiopia is open to substantial increases in trade as well (APO Group, 2019).

Concerning the work of public intermediaries, they should consider that an enhanced trade and investment promotion, proper information provision for investors, and a potentially improved interaction in the investor-home-host triangulation could help stimulate the country's exports, reduce uncertainty, improve the efficiency of the internationalization processes of companies and, as a result, stimulate Danish trade and investment to Ethiopia.

6.3 Limitations, Learning Reflections, and Future Work

Our research project is theoretically driven, mainly based on literature related to internationalization and the role of intermediaries with a view to trade and investment promotion. We explain the research process in a transparent way which makes it comprehensible for external parties. Furthermore, steps to increase the validity and reliability of the findings were taken (explained in section 4.7).

However, due to the limited time and scope of our project, this research is subject to several limitations. First, it is essential to mention that we almost exclusively cover the trade and investment promotion services of public organizations. Only one organization, the Delegation of German Industry and Commerce in Ethiopia, is considered a semi-private actor. We are aware that there may be more intermediaries that we did not pay attention to (in particular commercial intermediaries in general and actors on the Ethiopian side). Additionally, the interview circumstances during the COVID-19 pandemic did not allow for face-to-face interviews, respectively group work in person.

Another limitation related to our study sample is a potential bias on the Danish side regarding interview data. However, we gathered many insights on how the institutional setting on the Ethiopian side looks. Furthermore, we did not have an interview with the EIC. Interviews with more Ethiopian actors, such as the EIC, would have been necessary for interpreting and understanding what happens in the framework of the Ethiopian institutional setting, and thus, their trade and investment promotional efforts. An interview with the EIC would have provided more information on how the actor works, how it interprets its strategy and prioritizes different objectives in daily work. Ultimately, we have a limited number of experts from private companies in our study sample. This limitation is due to a lack of responses and intransparent online information about current active business activities in Ethiopia or Sub-Saharan Africa. Furthermore, data privacy regulations prevented different experts of our sample from sharing a list of potential Danish private companies with trade or investment ties in Ethiopia. More interview data with private companies would have been helpful for further insights into how the utilization of intermediary services looks in practice.

Overall, we learned that Ethiopia is a particularly interesting country for foreign trade and investment in the Sub-Saharan region. Over the recent years, the Ethiopian government has put many measures to improve the investment environment and attract foreign investors. The governmental development policies, together with recent internal changes in the EIC and improvements in the ease of doing business, will position the populous Ethiopian market very well for the future.

Acknowledging the potential benefits, which an improvement in the investor-home-host triangulation may imply, leaves room for further studies related to the efficiency of the interaction between home and host country actors and investors. These could be, for example, studies that specifically address either trade or FDI promotion. Also, quantitative studies that aim at the feasibility of SME internationalization into Ethiopia may be helpful. Moreover, as mentioned previously, a case study of the EIC regarding Danish exports and FDI could help strengthen the relationship with Danish actors. Also, this will further enhance the field of the role and effectiveness of IPAs.

7 Conclusion

We were motivated by the fact that this research was unique in nature as there are not many research studies done to explore the role of intermediaries in Denmark and Ethiopia in helping Danish businesses and attracting trade and investment. Several research studies have been conducted to understand the role and effectiveness of IPAs and other intermediaries working to promote investment. However, there aren't many studies done to map a country's intermediary setting and observe the interaction among these intermediaries and those in different countries. Similarly, there aren't many studies to explore the relationship between a developed economy/market and a developing market like Ethiopia. More specifically, based on our knowledge, such research about Denmark and Ethiopia has not been done before. It is novel to study the public intermediaries in Denmark, their services, their relationship with Ethiopian counterparts, and overall, how this would help Danish companies overcome difficulties in the process of internationalization and potentially motivate those who are hesitant about expanding into a distant market both physically and institutionally.

Furthermore, Ethiopia provides a vast market for Danish firms and the opportunity to trade and invest. Some Danish firms, but not so many, are already present in the market, and there is a potential for enhanced trade and investment promotion. There is potential for gaining market share and profit, mainly in renewable energy, of which Denmark is a pioneer. Given all these critical issues, it is vital to explore and make known what services are available to Danish firms by mapping public intermediaries in Denmark, Ethiopia, and their state of interaction.

Given that internationalization difficulties could pose a challenge to Danish firms in their internationalization process into Ethiopia, it was essential to explore public intermediaries in both countries and the range of services in existence for current and prospective firms. In this thesis, we answered three main research questions. 1) What is the range of services Danish companies can receive from intermediaries for their internationalization process to Ethiopia? 2) Is there a potential interaction between home and host country actors in rendering support

to Danish companies, and if yes, how does it look? 3) What are the main factors that deter Danish companies from their internationalization to Ethiopia?

Our data showed a wide range of services available to Danish firms both in Denmark and Ethiopia. From export credit and risk advisory to partnership facilitation, information provision and guidance, market analysis, business trip arrangement, and product studies. At the policy level, advocacy services, including identifying problematic areas in regulations, applying regulations, and providing input into upcoming policies, are available and are of paramount importance for firms in the process of expanding their products or services into Ethiopia. Moreover, from the perspective of IPAs, service offerings aim to build the image of Ethiopia as an investment location, generate new investments, and take care of current Danish businesses in Ethiopia by providing after-care services such as advocacy, policy work, guidance, monitoring, and evaluation.

The second research question pertained to the interaction between different intermediaries in home and host countries, Denmark and Ethiopia. We concluded that the relationship among actors in the home country is looking good overall. EKF, IFU, and other public intermediaries, including Danida and Trade Council, have an interchangeable relationship together and with private firms looking to export or otherwise expand in Ethiopia. We can conclude that most Danish firms are aware of the institutional setting in terms of the intermediaries and their services in Denmark. However, further research is needed to explore a broader range of companies and investigate this topic in detail.

We further explored the interaction and the relationship between intermediaries in Ethiopia. As the leading agency, EIC is responsive and collaborates with other intermediaries such as AHK Eastern Africa and the EUBFE. EUBFE is in contact with other organizations and chambers of commerce as well. This collaboration is essential in motivating and attracting foreign businesses and improving the business environment in Ethiopia.

Finally, we explored the state of interaction among Danish intermediaries and the intermediaries in the host country, Ethiopia, and concluded that the relationship seems very "Individualistic." The intermediaries in Denmark have interaction either with their counterparts or with the organizations they worked with before. The Danish export credit agencies work with the finance ministry and the banks in Ethiopia, while they do not know about EIC because their line of work does not require it. The Danish government has been cooperating with the Ethiopian government to facilitate investment and create opportunities for investment in the energy sector and other sectors in Ethiopia. At the firm level, the interaction does not look very good. Most of the firms have never worked directly with EIC or have used their services. There is no Danish company as the members of organizations such as EUBFE.

Similarly, the Ethiopian embassy in Stockholm does not get many inquiries from Danish firms. We argued that prior experience and availability of local partnerships could be the reason for skipping intermediaries such as the embassy. Some companies use the services of a consultant and, therefore, are bypassing intermediaries and avoiding interaction with them. There might be private investment promotion intermediaries not included in this research that provide services to Danish firms. Nonetheless, it is safe to assume this relationship needs improvement. However, further research must consist of more Danish firms, explore their interaction with the Ethiopian intermediaries, and recommend concrete steps for improvement.

The host country, Ethiopia, has been striving to facilitate services to Danish firms as best as possible and has taken steps to improve the interaction with them. EIC, the leading promotion agency of the country, has recently changed its management and is in the process of dedicating an exclusive desk for Danish firms. This desk will help Danish firms directly with their inquiries. It is meant to facilitate information sharing and enable businesses to complete procedures quickly and efficiently. It is essential to note the benefits of a better state of interaction among intermediaries in the home and host countries. It will effectively promote investment and attract potential businesses that might be hesitant about expanding in Ethiopia. It will also facilitate a smooth internationalization process of the firms. As mentioned

before, it is possible that Danish firms merely rely on information and services provided by the Danish intermediaries. However, this could pose a challenge for firms, given the distance and other issues related to developing markets. Furthermore, a coordinated approach for both home and host sides could reduce bureaucratic hurdles, a challenge many firms face in their internationalization process.

The third research question pertained to the challenges or factors that could deter export or investment into Ethiopia. Our results indicated that there are inhibiting factors both at the macro and micro levels. Macro-level challenges include political instability, infrastructural challenges, the forex issue and the related lack of foreign currency and the trade deficit, as well as a high country-risk score. These issues need to be addressed at a policy/macro level and are typically prevalent in developing or emerging markets. The Ethiopian government has already put development policies in place, focusing on public and foreign investment, commercialization of agriculture, and non-farm private sector development. One of such growth and transformation plans is, for example, the GTP II to boost exports from many sectors and counteract the negative trade balance (Country Watch, 2020). The plan also emphasized infrastructure development and the expansion of industrial parks (IHS Markit, 2020). Ethiopia's strong GDP growth, the liberalization of the economy, and export orientation policies are all encouraging factors for foreign investors that help overcome the market's challenges.

The deterring factors at the micro-level, i.e., public intermediary and investment level, challenges include forex issues, investors' uncertainty, information asymmetry, bureaucracy, and the difficulty of doing business in Ethiopia. One way to overcome the forex issue as a company wanting to establish a subsidiary in Ethiopia is to have a long-term strategy for the market. This strategy seems reasonable for reasons of profit risk and because the results indicate that often delays in implementing projects and hence, cost overruns occur. The role of IPAs and intermediaries is crucial to mitigate information asymmetry by providing information regarding the legal and finance frame, local rules, sector-specific information (as some sectors are difficult to enter), and connecting companies with relevant players and partners.

Ethiopia's bureaucracy also poses challenges both for private companies and public actors. Communication with public entities is perceived as slow and much time is spent on follow-ups with government officials. Trade rules and administrative barriers, such as licensing processes, permits, and authorization rules, hinder improving the ease of doing business in the country. EIC has made efforts to mitigate challenges related to bureaucracy. For instance, they are dedicating a desk for the Danish firms and some level of online registration.

Further simplification of the processes is needed to reduce bureaucracy. Reducing the list of the documents required to get a permit, employing English-speaking staff, and maintaining a timely response system are among efforts that could potentially address this challenge. It is essential to note that it was out of the scope of this paper to deeply analyze processes and procedures or business models of the EIC, for example, and the improvement suggestions are our assumptions.

In addition, there were some other factors brought up in the interviews that help cope with problems facing Danish firms, namely, prior internationalization experience of a firm, company size, established partnership, and Joint Venture as a mode of entry.

We have already discussed the implications for research and practice and suggestions for future work in section 6.3 before the conclusion. Ultimately, we believe that the existence of the intermediaries, their range of available services, and potential improvements in the interaction between those intermediaries help Danish companies overcome internationalization difficulties when expanding into Ethiopia.

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Appendix I: Interview Guide – Public Intermediaries

1. Could you please briefly introduce yourself and your role in the organization?
2. What kind of services does your organization provide? In what ways does your organization help businesses expand into Ethiopia? (How does your organization facilitate and promote trade and investment between Denmark and Ethiopia?)
3. How many businesses/clients do you help on a regular basis? How many firms have you helped with Ethiopia as a destination?
4. What do these clients ask for in general?
 - a. At what stage in their internationalization process do they refer to you? What are some of the typical modes of entry? Are they mostly aiming for exports? Contractual agreements? Subsidiary or FDI in Ethiopia?
 - b. How would you describe the typical internationalization process of a Danish company wanting to do business in Ethiopia?
5. How do you describe your experience in providing help for Danish companies?
 - a. What are the challenges when providing trade/investment support for Danish businesses that want to enter the Ethiopian market?
 - b. What segment of the promotion/support process has been very successful?
 - c. Are you aware of Danish companies that expanded into Ethiopia without the involvement of your organization (or other relevant intermediaries)?
6. Do you know any organization that promotes trade/investment in Ethiopia?
7. Is there any kind of collaboration between your organization and Ethiopian institutions (e.g., EIC)? If yes, how does it look?
8. Do the businesses you help know anyone on the ground in Ethiopia?
9. From your perspective, what factors do you think deter Danish companies from expanding into the Ethiopian market?
10. *Additional question:* Is there any list of Danish companies you helped expand their products and services into Ethiopia that we could get?

Appendix II: Interview Guide – Private Companies

1. Could you please briefly introduce yourself and your role in the organization?
2. Could you please explain how your company operates? Could you please elaborate on your ongoing activities/projects/partnership cooperation in Ethiopia?
3. What kind of services or help have you made use of regarding your expansion into Ethiopia (from the Danish side/from the Ethiopian side)?
4. Could you please elaborate on your company's internationalization process? At what stage of your internationalization did you make use of services from intermediaries?
5. How would you describe your experience in receiving help for the company's internationalization?
 - a. What were the challenges prior to your expansion into Ethiopia? What are the ongoing challenges you face in the host country?
 - b. What would you have done differently if you were to internationalize today? What kind of help would you expect from intermediaries?
6. What other countries are you operating in? If yes, was the prior experience helpful for the expansion into Ethiopia?
7. Do you know any organization that promotes trade/investment on the Ethiopian side? If yes, do you know whether your company has made use of those services?
8. Is there any kind of collaboration between your company and any actor that promotes trade/investment?
9. From your perspective, what factors do you think deter Danish companies from expanding into the Ethiopian market?

Appendix III: Interview Transcripts

Interview Transcript - Expert 1

Function: Chief Analyst, abbreviation: CA

Organization/Company: EKF

Place: Zoom Call

Date: 05/11/2020

Call Duration: 30:12 minutes

I: Tell me a little bit about yourself and the role in EKF. I know a little bit from looking at your profile on the website, but I wanted to hear it from you.

CA: We can tell you what EKF does is, well, EKF is an export credit agency and that is basically an insurance company taking on risk in projects that involve Danish exports. So, you could maybe see- We did a railroad in Ethiopia, for example. And that would be the minister of finance in Ethiopia that is the buyer. They take a loan to finance the railroad. There is a Danish company that delivers some tracks for this. And for EKF to be in the transaction we need to have some Danish exports. Okay, so the Ethiopian government lends some money in the bank. It could be a big bank like Standard Chartered Bank. They provide the money to the finance ministry in Ethiopia, who then takes the contracts including the Danish exporter. So, they are sort of out of the equation. What is left is, of course the tracks built and everything and as the railroads generate revenue, over the course of the next 15 years, the government pays off a mortgage, right? Every half year he pays some of the outstanding, an interest. It is like buying a house. The bank who brought the money, who lifted the money will have the risk of the Ethiopian country, ministry of finance. And risk is not something we like as bankers, we like to, get rid of it. And then, the role of EKF is to take on that risk. So, in case Ethiopia should default, the bank would then get us money but then, EKF would reimburse the bank. In a nutshell, that is the product. So, the idea of the project is to make the financing cheaper. So, we take risk away from the bank and they can lend money towards you, okay? It is standard in a way. And the role of EKF, we can only be there when there is Danish exports as a certain percentage of the contract amount that needs to sort of go back to Denmark in terms of taxes or wages or actual goods export. There is an equation in some way. So, we need to have some kind of Danish export and then we try to facilitate making projects that involve Danish exports to make that cheaper, okay? Because it is not only the quality of the tracks (...) of the cement factory. It is also what is the financing cost? So, yes. In a nutshell that is what we do. We try to make financing of- where you buy Danish stuff, cheaper. And every country in OECD has an ECA like EKF. So, in a way every party tries to make their exports cheaper. And you could easily get into a state subsidy thing. But to counter that we do have some minimum, so to say, minimum premiums we take. So, it is not a matter of the German government wanting to push German industry by making the financing of German exports super cheap. They cannot do that, there are some minimum premiums that you need to take. You can take more, if you want, if you think the risk is higher than what you cannot minimum but there is a minimum. And the bank that actually seems to work because the banks which are customers there, they are having, they could also be the ones who would lose the business because maybe they could do it themselves. We

cost money. Our service, our cover is expensive depending on how risky it is. But in Ethiopia it would be expensive. But they are happy to do business with us. Sometimes they- When you do projects that are less risky, they do it themselves, they carry the risk themselves without any ECA cover. But yes, that is how it works. It is trying to make financing, risky financing, cheaper. Sounds good when you say it so (Laugh). (*That is wonderful.*) Do you know- I studied with a guy from Ethiopia, I somehow assumed that you are from Ethiopia as well have some kind of tie. What is he called, he is called (Name) and he started some kind of a finance institution in Ethiopia? But he started in Denmark, he started in Aarhus, but I guess, maybe he is the same age we are now 40 and you are 25, I guess. So, he is a little older than you. (*Oh, okay. Oh, nice. Is it in the same line that he is doing, the same line of business-*) (...) look up his company, because that would be- I think maybe he still lives in Denmark? And he tries to find financing for projects in Ethiopia. (*Oh, I see.*) (Name) he is a partner and co-founder at (Name of the company). (*What is his company called, sorry?*) (Name and spelling of the company). Maybe it is (Name of the company). I would suggest maybe you a link to this-

I: Wonderful. So just to follow- (Back to EKF) I am sorry, I interrupted you- (No, no problem. I just said back to EKF. I just sent you the link, and back to EKF.) Okay, wonderful. Thank you very much. Just to follow up on what you talked about, is it mostly focused on the big, sort of macro level public projects mostly or do individual companies, private companies also refer to you?

CA: Yes. We can, in principle, do transactions with public entities, ministry of finance, other public institutions, banks and private buyers. We can do it all, in principle. Then, Ethiopia is a bit trickier because of the risk. So, let's see. I am just looking at our (...) in Ethiopia. (*Sure.*) What does that say? It says that we can do all creditworthy banks as I remember the bank itself in Ethiopia that is Ethiopia's one bank that is the commercial bank in Ethiopia and that is state-owned. Then, we can work with governmental buyers with the minister of finance guarantee. And it is the standard on the African continent. I am an analyst. I cover subjects and that is sort of the standard copper we have on governmental buyers that we need a minister of finance guarantee. I don't know if you are familiar with that but that is seen as sort of the best creditworthiness in a country. You could also, let's say you were to do a wind park or something, you were to have a loan agreement with the ministry of industry or ministry of transportation, but they are supported by the ministry of finance. So, the ministry of finance that is the best we can get and that is usually our requirements and that seems to work. If you, still the same cover in a way. So, that is what we demand if it is a governmental body. We can do all banks, and then private buyers. We also cover them. And that has to do with the whole perception of the risk. What we do is if it was a private buyer, they would, because we don't know them well; it is far away, we don't know the market for let's say car oil in Ethiopia. You can't be an expert on everything. So, what we would do was to ask that customer to contact his bank, so that bank would take the risk of him. So, you would assume that his bank knows them well, and they think he is credit worthy, so the Ethiopian bank would have the risk of the buyer, and we would take the risk of the Ethiopian bank because it is a little bit easier to assess the credit worthiness of a bank that a corporate. We could do transactions with a private buyer that way.

I: Yes, and that sort of reduces the risk a little bit. And, so, those buyers in the country, would they directly contact you or would they for instance, at the first stage they contact a Danish service provider, then where in the process would you come in? or is it initially your office?

CA: Well, that is not a, it is not just one answer to this. But usually, it would be the Danish exporter who contacts us. That makes sense because we need to have a Danish exporter. Also, the Ethiopian buyer would find this, Danish export and he would know EKF, and would contact us and say that they know the buyer in Ethiopia and want to do a finance agreement because the bank demands such and such in percentage and they could get a guarantee from us. Sometimes, it is the bank. So, you would have an Ethiopian buyer who would find a Danish exporter, and they have found a bank that can finance the purchase and the bank would go to EKF. Every bank knows us, and many exporters know us, but few may not and even few Ethiopian buyers. So, it could be the bank, it could be the Danish exporter, I also get inquiries from local buyers. For example, from Ethiopia to see whether we are open for businesses there and that is usually before they found a Danish exporter.

I: Is it mostly just exports, or they are also thinking about having a subsidiary there, or some sort of bigger investment?

CA: We can do different stuff. But the overwhelming majority of what we do that is, financing exports. It is just financing some kind of transaction. We can also do, if a Danish company were to establish a subsidiary in Ethiopia, he would need money or build or buy a factory. Again, he could go back to his bank to loan the money, and we could make a guarantee to make his purchase of that factory cheaper. We could do that. We can also finance building capacity in Ethiopia.

I: How do you describe this experience of helping Danish companies and also beneficiaries in Ethiopia? (In terms of what?). In terms of are there any challenges in the process, or has it been very smooth? What do you think of that?

CA: Well, I don't think we suffered losses if you look at money. Our experience in Ethiopia is quite specific, we had that railroad project and that is all I can think of. There might be something in the past, but I have been in EKF for 2.5 years and I can only speak to that. But that is basic what we have done and that worked out well from the money perspective. I have colleagues that focus on the corporate social responsibility stuff. When you build a railroad, it has to be somewhere. And do you need to move people from their houses or from their farms to expropriate land. Are these people compensated if you demolish their homes or take their farms, are they compensated enough? They are focused on stuff like that and some other stuff like security. Are workers safe or run over by tracks? Stuff like that in the railroad project we had. And that is of course something that shouldn't happen. But my colleagues in the CSR department are trying to make sure that the safety is to the standard that we need and of course accidents happen. We also had accidents in Denmark where people died. We can't prevent that, but you can do your homework or put your requirements beforehand, so you limit it to the greatest extent possible. I think the CSR risks are probably the most prevalent. From a lending perspective, are you familiar with the country

classification that OECD does? 0-7. Every country has a number. *(In terms of the risk level.)* And Ethiopia is 7, that is the highest risk. But we can still do, actually I think Ethiopia stands out in our policy because we are actually open even though it is a 7. But we are in and it works. Actually, I am part of the group that puts these numbers on the country. So, there are forms if you are interested, they are formed by all these years meetings of analysts once a year for every country, and then deciding what the number should be. And there is a model for it. It gives some guidance on what the number should be and then the analysts discuss on top of that what the number should be. A number will be produced and in case of Ethiopia, it is a 7. And countries of course want to have as small a number as possible because it makes the financing cheaper. That is the minimum premium I talked about. The higher the score, the higher the minimum premium. So, we talked about your known payment experiences and they were good so far. CSR has been challenging but we can make it work. What is left, I also, look at some political risk. It is my impression that the political state in Ethiopia is not the best. You have these tribes, different rules, and it seems to be challenging and needs to be delivered into policy. I have a good impression of the president. He seems to be fine to make things work, I think it is difficult.

I: We discussed Ethiopia from the perspective of both politics, economics, and institutions. The president is among the good ranking leaders compared to other African countries.

CA: He won the Nobel Peace Prize, so that speaks to it.

I: It is challenging, I can imagine because I come from Afghanistan. Also, I worked there in a private firm, but the government was similar. (I thought you were from Ethiopia) No, I am from Afghanistan. Ethiopia is our main destination of study. Are there any other organizations you know in Ethiopia or is there any kind of collaboration between EKF and them, something that is already there no matter what the project is?

CA: When we do big projects, we usually have done it together with a national bank. It could be African development bank who provided half of the financing for the railroad. There are several institutions that take on the risks. We could also have many banks that fund projects. EKF from different countries and the world bank that take risks. I think the African development bank would be the one we work with, but that is more Africa focused. We work with multinationals.

I: There is an agency called the investment promotion commission of Ethiopia. Are you in touch with them or do you have some sort of interaction with them?

CA: I never heard of it.

I: They try to facilitate investment in Ethiopia. They mostly try to follow the practices preached by the World Bank in terms of attracting investment.

CA: As I can see from the webpage here, they are trying to attract investment into Ethiopia. The role of EKF, we are sort of demand driven. We don't initiate. Somebody else does. The

people in the industry do it. An Ethiopian buyer finds a Danish exporter and finds a bank after which we come in. We are not trying to start businesses and then find people to run them. That is not our role, so we wouldn't naturally have contact with Ethiopian Investment Commission.

I: The Danish business might also be directly in touch with Ethiopian buyers who then might demand your services. That was also my question if the Danish businesses know people on the ground, which obviously they do?

CA: I wouldn't really know because that is not our role so. The Danish government has a cooperation with Ethiopia. It is the Danish energy agency that has energy cooperation with Ethiopia. They work with Africa, Taiwan, and Mexico. Ethiopia is one of the countries. So, you can talk to them actually.

I: I think that is it with my questions. You really covered different dimensions that I was looking for. You did a great job.

CA: I wish you success with your master project and perhaps a Ph.D.

Interview Transcript – Expert 2

Function: Deputy Director, abbreviation: DD

Organization/Company: EKF

Place: Teams Call

Date: 17/11/2020

Call Duration: 25:15 minutes

I: Thank you once again for agreeing to speak with me. As I mentioned in my email, my name is (Name). I am working with my thesis partner (Name) who unfortunately could not be on the call today. So, it is just going to be me. We are doing our major in International Business at Copenhagen Business School. And, if you could please tell me a little bit yourself. I know a little bit from looking at the website, and your role in EKF, and perhaps what sort of projects are you involved with?

DD: Well, I would like to do that, well, my name is (Name), and I am the Deputy Director in EKF. I have been in EKF for many years now, I think more than 17 years altogether. However, I have also worked in (Name of company) here in Copenhagen, which is a large global bank, so working as a relationship manager having responsibility for our Danish clients when I worked there. But then, altogether over 17 years here in EKF, always on the client side so to say. Until recently, I was heading our last corporate team, but I have now switched teams, and now working with our offshore wind team. So, but that is very brief so to say, it is only since the first of November. Basically, now I am focusing on the specific offshore wind transactions here in EKF. Wind is a huge area for EKF; it is more than 70% of our portfolio of wind transactions both offshore and onshore, So, that is a big area, a big sector, for EKF. But before, as I said, I was heading our last corporate team which meant that we had the responsibility for the relationship with all of the major Danish exporters taking care of the relationships with clients but also handling all the transactions.

I: Wonderful. And would any of the projects that you worked on were related or kind of related to Ethiopia?

DD: Yes, actually it was, I know you have spoken with my colleague in the sector department, (Name of Expert 1). So, our team was responsible for a major project, railway in Ethiopia. The financing was in two parts. The first part we closed in 2014, and the second part we closed in 2017. So, that was actually a major project in Ethiopia. Around 400 km altogether. We actually built a railway there, and the financing both together, International Bank, DB, KfW, who were basically funding the project. But they were basing the funding on a guarantee among other things from us. And we joined together with export credit agencies from other European countries like Switzerland, Italy, Sweden, Austria, so it was a huge international project.

I: So, there were many international partners involved.

DD: It was, and that on a state risk in Ethiopia. It was the ministry of finance who was the ultimate risk that we were covering in the transaction. That was a huge project, and that has been the major project that we have done in Ethiopia in the last couple of years I would say.

I: And before that, probably, since you have been longer with EKF. I have tried to personalize the questions a little bit so that I could get a different perspective even though I had a really good conversation, and it was very fruitful with your colleague. But it is always important for us to have different perspectives. In addition to this railway project, is there any other project that you recall, and if involved the public or private institutions as well.

DD: Well, actually not. This has been more or less the only project we have done in my team. I don't think we have done much else in Ethiopia in the last couple of years. As (Name of expert 1) probably also told you, his department, look into how we evaluate the country Ethiopia and then they analyze the countries, they agree among other (...) within the OECD, so we have a common understanding of the country's risk in Ethiopia. And, based on that criteria, which we have both in Ethiopia and also all other countries in the world. On what kind of transactions can we actually participate in Ethiopia. Well, Ethiopia is a country in category 7, which is the riskiest country that OECD actually operates with. So, that means that there are limits on what kind of transactions can we actually look at in Ethiopia. One thing is of course, we can look at similar risks as we did in the railway project, but for example, it will be difficult for us to look at private risk right now. So, that also limits the possibility of being involved in transactions in Ethiopia. However, having said that, we are always willing to have a discussion with Danish companies willing to look in Ethiopia either investing or especially exporting in Ethiopia. And have a discussion with them about how is the, how are the opportunities for us being involved. Or maybe, structuring the financing in a way that could be, could mean that the risk would be acceptable to us. I would say that there has not been much, we have not received many calls or heard from danish exporters that they have transactions in Ethiopia that they would like us to be involved in. I would say the other side would be, or based on our knowledge, or our discussion with Danish exporters, there has not been many transactions at all in Ethiopia. So, I would say it is a difficult country, like 7, but we are willing to do it in Ethiopia, we just need to structure the financing in certain ways, so, we (...) have the obvious risk there. We have not heard much from Danish exporters that they actually have had transactions in Ethiopia.

I: Okay great, so, the opportunity is there in case a company would be interested in this country. If I got it correctly, you were involved with the railway project you mentioned, how do you describe that experience? Overall, the challenges/opportunities? On the Ethiopian side, were there any challenges? Was it easy to communicate, or how do you describe your experience in general?

DD: Well, I would say that, maybe to understand our role, then you can say that, if you look at transactions like this, then you have the banks where you have the mandated lead arrangement which is the fronting bank so to say who is structuring the whole transaction which is credit risk. Along with them, they had several other international banks who were participating in the transaction. What they did was that the bank was offering a financing or loan to the Ethiopians, that, in this loan we were covering a guarantee. So, seeing from the bank's perspective, they were shifting risk from being 100% Ethiopian to being, at least for the one portion that we were covering, to be 100% Danish state risk. So, that also meant that they were the ones structuring, doing the deals with the Ethiopians. They are of course

basing it on a guarantee from us. And based on certain criteria we are setting from being involved in a transaction like this. That also meant that, for many instances, we were communicating through the banks. I would say that was probably the main way to do the transaction, that we closed the transaction, that we got a lot of information both from Ethiopian side but also the banks. And, from the exporters being involved in order for us to do the analysis of the transaction, and conclude we were ready to issue our guarantee or not. But after we have closed the transaction, it has been all heavily involved directly the Ethiopian. There has been involvement after that project has gone into the construction phase. I would say, well, up to the closing, well, before we did the Ethiopian transaction, we have, a, at least one first major infrastructure project in Africa that we were involved in. and I would say it was surprising how fast we were actually able to close that transaction. Maybe it took a year from the first time we heard about the project until we actually closed the project. But maybe the first couple of months, there was not that much work on it. I would say when we really started working until we actually closed the transaction, it maybe took 9 or 10 months. I would say that was extremely fast for such a huge infrastructure project in a country like Ethiopia. I was surprised when we started, when all parties sat together, and we heard about the deadline, we said we can be ready. So, just go ahead. But, well, I think we were really surprised that we actually managed to close it within that time frame. And that of course was due to the involvement of all parties.

Interview Transcript – Expert 3

Function: Investment Director, abbreviation: ID

Organization/Company: IFU

Place: Zoom Call

Date: 12/11/2021

Call Duration: 19:39 minutes

I: So, can you maybe briefly introduce yourself and the role in your organization?

ID: Sure. My name is (Name). I am Investment Director at IFU. IFU is short for the Investment Fund for Developing Countries Organization or Development Finance Institution that has been on for more than 50 years. Currently, I am working with Danish SMEs going abroad, and also with, what we call, high risk/high impact projects in Africa.

I: Okay. That is great. I also saw on your website that you have around 50 investments annually and an active portfolio of around two-hundred investments.

ID: During the lifetime of IFU we have made more than 1300 investments in emerging markets. We enter the projects, we sit on these projects for a lot of years, and then we do our exit again. So, currently we are involved in- I don't know, something like 200-225 active investments. So, we are, on an annual basis, going into 30-40 investments but we are likewise exiting some of these.

I: Okay, great. And could you maybe explain a bit about the services that you provide (Sure.) for the companies?

ID: Yes. I mean what IFU is- We belong to a family that is called the DFIs- Development Finance Institutions. We are not in that sense unique. We are the only one in Denmark doing this, but you will find IFUs in other countries. In your home country, Germany, it is called DEG- Deutsche Entwicklungsgesellschaft. In Holland, called FMO. In the UK, it is CDC. It is Proparco in France. And it is IFC under the World Bank. So, we are- Our role is twofold. We want to invest in something that is commercially viable in these emerging markets, and at the same time providing impact. I mean impact is a very important keyword for us. We have to do- We have to do good. We have to do something that makes sense. Not just providing jobs but providing decent jobs, for instance.

I: Yes. And promoting the economic and social development of these specific countries?

ID: Yes. You can say that the underlying belief is if we can help in creating something that is commercially viable, sustainable, then at the same time you will generate jobs, you will generate- bringing in new technology, new ways of doing things, more efficient, impact in terms of women being employed, setting up business that will help in generating export revenues, something that will create economic activity that usually is linked to also having social impact.

I: Well, that is great. And can I maybe ask from these investments that you are currently undertaking, how many of them are with Ethiopia?

ID: Not that many. (Yes.) You can actually enter our webpage and you can have a click on the countries and Ethiopia- It has been quite limited. We are currently, as far as I understand, involved in a hotel- with the (Name of the hotel). And we are involved in something called (Name), which is a fund. So, we invest in a fund who then invests in SMEs or whatever. We have been involved in three other projects; I think. And I have only- I can only recall one called Engsko (Engsko?). Engsko, which is a Danish company that produces milling stones- very, very classic, you can say simple product but very, very useful. So, maybe to understand what- IFU was created initially to be a partner whenever Danish companies went to emerging markets. The idea was that if we can help having a sort of economic involvement, financial exposure in these projects, then that would bring more Danish companies to go abroad and invest in these emerging markets. So, that means for the first 50 years of IFU's existence, we worked entirely with Danish companies. That is no longer the case. So, today we are also allowed to work with partnerships where there is no Danish link involved. (Okay.) If there is a solar project in Ethiopia without any Danish involvement, then we can see that this makes sense, this is a good business case, this will have an impact. Then, we can do it.

I: Okay, I see. That is great. And maybe in terms of the internationalization process of these companies- What do your clients ask for in general? Are they mainly-

ID: Yes. So, I mean, you can say that the value proposition that we bring to the table is twofold. Number 1- We bring in some hardware. That is the money, the funding. We can enter into as a shareholder, as a lender, or a combination of these two things. So, that is sort of hardware. The software- That is everything else. That is the experience that we have gained during the last 50 years, how to operate in emerging markets, knowledge about local rules and regulations, and conditions, and what to look out for, how to work cross-cultural, how to do proper corporate governance, setting up structures, keeping board meetings that make sense. It could be our network of other DFIs, which can be helpful for many projects that they can use to sort of knock on the doors at the DEG or FMO. And you can say, basically it is the experience from working in these emerging markets environment that is sort of the software that we bring to the table (Yes. So, if I understand-) At the end of the day it is also, I mean IFU is established by the Danish government. So, our main shareholder, our founding fathers, is the Danish government. In some countries that is a good quality mark on the project, meaning that if the Danish government is on board, then that can help in bringing in credibility to the project.

I: So, if I understand it right, the hardware would be the risk capital for companies that you provide, and the software would be the advice (Yes.) in general? (Yes.) Great, okay. The companies that refer to you, are they mostly aiming for contractual agreements or subsidiaries, FDI in Ethiopia?

ID: Well, I mean, I think the companies that we have been dealing with historically in Ethiopia, have probably been Danish companies who were looking for funding to set up

operations and also advice. I mean, to have more of a partner than just a financial supplier. I am not aware if we have had any recently, you can say, Ethiopian local partners who have approached us asking for finance. *(Okay.)* I don't know.

I: Yes. So, you don't know any company on the ground in Ethiopia?

ID: No. *(Okay.)* No. Not to my knowledge. I think Ethiopia is actually, maybe that could be for you to pursue also, I think we have a few- We have a few offices around the world. We have- *(Oh yes, I have seen that on the website-)* We actually have an office in Nairobi. In Nairobi, they also have the task to look after things in Ethiopia. *(Okay. So, that would also be a potential contact to-)* You could try to reach out to one of my colleagues there. There is a guy called (Name). One of these- I think you can find them on- *(on the website?)* the list of employees. (Name), and then he has a surname that I cannot pronounce. *(Yes, okay. Great.)* He is based in Nairobi.

I: Great. I will definitely try. Wonderful. How would you describe the experience in helping the Danish companies or investing in the Danish companies? Are there any challenges or opportunities that you can identify?

ID: That is a big question. That is a very broad question. And well, what should I say, I mean what we try to do whenever we approach a new project is of course to see how we can mitigate and minimize risks. And we try to bring our knowledge to the partners so that whatever mistake we have made in the past, I mean, so that this is not repeated again. I think it also depends a little bit on whom you are dealing with because some of the smaller partners, they may not have the resources and the capacity to, to do proper background view, you can say investigations, do proper business planning. They sometimes rely more on god-feelings and that may work but it is not something that is really convincing us. *(Yes.)* If you look at it historically, then I would say that some of the typical faults and reasons for failures is very much about management, that we did not succeed in putting in the right management. And that can be both from the local side where nepotism may not be a negative word in some of these countries. I am talking in general. But also, in cases of the Danish partner not always setting aside the right resources. So that is one issue. The other issue is that very often things get delayed. There would be cost overruns, delays in implementing the project and when there are delays, then this would cost money. Maybe the partners are not willing to do that. So, there are many reasons why things are not always working according to expectations. But this is, this is where we try to bring in our experience so that we can guide the partners not to repeat these faults. *(Yes. Yes, and kind of to facilitate the whole process.)* Exactly, exactly, yes.

I: And maybe getting back to your partners- Which were the partners again, what did you say the-

ID: Very often, I mean, you can say, question number one when we start up a new discussion. Let us say it is a Danish company, then it is a question of do you plan to engage with a local partner, or do you want to go alone, do you want to go solely? And very often the answer is no, no we need a local partner because we do not understand the local

community. And that is a valid reason, but it may not always be a good choice. It depends on the project. If you are into a business where you need distribution of goods in the country, then maybe a local partner having a network of distribution channels could be a good choice. If you set up business in emerging markets where you want to basically have a cost center for supplying your operations in Denmark, then maybe a local partner is not necessary or could be a challenge because then your interests are not aligned.

I: And the local partner, for example, in Ethiopia have you had any contact to, for example, the Ethiopian Investment Commission or-

ID: I would not know. I would not know. The only project I have been dealing with is Engsko, which is this Danish company producing milling stones. They have a local partner. (Okay.) And the corporation has been going on for more than 15 years. They are still doing well. (Okay, wow.) They are both supplying the Danish partner, but they are also doing export to other countries in the region. So, it is actually a good success.

I: Okay, that sounds good. And maybe in general- Do you have a list of the companies that you helped expand to Ethiopia?

ID: If you try to look into our webpage- (webpage?) Then, there is a list of all projects that IFU has ever invested in. And then you can search for countries. So, if you list Ethiopia then there would be five, six companies coming up. (Great. Yes, that was the hotel project? Then, this Engsko, (Name)?) Yes. (Great.) But I don't know the details of these. (Okay, yes. But then we could maybe just contact these companies and try our best.) You could try- yes, for sure.

I: Great. I think that pretty much covers everything actually, for now.

ID: Have you been in contact with any other institution?

I: Yes, we were in contact with EKF, actually. (Yes.) But they are not operating in Ethiopia at the moment. Or yes, they have a project, an infrastructure project for railroads actually.

ID: What about the embassy- The Danish embassy in Ethiopia?

I: We have not contacted them so far because we are still in the initial phase of our master thesis, but I think we will definitely contact them as well. Now, there is an exam phase coming up for us. So, I think that would be in January. (Okay.) Yes, we were also thinking about-

ID: That would be relevant, too. Because the Danish embassy also has a trade section. (The Trade Council?) Yes. (Yes, we were thinking of contacting them. And also- Danida.) Yes. Then, I would start with the embassy because they would cover both- Both Danida and the Trade Council.

I: I see. Yes. Great. I think that pretty much covers everything so far.

Interview Transcript – Expert 4

Function: CEO, abbreviation: CEO

Organization/Company: Engsko

Place: Zoom Call

Date: 13/01/2021

Call Duration: 21:57 minutes

I: Could you please briefly introduce yourself and the company Engsko?

CEO: I can, (Name). My name is (Name), as I said, and I have been the CEO for Engsko for about three years now. Engsko produces grinding mills and millstones, mostly for the North American- Sorry, North African and Middle Eastern markets, our biggest market for millstones being Ethiopia. We do not produce, well we produce some of the grinding mills here in Denmark now, but millstones we produce in our factory in Ethiopia, which we have done for about 12-13 years. So, we know Ethiopia very well as a market and I travel there at least five or six (...) But generally, Engsko has existed since the year 1900. We have been exporting to Ethiopia since 1945. (*Oh wow, okay.*) And as I mentioned, Ethiopia is one of our biggest markets for millstones and grinding mills. Our millstone is the Rolls Royce within the business. We are not known at all, actually, in Northern Europe or in Europe as such. But if you come to Africa and the Middle East, if you mention Engsko, it is like mentioning Messay Ferguson or John Deere here in Denmark. (*Okay, I see.*) They know our name and they know we stand for very, very good quality. (*Okay.*) So, yes that is basically it. We have been doing business for 120 years almost and we have been doing the same thing. Not much product development on the millstone but it is a Coca-Cola recipe we run by this. So, nobody can copy the quality that we have and so on and yes.

I: That sounds really good. And, so but then, that you are operating mainly in the Ethiopian market, so, for example, you are not supplying to any Danish producers?

CEO: Yes, we are. I mean what we do in Denmark and the rest of Europe and North America for that matter is that we supply our equipment to mostly the bakeries, and the organic millers, and the farmers and so on, that wants to be organic and that wants to produce organic flour and stone-ground flour and so on. It is a niche that we are into. So, basically the coffee chains and the chains like (Name of coffee chain in Denmark)- I don't know if you know about that one. (*Yes, I heard the name.*) (Name of coffee chain in Denmark), Copenhagen coffee, all that stuff, they use our stone mills for grinding their flour. (*Okay. Great.*) Yes. So, we have kind of a niche, for instance, if you take- this is not our customer and this might be a stupid example, I don't know. But if you take Starbucks, for instance, you will all know where your coffee comes from when you drink from Starbucks. It is grown in the hills of Colombia and it is grown from sustainable farmers, and so on. But the banana cake you eat with your coffee- Where does the flour come from? (*Sorry, the banana cake, or?*) The banana cake that you eat at Starbucks, where does the flour come from to bake that banana cake? (*It is not known?*) It is not there, yes. So, we kind of have a niche there, you could say yes, it is very, very in and hip to drink coffee from sustainable and organic coffee shops and so on but the same goes for flour. If you want organic flour from organic farmers, you have to mill it

through a stone grinding mill because that is the only way where you keep all the vitamins and so on in the flour. You don't do that with additional roller milling or- And so on. So stone milling is a niche in itself. *(Okay. So, it is the healthiest way to grind flour, do I understand it right?)* It is the healthiest way to grind flour, yes. So, all these buzzwords that are running around now like sustainability and organic and nutrition and field-to-plate, all that stuff- We fit right in. So, I would say our markets in Europe and North America and so on are based on this approach. Our market in Africa and the Middle East and South America is based on our standard equipment. That means grinding mills and millstones for grinding coffee, for grinding spices, and for grinding different types of grains. *(Okay.)* Weed, maize, (..), all that stuff, yes.

I: Wonderful. I see. And could you please elaborate on the ongoing partnership with Engsko Ethiopia? That is a partnership cooperation? That you had for more than 15 years now?

CEO: It is a partnership cooperation, yes. About 14 years ago, we were producing our millstones only in Denmark. And we have since 1900. About 14 years ago, we found that Ethiopia was such a big market that we wanted to turn- invest in and start up a factory in Ethiopia, producing our millstones. So, we found our two biggest customers in Ethiopia at that time. We talked to them and asked if they were willing to invest together with us and set up a millstone plant in Ethiopia. And they agreed. So about 12-13 years ago we started production in Ethiopia of millstones. Still the same concept today. We buy all the raw material here in Denmark from Europe and we ship it down to Ethiopia. They produce the millstones there. *(Okay.)* Gradually, over the last 12-13 years, we phased out the production in Denmark actually. And we are not producing millstones in Denmark anymore. All our millstones are produced now in Ethiopia. *(Okay. I see.)* Also, the ones for exports. So, if you have a grinding mill in the US at (..), for instance. What about the grinding mills? Stones that are in that grinding mill are actually from Ethiopia. *(Okay. I see. So, it is all produced in Ethiopia and then exported to a lot of other countries as well.)* Exactly, yes. So, what we did at that time is that we got our two partners in, and we got financing also from IFU and we started up the factory and it has been growing between 10 and 15 percent on a yearly basis ever since. So, from starting up, producing around 3.000 or 4.000 bits of millstones every year, we are now producing more than 22.000 millstones every year. (..) millstones every year in Ethiopia. *(It is a lot.)* Mhm. Now, we are also the only backed and supported project from IFU and so on that actually helps both the local economy and export. So, we have 57 workers in Ethiopia, and we sell to the local market, but we also contribute to the general export of Ethiopia because 60-70 percent of what we produce in Ethiopia, we actually buy here in Engsko in Denmark for all our other export markets.

I: Okay. I see. And so, is IFU the only organization that you have made use of services or help with regards to-

CEO: We had IFU, and we had EKF, the export credit foundation as well- *(Okay.)* to start with but now we are running it completely by ourselves. IFU is out. I think they went out after 6-7 years. So, we bought the shares back. So now, the operation is fully run by us and our partners in Ethiopia on a 50/50 basis. So, we own 50 percent, and they own 50 percent.

I: Okay. I see. And maybe getting back to internationalization in general- (Yes.) So, you started exporting in the 1950s you said? (Yes, to Ethiopia, yes.) To Ethiopia, yes.

CEO: We have been exporting to our other export markets since 1920. That is Saudi-Arabia, Yemen, Morocco, Algeria, places like that.

I: Okay. So, a lot of countries actually. And would you say that this prior experience in operating or exporting to all the other markets was helpful in getting started with the processes in Ethiopia itself?

CEO: Absolutely. Absolutely, yes. I mean you cannot take away the experience that we have by being an export company for more than 75 years. It is incredibly important to know the local conditions, to know the markets where you operate and so on. It is incredibly important.

I: Mhm. So, but then, for example, the services of IFU- IFU served as a financial supplier but also advice then with regards to the local regulations and rules, or-

CEO: Yes, a little bit of advice and so on because IFU is also very active in Africa and so on but also mostly for the financing side of things. IFU was also on the board, of course. For our company in Ethiopia and they came with a lot of good input as well.

I: Okay. And at what stage of the internationalization did you make use of these services from IFU and EKF? Was it-

CEO: Well, we did it from the beginning. (Okay.) From the very beginning when we started up the project, we applied IFU for a loan because we wanted to start up the factory and we gave them a business case and so on and they were in right away.

I: Okay. I see. And maybe with regards to the experience in receiving help for the company's internationalization, what were, for example, the challenges prior to your expansion into Ethiopia? Are there any things that you could-

CEO: Well, challenging- The challenges in principle first and foremost were that we could see that we had a lot of competitors coming from India and China at that time 12-13 years ago. And they came in with a poor-quality product, but it was much cheaper than ours. So, in order to not let that destroy our market in Africa completely, we decided that we needed to set up a production facility in the region. And then, it only makes sense that you would set it up in the country where our biggest market was at that time. So that was some of the challenges. Other challenges, there were not really that many other challenges, other reasons for moving the production. I know that at that time a lot of Danish companies moved all their production to Poland and so on because it was cheaper. But ours was not based on that. It was based on the fact that in order to be competitive, we had to produce on the local market.

I: Okay. And are there, for example, other challenges with regards to the regulations and maybe information asymmetry that you had prior to the-

CEO: The biggest challenge that we have in Ethiopia is that we have a profit every year in Ethiopian birr of course in the company. We cannot transfer that out of Ethiopia. .. So that means that the profit we had for the last ten years is in Ethiopia because they have the currency system that they have. And the currency the Ethiopian birr is depreciating every single year. (*Okay.*) So, let us just as an example say that if we have 5 million birrs standing at our accounts in Ethiopia and they, in 2019, had a value of let us say 400.000 euros, then that 5 million birrs now has a value of 350.000 euros. So, it is extremely- That is the major issue that we have is that we cannot get capital out of Ethiopia (*Okay. I see.*) So, what we do with the capital we have there is that we actually want to see if we cannot invest or make some sort of Ethiopian investment fund or something, invest in small businesses in Ethiopia, invest in property maybe and so on. In that way get the money out to breed. Not just hanging on the account.

I: Okay. I see. And maybe also another thing, what would you have done differently if you were to internationalize today? Would you receive the same help, or would you expect the same help from these intermediaries?

CEO: We would definitely try and apply and receive the same help, yes. Looking back, we would probably, if we had known that it would happen with Ethiopia with this currency and all that stuff, looking back, then maybe we would have put our facility somewhere else, because it is extremely difficult with the currency situation because the factory in Ethiopia buys all the raw material from Europe to us. But they need to have euros in order to pay us. And if that depreciates all the time, the cost of the raw material increases a lot and that affects our local price. (*Okay. I see. So that would be the- yes, that is the biggest challenge then, currently.*) That is the biggest challenge, yes.

I: And also, maybe another thing- Do you know any organization that promotes investment on the Ethiopian side?

CEO: .. There is a company in Ethiopia called blueMoon and they- I don't know if they promote investment but they promote startup companies in Ethiopia. (*Okay.*) They are called blueMoon but that is about the only thing that I know. I mean I think that people outside Ethiopia, companies like ours, for instance, or in any other industry, are quite scared to invest in Ethiopia because they know they won't get their money out of the country. And that is I think the biggest issue for Ethiopia overall. To attract foreign investors, they need to have another climate.

I: Mhm. Yes. There is also this Ethiopian Investment Commission that promotes inward investment as well. (Yes.) They are doing a lot of marketing. Have you heard of that organization before or?

CEO: I have heard of that organization, yes. (*Okay.*) But we have not dealt with them actually, at all. (*And also, Engsko Ethiopia has not dealt with any public actor, for example, on the*

Ethiopian side?) No. We have not, we have not. But I can tell you this that every time there is a project down there concerning sustainability or concerning investment in Ethiopia and so on, many of the authorities down there, many of the, for instance, DanChurchAid and so on, they always come and ask us if they can visit our factory because our factory is one of the best success stories in Ethiopia and in the investment environment.

I: Yes, that is why I also- Because I have seen the numbers as well from exited projects from IFU and then, yes, Engsko came up and it was also talking about it and then, yes, we thought it would be great to have you on board (Yes.) in these interviews.

CEO: Yes, but I can tell you that many of the Ethiopian authorities and so on if they need to talk to someone about investing in Ethiopia and so on, the main issue they always come up with is (...) grown between 10-15 percent every single year in the (...) *(Wow. I think the conversation got a bit stuck right now, could you please repeat what you least said?)* Yes. I said that many of the authorities in Ethiopia come to us when they need to have an example on how good investment it has been for us to be in Ethiopia because we have an increase in turnover and profit about 10-15 percent each year ever since we started down there. *(Okay. I see. That is great.)* It is great, yes. If we could get the money out of the country, it would be even better *(Laugh)*.

I: (Laugh) Yes. And do you think that there would be some kind of way to get that achieved to get the money somehow out of the country?

CEO: Yes, but I don't see that happening until 10-15 years from now. And that will happen once they- I don't know if you know but they have a very big project, a big project where they are building a big dam. That project will not be finalized where they can produce energy and so on. That will not be finalized until 10 years from now. When that is finalized, they will start making a lot of money in Ethiopia on that dam. And then I think they will give it free. But it is not complete until 10-15 years from now.

I: Okay. I see. So, but then you will stay also because of the currency issue-

CEO: We will stay no matter what because we cannot do anything else. I mean if we start putting up production somewhere else, then- No, we will never get our money out of Ethiopia, so we are kind of stuck but don't get me wrong. We like to be there; it is a good environment for investing. The only thing is that we cannot get the money out if something would happen.

I: Yes, I was not aware of this issue actually before. But we were just really surprised that Ethiopia is one of the top FDI inward destinations in these recent years in East Africa. So, we thought it would be a very interesting country to choose for the master's project.

CEO: It is an interesting country and there is a lot going on in Ethiopia and it is the most populous country in East Africa also, there are more than a 100 million people. They have a

good, kind of fairly good infrastructure. They have a lot of agriculture and so on but the thing with their currency system and so on is limiting them a lot, I think.

I: Okay. Okay, I see. Yes, I think this would be everything for now. Actually, I think you covered all my questions quite well. (Okay.)

CEO: Alright, (Name). But if you have anything else at a later stage, just send me an email and we can schedule another (...) *(Great. Great. Yes, I think I might come up with some additional questions at a later stage. That would be great, actually.)* Perfect. Perfect.

I: And just maybe one more question- Are you fine or do you want your data in the master thesis anonymized? (Sorry, you were falling out-) Okay. Do you want your data in the master thesis in the end result, do you want it anonymized, or-

CEO: No, no, no, that is fine.

I: Great. Yes, then thank you very much again for your time. Also, it went very, yes you responded very quickly, that was really great as well. It was a great help for us.

CEO: You are very welcome. If you need anything else just let me know. At the end of the day when you come to the (...) I would not mind reading it at some point. If you have me in mind at that.

I: Yes, we also had this in mind because it also gets published, I think and then I will definitely send you the outcome.

CEO: Perfect. Perfect.

I: Great, then we will keep in touch and yes, thank you very much again.

CEO: You are welcome, (Name). Have a good day.

I: Enjoy your birthday! (Thank you!) Thank you very much, bye bye! (Bye bye.)

Interview Transcript – Expert 5

Function: Commercial and Climate Program Advisor, abbreviation: PA

Organization/Company: Embassy of Denmark, Ethiopia

Place: Zoom Call

Date: 20/01/2021

Call duration: 25:47 minutes

I: So, we will try to keep it as short as possible.

PA: Thank you.

I: Sure, at first if you could please tell us a little bit about your role in the Trade Council in Ethiopia.

PA: Yes, of course! So, my name is (Name). I have been with the embassy since late august 2019. And I was hired because my predecessor who was working on both TC activities and some development activities had scoped out some more possibilities within TC. So, when I was hired, it was with the sole purpose of working with trade for the Trade Council here at the embassy. We are still a development embassy and that means that we don't have a designated trade department and we don't have a trade, sorry, an income goal as a lot of the other embassies do. So, I don't know if you are aware of how the Trade Council works, but there are regions, and then every region, has an income target that they have to meet every year. And, then that is then again divided into countries and people within each embassy that are working for the Trade Council with the income goal. And I don't have that. So, we are ... we are still contributing towards the Trade Council and ours, but we don't have an income target. And, so, I was hired to just assist Danish companies, and when, when, I was hired, everything looked really open and prosperous. So, there are a lot of companies contacting me, and I was also scoping areas or sectors where I would contact companies to see if there were anything. Even here, the government, there is an authority called, ATA which is the Agricultural Transmission Agency. And they also contacted us and asked if we had anything, actual companies who would like to work with them on different things. Sorry, yes, so, that is the way I started working. But then during 2020 and Corona, everything has been going downwards a bit, and also because of some of the different- there have been some .. some uncertainties and some, what is called security issues within the country. So, some companies, Danish companies, have been a bit reluctant about coming, and then again, because everything is still so new, and a lot of sectors have not matured yet. Danish companies are usually more hesitant to come. So, as we saw this progressing, we at the embassy, also got more, more projects and more funding and more focus on the things within development. For example, the embassy here has become a climate fund post, and that entails a lot of new tasks. So, my work has emerged into being full Trade Council and being full point of a lot of other activities, stuff like that. Who, now be only 30%-20% Trade Council, and the rest development and then climate fund. So, that was a very long answer to your first question, but I hope that we are through a lot of things here.

I: Yes, I think it was very thorough. Thank you. You mentioned the clients that are reaching out to you, what do these clients ask in general? And in what stage of their internationalization process do they refer to you?

PA: So, a lot of the times, it is clients who are already in other African countries, so, they are very well established in their internationalization process, and they just want to reach into this, to this market, because, Ethiopia has estimated a hundred and twelve million people, so, I have had, especially within agriculture, I have had different smaller companies reach out to see if I could find them customers, or partners. And then I also had bigger companies looking for partners. We have had, within, transport we had some, some, work that has been ongoing for years and years and that also the thing, in Ethiopia, it is very difficult to reach to the government unless you go through the embassy and that ambassador. So, a lot of my work has also been GPA: Global, yes, Public Affairs.

I: I see, yes. I can imagine, yes, the bureaucracy probably there as well. And what do these businesses want to do in Ethiopia, is it mainly export their goods or services, or they want to establish a subsidiary or a sort of other business there?

PA: They are more, well, they are more hesitant about establishing a subsidiary here. They mostly want to export to the market and to find some good partners that can handle the currency issues; that is also a big hard, of some of the things that are challenging here in Ethiopia. So that is mainly what they are asking for. And to do sales in one way or the other. For the smaller companies.

I: And the ... Danish businesses there, do you know any businesses that reach out there independently of the embassy, and you, and the Trade Council probably?

PA: Well, I know that ... tried before they contacted us, and they did not get so far. So, that's why they also wanted our assistance. Within all of that, yes, this past year has been, there has also been a reorganization within, (...), we are going to start again from scratch with them. I know they have tried themselves.

I: Okay, yes, sure. Your help is very helpful for them? How many businesses or clients do you help on a regular basis? Do you have some sort of estimate you could tell us?

PA: Let me see, I can just go into our system. The thing is that as I said, we are not a trade embassy and I have been told not to be proactive anymore, so, I am only reactive. So, it's- .. I think I would estimate to 7 different companies currently, where one of them is a SME.

I: So, in different sectors?

PA: Yes.

I: Okay, what are some of the challenges when providing this support for Danish businesses in the Ethiopian market? You mentioned that reaching out to the government would be a little difficult. What other challenges do you personally think are there?

PA: So, reaching out to the government is the main one and also the forex issue. So, on the- it is very difficult, and because there is such a huge lack of forex, the government has now made a proclamation where they have split sectors into different priority groups. And the main priority group which is manufacturing, pharmacy, and I think it is also agriculture, or agriculture might be a second one. They have a right to 50% of any available forex.

I: Oh, I see.

PA: And then, the rest of the sectors need then to not fight but need to really struggle to get the rest of the available, and that is highlighted on the available forex. Right now, I spoke with a local colleague, who said that even in the black market it is difficult to find USD now. So, yes, that's it and then ease of doing business is still 159 out of 190 or 192 countries, and that's also because of how long it takes and how bureaucratic everything is here. So, that is also one of the things that I feel that I spend a lot of time on, is to just follow up with people. So, if you make any kind agreement or deadline, you have to follow up because it will not, it will be forgotten. There are so many things especially within government officials and workers who are so busy that they will forget it unless you call them every day.

I: It is interesting because it is really hard to think that forex would be a hurdle ahead of expansion for companies. But good to know. What are some of the Ethiopian institutions you collaborate with? Or private sector maybe?

PA: So, within the government, it is mostly the ministry of foreign affairs, sorry, ministry of finance, and then ministry of foreign affairs if we need to have any letters for people traveling here. Then it is ATA, so right now, the way I work is to follow the rest of the focus of the embassy, and being a development embassy, we have a lot of, of, programs within agriculture and job creation, stuff like that. And then of course all the aid work that is also in it. But, within, agriculture, so, my focus sectors would be agriculture and energy. So, I am in a team, where my team leader is a sector coordinator, so he ... coordinates within energy and we have a government, government, collaboration within the Danish government and then the ministry of water irrigation and energy (MOVE) it is called here. So, a lot of the work that I also do is within agriculture and energy and try to promote green growth and sustainable trade.

I: Yes, we read the article, though, by the help of Google Translate, it was very helpful. Our Danish is not at that level yet. As the last question, as we mentioned in the email. We have been trying to reach out to different parties, the public actors including the Trade Council, and the embassy, and some of the businesses here like IFU, and also some companies and also probably some Ethiopian actors on the ground. But we were wondering if there is any list of the Danish companies you can share with us if the, of course,

PA: Sorry, I just lost you, so, that last thing I heard ...

I: Yes, can you hear me now?

PA: Yes, so the last thing I heard was on the ground ..

I: Yes, some Ethiopian actors on the ground, but we were wondering if there is any list of Danish companies you could share with us? So, we might reach out for the interviews on the Danish side company side, I am not sure how the data regulations are. So, you can just say no, but we were just wondering if there was a possibility?

PA: Can I get back on that, because I have to just check with my regional coordinator and also just reach out to companies and ask if they want to participate. But yes. I will get back to you on that. And then you mentioned, IFU. We have been doing a lot of work with IFU also, so that would be a part of, you could say it is not part of Trade Council activity, but I have been assisting IFU a lot with this big windmill park that is being built and is funded by the Danish government. SLA1. So, they might also be happy to talk to even though they are not directly on the Trade Council.

I: Yes, in fact we did talk to them and it was very fruitful. And we got a lot of information from their perspective as well. Mostly, in the area of investment guarantees and how to give peace of mind to in terms of finances, for these companies. We also talked to EKF, which was very interesting as well. And we wanted to see your perspective on the ground because you guys are very involved as you mentioned both with the companies reaching out to you and also with the officials and other government institutions in Ethiopia. So, your opinion is very helpful and also opened up many different venues for us to think. So, we appreciate once again your time. I think that is for our questions, so, if you have any questions or comments for us ..

I: I actually have one follow up question on one of our initial questions because (Name of expert) you said that the clients are hesitant to establish a subsidiary in Ethiopia so what are the main factors here that contribute to why they are only exporting mostly?

PA: I think it is because the whole process of making like registering your company and doing all these things. And because there are also, I think there are a little bit, they don't really trust that they can get the money out, which they can. I, yes, so I went on a regional meeting in Kenya, where I tried to speak to one of the Danish companies who had made a subsidiary and who actually went to Joint Venture with a Kenyan company, and they are doing really, really good now. and I asked them what their best advice to Danish companies is who want to go into the market in Africa, he said, to have a very long strategy. And, not thinking that you can go in, make cash, take it out in 2 years and done. So, he has been there for 20 or 25 years now. Yes, so, and I think that some of the hurdles for Danish companies, because it is a lot to invest into a country and a cooperation within this country knowing that your money will be locked.

I: So, it is maybe the bureaucracy, and also this currency issue, and long strategy.

PA: Yes, exactly.

I: I think that was it in terms of our questions.

PA: It sounds great. I will get back to you with the list of companies when I have spoken to my team leader.

I: So, even if it is a few, it is fine. But, if not, then we totally understand. Thank you so much once again for your time.

PA: You are so welcome.

I: Thank you very much.

PA: You are very welcome. So, I have one more thing I want to say: maybe you should try to talk to Danida market development partnership. So, that is also one of the ways that Danish companies are active within Ethiopia. So, it is then development, it is not really a business plan for them, but it is the way to enter the market one way or the other. So, if you say, DNDP.dk I think. You can enter into and read all about it and contact the secretariat.

I: So, and these would be companies supported through the development fund to do business in Ethiopia or it would be ..

I: So, it is a partnership between a local company and an NGO and then a business or yes, so, the main company you can say and the main partner. So, right now, there is a DNDP project in Ethiopia with ALL Food Ingredients, gain, which is the NGO and then a local berry producing company. They are making this yogurt that should be more nutritious.

I: Wonderful. Yes, just something else came in my mind, if you don't mind asking. How is the policy environment looking? Is the government really making efforts to solve some of these challenges including the forex market issues or the government is not active in that area you think from your perspective?

PA: They are, so there's this whole strategy that was launched in 2010 I think, so there is the GTP1 and GTP2 where they have been trying to have a green transformation, one and two where they would open sectors that would enforce sectors especially agriculture, mining, and tourism and stuff like that to increase forex in the country, and now they have a 10-year plan, which is called something very long. But yes, I can just find it for you. Again, they are really trying to do that, and what they have done in the past couple of years is there has been change of the policy. For example, for investment, before you had a positive list, you would have to specify whatever sector you could invest into as a foreign country, and now they change that into a negative list. And only closed off a couple of sectors which is a huge thing for foreign investors. And then, now they have also changed management at Ethiopian Investment Commission, which I have also been working with for different companies. And

there again, they are really focused on changing the ease of doing business and the new commissioner there is fierce. She is really good; she is really sharp. She is the way that I understood is she is being put into different commissions and agencies to make things. To push things and make things work. And the last thing that was also spoken with her about was to make a desk for danish companies so that they would have direct access to this investment commission. And, in collaboration with the embassy, which then would be the person taken over for me, this Denmark desk at Ethiopian Investment Commission would then be able to help Danish companies. So, they are doing a lot to help investments and to make sure that they can attract foreign exchange into the country. And, for example, some of the things that also make it that they need to import a lot of things. Even sugar is being imported now. So, they have been trying to establish a sugar manufacturing company for a while. It has not gotten that far yet. They are on their way to all these things, and it is still, but they are doing something. It's their focus.

I: That's what is important.

PA: Exactly.

I: That's great. That is wonderful. Okay, so, if you have any questions for us, sure, then otherwise, that is it.

PA: Yes, so I am going to leave this position soon, but I would be very interested to see the product that you will have at the end of your thesis and I am very sure that the embassy would also be interested. Would it be possible to send it to us?

I: Yes, definitely. We will share it both with the email, the general embassy email, and also, I am not sure your current email address would work but maybe we could add you on LinkedIn, and then we will reach out to you some time probably in May.

Interview Transcript – Expert 6

Function: Head of Global Response Team, abbreviation: HGR

Organization/Company: Trade Council

Place: Zoom Call

Date: 02/03/2021

Call duration: 34:36 minutes

I: You did mention that you have been with the Trade Council for about 18 years, if you could briefly tell us about your role in the Trade Council?

HGR: Yes, certainly. Yes. I am as I said I have been there for, yes, very long time, getting close to 20 years. I think I joined in 2002. And, I have spent quite a number of those wherever it is 18/19 years abroad with the Ministry of Foreign Affairs or with the Trade Council at missions abroad and Danish embassies. Actually, all of them in Asia assumed to be someone who without any particular plan has focused on Asia, I also I guess happened to like working there but I like other places as well. That is not the issue. So, I have been with our embassy in Beijing in China for five years. Starting back in 2002. In the beginning, as what we call, a sector expert on energy and environment advising Danish companies within those fields as to their opportunities and obstacles.

...

I: Hello?

HGR: The Trade Department and the Embassy in Beijing and at the same time, coordinating all commercial efforts of Danish missions in China. We have a (...) in Shanghai, we have a (...) in Western China, and one in (...) in South-China. So, all those efforts I was kind of coordinating and spent actually five and a half years in China after which I moved on and had a similar role in India at our embassy in New Delhi, heading the trade department there. And also, being in charge of somewhat smaller offices that we had and still have in Bangalore, and during the time we also opened a small office in the state of (...), in India. So, those were my activities that I performed from 2007 until 2010 in New Delhi, India. Then, I returned and spent six years at the Trade Council in, here in Copenhagen. I worked in the beginning on the India agenda so to speak. Subsequently, was part of the special task force established to support the trade and investment minister that had back then ...

...

HGR: The SME programs, calling Danish companies abroad. Then, I went abroad myself and was Head of Trade at our embassy in Bangkok, Thailand. Spent four years there, from 2016 until 2020, so we turned back to Denmark, now what is it- seven, eight months ago. And now, I am heading the so-called Global Response team, a small team of five colleagues with a lot of (...) with Danish SMEs. We have established this team for them to be able to enter into a dialogue with us during the Corona crisis. Those that have suffered because of the crisis. So, companies would contact us and ask for our advice. We would also proactively reach out

to Danish companies- are you there? (Yes.) Did I lose you when I was .. (Hello?) Yes, I can hear you. (Yes. I can hear you now. I think there was a brief disconnect-) Interruption? Yes, yes, yes. Just highlighting what I did- China, India, Bangkok, Thailand, and then back today since summer when I was a head of the so-called Global Response Team (GRT) within the Trade Council. And we are the ones from headquarters reaching out and having a dialogue with a fairly high number of Danish SMEs. SMEs that wish to go abroad and so we have this close connection to our colleagues at missions abroad, embassies, consular generals, and try to then qualify the Danish companies and make sure that they get to the right type of person, right type of market and that they get the right type of assistance in their efforts to become small or big international players. Yes. That is my background.

I: Okay. Perfect. Thank you. That is quite an impressive background, especially working in emerging markets must have been a very exciting experience for you. Sure (Laugh). And what kind of- you did mention a little bit but what kind of services do you mostly provide through the Trade Council and also more specifically to businesses to expand perhaps in Eastern Africa and Ethiopia. What kind of services are available for them?

HGR: .. Well, to a very large extent we can offer all the services that we have as our Global Services also to companies with an interest in that part of the world, but I believe it is fair to say that issues such as partner searches as well as smaller or medium sized or even larger market analyses would be the items that we would in particular be providing to, if we talk about SMEs, to in that part of the world, so but we without background being the official representative of Denmark representing the Danish government as an embassy does we officially also have the chance to work with the so-called public affairs issues or we call them GPA Government Public Affairs, in other words, a certain type of door opening function for the benefit of Danish companies building on the networks that we either have towards the system makers in the very country that we are talking about, alternatively networks that we can establish by contacting them, formally, requesting for meeting, and with the possibility of having the Danish company joining that meeting addressing whatever topic it is that they are ... significantly .. yes, address issues that are high on the agenda of Danish companies. So, these would be- but of course we also have the chance to work with Danish companies collectively as a group by arranging export promotions to these countries, we don't do that for the time being because of the Corona crisis, but in the past we did and we hope at some point soon to get back on that track- grouping a number of companies from maybe ... their seminar or a (...) or exhibition and include meetings with special stakeholders considered vital for the upcoming activities of those Danish companies that participate in the event ... do or did. For the time being we try to implement a digital version of the otherwise physical export promotions and at some point of time, probably not this year, but to there, after we will get back, we hope, to a rhythm, of having physical export promotions, typically spare headed by a Danish minister or a member of the Royal Danish family or some other high level person and organized by typically by one of our embassies in a corporation with people from Trade Council headquarters. So that would be another type of activity. (Hello?) Yes, hello? (Yes, I am sorry for the-) I don't know, it seems that we do have certain problems, why don't I just one second (It just gets- It just kicks me out for some reason.) Yes. I don't know what happens, I am not sure when I, when you, were disconnected but I was just going through,

did you hear the part of our collective export promotions that we do? (Yes. And also, the system that is kind of rolled out once the COVID issues are-) And then, I was just starting to talk about what we call our SBAs- Strategic Business Alliances., which is a system according to which larger Danish companies with more resources and experience would be teamed up with SMEs and jointly they would with our guidance we would put them on a track heading towards a very specific typically larger business opportunity in a particular country and would have our export advisers in that country assisting both the larger ones and smaller ones on actively reaching that business opportunity so to speak. So, a couple of individual and more collectively oriented teams, that Danish companies can benefit from when working with us. I should mention that we are someone who charges for our services you may have read about that. So, although we are a public organization, the services with some exceptions of course, the services that we provide would be subject to be paid by the Danish company, early, well a year ago, early last year, start the year the break was 995 DKK per hour and then, a top point, would have been in May in April sometime in May, we because of the Corona crisis we decided to decrease our rates by 50 percent in order to enable a larger pool of Danish companies to make use of our services because we were of the opinion that they would needed even more than they did before the crisis so we have now a pretty simple price structure according to which all companies would no matter who they are, could get our services at DKK 500 per hour. And then, if you are an SME, and that would be according to the EU definition, of what an SME is, then you can actually get an hourly rate which is half price of the 500 in other words 250 DKK per hour for an SME. An SME would be someone who has less than 250 employees and with a yearly turnover not exceeding 375 million DKK. That is the EU definition of an SME as you may know. So, this is the basis structure according to which we work. We then also have what we call a FOCS, which stands for a free of charge service which we provide to Danish companies as I said, we are a public organization so we are not here to earn money, but we are here to have our cause to cover to some degree but for political reasons we have been asked to have to provide a service which cannot go beyond five hours in total to Danish companies, so any Danish companies may approach us at an embassy ask for a particular and rather limited services, which we can provide without spending more than five hours and that would then be handled as a so called FOCS leading to a no payment on the side of the Danish companies for our service, so they can approach us more markets and have a FOCS, (...) we have a limit as to how many markets they can actually do that but this is not to be understood as a- you don't get a complete market analysis for five hours officially, but you can scratch a little bit in the surface of particular country you can get maybe the name of certain business organizations, a contact person or you can be advised on certain limited statistics, maybe on a particular government scheme used in that very country and that you can get, typically, within a FOCS within five hours that you don't pay for. So, that would be how we work. Then, I should add that we take in the majority of our cases we take the sector approach to our consultancy that we provide to Danish companies. We are of the opinion that it is better for our colleagues abroad (...) to specialize in a particular area and to have access to sector relevant networks and be able to achieve sector specific data and be well plugged in that very sector rather than claiming to know about everything because that would in reality mean that you know about everything, but you know only a tiny little bit. The top layer of the entire market. So as a result, we have decided for our colleagues, nearly all colleagues, to be focused on a

particular sector that would typically be energy and environment, maybe combined with water so that would be a sector as- where Denmark works a lot, the company landscape of Danish companies would in many cases be found within the Green sector, Energy environment and water, so that is one cluster that we focus on. Another one would be food and acre, historically, a strong force of Danish companies so our advisors would have that approach at most embassies if the embassies are large enough. Another one would be life science and healthcare, another strong point in Denmark and .. lastly something on fashion, design, furniture, clothing, would be another cluster that we also bring in. It doesn't mean that we cannot assist and advise within other sectors but we take the approach that is better to focus on a few and then still accept inquiries when it comes to non-(...) sectors seen from our perspective. .. I think that probably gives a little bit of an overview based on which you may ask questions if you have any.

I: Sure. Thank you for the thorough explanation. It was really comprehensive and how many businesses or clients do you have on a regular basis or perhaps what was the typical before COVID-19?

HGR: Oh, that is a good question. For the entire Trade Council globally you mean or?

I: Or, sure. Or maybe more East Africa if you could limit-

HGR: Oh, that- I don't think I am able actually to .. to let me see if I can quickly- there was a colleague the other day who gave an overview of our 2020 activities, .. can I quickly find the PowerPoint? Maybe not- I am not so sure. But we have a pretty advanced, CRM system that tracks, keeps track on how many companies we service and stuff like that. And unique companies assisted on a yearly basis and I am trying to see if I can turn to get back to you on that one if I find it here and now which seems not to be the case- Sorry for that. Let me get back to you on that one.

I: Sure. You also mentioned that you keep track of companies of course but maybe if there are some companies that you helped with and you could provide us with their names that will also be very wonderful. We know some companies that are operating but perhaps for cross-defending our list that would be- if you know all your policies and protection all sorts of things allow it. If not, then-

HGR: What type of companies active in that part of the world or- (Yes. In Ethiopia, yes.) Yes, we would actually need to- and I know that complicates things a little bit- we have that information in our fairly comprehensive CRM system, but they come to us as clients, and we tell them clearly that we will treat the fact that they come to us and any information given to us confidentially. So, without asking them actually we cannot provide information about them to third parties. I am sorry for that. But we can look into that but we would need to contact the very person from that particular company prior to passing on information about them. Yes, to third parties.

I: Yes, it is totally understandable. If it is possible that would be great, otherwise thank you. So, what do these clients that you helped with they ask in general for, for example, what stage of their

internationalization do they refer to you. Is it just exporting as you mentioned or are they also thinking about having a subsidiary or setting up an operation there as well?

HGR: We do those things as well, we typically do that in- how should I put it, in more mature markets. I have, I had colleagues of mine in my team in Thailand assisting various company establishment procedures processes in Thailand, for instance. So, yes, we do that. Inform about legal necessities that one needs to be aware of. We can even handhold the company and be the one running the whole process in a dialogue with the relevant local authorities that would need to be on board. We can do that and we do that in a number of cases .. so, that is possible, but the majority of the services would have the character of- especially in markets that are a little bit new and not so mature would be one framer conditions for working there, covering those, swiping those, what type of relevant local partners would be available and maybe carrying out a screening of those, interviewing some of them, providing a long list that would (...) to short list to the Danish company on corporation partners in the country and other type of market analyses focusing on a particular criteria that is important and that the Danish company want to look into to which extent would there be a demand for that maybe service or product in the very country. What would be the market channels according to which local consumers would purchase such services or products. What can a Danish company do to engage in that channel? Yes. And of course, also looking at the whole issue of barriers and obstacles that one may face when entering into a new company, that is important for us to be able to cover that somehow. So that we have as few as possible Danish companies entering into a country, investing heavily and subsequently finding out that they completely took the wrong decision, wasted lots of money and thereby prevented themselves from further international activities so covering well enough this whole issue of business, the right market for, yes, or no? Is for us often very important.

I: Sure. You did mention that you have been working in East Africa but coming from with an experience in emerging markets in India, China, how would you describe your experience helping Danish companies or perhaps some of the challenges you sometimes face in the process?

HGR: Yes. In those markets that are .. developing it is not that we say that the SMEs don't have a role to play but we are of the opinion that for an SME without lots of financing, financial strength, and without lots of experience, and specialized staff to assist, certain markets can be difficult, and maybe one should sometimes consider starting out somewhere else and then getting to the not so mature markets once one is more experienced and stable and has more financial strength. But we also have companies starting out in those markets. It is doable, it is possible, and we can assist in those phases as well. I am, as I said, my knowledge about Africa is very limited but we had a group of people and I was one of them spending time in Kenya some years ago and Kenya has turned out to be a market where you have actually seen quite a few Danish startups becoming successful. Basing themselves in Kenya, so and in some cases using Kenya as a platform for penetrating into other neighbor-

...

HGR: Because, when it comes to Africa, we would have our presence in a couple of the countries in the Northern part of Africa and then when it comes to Sub-Sahara it is, well we have many embassies but many of them would be focusing on development aid but when it comes to commercial setup, it is mainly South Africa, our embassy in Pretoria, it is Kenya, Lagos, the Western side of Africa, and then lots of other things coming up but it is not so that we are strong and have a strong Trade Council platforms in that (...) of African countries, not yet the case. We expect that to come as this continent develops but for now talking Sub Sahara it is mainly South Africa, Kenya, and then servicing ... quite a number of Trade Council advisors, we owned in other countries for the time being.

I: Okay, great. Perhaps my last question is a bit more specific but if you don't know that is totally fine because you don't mention that you don't work in Ethiopia, but you perhaps know that any TC's collaborative partners in Ethiopia from Ethiopian institutions, that there is a collaboration with TC in Ethiopia or maybe not?

HGR: Maybe not. No, I have to admit I have no such knowledge unfortunately, I think we would need to contact colleagues in Kenya who maybe know about- but personally I don't. I should maybe mention that obviously in some of those countries ... we draw also on the links to our colleagues handling- maybe you are familiar with Danida, the Danish ODA program? (Yes.) And it is not so that Danida is one thing, TC is another thing, and there is no link, no bridge connecting the two. Of course, there is. And in many countries, we would start out by building up providing assistance by means of ODA, in other words Danida insurance, and as the countries develop, we would phase out Danida assistance and phase in TC tools and instruments. We have seen that in other parts of the world. Take the example of Vietnam, of course not Africa, but we were considering the size of Denmark. One of the very, if not, the most important ODA and thereby Danida contributor in the country, we today since 2016 I think, 2015, we have no further Danida activities there, but we have been able to use Danida instruments to promote commercial interests. And so, we tend to talk about this from aid to trade mechanism using Danida instruments and phasing them out and introducing TC tools and instruments. And that has worked successfully in many parts of the world and I am quite sure that we would be able to witness something similar in several countries in Africa, maybe including- .. (Yes. I think that is a really good strategy that could work building up on the experience that is already there through Danida.)

I: That's wonderful. I think that's it with my questions if you have any questions, I will be glad to answer.

HGR: Not really, but if there is a follow up question of a particular nature, you may get back to me. As I frankly mentioned I am no expert on issues related to Africa, but we have of course colleagues both at home in headquarters and abroad in missions in Africa that we can contact if you have really particular questions, so you may get back to me. And we will see if I can come up with an answer or comment to your request.

I: Sure. We really appreciate your willingness to answer our follow up questions and also your time again for this interview. It was really helpful and thanks so much for your answers.

Interview Notes – Expert 7

Function: (Function)

Organization/Company: Delegation of German Industry and Commerce for Eastern Africa (AHK Eastern Africa)

Place: Zoom Call

Date: 12/02/2021

Call duration: (Call duration)

- Foreign German Chamber of Commerce.
- They have 80 Chambers within Germany and over 140 all over the world including USA, China, etc.
- Trade relations are very strong in Germany and the rest of the world.
- Their office in Eastern Africa is based in Nairobi, Kenya. They support Ethiopia, and the region through that office.
- 5 or so countries to connect with German companies. Find Partners, arrange business trips, conduct product studies and more services in every sector.
- Linked to German government. Minor funding from German gov.
- They provide services similar to and with cooperation with GIZ, to improve development.

There are a few Danish companies active in agriculture or horticulture in Ethiopia.

- Danish chamber of commerce familiarity? I don't think. They provide European companies information. European Union Business Forum in Ethiopia and is run by (Name)

EUBFE - European Union Business Forum Ethiopia

(Name of expert 9)

(Name and email address)

- So, I don't think there is a Danish chamber, but this might be a good contact who knows about Danish businesses.
- Our mandate is to help German companies and keep East African relations. But I think we did something to Danish businesses. We are not limited to it. It depends on the project. On behalf of GIZ for instance, GIZ provides funding, and we make business match making. It is our expertise. Then, usually they say not only German company but Europeans as well.
- The Danish company they helped: (Name) Yes, we do also service outside of German companies.
- For Ethiopia, or general: Some want some general info for instance regarding Regulations, customs, etc. Sometimes they want general market information. Some,

they want a service from us. Prob. on average every day one inquiry or something related to Ethiopia. But 3 or 4 to service in Ethiopia. Before Covid, business delegations, conference, or other events were more frequent.

German companies

Very big companies like (Name) or (Name) always kind of people who think about investment. But 99 % of time, the first thing is trading. They look for a partner to sell products and service.

Distributor or end customer or sometimes they have their own representative. Trade and long term, 7-10,15 years, as they are conservative, then they think about an investment. For instance, (Name of German insurance company), a German insurance company.

Yes. You have to understand, AHK, has a wide network. Africa wasn't on the radar for German economy. 2012, there were only 3 offices. It is really not present for so. Then, when we started in Kenya we started with a quite small office. We started to proactively reach out about 4 years ago. In that regards, there were German companies. Some companies do enter without us. It is really a company decision. We can assess them and put them in touch with relevant officials like registration or finding a place but then it is their own decisions.

EIC? Do they go to it. Yes, so it is the one-stop solution. It is really the key actor where they help you. They have all the relevant actors be that open a bank account or what not.

Any further organizations? Some register through ministry of trade, not EIC. Usually, EIC is the first point of contact.

If you are aware, 12 federal states in Ethiopia. There is something like a chamber system. Umbrella organization Eth. Chamber of commerce and sector association. Under this, there is sub-chamber so to say. Some of them are to our system in Germany / They also have additional sub-chambers, regional states. That covers specific sectors.

Ministry of trade.

Collaboration

It depends. Sector specific when a sub-chamber is relevant, we collaborate with them. When we need spaces, we reach out to them.

Challenges:

Rephrasing what businesses tell.

1. Biggest forex problem, a lot of birr but lack forex.
Some companies complain. Actually, why Ethiopia has so many industrial parks. They aim to attract international companies produce locally for the exports, and then exported they get international currency.
2. Ethiopia is a landlocked comparing to other countries. Looking to loosen the dependance to Djibouti port. They are also looking at other ports.

3. Poor infrastructure.
4. Some sectors are difficult to get in. Previously it was inaccessible. Still kind of problematic. When you go to Ethiopia and you don't have Sim, you have a lot of roaming charges. Even from neighboring countries, Kenya is much better for instance.
5. Political instability and social disputes.

Reach out to (Name) .. and say "hi". Tell him you want to speak with him.

Business meetings, very formal. Almost, you get coffee ceremony, and you drink after. In the coffee sector, excellent coffee is only for the export. Domestic they only consume left over.

Interview Notes – Expert 8

Function: (Function)

Organization/Company: Ministry of Foreign Affairs (Danida)

Place: Email

Date: 08/03/2021

Dear (Name), (Name),

Thank you for your email and for your interest in this topic. The implementation of bilateral country programmes is decentralized to the embassies, so I probably won't be able to add much to what our embassy in Addis has provided you with in your conversation with them. In any case, let me try to provide you with a broad overview:

Ethiopia is one out of 12 priority countries for the Danish development aid. Thus, Denmark has very strong ties with Ethiopia when it comes to development cooperation. The Country Programme for Ethiopia 2018-2022 sets the general framework for the Danish development cooperation in Ethiopia. The overall vision is "A more stable, secure, and prosperous Ethiopia advancing towards increased freedom, democratic space, and respect for human rights, based on sustainable, inclusive development, thus addressing the root causes for migration". The engagement operates within four strategic areas: (1) Commercialisation and economic opportunities within agriculture; (2) Climate Change: green energy and resilience; (3) Good governance, rights and civil society; and (4) Sustainable solutions in relation to refugees and migrants.

The promotion of economic growth is a goal that transverses the strategic areas but is especially important within the areas of agriculture and climate change. In the agriculture sector, the Agricultural Commercialisation Clusters stimulates inclusive and environmentally responsible, market-driven value chain development. This provides smallholder farmers with better opportunities for increasing their production, and sales combined with more value addition through private sector engagement and investment.

Within the area of Climate Change: green energy and resilience, Denmark works to promote green growth. One case of this is the funding of an Ethiopian windmill farm, which delivers power to 3 mio. Ethiopians. This is an example of how the Danida Sustainable Infrastructure Finance (DSIF) provides soft loans for funding of sustainable infrastructure projects in sectors such as energy, water, and sanitation. DSIF supports major infrastructure projects, primarily public, which cannot raise funding under market conditions. The projects must be sustainable, support the developing countries' development plans, and contribute to creating a better framework for sustainable growth and employment in line with the SDGs.

Another financing tool Danida supports is the Investment Fund for Developing Countries (IFU), which invests in developing countries along with private investors and offers various types of loans to promote private investments with a clear development objective. Together, the Ministry of Foreign Affairs and IFU have mobilized capital from private sources, including major Danish pension funds, for investments in developing countries and in emerging

markets. Currently, the IFU has an expected total investment of 596 mio. DKK in Ethiopia (more details [here](#)).

Alongside the IFU and DSIF the Ministry of Foreign Affairs promotes trade and investment through the Danish Trade Council, which helps promote Danish export, and investment into Denmark. The Danish Trade works to actively promotes Danish export to Ethiopia and our trade advisors at the embassy in Addis Ababa provide counselling to Danish firms.

I hope this provides useful, and I wish you best of luck with your thesis.

Best regards,
(Name of expert 8)

Interview Transcript – Expert 9

Function: Executive Director, abbreviation: ED

Organization/Company: European Union Business Forum Ethiopia

Place: Zoom Call

Date: 04/03/2021

Call duration: 24:06 minutes

I: Could you introduce yourself and tell us a little bit about your role in the organization?

ED: Sure. I am the Executive Director of European Union Business Forum Ethiopia. We were established in 2012, about 8-9 year ago. We have been the lead in coordinating the engagement of European companies with the Ethiopian authorities. That is our biggest and the most important work over the years. This has to do with advocacy work; exchanging information, creating networking opportunities and of course supporting new entry into Ethiopian economy. We are growing in number; we represent about 150 companies at the movement. We are the lead sort of organization where we are chamber of chamber in some sense. We also have direct membership as well. We have mixed in our membership bilateral business associations. The Ethiopian Netherlands business association and the other is the French business association. So yes, this is who we are and what we do in a very brief summary.

I: And speaking again of help for the companies, in what way does this organization help European businesses expand into Ethiopia?

ED: Well, primarily, our work revolves around advocacy work as I indicated in the beginning. What that means is that we introduce the business environment and try to pinpoint some problematic areas in terms of the regulatory bottlenecks, application of regulations, or providing input into new and upcoming laws or policies. These are the areas that we are most successful. At the same time, we also signed a memorandum of understanding with three ministries in the government. One is the ministry of revenues that is responsible for tax collection, the other is the Ethiopian customs commission and the other is the ministry of trade and industry responsible for business licensing and related concerns. Of course, we work with European Investment Commission (EIC). These are the ministries and agencies that are directly responsible and have a huge say in the business climate. So, this is where our engagement comes in when we do business environment reviews and pinpoint areas that need to be addressed. We present in a systematic and organized way for these ministries and commissions to resolve and hopefully the outcome of which would be an important input into policy amendment or change, and/or fixing operational bottlenecks.

I: Speaking of the collaboration with ministries, how does the collaboration look? Do you have some examples?

ED: Sure. So, we are very happy that most of the ministries are actually supportive for this initiative. Because it is also in their interest where instead of dealing with every single individual company coming back with a complaint, it is better that the broad challenges are

brought for solution. So, to give you an example, the latest is the new investment law that came into force about 6 or 7 months back where at the drafting stage, we were consulted two times to provide input into the legislation. This new investment correlates to the ideas of establishing the EIC itself that overlooks new entrants into the Ethiopian economy. We made several recommendations into the legislation that came into effect as I said 6 or 7 months back. The other is our continuous engagement with the ministry of revenues where we, based on empirical data from members, pinpoint specific directives or regulations that seems to be confusing and are not applied as they should. And then we present it to a task force that coordinates between us and the ministry of revenues to look into and come up with a solution. So, the last of this engagement resulted in a workshop between us and the ministry representative and made presentations of tax compliance and related challenges. And they also took away some helpful inputs from our finance managers on how to improve the ministry's service. Maybe, if you look back into the most recent engagement, this came to mind.

I: That sounds really comprehensive and sounds really good. Maybe getting one step back to the companies that you engaged with. How many Danish firms have you helped in Ethiopia as a destination? Can you give us a rough number maybe?

ED: I am afraid there are not that many Danish companies operating in Ethiopia. It is unfortunate, I mean, Of course, we have been involved in the trade mission from Denmark. That was a sector specific trade mission basically that focused on agribusiness about a year and half ago. But I have not seen anyone or any company that its businesses materialized into investment in Ethiopia. It is sad that we don't have that many Danish companies in our membership yet, but that is what we intend to improve in the coming years where we intend to expand our membership base to represent at least 70% of European investment opportunities. I think in that sense, we would have more country specific challenges that we need to explore.

I: Sounds good. You said you have about 150 clients or what was the number?

ED: Yes, and these companies are direct and indirect members. So, for example, we have two bilateral members. and each member, they have their own company specific members. So, I have added those three into it plus our direct members so a total of 150. If we are really specifically looking at direct members, it would be about 137 members.

I: What do these clients ask for in general? In what stage in their internationalization process do they refer to you?

ED: Well, these members, individual companies, they are fully operational. There are a few companies that are yet established in the country but remain our members because they really want to get an update on what is going on in Ethiopia. These are a minority; 2 or 3 companies who have interest to invest. But they are also keeping an eye on the latest development of what we do, because they get an honest opinion about what is going on from us. But the majority are in full operational stage. And of course, when I say clients, we

don't only refer to these individual companies, but our clients are also the bilateral chambers themselves. So, as an EU business forum, we are, our primary responsibility is engaging at the highest level/policy level, that looks into areas that may need policy readress. In situations where our bilateral members are unable to find a solution, we intervene. So, there are two levels of client groups in my view.

I: Oh ok, I see. So, it is more at the policy level?

ED: Mostly at the policy level. We don't have the resources to address the company specific challenges unless these challenges are also felt across the board in other companies as well. So, in the sense where if a specific challenge a company encountered is also being encountered by other companies, then it becomes our concern. Bilateral chambers on the other hand do have the resource to actually help individual companies. And that is what they are actually potent. And for things that are beyond their power, that is where we try to join in and try to assist as we represent a Europe wide stand. And I think in comparison, we can relatively exert more pressure.

I: Okay. Do you know any organization that promotes trade and investment in Ethiopia? Besides maybe Ethiopian Investment Commission?

ED: Well, the Ethiopian Investment Commission in fact is by law the gateway to entry into Ethiopian markets. It is a government entity and one of its most responsibilities is promoting trade and investment into Ethiopia. However, there are also chambers who do that. I think the Swedes seem to have a fuzzy government chamber; the Germans also have a singular format semi-government chamber that promotes German businesses. (Yes, we were in contact with them) yes, (Name) for example. They also happen to be our members as well. These are mostly government affiliated entities behind helping businesses in this country. There are also more regional chambers in some parts of Europe for instance, the region in Belgium also has their own chamber of commerce. They also have some engagement with the local actor/consulting firm to find ways to promote their companies operating in Belgium to invest in Ethiopia. There are various levels but at the government level it is only the Ethiopian Investment commission that is active, however, we should also note that there are missions, Ethiopia Diplomatic missions, do also have the responsibility to promote trade and investment in Ethiopia. I would encourage you to find a way to reach to Ethiopian embassy in Copenhagen. They should have a portfolio of promoting and supporting businesses as well.

I: Yes, we actually tried to get in contact with them. They forwarded us to the Norwegian embassy, and we are still waiting to hear from them. What are some of the factors affecting the decision of companies expanding into Ethiopia? (Entry or expansion) Both, I would say.

ED: Well, could be similarities. Entry wise, it all starts from image I would think. Of course, the mainstream media does not always portray the country politically right. And that factors into corporate decision making. It all starts from there in my opinion. So, I mean that is one entry barrier. One needs to know that 110 million is a big, big market. And has the potential

to also look into the eastern Africa market speaking as well. That is one entry barrier. There has not been a concerted effort to promote as a destination for many years. This goes back to the government and how they frame the market. But once they enter, there are also other operational bottlenecks. Most companies complain of access to forex. Forex exchange, that has been flagged by many, we have to note that the currency is not pegged against market forces, but it is fixed. So, there is quite a significant difference between market valuation and major currency baskets. At the same time, Ethiopia's export is not as it should be, so we export much less than we import. There is a significant trade deficit. All this leads to significant shortage of forex. That has been a recurring thing. When companies do want to invest, they count this as a risk of profits. That is an entry and at the same time an operational challenge. Other bottlenecks have been streamlined, we have to credit the country in the area of registering business, getting investment licenses. They have been extremely efficient and shortened the time to do so. One can actually do the registration online before they come into the country. So, this has become much more efficient. There are also moves of automated customs which also has been a fairly problematic area. Taxation is also becoming automated and that was not the case before. It was also a very problematic area. So, these remain critical areas that are both increasing the risk of investing into the country but also adding to the challenges of running a business while in Ethiopia as well.

I: Okay, I see. That was already a lot of information. From my part, I don't have any questions left. (Name), do you have any additional questions?

I: Sure, thank you for the insight, (Name). Maybe as a follow up, probably, we could make that assumption in theory that some of the more experienced companies would go and find a partner or would go on their own and would not seek the help of investment promotion agencies or chambers of commerce. Would you say that could also be a factor for some of the businesses in Ethiopia or maybe Danish businesses for example that have experience in Sub-Saharan Africa?

ED: Well, I mean. We did an investment mapping a few years back. What we discovered was that the majority of European investment was a joint venture, which basically reduces the risk that you are referring to. Understanding the market, navigating the legislative and bureaucratic system, and so on. I think the European businesses have found a way around it by joining a local company. However, what is quite unfortunate in my view, is that, most large companies have the financial muscle to withstand challenges, and that is not the case with small and medium sized enterprises (SMEs) who would be significantly affected otherwise. Time is business, time is money, and any delay would affect their operation. In effect, large companies are more willing to invest in Ethiopia because they can better navigate the system, they have better financial capacity to withstand delays. And for me, that is quite unfortunate because it is actually the SMEs that create more jobs; these are the investments they bring in. Whereas large businesses usually bring in high tech manufacturing systems that don't even require much manpower. So, I mean it is not exactly an SMEs friendly environment, and that had to be addressed soon enough in my view. Because what is happening is that bigger companies are not only joining in but expanding their presence already and by the time when their system has become streamlined, there will be little space for SMEs to join in. This is what is happening at the moment.

I: Perfect, I think the help of organizations such as yourself would definitely be helpful for SMEs as well.

ED: Absolutely. Without sounding too self-promoting, it is important to join associations such as ourselves. Not only because we have the right tools at our hand immediately, but we create opportunities for similar companies to engage with those companies who have made it here. I think that is absolutely critical. To learn from each other is the most helpful thing one can offer. That is what I mean by creating networking opportunities for our members. To share experiences and especially for new entrants. That remains an absolutely critical input. So, because small mistakes can lead to significant loss and everything has to start with a clean slate especially in the beginning when it comes to taxations and etc. If not, then the consequences could be dire.

I: Perfect, I think that is it also from my part. Thank you so much again for your time. If you have any questions from us, would be glad to answer.

ED: Not exactly, I wish you all the best and I hope that you would be able to get some insight from the embassy that you referred to earlier. I also hope that your study would see review from those concerns either in the government or anybody else to make decisions, so make sure you do present it to those who need your view. All the very best.

I: Thank you. We are helpful to contribute something.

ED: Good luck to you both.

Interview Transcript – Expert 10

Function: First Secretary; Medium level diplomat, abbreviation: D

Organization/Company: Embassy of Ethiopia in Stockholm

Place: Zoom Call

Date: 17/03/2021

Call duration: 29:08 minutes

I: At first if you could briefly introduce yourself and tell us about your role in the Embassy?

D: Yes, thank you. My name is (Name), I am a medium level diplomat, a first secretary, as the (...) structure goes. I have been working in several departments at the embassy. I have been engaged with the relations between Ethiopia and the Nordic countries. Also, the bilateral economic relations as well. I also work in the (...) department related with our Ethiopian community residing in the four Nordic countries the embassy covers. The embassy actually covers- we are based in Stockholm but covering Denmark, Norway, and Finland. So, I have also been working with our communities residing in these four countries. So, I have been focused on (...) issues, business or economic diplomacy, and bilateral relations as well. That is what I can say about myself.

I: Wonderful. In your opinion, how does the embassy facilitate trade and investment between Denmark or Sweden and other Nordic countries and Ethiopia? Or what are some of the activities that the embassy does right now?

D: Yes, well, we actually serve as a bridge between Nordic companies and Ethiopia. We quite often organize business seminars. We also participate in business seminars and forums that other companies organize in the whole four countries. So, that is how we promote the opportunities in Ethiopia, investment opportunities, trade opportunities. So, we also sometimes organize business seminar forums and other times we participate on forums that other organizations organize. And then, if there are interested companies, we can specifically provide them detailed information about the business environment in Ethiopia. We can then connect them with relevant authorities in Ethiopia. We also do that by writing them support letters from the embassy, by looking at their company profile and the short business proposals of us about what they are going to do in Ethiopia. So, we give them information, we create a connection between them and Ethiopian authorities, and then we provide them general information on incentives that they may get in Ethiopia as a foreign company, and all other relevant information. That is basically how we (...).

I: Yes, I think it would be very helpful to have that kind of support and information from your side as well the individual companies that want to expand into Ethiopia. Maybe if you could give us an estimate of how many businesses or clients do you help on a regular basis?

D: .. Well, in our annual plan every year, roughly you can say, we can support 10-15 companies from the whole of four countries and not basically only from Denmark. I think it is far less than in Sweden and Norway. Most of the Nordic companies investing in Ethiopia or engaging in Ethiopia are from Sweden or Norway. And Denmark and Finland (...).

I: Do you get any clients from Denmark at all?

D: Well, yes. I mean some clients may cut us out for the reason we don't know. They may directly travel to Ethiopia and start (...) there. Of course, start from the embassy and get the information from there and get the support later. Get the documents legalized here at the embassy. Sometimes they directly go there. But of course, we sometimes get such kinds of clients. For example, in 2020 in October we had organized a business seminar in Copenhagen and around 10 companies which somehow had some kind of information before, about Ethiopia, some of course, consultant companies as well. So, we have contacted them, we have given them information, sometimes of course affiliated with big companies like (Name), and also like IFU, investment firms, also were there. So, they were asking us information about business requirements, about opportunities, everything about Ethiopia. So, yes, we sometimes do but as you implied not that such. (...) and sometimes they may directly travel to Ethiopia and of course have the process without having to contact the embassy here in Stockholm.

I: Okay, okay. Thanks for your input. What are some of the typical modes of entry for these companies that referred to you? Is it they start with exports or with subsidiaries or operations in Ethiopia based on your experience?

D: I think most of them start with the export stuff and not directly involve it. Sometimes of course if you can express it that way contractual, for example (Name of company), they are not directly involved there but they have hired Banglade- a company from Bangladesh and that company produces textile products in Ethiopia but it was (Name of company) that contracted that company to produce the textile products in Ethiopia and then, it supplies (Name of company). But (Name of company) still think that it is engaged in Ethiopia and even though I mean I don't know how I can describe in international business jargon but that is some of the experience that most of them are not like conventional Green investments like FDI, where they have to hard factory on the ground and produce there and something like that. So, sometimes mostly they start with the exports, the subsidiary, and all those. You can also take, for example, (Name of company) which started with export of .. (...) service in all those- So that is how they start their business relations with Ethiopia and sometimes of course it also grows into some kind of further expansion. (*Wonderful.*) I can also mention on Danish company if I pronounce it well, Siemens Gamesa? This company is an energy company. It produces wind energy turbines, something like that. So, it was a project with Danida. So, this company is now doing a study to construct a wind firm in Ethiopia, it is a big investment around 140 million euros. So, there is some kind of combination of heavily private kind with Danida and this Siemens Gamesa company come to there and do something there. So, I don't know how you can frame that but there is for that kind of business engagement.

I: Okay, wonderful. From your perspective, what do you think are some of the challenges when it comes to providing investment support for Danish businesses or overall Nordic businesses?

D: Well, I mean there are complaints. Of course, companies do their own assessment. Sometimes instability is what they rest and of course they also want to meet, political stability and security (...) and also once they start, a difficulty of doing business- Ethiopia is currently doing that. We have a project of ease of doing business with World Bank but now it is improving, I think that study is one of the challenges where some relations are not that convenient for the companies and also licensing process, how they get licenses and all those bureaucratic processes that are also some of the challenges, a lack of infrastructure of course. How, what I wrote, and all those- and also a lack of foreign currencies another challenge businesses face in Ethiopia. So, I mean most of them are typical problems of the third world, developing country, I think. But those are some of the major problems companies face in Ethiopia.

I: Okay. .. What are some of the Danish institutions you collaborate with, if any, you mentioned Danida, what are some other maybe Danish institutions that you work with or you collaborate with on a regular basis, and how does the collaboration look?

D: Well, we have a cooperation, as you mentioned, with Danida, which is our major focal point. And also, to some extent with the ministry of foreign affairs, chambers of commerce, like Danish industry and we have collaboration with them. Another investment company that I say IFU I think the abbreviation is in .. Danish but it is an investment fund for developing countries. And the Danish energy, I don't remember the name but there are funding institutions that mostly work on energy, most of the Danish companies engaging in Ethiopia of course have something to do with energy and those sorts of Agribusiness. So, those are some of the institutions, I think.

I: What about on the ground in Ethiopia, what are some of the institutions that do similar jobs of investment promotion or trade facilitation- we know one which is the EIC, Ethiopian Investment Commission, how does the institutional setting look there?

D: Yes, as you said the first entry point is the Investment Commission, that is a two-level commission. We have a federal level investment commission and also all the (...) regional states also have their own investment commissions. We have a ministry of trade which mostly focuses on trade promotion. We have a ministry of foreign affairs under which we can be also categorized, so we have an economic diplomacy department which mostly works on linking businesses and attracting investment, foreign investment. Also, we have chambers at regional level, at federal level, but in major cities, so those chambers of commerce also sometimes cooperate with their counterparts, for example, the Addis chamber of commerce has operations with Danish industry, and they also sometimes travel abroad and promote their business along with the embassy's, of course. The Investment Commission has a one stop service where any company, Nordic companies, for instance, go there, start their licensing process, and they can get other registration forms and the Finnish, the registration there, the investment commission. So, most of the work related with foreign direct investment or foreign investment is handled by the ministry, and the investment commission but other institutions also have their own representation at the office of the investment

commission. And so, that is how they provide one stop service. So, those are the main institutions that promote Ethiopia's business, and also practically handle the issues there.

I: Great. Thank you for the information. My next question would be- You did mention some of the challenges of developing countries and mostly also in Ethiopia, but overall if I could repeat that question, what factors do you think deter the companies to invest in Ethiopia? Or what are some of the major challenges if you were to express it again?

D: .. You mean, are you asking for further explanation or so what? Or if I could repeat what I said?

I: If you could repeat some of the major challenges that could be a hurdle to companies?

D: Yes. So, the first one was, as I was saying, the difficulty of doing business. I don't know if it is the right way to express it. But as I mentioned there is this project of ease of doing business which we are doing with the World Bank. So, but there is difficulty doing business. It may take much longer time to get registration, business registration in Ethiopia than in Denmark, for example. So, one aspect of the difficulty of doing business is that one. So, likewise infrastructure, as I said, power outtakes, water, road infrastructure, I mean if they have to export, they have to access the sea either through road or railway, so those are very much the (...) Ethiopia has. So, those are the major challenges and also lack of foreign currency, the trade balance is mostly negative. We don't have that much to export, especially back in the days but, so, companies may face lack of foreign currency to import, some raw materials or some other stuff they have to import to Ethiopia once they are on the ground. So, those are the three major challenges foreign companies face.

I: Perfect. Thank you so much for further explanation of those. I think that is it with my questions, if my partner also has some follow-up questions or not, I will leave it to him.

I: Yes, thank you very much, you provided us with a lot of insights. Do you still have some time for follow-up questions, or?

D: I have around five minutes.

I: Okay, then I will be quick with just one follow-up question. Because you said that sometimes clients cut the embassy out in their internationalization process, would you think it depends a bit on the experience and maybe the size of the specific companies that expanded to Ethiopia. So, that maybe some of the more experienced or rather big companies would find a local partner or internationalize on their own and would not necessarily seek the help of public actors- whereas SMEs may engage with public institutions, maybe in the first place?

D: Yes, yes, yes. That is exactly why they have to undercut public institutions, I think. Sometimes they have their own representative there, either local or they may also send their own representative from their home country. Those kinds of representation can do them much better as I said, the ease of doing business. The difficulty of doing business is there, so

you say, you have to go through all the bureaucracies, it may take them much more time and cost. So, I think that is why sometimes they have to directly travel there, and they may do some kind of assessment on the ground. And then, identify the right authority to contact and then, have their own (...) in Ethiopia, have their own agents and those can do the job. So, maybe that is why efficiency- they may think this efficient way timewise, cost-wise, so yes that is why most probably. But these days because of that project of ease of doing business, Ethiopian Investment Commission is large in some of the services online so that they can directly even from their home country, from here, they can start the process. But basically, it is what you said.

I: Okay, thank you very much. Maybe just briefly, because you mentioned, you provide the information on the incentives that Ethiopian- that Danish institutions or companies can get in Ethiopia- Can you briefly mention the incentives that foreign companies can receive in Ethiopia?

D: Yes, for example, tax holidays, especially if they are exporting companies, because Ethiopia's plan in the scale is to have companies that export as much as they can because as they already mentioned there is serious lack of foreign currency. They want that foreign currency very much and we want companies to export very much. The export tax is also, they are exempted from that. They are also up to five years depending on the nature of their business, up to seven years, they may get income tax holiday. And, leasing issue, for example, if they have to lease a land that is also with very, very low price and if they have to there are also some public industry complexes, or industrial parks, so they have the privilege to have the priority to get lot- to get space in that industrial complexes. The details, of course, as you said, are available on the website of Ethiopian investment commission as well. But there are- except those challenges, I mentioned, the incentive is there, and I think (...).

I: Okay, great. Yes, thank you very much for the further elaboration. And once again, also for taking your time to have the interview with us. We really appreciate your help. And yes, I think it was a great interview. I don't know if (Name) has some words to say as well?

I: Yes, I also wanted to thank you for your time and input again, and if you have any questions for us, you can ask us, otherwise I think that's it.

D: Yes. Thank you very much and also thank you for the insightful questions. And I hope your research will do some good to strengthen the relation between business relations between Ethiopia and Denmark. Are you looking for some policy recommendations or if I may- the aim of the research, how are you going to go about it? Or maybe after all after you concluded, you may share with us and, of course, we may also get some clue from it.

I: Sure, actually there is no problem in sharing that with you. And yes, our goal is to see and analyze sort of the interaction between the institutions in Denmark and Ethiopia and understand all those different actors that are in the field but (...) or there is not much collaboration and so hopefully, yes, we will have a part of a policy recommendation. Yes, that is what we hope to get out of this.

D: Yes, that is great. So, as you said if it is possible, please share with us once you are done.

Interview Transcript – Expert 11

Function: Sales Africa, abbreviation: SA

Organization/Company: Siemens Gamesa

Place: Teams Call

Date: 09/04/2021

Call duration: 26:00 minutes

SA: Okay, just to make it very quick. Siemens Gamesa, we are an industry or company, and we manufacture, we develop and manufacture wind turbines. So, usually 99 or 95 percent of our activity is just selling the wind turbine itself. Then, in some cases, we sell the or we supply the (...) windfarm. That being said, inside Siemens Gamesa we have several activities, so one is dedicated to offshore windfarms, one is dedicated to onshore windfarms and the last one is for services or services which is mainly maintenance are related to the wind turbines. I am working inside the onshore activity and inside this onshore activity I am part of the sales community and specifically I am the head of sales for Africa. So, I am heading all the sales activity on Africa looking for new opportunities and trying to close contracts in Africa. So, that is my role and that is how I have been involved in those projects in Ethiopia, which I would say, in Africa we have three main countries or three main markets which are Morocco, Egypt, and South Africa. Those are, I would say kind of, recurrent markets, and then we are looking at other markets, and Ethiopia has been identified by Siemens Gamesa, I would say, something like five years ago, as a possible market for us to develop because we were expecting some wind farm projects to appear. And this is when comes, I would say, the Danish activity in Ethiopia where we discover because we are not aware of it when we started to look at the country, we discovered that the Danish authorities were partnering with the Ethiopian authorities to try to help to promote and develop renewable energies and specifically wind energy. So, the Danish authorities were let's say advising paying for some study, the Ethiopian government (...) among all this, the Danish authorities have decided to go beyond only studies and to finance a real wind farm. They have decided to say, okay, which I believe is really a smart move, sorry now I will talk about the generic market of wind. For a country, which has not entered the wind market still, they look at the wind at something, with some really (...). The thing with any technology, something new, something they don't know, something they have heard it could work or it could not work, it could have wind problems to the network, the electrical (...) is cheap or it is expensive. They have no idea. Then, the first step, they do, they look at some, I would say, studies to- and then, they compare the studies to their case just to see is it possible for me, is it interesting for me to go- this was more or less the situation in Ethiopia. If you want the wind sector to develop, you need several things. You can decide the sector to develop only with, I would say, public initiatives which is the case in Ethiopia because they have a monopoly on the electricity sector. So, there is only one company acting in all the (...) sector and this is not often to private investment. (*Is it the Ethiopian Electric Power?*) Exactly, exactly. This company is a monopoly of the production of electricity, the transmission of electricity, and the distribution. This is the same then it was in Europe 30 years ago. All countries have these or had at that time a historical monopoly of the local utility, and then, in the last 30 years we have evolved from one monopoly to a market open, and we permit the private initiative to come and to develop some capacities. And it is, I would say, usual way

countries have developed, (...) what exactly Egypt is doing now. Ethiopia is ten years late. They are still in this monopoly. They are still a little bit reluctant, looking at new energies, but, but they said, okay, we have to go for it. Now, the question is how do you attract or how do you promote the sector and how do you make people to come and to invest money there? Because, if you only rely on the public investment, those are huge investments to deep energy to country and more when you talk about Ethiopia (...) so the easiest way usually let's say that we will open to the private, so we open to the private and we (...) private companies to come and to invest. But this will happen only if there are private people convinced that it works. And the problem in a country where there is nothing that has been (...) no one wants to be the first. This is where comes the very smart move from the Danish authorities telling let's put money and develop a real wind farm and (...) so that will demonstrate that it is feasible because technologically speaking, it is not easy to build a wind farm. They will demonstrate the wind farm ten poor (...) energy in the grid and they will demonstrate that at the end it is only, I mean, depending on the will of the private investors because finally, as have been demonstrated, that if you want to do it, it works. So, that was the idea of the Danish, the Danish authorities, to say, let's find an opportunity, let's finance it and we will organize a tender so that some private companies will build the wind farm, that the wind farm will belong to the EEP, to the local utility. But technically speaking, by having this wind farm running, we will demonstrate that it is feasible. And then, the page will be open to private investors, they will be convinced that the technological risk at least is not existing. So, let's call it, it is a kind of demonstration project, nevertheless, due to the huge size because it's 100 MW wind farm, which is considered for Europe, for example, really huge, there are very few of those, it is more than a demonstration project, it is a real industrial project running. What you have to remember is that this project is just under construction now, it is still not finished, we started two months ago, we started in January, and it will only be running 27 months after it was started, so we are talking about middle of the year 2023. It is when the wind farm will be built and running.

I: Sounds great, thanks for the huge range of information so far. So, do I understand it right, so if the Danish government would not have promoted the wind sector in Ethiopia, Siemens Gamesa would not have expanded to the country?

SA: Yes, in fact, I mean, yes, because apart from this opportunity that we have been awarded after a complete tender, there was no other opportunities in Ethiopia. So, it was the only one and it is not the first wind farm, there are some others but built by Chinese in a different way. This one is the first one similar to what you can see in Europe. So, the Danish authorities, they have, let's say, demonstrated this (...) and on the other way, we also we went for this because you know participating to a tender telling people, making budgets, making studies is very expensive. We may not have tried if it was not financed by the Danish authorities, because when it's financed by the Danish authorities, you say, okay, it should be something serious. And it will happen. The big question in our sector is that every day someone is calling me telling, yes, I want a wind farm, but at the end, 90 percent of the case they don't know what it is and the project at the end is not a reality. It's not a real opportunity, but when you have people like Danish authority paying for some studies or let's say at least some physically studies, not paying me but paying some consultants so that

I have access at some information which is (...) and then, they put on the table and they say we will organize tender, and we have here more than 100 million to finance the wind farm, then we say, yes! It is for real! It is something serious! So, in the process itself, they gave confidence to the industry, so this was Siemens Gamesa, this was some other competitors, and then, when it will be done, they will give confidence to private investors because they will see that it is feasible to have a wind farm in Ethiopia. And some private investors may do the same than the Danish have done. But it will be done by private entities.

I: So, maybe getting a brief recap of the services that Siemens Gamesa has used for the expansion into Ethiopia, is it mainly then the Danish authorities that financed or at least given the prospection to get into Ethiopia.

SA: No, I would say the prospection activity, and all this was done directly by Siemens Gamesa. But it's real that when we were in Ethiopia, we always try to get in touch with the local people that were working for the Danish authorities. So, it was mainly through the Danish embassy where you have IFU and some other (...) and those, so we were just paying sometimes a (...) to know what was going on, what was the last news and they were sharing some information about us that it was not replating, I would say, the normal prospection activity.

I: Yes, so it was IFU, the Danish embassy then, are there more actors that have helped you in the internationalization process?

SA: Yes, what we call Danida, what is now called, (...) SAS which is Danish sustainable investment fund, which is, (...) depends on the, .. am I right, not sure which ministry is in Denmark, but it is for the development in some countries. So, it would be (...) of collaboration. *(It does belong to the ministry of foreign affairs, right?)* Exactly, exactly.

I: Okay, sounds great. Thank you. Could you please elaborate on Siemens Gamesa's internationalization process in general, so at what stage of your internationalization did you make use of the services from intermediaries?

SA: Well, generally speaking for internationalization we are already moved (...) 70 countries or whatever, so it was not funds to the Danish authorities that we developed generally speaking but for the case of Ethiopia, yes, we are there now thanks to the Danish authorities because they have created a real opportunity. Otherwise, there would have been nothing for us in Ethiopia.

I: Okay, I think then you already answered my next question, but what were the challenges prior to your expansion into Ethiopia?

SA: The challenges, like every new country, it is understand the legal frame, understand the finance frame, understand the rules for our sector, understand which players are there, all these you need this only if you identify that there is an opportunity for a market. So, those are at the end the more or less (...) which is, is there a market for me, and the other question

is that if there is a market for me, what are the rules of this market? And then, how far may I cope with those rules? And then decide whether or not to go to this market.

I: Then I guess the Danish authorities, actors such as IFU, the embassy, Danida, has helped you with this respect.

SA: Yes, they helped a lot understanding the rules of the country and which were the main actors and stakeholders for our project.

I: And what are the ongoing challenges you face in Ethiopia?

SA: Administration (Laughter). It's not an open country with (...) trade rules. For everything you need a license, for everything you need a permit, for everything you need authorization and those are really the problems plus the scarcity of strong (...), that like Dollar or Euros, in the sense that you need to import equipment and for that you have to pay with Dollars or Euros and there is not enough Dollars and Euros in the country. The strong change control which is not easy to overcome.

I: Yes, that is what we have learned also throughout our process, that there is this forex issue, a big hurdle for companies as well. And what would you have done differently if you were to internationalize today, what kind of help would you expect from intermediaries?

SA: Well, (Laughter), in fact, specific to our sector because we are going project by project we are not really going on the full market. But for that what we need is someone opening us to do it. Which means someone able to take us and to say, here, I present you the ministry of energy and the one of finance and look for utility and the governor of the region, which is someone to introduce us, so that would save a lot of time. This is the kind of services really which are important for us.

I: So, organizations that promote trade and investment in general. So, do you know some of the organizations in Ethiopia itself, that promote or that provide these services?

SA: So, there are some private organizations trying to promote those kind of services or usually those are kind of communication agents trying to represent you, so those ones are I think, and then, all the, not all, okay, the main foreign organizations or let's say the main foreign embassy like Denmark but also, for example, Spain, and also Germany, they used to have their economic interest which are let's say supported by some local people which usually promote these kind of actions. The point is that when you are the Danish, Danish guide or the Danish for it you promote at the same time, I don't know, a brand of cookies and a wind turbine, so it's not (Laughter) I mean, it's difficult for them to be focused.

I: You mentioned the private actors, do you know whether Siemens Gamesa has made use of their services as well?

SA: Very few. We made use of these, we tried when I mentioned to you, that when five years ago we have already identified Ethiopia as a possible market, so we use the service of this, one of those, just to get some preliminary information, and then also we got in touch with some lawyers to have assessment of the laws and some advises on how to open a branch, how to install our business in Ethiopia.

I: I see. Thank you.

SA: And lawyers and (...) experts.

I: And you also mentioned that you are having the headquarters in Spain, but you are also operating in a lot of countries, so I guess this prior experience or internationalization experience was very helpful also when it came to expansion into Ethiopia, right?

SA: Yes. In fact, we are, the headquarters are in Spain, but we have huge let's say installations in (...) that is why we had a test to this let's say Danish help because just to give you an idea, we have something like 6.000 employees in Denmark, so we are considered a Denmark company, even though the headquarters are in Spain. But well, coming to the internationalization process, is it not something new, we have for those kinds of projects, in the past, we already used, for example, the Spanish founds to some Latin American countries. We have factories in China, so we have also used some Chinese export credit to be present in other countries and this one, the best one and the most (...) one was the Danish one.

I: Thank you so much for the huge range of information and now I think that was it in terms of the questions from my side, I don't know if my thesis partner, (Name), has also something to add? Any follow-up questions?

I: Sure. Thanks also from my side for the comprehensive information. Maybe just one question that now you experienced some of the challenges and opportunities in Ethiopia, maybe aside from this major project that you are doing right now, would you think about maybe finding a market there and expanding on your own.

SA: Yes. Sure. Now, that we have made the first step and we are I would say prematurely present, because we have now opened a branch there, we have something to hire people, we have a window of 27 (...) which is the construction (...) so we know we will be there and then there will be there for the next following five years. So, our interest is to find other opportunities and to stay there, really.

I: And do you know the Ethiopian Investment Commission?

SA: Yes. Well, I would say, I have heard about it, but I cannot say that I know it in the sense that- never worked directly with them.

I: Okay. So, you haven't used their services directly, right?

SA: No.

I: Okay, great. I think that's also it from my side.

SA: Okay.

I: So, once again thank you so much for taking your time to speak with us. We really appreciate your help and I think you provided us with a lot of useful insights.

SA: Thanks a lot. If you need something else, do not hesitate to contact me.