

Invest in

Ethiopia

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Why invest in Ethiopia?



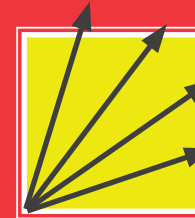
Growing economy



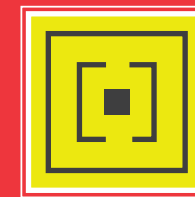
Political and social
stability



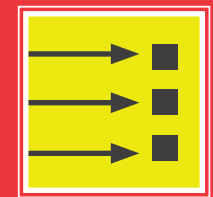
Supportive national
economic strategy



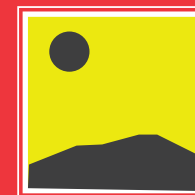
Wide market access



Strong guarantees
and protection



Incentives offered to
the private sector



Diverse agro-ecology
and fertile soils



Expanding
infrastructure



Competitive
labour force

The International Monetary Fund (IMF) ranks Ethiopia among the five fastest growing economies in the world.

Ethiopia is listed among the **top 5** African countries in which **foreigners should invest**, alongside South Africa, Nigeria, Angola and Mozambique (KPMG Africa, 2014).

After a decade of continuous expansion (during which real GDP growth averaged 10.8% per annum), in **2013/14** the economy grew for its 11th consecutive year posting **10.3% growth**.



Quick facts about Ethiopia

1



ETHIOPIA

▼ OFFICIAL NAME

Federal Democratic Republic of Ethiopia

▼ POLITICAL SYSTEM

Federal with a multi-party system

▼ LOCATION

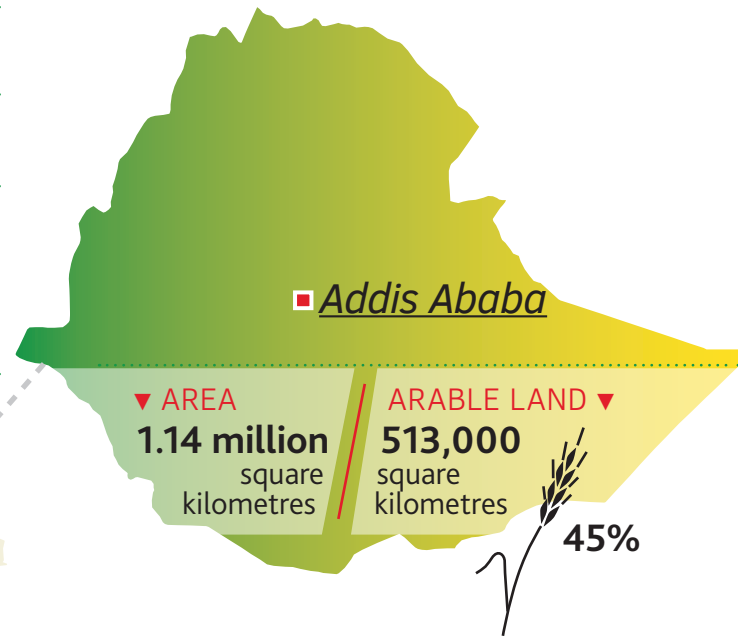
Ethiopia is located in the north-eastern part of Africa known as the "Horn of Africa". It enjoys a unique location at the crossroads between Africa, the Middle East and Asia.

▼ NATIONAL FLAG



▼ CAPITAL CITY

Addis Ababa. The seat of the African Union (AU) and the United Nations Economic Commission for Africa (UNECA)



▼ POPULATION

Ethiopia is the second most populous country in Africa, after Nigeria. Over 80% of the population lives in the rural areas.

Population density is the highest in the SNNPR (Southern Nations, Nationalities, and Peoples Region), while Gambela is the least populated region. The population of the national capital, Addis Ababa, is estimated to be 3 million while major regional cities such as Bahir Dar, Hawassa, Dire Dawa and Adama are growing faster both in terms of population and economy.

91.7 million
(World Bank, 2012)



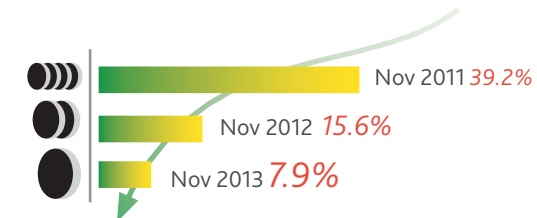
~4 million in Addis Ababa

▼ CURRENCY

The currency of Ethiopia is based on the decimal system. The unit of currency is the Birr (ETB). The Birr is divided into 100 cents.

▼ INFLATION

In an effort to combat inflation, the government pursued a tight monetary policy which, in the context of a slowdown in global commodity prices, resulted in annual consumer price inflation of 7.9% in November 2013, compared to November 2011 and 2012, respectively.



▼ FDI

Due to the country's investment-friendly environment, the inflow of foreign direct investment (FDI) has increased steeply over the past decade. FDI stock in 2011 was almost five times that of 2000 (African Review of Economics and Finance, 2013).

▼ LANGUAGE

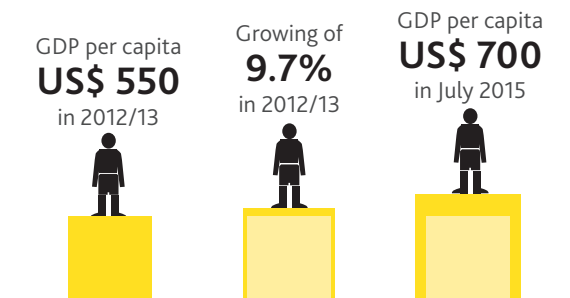
Amharic is the working language of the federal government, while Oromiffa, Tigrigna, Somali, Sidaama, and many other languages are widely spoken. English is taught in schools and is the main business language.

▼ EDUCATION

Primary school enrolment rates reached 85.7% in 2012/13. By 2009/10 there were 200,000 students enrolled in higher education institutions, and proportionately twice the number enrolled in universities in Kenya in 2012. (Deloitte, 2014)

▼ GDP PER CAPITA AND ECONOMIC GROWTH

Average annual real GDP growth rate for the last decade was 10.9% (Source: Ministry of Finance and Economic Development).

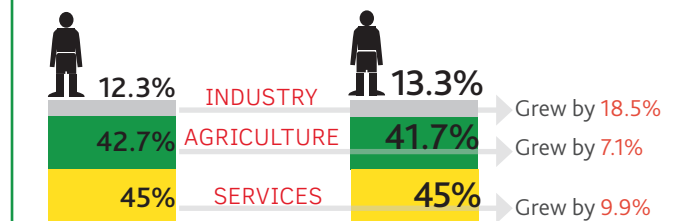


Dependence on agriculture has decreased significantly since the 1980s, falling from 56% to 43% of GDP. This still makes the sector far more dominant than is usual elsewhere in Sub-Saharan Africa.

The change in structure has emerged due to the growth in services, driven by an increase in financial intermediation, public administration and retail trade, rather than the growth that was hoped for in industry and specifically manufacturing.

Agriculture's share of GDP has not altered much, but the composition of agricultural output has changed as dramatically as its overall value has increased. This growth has been achieved by expanding the area of land under cultivation rather than by increasing productivity, which remains low.

GDP per capita in 2012/13



This momentum is expected to continue in 2013/14 and 2014/15.

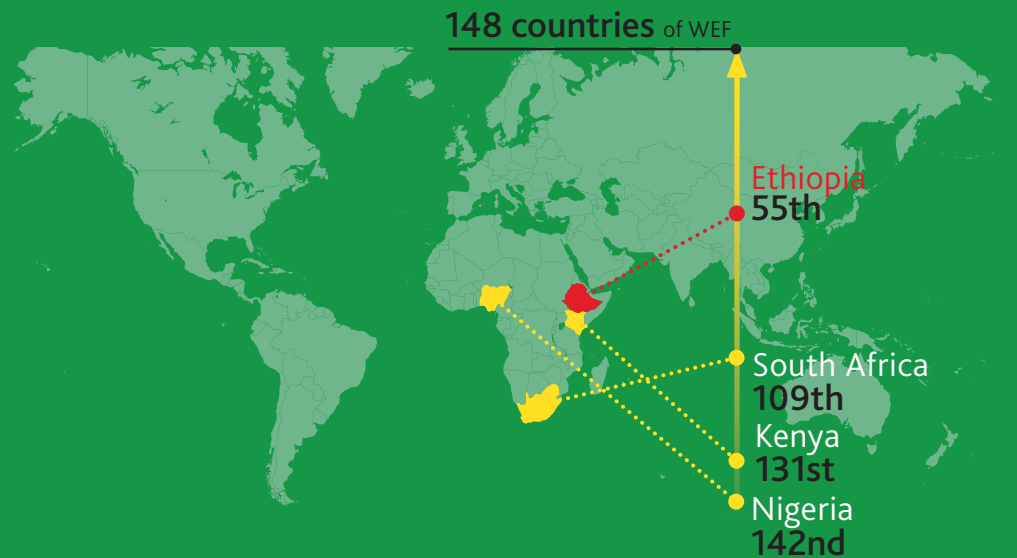
2.1 Encouraging political and social stability

Ethiopia is the oldest independent country in Africa, and is among **the most stable** countries in the region.

The country is ranked 36th and 38th globally in business costs of crime and violence, and organized crime. Foreigners can freely move around in most parts of the country with legitimate documents. In the major cities such as Bahir Dar, Hawassa, Adama (Nazreth) and Bishoftu (Debre Zeit), many people speak English, but in the rural areas a translator is needed.



World Economic Forum, *The Global Competitiveness Report (2013/14)*



- ▶ Standard & Poor's (S&P) Ratings Services
- ▶ Moody's Investors Service
- ▶ Fitch



Conductive Investment Climate

2

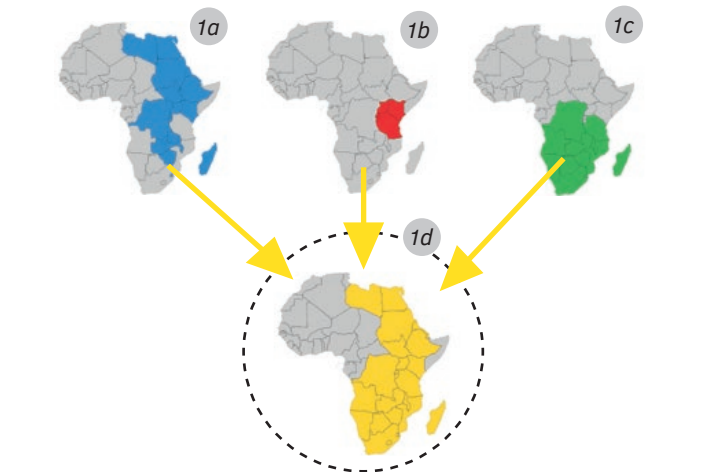


2.2 Supportive national economic strategy

The primary goal of the Ethiopian government is to eradicate poverty by delivering economic growth and transforming the structure of the economy. To this end, the government has developed three successive blue-prints that have been implemented with varying degrees of success:

1. the Sustainable Development and Poverty Reduction Program (SDPRP), implemented from 2002/03 to 2004/05
2. the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), implemented from 2005/06 to 2009/10
3. the Growth and Transformation Plan (GTP), covering 2010/11 to 2014/15.

1a: Common Market for Eastern and Southern Africa (COMESA); 1b: East African Community (EAC); 1c: Southern African Development Community (SADC); 1d: African Free Trade Zone (AFTZ)



Ethiopia's achievements in the economic sphere are all the more impressive when considered alongside the ground covered with respect to human development indicators—such as poverty reduction, health and education—and infrastructure improvements, including “institutional” infrastructure or governance.

Agriculture leads industrialization is the philosophy behind the national economic policy. In line with this principle, Ethiopia has been implementing its first five-year Growth and Transformation Plan (GTP) that aims to achieve an average annual economic growth of 11–15%. Over the last four years of the plan, the economy has achieved an average annual growth of 10.7% per annum.

Among others, the GTP emphasizes the growth of the industrial sector which employs raw material and labor from the agricultural sector. The forecasted GDP share of industry was 20%, and even though the industrial sector is short of the GDP target, its growth remains the highest of all sectors with over 21% annual growth during the last fiscal year. Over the last five years, steps have been taken in terms of laying the foundation for a strong industrial sector. In particular the country has been investing in massive infrastructural projects such as a railway line, hydropower generation, education and health.

2.3 Wide market access

With a population of almost 92 million, Ethiopia is the second largest market in Africa, and is also part of the Common Market for Eastern and Southern Africa (COMESA), comprising 19 member countries and over 400 million people.

In 2008, COMESA, East African Community (EAC), and Southern African Development Community (SADC) announced their intention to merge and form an African Free Trade Zone (AFTZ). This tripartite agreement spans the length of the continent, and represents a step towards realizing the continental economic union goal of the African Economic Community.

In addition to the African market, Ethiopian products have duty-free, quota-free access to the US and EU markets under the African Growth and Opportunities Act (AGOA) and the Everything but Arms (EBA) initiative, respectively.

2.4 Dynamic consumer trends

Emerging middle class

Although a third of the Ethiopian population still lives in extreme poverty, an urban middle class is rapidly emerging. Modern consumer habits in Ethiopia are, however, mainly concentrated in major towns, especially in the capital Addis Ababa, which is by far the largest city in Ethiopia with about 4 million inhabitants.

Appearance of supermarkets

Supermarkets are becoming part of the urban landscape in Addis Ababa. However, modern retail is in the early stages of development compared to other Sub-Saharan African countries. All modern retailers in Addis Ababa are medium-sized local companies, operating medium-sized stores not larger than 1,500 square meters.

In the coming years, boosted by the country's development and the emergence of a middle class, modern grocery retail should develop. Modern supermarkets will also open within malls, as Ethiopia remains highly attractive for developers.

Challenges in food retail investment

Ethiopia does not allow Foreign Direct Investment (FDI) in food retail and there is thus no presence of multinational supermarkets commonly found in other African cities. Second, the government intervenes in food retail through price controls and subsidies for a number of foods, as well as government support in the set-up of consumer cooperatives and marketing cooperatives in the city. Third, in order to help finance its ambitious development agenda, the government has recently enforced a Value Added Tax (VAT) that is affecting a number of food retail outlets in the city.

Importance of cooperative retail

Despite the prohibition of FDI in food retail, a modern domestic private retail sector is quickly emerging and the importance of cooperative retail is growing even more rapidly. It is especially important for those products where supply chains are controlled by the government. Outlets that pay VAT charge significantly higher prices and control for quality, which is a factor discouraging the concentration of modern retail in the country. On the other hand, cooperative retail delivers food at significantly lower—and subsidized—prices although these shops are often characterized by typical price control problems reflected in regular lack of supplies and queuing.

2.5 Strong guarantees and protection

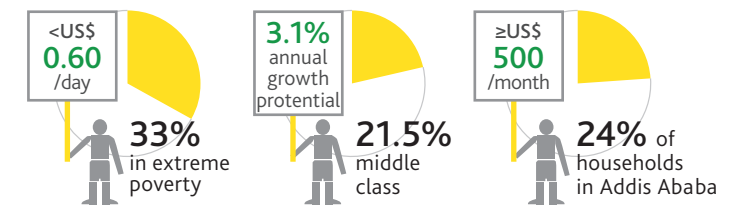
Security of Investment

Ethiopia is a signatory to the main international investment codes. For example, it is a member of the Multilateral Investment Guarantee Agency (MIGA). It is also a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of other States. Headquarters of the Africa Union and UN Economic Commission for Africa are based in Addis. These, added to the robust national peace and stability achieved over the last two decades, gives strong confidence to invest in Ethiopia. The country was the third largest recipient of foreign direct investment (FDI) in Africa in 2013, with a 240% increase in the amount in 2012.

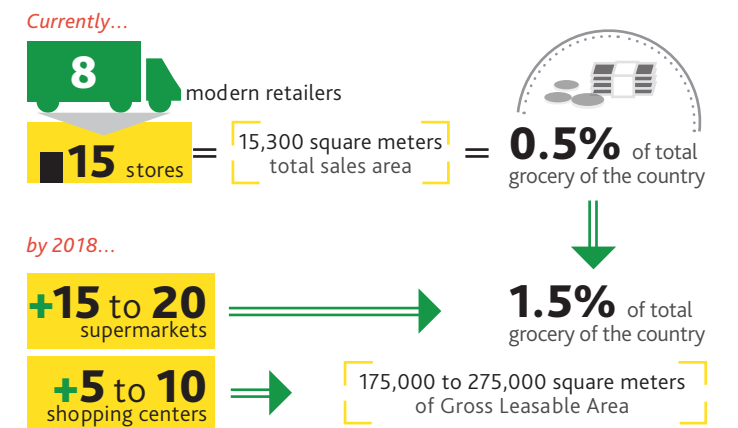
Guaranteed Capital Remittance

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:

- Profits and dividends;
- Principals and interest payments on external loans;
- Payments related to technology transfer agreements;
- Payments related to collaboration agreements;
- Proceeds from the sale or liquidation of an enterprise.



Source: African Development Bank (AfDB)



Enforcing contracts

In the World Bank’s *Doing Business* report (2014), Ethiopia ranks 44 out of 189 economies for ease of enforcing commercial contracts placing the country within OECD levels.

2.6 Lucrative investment incentives

Ethiopia offers a comprehensive set of fiscal and non-fiscal incentives to encourage investment into priority areas.

Duty-Free Import of Capital Goods

To encourage private investment and promote the inflow of foreign capital and technology into Ethiopia, the following customs duty exemptions are provided for investors (both domestic and foreign) engaged in eligible new enterprises or expansion projects such as manufacturing, agriculture, agro-industries, information and communication technology, and generation, transmission and supply of electrical energy.

- ▶ 100% exemption from the payment of customs duties and other taxes levied on imports is granted to all capital goods, such as plant, machinery and equipment, and construction materials;
- ▶ Spare parts worth up to 15% of the total value of the imported investment capital goods, provided that the goods are also exempt from the payment of customs duties;
- ▶ An investor granted with a customs duty exemption will be allowed to import spare parts duty free within five years from the date of commissioning of a project;
- ▶ An investor entitled to a duty-free privilege who buys capital goods or construction materials from local manufacturing industries shall be refunded customs duty paid for raw materials or components used as inputs for the production of goods;
- ▶ Investment capital goods imported without the payment of custom duties and other taxes levied on imports may be transferred to another investor enjoying similar privileges;
- ▶ Any investor who exports or supplies to an exporter gets at least 60% income tax exemption for two years, in addition to the exemption privilege.

Duty-Free Import of Motor Vehicles

- ▶ Total or partial exemption of motor vehicles from customs duties is determined by the type and nature of investment projects, such as the amount of capital invested. Investors are advised to consult the Ethiopian Investment Commission for further information before taking a decision.

Income Tax Holidays

- ▶ An investor who expands or upgrades his existing enterprise and increases by at least 50% its production or service capacity, or introduces a new production or service line by at least 100%, is entitled to the income tax exemption period of four years.
- ▶ Investors who export at least 60% of their products or services, or supply these to an exporter, will be exempted from the payment of income tax for an additional two years.

Loss Carryover

- ▶ Business enterprises that suffer losses during the income tax exemption period can carry forward such losses, following the expiry of the exemption period, for half of the tax exemption period. For the purpose of calculating a period of loss carry forward, a half-year period shall be considered as a full income tax period. Any loss during the income tax exemption period is not allowed to be carried forward for more than five income tax periods.

Export Incentives

- ▶ With the exception of a few products (e.g. semi-processed hides and skins), no export tax is levied on Ethiopian export products.
- ▶ Duty Drawback Scheme offers investors an exemption from the payment of customs duties and other taxes levied on imported and locally-purchased raw materials used in the production of export goods. Duties and other taxes paid are drawn back 100% at the time of the export of the finished goods.
- ▶ Voucher Scheme: A voucher is a printed document with a monetary value which is used in lieu of duties and taxes payable on imported raw materials. The beneficiaries of the voucher scheme are also exporters. A Bonded Manufacturing Warehouse Scheme also exists.
- ▶ Exporters are allowed to retain and deposit in a bank account up to 20% of their foreign exchange export earnings for future use in the operation of their enterprises and no export price control is imposed by the National Bank of Ethiopia.

- ▶ Franco valuta import of raw materials is allowed for enterprises engaged in export processing.
- ▶ Exporters can benefit from the export credit guarantee scheme which is presently in place to ensure an exporter receives payment for goods shipped overseas in the event the customer defaults, reducing the exporters’ risk and allowing prices to be kept competitive.

Financial incentives

- ▶ Investors targeting export-oriented agriculture (floriculture and horticulture) and all agro-processing sectors can get access up to 70% of finance from the Development Bank of Ethiopia and other commercial banks upon presentation of a viable project proposal.

Competitive Land Lease Price

- ▶ Land ownership is exclusively vested in the state and the people, and shall not be subject to sale or other means of exchange. However, private investors and any organizations have the right to use land on a lease or rental basis. The lease period for urban land ranges between 30 and 99 years, and for rural land it is between 20 and 45 years based on the type, magnitude, and location of the project. Land lease prices differ depending on the type of investment, location and classification between urban and rural land. Rental prices for rural land for agriculture ranges from US\$ 7–35 per hectare per year. Most of the investment corridors identified in this report fall in the high land-rental range.

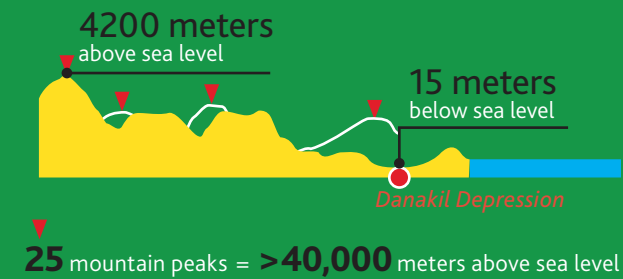
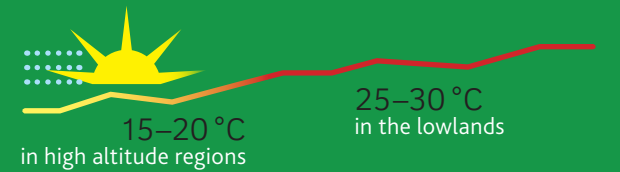
Conducive Tax Environment

Tax name	Explanation	Tax range
Corporate income tax	tax on profit	30%
Excise tax	levied on selected local or imported products	minimum 10%
Turnover tax	for priority sectors such as tractors, combine harvesting, grain mill	2%
Customs duty	payable on non-exempted imorts	0–35%
Income tax	payable on monthly incomes of US\$ 16.50 and above	10–35%
Withholding tax	payable on imports at 3% of cost, insurance and freight	3%
VAT	payable on businesses with a turnover above US\$ 54,000	15%
Dividend tax	payable on income derived from dividends from a share company or with-drawals of profits from a private limited company	10%
Royalty tax	payable on income derived from technology and intellectual property rights	5%
Capital gains tax	share of companies	30%
	business, factory or office buildings	15%
	residences	0%
Rental income tax	on annual rental income, depending on level of rental income	0–35%
Stamp duty	leasing	0.5% of value
	registering title to property	2% of value
	contract of employment	1% of salary
	bonds	1% of value, etc.
Foreign contractor withholding tax		10–30%

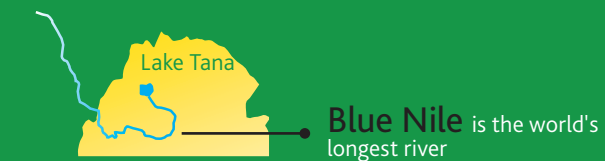
Tax treaties to avoid double tax payments are signed with several countries, alongside bilateral treaties for the protection and promotion of investments.

Ethiopia has diverse agro-ecology with altitudes ranging from 15 meters below sea level to 4200 meters above sea level. The lowest point in the world, Danakil Depression, is located in Ethiopia. Ethiopia is often called the water tower of Africa with 9 rivers crossing its boundaries and thousands flowing within. The world's longest river, Blue Nile or Abbay, originates in Ethiopia. Other major rivers include Gibe, Awash, Wabe Shebele, Genale, Akobo and Baro.

The diverse agro-ecology and fertile soils make the country ideal for agriculture. Cereals, pulses, oilseed, coffee, fruits and vegetables are the major crops grown. Ethiopia is among the top 10 producers of coffee, sesame, chickpea and many other crops worldwide. ■



Major fields of agriculture in Ethiopia



9 rivers crossing,
thousands flowing within Ethiopia

Diverse agro-ecology and fertile soils

3



Over the last decade, **investment** in Ethiopia has ratcheted up and is now **amongst the highest in the world**, relative to GDP. This is entirely necessary, since it is estimated that the country needs to invest an average of US\$ 5.1 billion per year in infrastructure alone for an entire decade in order to overcome existing constraints to development.

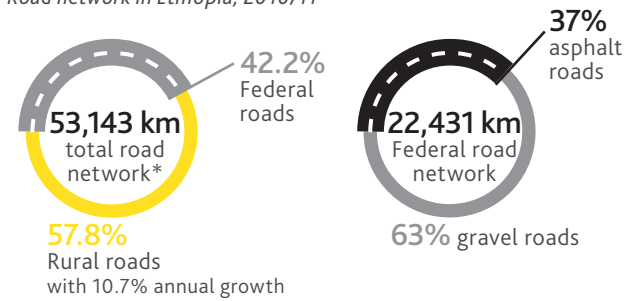


Expanding infrastructure

4



Road network in Ethiopia, 2010/11



* excluding community roads

Road network in Ethiopia, 2010/11



Governmental target for 2014/15



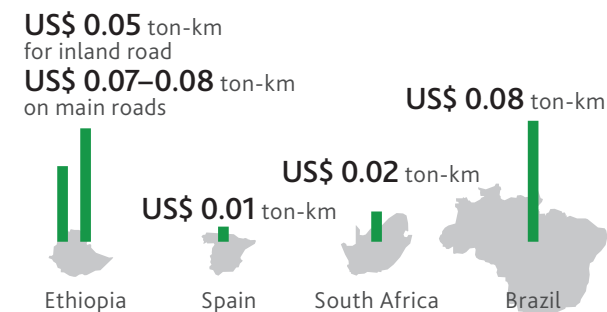
The federal and regional road network in Ethiopia
Source: own representation based on ERA 2006

4.1 Road transport

Until 2010, investment in roads—equivalent to around 3% of GDP per year—focused on upgrading and rehabilitating the trunk road system. However, only 10% of Ethiopia's rural population lives within two kilometers of an all-weather road, a serious challenge considering that 76% of the total population lives in rural areas. Solving this problem completely would require tripling the length of the road network, and so the strategy is to prioritize areas with high agricultural potential in order to improve food security.

Addis Ababa, the capital, is an important regional and international transport hub. The road network radiates from Addis Ababa to other regions, linking it with important cities, towns, and other economically active centers in the country. International highways also link Addis Ababa and other cities and towns with neighboring countries such as Kenya, Eritrea, Somalia, Sudan and Djibouti.

In line with the five-year Growth and Transformation Plan (GTP), the Government has targeted to increase the total road network to 64,500 km in 2014/15.



4.2 Air transport

Founded in 1945, Ethiopian Airlines is one of Africa's big success stories and has won numerous international awards over the years, including repeated recognition as the best airline in Africa. In 2011, it became the third African member of Star Alliance after EgyptAir and South African Airways and currently has codeshare agreements with 15 other international airlines, as well as strategic partnerships with West African ASKY airlines and Malawi Airlines, as part of its plan to create multiple hubs in the region.

Ethiopian Airlines carries two thirds of Africa's air freight. The fleet has been modernized and has also increased from 29 a decade ago, to 62 by 2014. A further 33 aircraft—including eight Boeing Dreamliners—are on order.

In terms of air freight, the documentation procedures and restrictions, including the system of not allowing freight forwarders to consolidate each transaction into one bill, presents a major bottleneck for foreign buyers purchasing Ethiopian produce. For example, if a vegetable importer from the Netherlands has agreed to buy green peppers, beans and tomatoes, he is required to bill separately each of the growers for the different products even when transporting them in the same cargo.

"I am not interested to purchase anything from Ethiopia, if I have to bill seven growers separately."

German importer and visitor at HortiFlora 2015, Addis Ababa

2003 → 2012

1.12 million passengers → 4.64 million passengers

36,000 tons cargo → 181,000 tons cargo

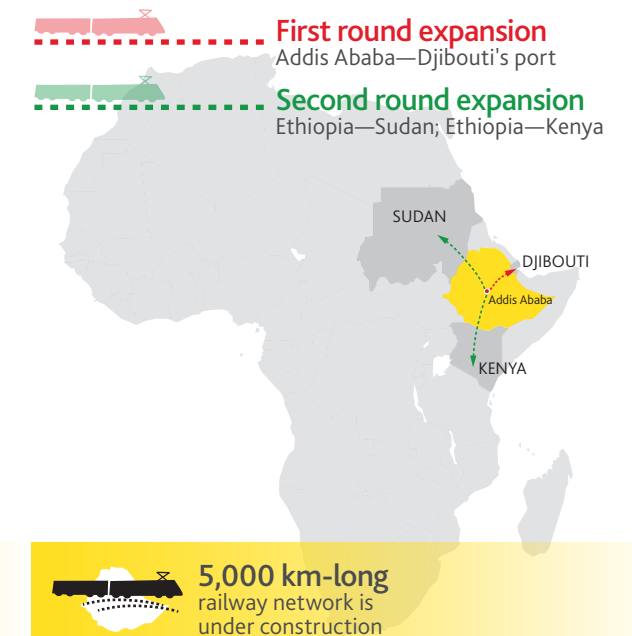
17 domestic
80 international destinations

There is a cost related to each bill for the clearance time and effort. It costs on average US\$ 100 to clear each consolidated container/cargo in Europe. If the importer has to clear seven bills, that would raise the cost to about US\$ 600–700 in total. These additional costs are unacceptable given the current forwarding conditions.

4.3 Railway transport

The rapid and sustainable economic growth in the country requires construction of a national railway network. A 5,000 km-long railway network is currently under construction by the Ethiopian Railways Corporation and the first priority is to join Addis Ababa to Djibouti's main port, a project expected to boost Ethiopia's import-export trade. The network is expected to reach every corner of the country.

The second-round railway expansion program will connect Ethiopia to Sudan and Kenya. In addition, several regional cities will be connected by railway lines. Efficient mobilization of agricultural commodities across and outside the country is the main purpose of the railway line expansion and hence most high-potential agricultural corridors will be connected in the next five to ten years.



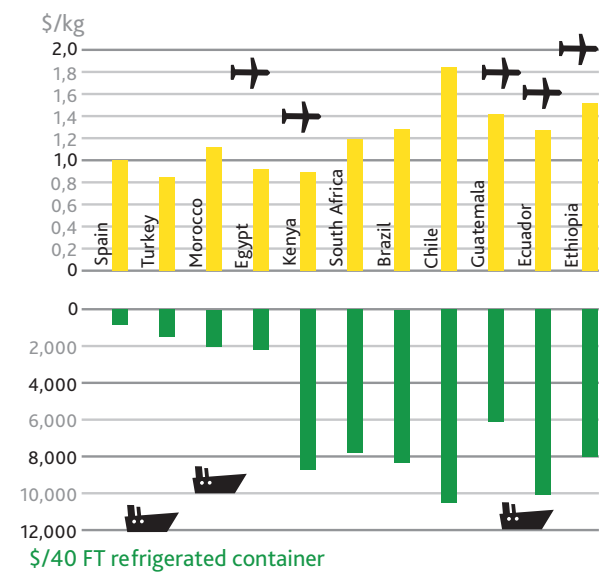
4.4 Sea transport

When it comes to sea freight, Ethiopia is competitive compared to other landlocked countries, due to the policies and government relations with Djibouti. Previously, Eritrea was the main port for Ethiopia, while being officially a province of the latter. Since the Eritrean revolution, Ethiopia has moved 100% of its imports/exports to Djibouti. With the improvements that the Djibouti port has undergone lately, the shipping costs have reduced, and service quality and shipping frequency have also increased.

Ethiopia's challenges with sea freight result from the misbalance between imports and exports, as well as the category of goods imported vs exported. Ethiopia imports from Europe, China, Japan and India mainly machinery, vehicles and spare parts, while its exports consist mainly of agricultural produce (oil seeds, food crops and some perishables recently), as well as frozen meat in the last few years. In this regard, imports of machinery arrive in regular containers whilst the use of refrigerated reefer containers has increased yearly due to the export of frozen meat.

Consequently, the refrigerated containers have to be brought in empty, and then filled up in Ethiopia to be sent to other ports, thereby increasing the cost per container or weight.

Air freight and sea freight costs to the Netherlands from competing countries



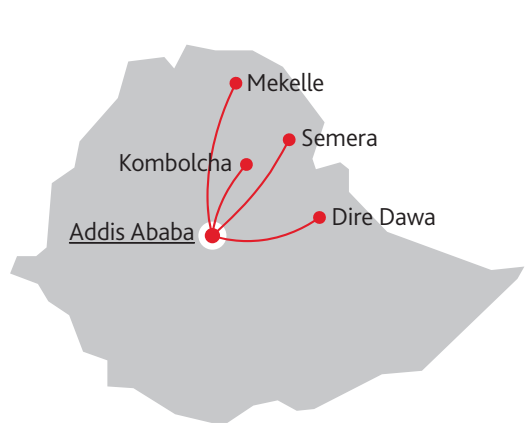
4.5 Dry ports

Ethiopia started developing dry ports following a 2007 study by the then Ministry of Transport & Communication (MoTC), which suggested that the country could save foreign currency from seaport expenses at Djibouti, by building an inland port within the country. Such ports handle the customs inspections, documentation of cargo and packaging for import and export. Consequently the Modjo Dry Port, 73 km east of the capital started operations back in 2009. Another dry port, in Semera, 580 km north of Addis Ababa, also started operations at the same time.

The Ethiopian Shipping and Logistics Service Enterprise (ESLSE) set up satellites at Comet (Addis Ababa); Gelan, in Oromia Special Zone, 25 km east of the capital; Dire Dawa, 317 km east of Addis; Mekelle, 780 km north of Addis; and Kombolcha, 380 km north of Addis, to ease the congestion at Modjo. Out of these, Addis Ababa, Dire Dawa and Kombolcha are now being recommended by the MAA (Maritime Affairs Authority) to become full-scale dry ports.

Four of the 12 suggested sites are located in Amhara region, followed by two in Oromia. A single site was identified in Somalia, Gambela, and Southern region.

Dry ports of Ethiopia



4.6 Telecommunications

All major cities in the country are connected through a telecommunication network. Mobile phone is the primary medium of communication, while internet access is available in major cities and towns. Areas closer to Addis Ababa get 3G mobile internet while others only get 2G. However, the telecommunication network in general and the internet connection in particular are intermittent. At farm and factory sites outside of the cities, there are occasions when the internet may not work for days. Steps are being taken by Ethio Telecom at national level to resolve this longstanding problem.

The cost of mobile subscription is about US\$ 5 while the airtime for local calls is about US\$ 0.036 at peak hours. International calls vary from US\$ 0.35–1 per minute. Monthly unlimited broadband internet with 4 Mb costs around US\$ 300 per month.

Ethio Telecom is currently engaged in a major transformation program of Next Generation Network (NGN) projects to create a world-class telecom service provider.

4.7 Electricity

Although only 23% of Ethiopians had access to grid electricity in 2010, power production has increased steadily over the last ten years and is almost exclusively sourced from clean energy in the form of hydropower stations. Ethiopia has the second largest hydropower potential in Africa, after the Democratic Republic of the Congo and is already starting to implement its goal of becoming a major exporter of electricity in the region.

Net potential exports could reach 26.3 TW per year, bringing in US\$ 263 million, which is equivalent to about 2% of GDP. New hydroplants constructed in the last ten years include Tekeze (300 MW, completed in 2009), Gilgel Gibe II (420 MW) and Tana Beles (460 MW). The Grand Ethiopian Renaissance Dam (GERD) will see the existing capacity of 2,000 MW quadruple. The GERD and other upcoming hydropower projects will be completed in two years. Over time these new power plants will generate over 10,000 MW of electricity.

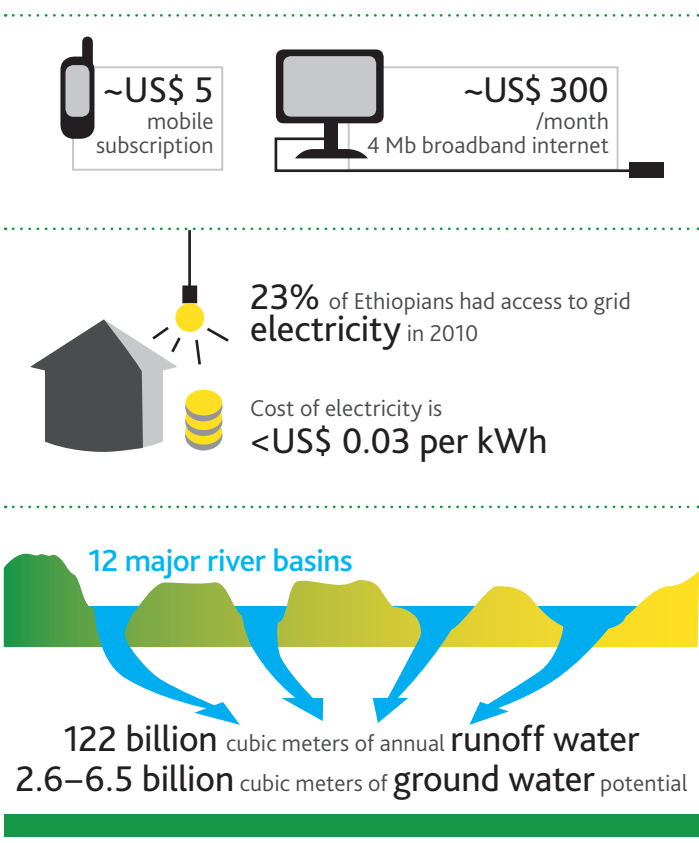
Despite this, it is important to keep in mind that there are problems of electric power cuts at peak seasons and damage to transmission lines. Another major challenge

is getting a transformer from the Ethiopian Electric Power Corporation. However, the country is spending massive investments to address these problems in the coming few years. Big investment is underway in upgrading transmission lines. Defense Engineering Corporation has started local manufacturing of the transformers. Furthermore, efforts are being made to speed up imports to meet backlog demand.

4.8 Water

Ethiopia is often referred to as the water tower of Africa and has 4 million hectares of irrigable land.

Improved access to water and water storage has been achieved by implementing a range of solutions, from rain-water harvesting to hand-dug wells to large-scale irrigation schemes. National access to potable water is expected to reach 98.5% by 2015 thanks to a number of projects underway.



With over 43 million workers, Ethiopia has the second largest labor force in Africa.

World Bank's Doing Business Report, 2014

The majority of the population is within the economically active age range i.e. 15–60 years. Access to higher education in the country has expanded to over 500,000 from less than 10,000 fifteen years ago.

The number of pupils in primary education doubled between 2002 and 2012, and increased by 179% in secondary education. But proportionately fewer students actually complete primary school and the ratio of pupils to teachers—an indicator of the quality of education—has worsened. This has happened despite consistent investment into training more teachers, suggesting that, once trained, teachers might be attracted away from education to other sectors, a problem that is not peculiar to Ethiopia alone.

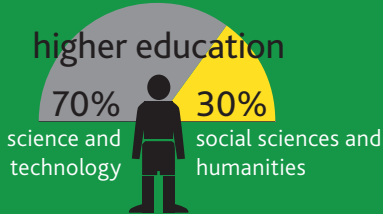
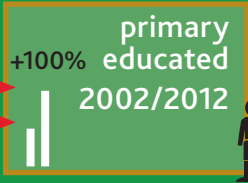
With respect to higher education, both the number of graduates and the number of institutions have increased: by 2013/14 there were 627,452 students in total (including those enrolled in both undergraduate and postgraduate courses).

As per the new higher education policy direction, 70% of students are enrolled in science and technology and 30% in social sciences and humanities in almost all public universities. The country has 33 public universities and numerous technical and vocational colleges. Addis Ababa, Jimma, Haramaya, Bahir Dar, Mekelle and Hawassa universities are among the biggest.

Ethiopia's minimum wage is among the lowest in Africa, with only 5 countries—Burundi, Uganda, Egypt, Gambia and Malawi—having lower minimum wages (International Labor Organization, 2010/11). Generally, private sector monthly salaries for university graduates range from US\$ 150 to US\$ 200, while in the construction sector monthly wages range from US\$ 60 for daily laborers to US\$ 300 for a foreman (Source: Ethiopia's Ministry of Urban Development and Construction). ■

Competitive labour force

5



6.1 Processing

There are occasional electric power cuts at peak seasons and when there is damage to transmission lines. Another major challenge is getting a transformer from Ethiopian Electric Power Corporation.

Challenges with communication networks: The telecommunications network in general and the internet connection in particular is intermittent – as in other parts of the country. At farm and factory sites outside of the cities, at times the internet may not work for days.

6.2 Marketing and Distribution

The majority of consumers in Ethiopia are responsive to affordable products of reasonable quality and taste which complement the Ethiopian menu.

Most people get their foodstuffs from open markets, mini markets or kiosks. The supermarkets are concentrated in major cities in mostly high-income neighbourhoods.

There is no well-developed market distribution system in Ethiopia. Companies often set up their own outgoing logistics to reach retail channels. But a few wholesalers, such as Ale Bejimala, act as sole distributors.



Points to consider

6



1

To do business in Ethiopia, foreign investors are required to have an investment permit and business license from the Ethiopian Investment Commission (EIC). Investors are also required to allocate the following minimum capital:

- ▶ US\$ 200,000 for a single investment project;
- ▶ US\$ 150,000 for a joint project with a domestic investor;
- ▶ US\$ 100,000 for a technical consultancy, if wholly owned by the investor; or
- ▶ US\$ 50,000 if jointly owned with a domestic investor.

2

It is important to note that investors need to check the minimum capital (US\$ 200,000), job opportunities (50 people) and type of investment required to be eligible for the various incentive packages.



3

Land acquisition may take time, particularly if the selected location is occupied by farmers and the number of farmers to be relocated is high. Investors might be required to pay the lease price in advance to facilitate compensation to farmers.



4

The cost of logistics and import to Ethiopia is US\$ 2500/20' container%. The average price of inland transport from Djibouti to Addis Ababa is US\$ 1750/20' container including container return fee of US\$ 250/20' container.



5

Average customs clearing time per container in Ethiopia is 30 days from the date shipment arrive in Djibouti but this heavily depends on the timing – when the port is busy due to bulk imports for public projects there is delay but otherwise it can shorten.



!

Note: If the foreign partner is a business organization, the following documents are also required:

- ▶ A copy of the memorandum and articles of association or equivalent documents of the parent company;
- ▶ A photocopy of a document ascertaining the legal personality of the business organization (i.e. registration certificate);
- ▶ Minutes of the parent company adopted by an authorized body for the establishment of a joint company in Ethiopia, authenticated by the public notary, or a letter written by the owner in case of a one-man company;
- ▶ A photocopy of an authenticated power of attorney of the company representative and photocopies of the relevant pages of the representative's valid passport or identity card, if the representative is an Ethiopian national.

6

Ethiopian Investment Commission (EIC) provides a one-stop service for licensing and registration. On average it takes half a day to get a license, but investors are expected to provide a complete document package consisting of the following:

- ▶ Investment project by a foreign investor:
 - An application form duly filled and signed by the manager or agent of the business organization;
 - When an agent is making the application, a photocopy of his/her power of attorney;
 - Photocopies of the memorandum and articles of association. If it is to be newly established, photocopies of the relevant pages of a valid passport of each shareholder, clearance letter from the Ministry of Trade and Industry for the company name and draft memorandum and articles of association;
 - Where foreign nationals are taken for domestic investors or Ethiopian nationals are among the shareholders, photocopies of certificates evidencing the domestic investor status of the foreign nationals, or identity cards of Ethiopian nationals (for companies to be established);
 - Three recent passport-sized photographs of the general manager.
- ▶ Joint investment between domestic and foreign investors:
 - An application form duly filled and signed by the agent of the business organization;
 - When the application is made by an agent, a photocopy of his power of attorney;
 - Photocopies of the memorandum and articles of association. If it is to be newly established, photocopies of the relevant pages of a valid passport for each shareholder, and draft memorandum and articles of association;
 - Where foreign nationals are taken for domestic investors, or Ethiopian nationals are among the members of the shareholders, photocopies of certificates evidencing the domestic investor status of the foreign nationals or identity cards for nationals (for companies to be established);
 - Three recent passport-sized photographs of the general manager.

Doing Business 2015 data for Ethiopia. Numbers present the Ease of Doing Business rank (out of 189 economies), overall and by topic.

Doing Business
2015 rank
132

Doing Business
2014 rank
129

Change in rank **↓ -3**

TOPICS	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business	168	165	↓ -3
Dealing with Construction Permits	28	30	↑ 2
Getting Electricity	82	81	↓ -1
Registering Property	104	102	↓ -2
Getting Credit	165	163	↓ -2
Protecting Minority Investors	154	143	↓ -11
Paying Taxes	112	109	↓ -3
Trading Across Borders	168	168	No change
Enforcing Contracts	50	51	↑ 1
Resolving Insolvency	74	73	↓ -1

Facilitating services provided by the Ethiopian Investment Commission (EIC) include:

- ▶ Promoting the country's investment opportunities and conditions to foreign and domestic investors;
- ▶ Notarizing memoranda and articles of association and amendments;
- ▶ Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations;
- ▶ Effecting registration of trade or firm name and amendment, as well as replacements or cancellations;
- ▶ Issuing work permits, including renewals, replacements, suspensions or cancellations;
- ▶ Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;
- ▶ Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries; and
- ▶ Advising the government on policy measures needed to create an attractive investment climate for investors.

In addition, the EIC provides the following free, confidential and customized services to investors:

- ▶ Provision of various publications, or through direct response to investor's inquiries, providing information on sector-specific business opportunities, business incorporation procedures and related regulations, and employment regulations.
- ▶ Hand-holding and supporting the investor during the acquisition of land and utilities (water, electrical power and telecom services), the processing of loans and residence permit applications, the approval of environmental impact assessment studies for investment projects, and the issuance of a tax identification number (TIN).



Sources of further information

7



Public sector

E thio pian Investment Commission
Addis Ababa, P.O. Box 2313
Tel: +251 11 551 0033
Fax: +251 11 551 4396
E-mail: ethioinvest@investethiopia.gov.et
www.investethiopia.gov.et

Ethiopian Revenue and Customs Authority
Addis Ababa, P.O. Box 2559
Tel: +251 11 466 7666
Fax: + 251 11 466 8244
E-mail: erca@ethionet.et
www.erca.org.et

Ministry of Agriculture
Addis Ababa, P.O. Box 62347
Tel:+ 251 11 551 8040/551 7354
Fax: +251 11 551 1543
E-mail: vmoasc@ethionet.et
www.moa.gov.et

Ministry of Trade
Addis Ababa, P.O. Box 704
Tel: +251 11 551 8025
Fax: + 251 11 551 5411

Ministry of Industry
Addis Ababa, P.O. Box 5641
Tel: +251 11 551 8025/29
Fax: +251 11 551 4188

Ethiopian Telecommunication Corporation
Addis Ababa, P.O. Box 1047
Tel: +251 11 551 0500
Fax: +251 11 551 5700
E-mail: etc.commun@ethionet.et
www.ethiotelecom.et

Ethiopian Electrical Power Corporation
Addis Ababa, P.O. Box 1233
Tel: +251 11 155 0811
Fax: +251 11 155 2345
E-mail: eelpa.@ethionet.et
www.eepco.gov.et

Agricultural Transformation Agency
Off Meskal Flower Road across
Commercial Graduates Association
Tel: +251 11 557 0678
Fax: +251 11 557 0668
E-mail: info@ata.gov.et
www.ata.gov.et

Private sector

Ethiopian Chamber of Commerce and Sectoral Associations
1st Floor, Mexico Square
Addis Ababa, P.O. Box 517
Tel: +251 11 551 8240, 551 4005
Fax: +251 11 551 7699
E-mail: ethchamb@ethionet.et
www.ethiopianchamber.com

Addis Ababa Chamber of Commerce and Sectoral Associations
Addis Ababa, P.O. Box 2458
Tel : +251 11 551 8055
Fax: +251 11 551 1479
Email: aachamber1@ethionet.et
http://www.addischamber.com/#

Development agencies

USAID Ethiopia
Entoto Street
Addis Ababa, P.O. Box 1014
Tel: +251 11 130 6002.
Fax: +251 11 124 2438
http://www.usaid.gov/ethiopia

SNV Ethiopia Country Office
Arada Sub-city, Kebele 01/02
Addis Ababa, P.O. Box 40675
Tel: +251 11 126 2100
Fax: + 251 11 126 2090
E-mail: ethiopia@snvworld.org
http://www.snvworld.org/en/countries/ethiopia

GIZ Office Ethiopia
Kazanchis, Kirkos Sub City, Woreda 08
Addis Ababa
Tel: +251 11 518 0200
Fax: +251 11 554 0764
E-mail: giz-aethiopian@giz.de
http://www.giz.de/en/worldwide/336.html

Practical information

Addis Ababa has a variety of accommodation to choose from. The website Booking.com provides an overview of the different options. Some of the conveniently located hotels with good price-quality ratio are listed below.

Medium range

Friendship International Hotel
Addis Ababa, Africa Avenue, Opposite
the Alem Building
Tel: +251-11-667-02-02
Fax: +251-11-667-02-02
Mobile: +251-12-655233
E-mail: marketing@friendshiphotel.com.et
http://www.friendshiphotel.com.et

Harmony Hotel
Bole, Addis Ababa
Tel: +251 11 618 3100
www.harmonyhotelethiopia.com

Desalegn Hotel
Cape Verde St, Addis Ababa
Tel: +251 11 618 3030
Website: www.desalegnhotel.com

Saromaria
Bole Medhanialem Rd. 3355-1250,
Addis Ababa
Tel: +251-11-667-21-67
www.saromariahotel.com

Premium range

Hilton
Menelik II Ave, Addis Ababa 1164
Tel: +251 11 517 0000
www.placeshilton.com/addis-ababa

Sheraton
Taitu St, Addis Ababa 6002
Tel: +251 11 517 1717
www.sheratonaddis.com

Getting around

ABC Car Rental
Tel: +251 11 6610404
www.abccarrent.com

Sofumar tours (car rental)
Tel: +251 11 6632212
Mobile: +251 911 22 9513

Adika Taxi
no need to negotiate, receipts are provided if needed
Tel: +251 8210/0938666665
www.adikataxi.com

Ethiopian Airlines
www.ethiopianairlines.com



