



Ethiopia Investment Policies and Incentives and opportunities

Contents

1 Overview of economic, geographic, social, and political outlook

2 Enabling business environment; policies and incentives

3 Investment opportunities in industrial parks

4 Investment opportunities in specific sectors

5 Some examples of high profile investment in Ethiopia

Overview of economic, geographic, demographic, and political outlook



Ethiopia's vision of becoming a middle income country by 2025 is built around economic, social, and environmental pillars

- Ethiopia envisions to become a **middle income country** And **Leading manufacturing hub in Africa by 2025**.
- The target is broader than a quantitative target; includes aggressive poverty reduction and advances in health, education, and the environment
- The three key pillars to achieving the target are economic, social, and environmental developments:

Economic development	Social development	Environmental development
Focusing on Light Manufacturing mainly Textile Leather Garment & Agro processing	Focusing on Education & health	Sustainable use of natural resources and boosting resilience to adverse impacts of climate change

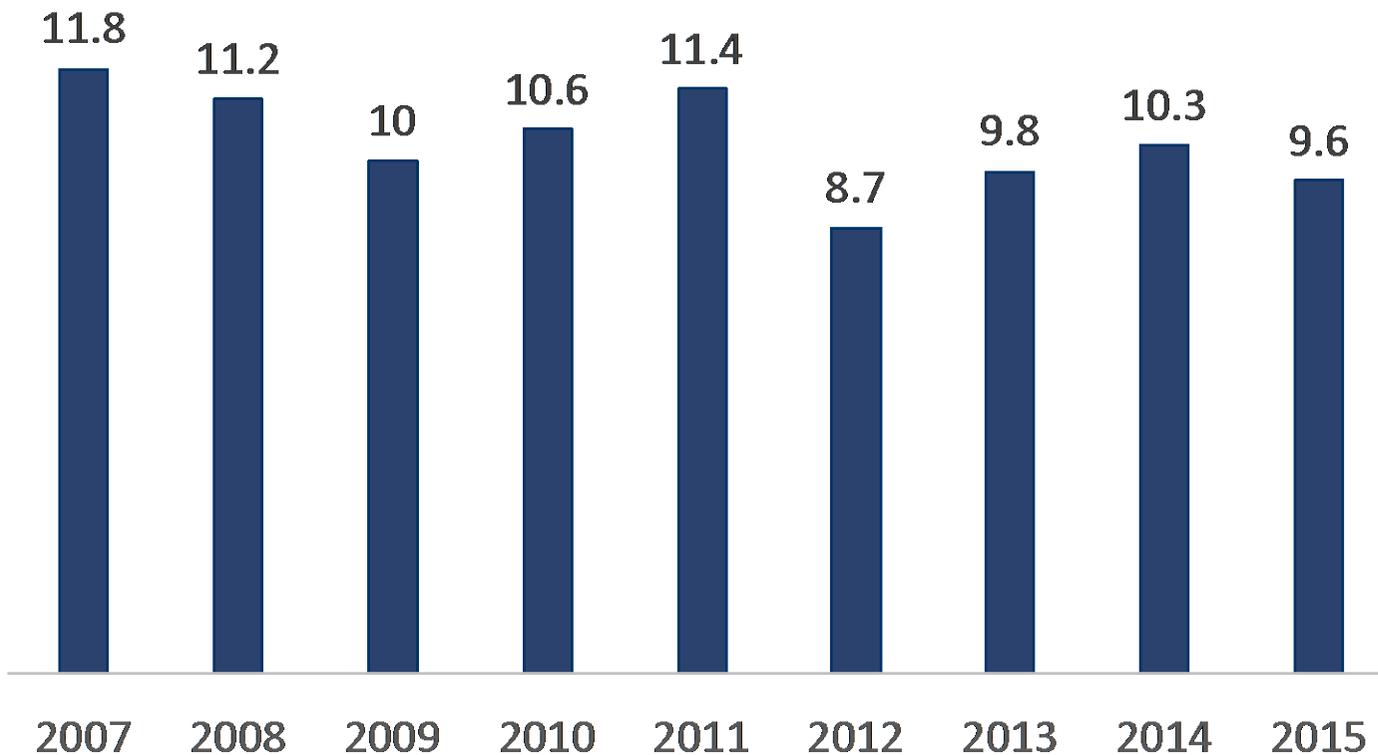
Ethiopia's geographic and demographic realities present excellent opportunities for investment and trade

Ethiopia Land size	<ul style="list-style-type: none"> ■ 1,140,331 sq. km (twice the size of the United Kingdom) ■ 45 Percent suitable for agriculture Have abundant arable and irrigable land
Population	<ul style="list-style-type: none"> ■ 100 million+ ■ Ethiopia is the 2nd populous county in Africa
Altitude	<ul style="list-style-type: none"> ■ 4600 a.s.l. - 120 m b.s.l.
Location	<ul style="list-style-type: none"> ■ 3 -15° N Latitude ● 33- 48°E Longitude It is well positioned for global exports and is situated at the cross-roads of Africa and the Middle East ● Easy access to Asia through the port of Djibouti and close proximity to Europe also enable Ethiopian exports



Ethiopia has registered (average) 11% GDP growth over the last 12 years

Real GDP growth rate (%)



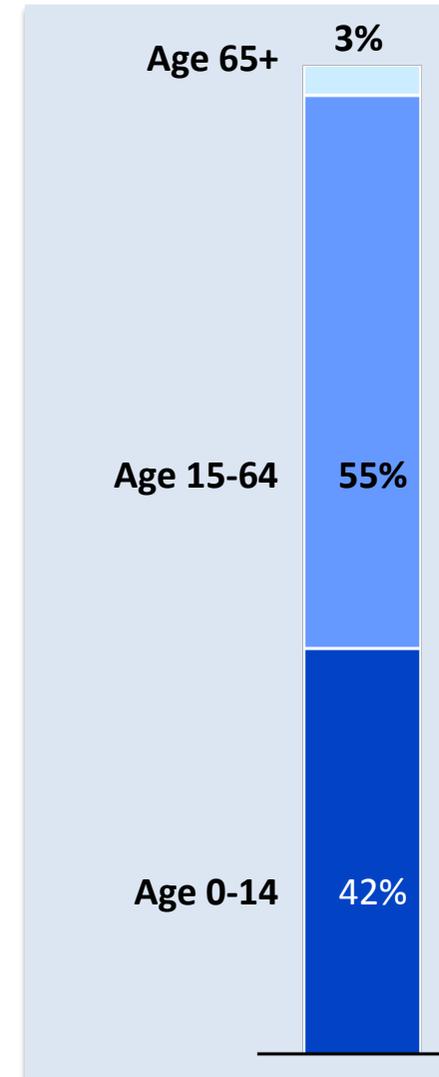
• *Ethiopia has registered a rapid and sustained double digit economic growth (11 % per annum) during the last 12 years”*
-The Economist

- Inclusive growth with rapid reduction of poverty
- FDI about to reach 2+ billion USD
- One of the top exporters of Coffee, Oil seeds, Gold and Horticulture products

A bit shy of 60% of Ethiopia's population is in the working age group

Availability of labour

- Abundant, trainable & industrious labor force
- Labor cost in Ethiopia is relatively inexpensive even compared to regional average:
 - Daily laborer less than \$5/day
 - Salaries of fresh university graduate.... \$110 – \$250/month
- English is the medium of instruction in secondary & higher education;
- English is also used as a working language in both government. & private institutions together with Amharic, the Federal working language.



Ethiopia's location and its membership in regional and bilateral trade agreements make it a desirable investment destination

Free trade advantages:

- **United States**: AGOA (extended for 10 more years)
- **European Union**: Everything but Arms
- **Sub-Saharan Africa**: A founding member of the Common Market for Eastern and Southern Africa (COMESA)

Location advantage:



3.5 billion people live within 8 hours of flight from Addis Ababa

Enabling environment; investment policies and incentives



The Ethiopian government has put attractive admission and regulatory incentive schemes in place for foreign investors

- Ethiopia's admission policy has been modified more than **four times** in the last **22 years** in favor of investors
- Foreign investors can invest on their own or in partnership with domestic investors in areas open for FDI. No restrictions on equity ownership in joint investment
- Required to have investment permit from the EIC or relevant government organs as appropriate.
- Required to allocate/transfer minimum capital
 - USD 200,000 for a wholly foreign owned single investment project, USD 150,000 jointly with a domestic investor
 - USD 100,000 for technical consultancy if wholly owned or USD 50,000 jointly with a domestic investor

Regulatory schemes have been put in place to protect and guarantee foreign investors ...

- Guarantee against expropriation or nationalization (The Constitution & Investment Law provide guarantee for investors.)
- Ethiopia is signatory of Multilateral Investment Guarantee Agency & has concluded Bilateral Investment Promotion & Protection Treaties with 30 countries.
- Privilege to full repatriation of profits, dividends, principal and interest payments on external loan, etc. out of Ethiopia in convertible currency.
- The right to employ expatriate managers and experts.
- Double taxation avoidance treaties with 18 countries.

...coupled with a highly competitive fiscal incentives scheme



TAX RATE & INCENTIVES

Common applicable Commercial Tax Rates

Type of tax	Tax rate
Corporate income tax	30%
Customs duties	0-35%
VAT	15%
Excise tax	0-100%
Withholding tax	3%
Personal income tax	35%

Sectors in which foreign investment is permitted ¹	Government incentives	
	Customs duty exemptions	Income tax exemptions
Manufacturing	✓	✓
Agriculture	✓	✓
ICT	✓	✓
Generation, transmission & supply of electrical energy	✓	✓
Export trade	✓	✓
Hotel and tourism	✓	✗
Mining	✓	✗
Construction contracting	✓	✗
Import trade	✓	✗
Education and training	✓	✗
Health service	✓	✗
Architectural & engineering works	✓	✗
Real estate development	✗	✗
Publishing	✗	✗
Wholesale trade	✗	✗

Investors will also benefit from easily accessible and efficient one – stop- shop services at EIC and industrial parks

- **Around 28 licensing and registration services in relatively short timeframe**
- **Approval of incentives for agro - processing and other investment venture**
- **Complaint handling by executing officials**
- **The Ethiopian Investment Board overseeing our (EIC's) activities, entertains issues beyond our juridical capacity**
- **One Stop Shop services in all industrial parks**

Investment opportunities in industrial park investments



Industrial Parks Development Corporation and private developers are developing IPs throughout the country

- **Industrial Parks Development Corporation of Ethiopia (IPDC) is mandated to develop and operate a wide ranges of industrial parks**
- **IPDC serves as Industrial Park land bank, develops Industrial Parks and hands over to private Industrial Park developers (leases or sub-leases land, sells or rents shades)**
- **IPDC will develop 100,000 ha of land between 2016 and 2025 -i.e. 10,000 Ha annually- for a total factory floor area of 10 million m² (1 million m² annually)**

Several industrial Parks are being developed through out the country

Existing and future IP location



- World-class parks, ready for 'plug and play'
- Specialized on priority sector
- Sustainable (eco-parks)
- Strategically located along the new railway corridors

By 2017	Specialisation
Hawassa II	Apparel & Textile
Mekelle	Apparel & Textile
Adama	Apparel & Textile Machinery & Equipment
Dire Dawa	Apparel & Textile
Kombolcha	Apparel & Textile
Kilinto	Pharmaceuticals
Bole Lemi II	Apparel and Textile

Industrial Park Projects

Fully subscribed Parks

No.	Name of Parks	Site & Location From Addis Ababa	Land size in hectare	Clusters
1	Bole Lemi I	Addis Ababa	156	Apparel
2	Hawassa	South 275 Km	300	Textile & Apparel

Industrial Park Projects

Kombolcha and Mekele Fully subscribed Parks and Dire Dawa and Adam will inaugurate recently

No.	Name of Parks	Site & Location From Addis Ababa	Land size in hectare	Clusters
1	Dire Dawa	East 473 Km	1500	Textile & Apparel, Food Processing, assembly
2	Kombolcha	North-East 380 Km	700	Textile & Apparel, Food Processing
3	Mekelle	North 760 Km	1000	Textile & Apparel, Food Processing, Assembly
4	Adama	South East 74 Km	2000	Textile & Apparel, Food Processing

Industrial Park Projects

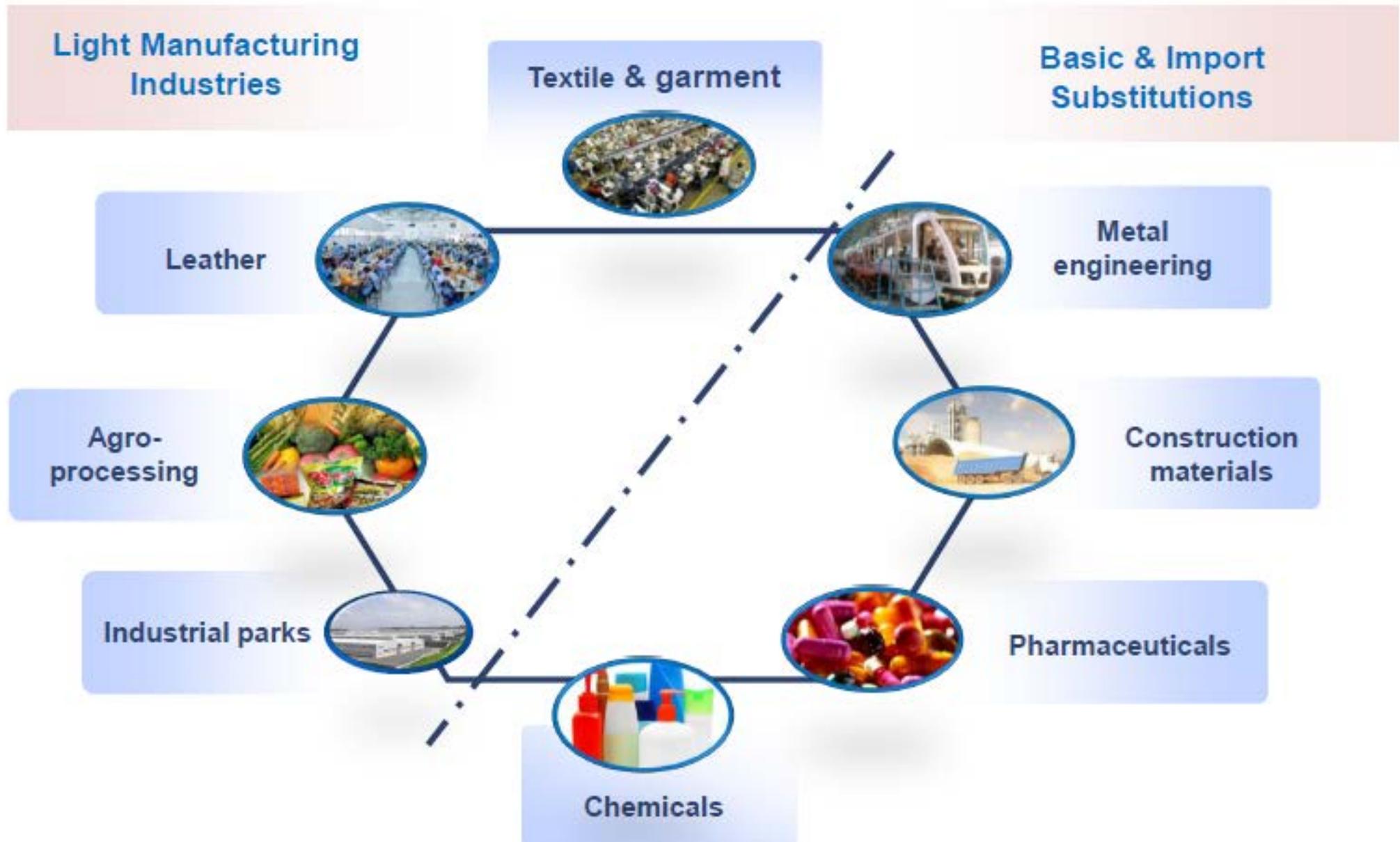
Parks under construction and finalized early 2018

No.	Name of Parks	Site & Location From Addis Ababa	Land size in hectare	Clusters
1	Bole Lemi II	Addis Ababa	186	Textile & Apparel
2	Kilinto	Addis Ababa	337	Food Processing, Pharmaceuticals, House appliance, electronics and electrical
3	Bahir Dar	North-West 578 Km	1000	Textile & Apparel, Food Processing
4	Jimma	South-West 346 Km	500	Textile & Apparel, Food Processing

Investment opportunities in specific sectors



priority sectors have been identified



GoE has prioritized labor intensive light manufacturing industries to generate employment and export

- **Promoted Investment Projects:**
 - Industry Park Development
 - Agro-processing
 - Textile & Textile Garment
 - Leather & Leather Garment
 - Pharmaceuticals
 - Construction materials,
 - IT and Electronics
 - Energy



Investment opportunities in textile and apparels

- More than 9 Industrial Parks being promoted or are in the construction stages are dedicated for textile and apparels
- Big names such as PVH and H&M are already producing their textile and apparel products in Ethiopia
- Potential to develop a competitive cotton or textiles industry due to favorable climatic and soil conditions
- Ethiopian textile firms export to Europe & US
- Strong export performance: the Ethiopian garment and apparel industry has grown an average of 51% over the last 6 years:
 - US imports 40% of Ethiopian textile and garment exports
 - UK imports 10% of Ethiopia's textile and garment exports - other European countries import 50%

Investment opportunities in pharmaceuticals

- **The Government of Ethiopia considers pharmaceutical manufacturing a priority** for its economic strategy
- Increased attention to the country's disease burden, rising healthcare coverage, and progressive population and economic growth make Ethiopia an **attractive market for pharmaceuticals**
- The Ethiopian pharmaceutical market is expected to grow at **15% per year** to reach nearly **\$1 billion by 2020**
- In addition, Africa represents a frontier pharmaceutical market valued at **>\$25B** and where high growth is still achievable
- COMESA represents a large export market – with **an addressable market size of \$6.2B** – while IGAD and EAC are also considerable market size
- **Kilinto Industrial Park** will specialize in pharmaceutical manufacturing and will be opened in early 2018
- Wide ranging incentives for pharma manufacturers located in IPs – **generous income tax exemption**

There are wide ranging investment opportunities in agro-processing (1/2)

Agro - processing

Processing of:

- Meat & meat products
- Fish & fish products
- Fruits and vegetables
- Milk and milk processing
- Processing of coffee

Production of:

- Crude and refined edible oil
- Spaghetti, noodles and macaroni
- Animal feeds
- Sugar & sugar products



There are wide ranging investment opportunities in agro-processing (2/2)

Agro - processing

Processing of:

- Oil seeds, cereals seeds, pulses excluding flour
- Baby food
- Honey

Production of:

- Alcoholic beverage
- Soft drinks
- Wine
- Mineral and other bottled water



More opportunities exist in agricultural farming and plantation

Agricultural farming

Cotton plantation:

Rubber Tree Plantation:

Livestock: Breeding, Fattening, Veterinary Services

Horticulture: Citrus, banana, mango, papaya, avocado, guava, grapes, pineapple, apples, potatoes, cabbages, eggplant, tomato, celery, cucumber, onion, asparagus, water melon, sweet melon, carrots, green beans, strawberries, herbs.

Floriculture: Highland and lowland world class flowers and roses

Root & Tuber Crops: sugarcane, potatoes, sweet potato corn, etc.

Beverage Crops: Coffee and tea



Ethiopia is capitalizing its electric power potential to enhance investment opportunities



- Electricity tariff is one of the lowest electricity in the world
 - Current rate: 3 cents/kwh

Energy potential

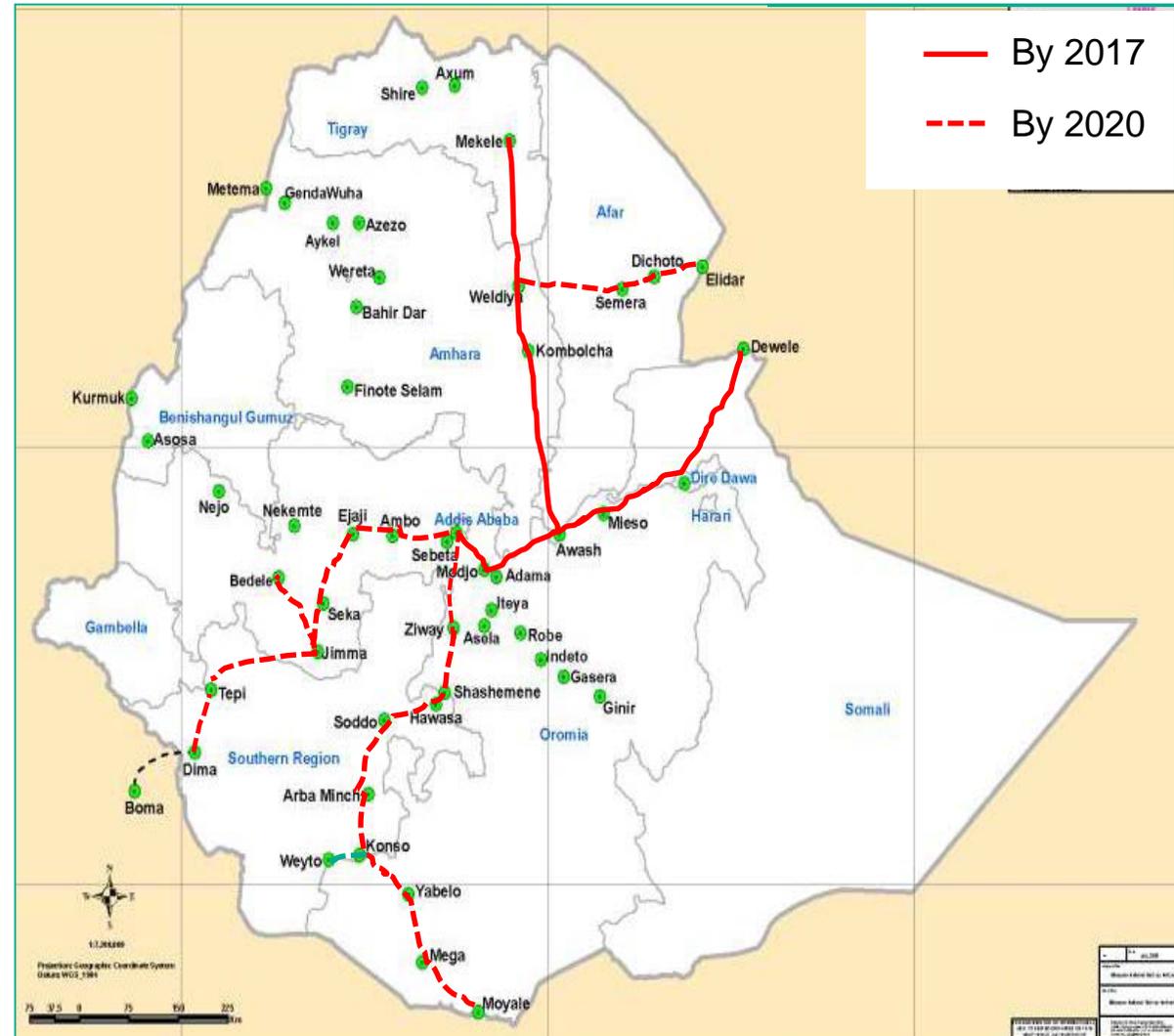
- Hydro : More than 45,000 MW
 - Largest hydro power dam in Africa is under construction with 6,000 MW capacity
- Wind: More than 10,000 MW
- Geothermal: More than 5,000 MW
- Supply chain opportunities
- Engineering & technical consultancies

Railway networks will connect important corridors of the country



- New electric railway connecting industrial parks to Djibouti port
– 4-12 hour travel time

Planned Railway Networks



A flagship industrial park, Hawassa Eco-Industrial Park I has been constructed in 2016

Overview

- **1.4 million m² land**
- **400,000m² factory buildings**
- Specialized in **Apparel and Textile**
- **Eco-industrial park (ZLD)**

Advantages

- One Stop Shop services
- Abundant labor with competitive wage
- Proximity to Airport, railway
- Anchor and leading firms
- Attractive incentives



Phase 1 was inaugurated on July 13th , 2016

Attractive incentives are provided for investors in Industrial Parks



Manufacturers

- Exempted from income tax up to 8 - 10 years
- Exempted from duties and other taxes on imports of machinery, equipment, construction materials, spare parts, raw materials and vehicles
- No taxes on exports
- One-stop-shop government services
- Land lease term: 60-80 years at zero charge for factories and residential quarters

Developers

- Exempted from income tax up to 15 years (outside Addis Ababa)
- Land lease term: 60-80 years at nominal rate with sub-lease rights
- Provision of necessary infrastructure, including dedicated power substations
- Exempted from duties and other taxes on imports of machinery, equipment, construction materials and vehicles

Some examples of high profile investment in Ethiopia



Presence of multinationals—witness of fast industrialization





DIAGEO



We Welcome you to invest in the fast growing Ethiopia

**For further reference our website is:
www.investethiopia.gov.et**

Thank You!

