

Investment Opportunities & Policies in Ethiopia

Ethiopia: Brief Country Profile

- Located in North-East Africa
- The fastest growing economy in Africa
- The second most populous nation in Africa with a dominantly young and productive population
- Has huge untapped resources
- A multi-party democracy
- One of the oldest nation on the planet



Contents

- Ethiopia envisions to become a **middle income country 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	Focusing on Education & health	Sustainable use of natural resources and boosting resilience to adverse impacts of climate change

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Path to Middle Income

Economic and Political Environment



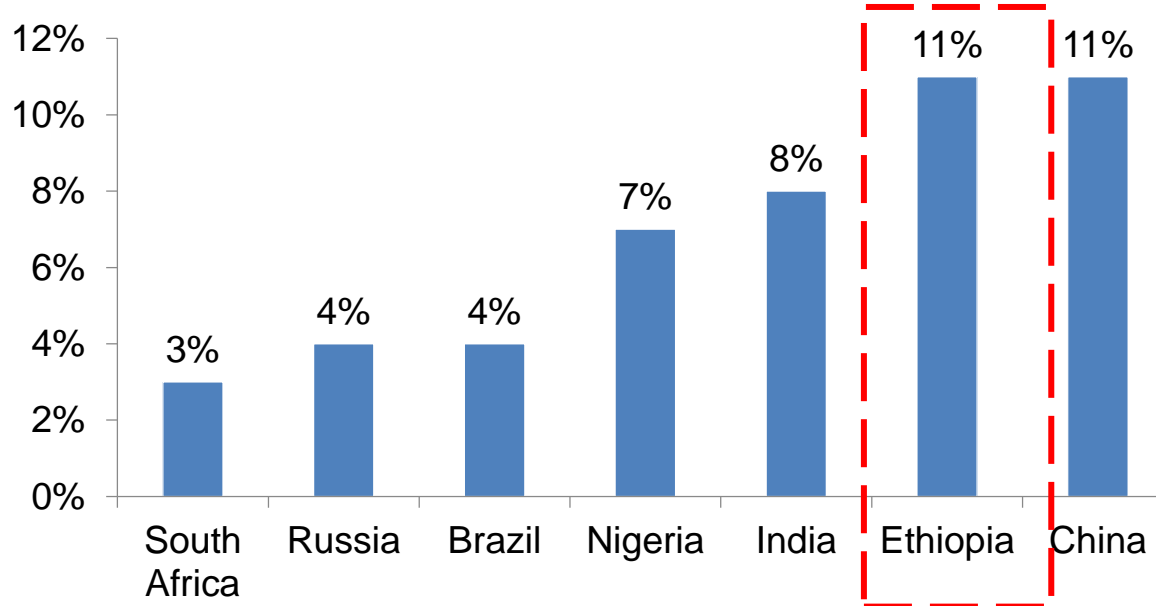
ETHIOPIAN INVESTMENT COMMISSION

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Ethiopia's economy sustained a rapid growth over during the last decade

“ Ethiopia has registered a rapid and sustained double digit economic growth (10.9 % per annum) during the last 12 years” GTP II Document

GDP growth rates by country, 2005-2010¹ (Constant 2000 USD)




The Economist

Ethiopia is the 2nd fastest growing economy in the world and is expected to keep the growth momentum in the coming years




There is a significant increase in FDI inflows into the country

- Ethiopia is one of the top FDI destinations in Africa
- It accounts for 18.5 % of all FDI jobs in the continent
- The top 6 FDI origins are:

China	
Turkey	
India	
Saudi Arabia	
Netherlands	
UK	

The Ethiopian government's firm commitment and transformational leadership with remarkable performance in economic growth and social development coupled with the ongoing progress in national image building have helped to attract FDI.

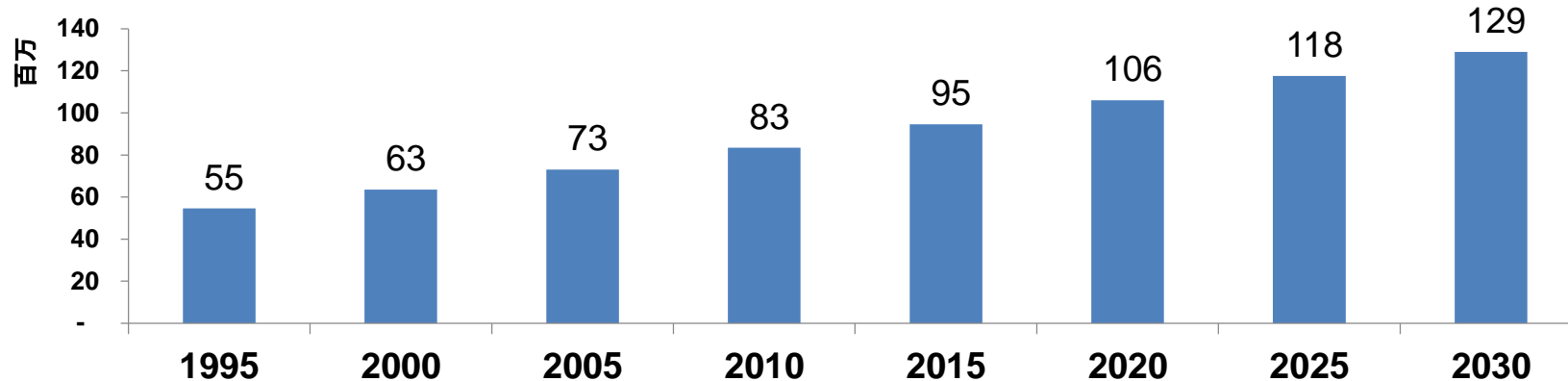
Ethiopia has a favorable credit rating among its peers

	Ethiopian Rating	Rating definition
	B1	
	B	Ratings indicate that material default risk is present, but a limited margin of safety remains.
	B	Obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

The country enjoys demographic advantages

- With a population of 94m (2015 est.), Ethiopia is the 2nd most populous country in Africa and 13th in the world
- The young and productive age group accounts for 60% of the population
- Wage comparatives for employers are among the most attractive in the world
- Life expectancy has reached 63 yrs, (increased by 19 years between 1991 & 2014)

Projected Population 1995-2030



The country enjoys demographic advantages

- Ethiopia is a Federal and democratic country
- The domestic political system has been established stable since 1991
- A regional anchor, it is the largest contributor of peace keeper force in Africa



Ethiopia has been at the forefront of finding peaceful solutions for its neighbors through the Intergovernmental Authority on Development (IGAD) in member states around the horn of Africa and east Africa



Path to Middle Income

Infrastructure

Infrastructure

- Ethiopia is rapidly investing in modernizing infrastructure for population and industry
- Mega infrastructural projects have increased the accessibility of:
 - **Electric power**
 - **Roads**
 - **Communication services**
- The aviation industry is under a rapid growth with new airport projects and expansion of the existing ones



Ethiopia has stepped up its power generation and exports over the years

- **Ethiopian businesses and households have among the lowest power expenses in the world**
- Ethiopia is on track to generate about 12,000 MW of power by 2017
- Ethiopia has an enormous potential for electric power generation from multiple sources:
 - Hydro: > 45,000 MW)
 - Wind: > 10,000 MW, and
 - Geothermal: > 5,000 MW
- Electric Power will be one of the major export earning during GTP II. By the end of GTP II , power sector will generate \$642 million, 15 fold more than GTP I.
- Electric export destinations are: Sudan, Djibouti and Kenya possibly expanding to Somaliland etc

Ethiopia plans to further expand its road, railway and import/export logistics capacity during the second GTP

- Road coverage stands at 105,000 km by GTP I and will be improved to 205,000 km by GTP II is one of the largest government expenditure
- A railway stretching from Djibouti to Addis Ababa (Sebeta) will be completed in few weeks and much more during GTP II
- During GTP II the transport logistics challenges will be dramatically improved, maritime cargo export capacity will be increased from 70 percent to 100 percent
- Air transport will represent 25 % of GDP by mid 2020
- New airport building and expansion of existing airports is also planned



Path to Middle Income

Market Access

Market Access

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

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



Investment Policies and Incentives

Investment Policies

GTP II sets out clear vision and realistic goals for investment

Ethiopia has a development plan that investors can align to



“

To grow share total investment as percentage of GDP from 36.3% in 2015 to 41.3% by the end of GTP II (2020) registering an annual average growth of 23.6%

Ethiopian Investment Policy

- Foreign investors can invest alone or in partnership with domestic investors in areas open for FDI
- All investors are required to have an investment permit
- Allocate minimum of USD 200,000
- The Ethiopian Investment policy has been modified more than 4 times in the last 20 years, in favor of investors

Ethiopian Investment Policy

- The Ethiopian Constitution and the Investment Law guarantee protection of private property and investment
- In addition, Ethiopia is a signatory of 29 Bilateral Investment Treaties and 6 Multilateral Investment Agreements that stipulate:
 - Protection of private property rights
 - Principle of National Treatment
 - Repatriation of capital and profit

Investment Incentives

Incentives

Repatriation of investment and profits	Repatriation: of profits, dividends, principal and interest payments on external loans out of Ethiopia in convertible currency
Hiring Expats	The right to employ expatriate experts and management staff; there is also an exemption of 2 years corporate income tax for exporting companies of expat employees
Customs duty exemption	on capital goods, construction materials and partially on spare parts (as much as 15% of the total value of capital goods)
Income tax exemption	2-8 years, may be more for manufacturing of textile and garment inside IPs and 10-15 years for Industrial Park Developers



Investment Policies and Incentives

Ethiopian Investment Commission (EIC)



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The Ethiopian Investment Board and Commission

- The Ethiopian Investment Board (EIB) is the highest investment policy making body on Investment and Industry Park in the country
- EIB is chaired by The Prime Minister
- EIC is responsible for promoting, supporting & regulating investment projects
- EIC has introduced One Stop Shop services (OSS) during entry, implementation and operation phases and also After Care Services

Ethiopian Investment Commission Services

- **One Stop Shop Service:**

Registration of business for investors now takes a matter of hours for most, and generally 1-2 weeks at most.

- **After Care Service:** Providing support to investors in processing investment related requests such as:
 - Land for investment
 - Residence permits
 - Approval of environmental impact assessment on investment
 - Acquiring water, electrical power and telecom services

Industrial Parks Development Corporation and the Projects

- 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)

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

Parks currently being promoted

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

Planned Parks for post-2016

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

Promoted Investment Opportunities



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Ethiopia plans to become the manufacturing hub of Africa

- **Promoted Investment Projects:**

- Industry Park
- Agro-processing
- Textile & Textile Garment
- Leather & Leather Garment
- Pharmaceuticals
- Construction materials, Capital Lease Financing

The government especially encourages labor intensive manufacturing industries



Investment Opportunities

I . Agro Processing

- 74 million ha of arable land (only 15 million ha cultivated)
- Largest producer of **Wheat** and third largest producer of **Maize** in Africa
- Has the largest **Livestock** in Africa, 55 million cattle, 28 million goats, 27 million sheep
- Top producer of **Coffee** in Africa and 5th in the world
- Opportunities in: **Cotton, Flower, Vegetables, Fruits, Herbs, Livestock** and **Poultry** breeding etc



Investment Opportunities

II. Textile and Textile Garments

- Ethiopian textile firms export to Europe & US
- Potential to develop a competitive cotton or textiles industry due to favorable climatic and soil conditions
- 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

Summary



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Main reasons for investing in Ethiopia

- 1. Fast and sustainable economic growth and development**
- 2. Stable economic and political environment**
- 3. Access to international markets (AGOA, EBA etc)**
- 4. Availability of abundant and wage competitive labor force**
- 5. Fast growing infrastructure and very cheap green energy**
- 6. Transparent investment policies aligned with GTP Targets**
- 7. Attractive investment incentives**
- 8. Naturally conditioned weather (no need for heater or cooler)**
- 9. Clear Strategy and Plan (GTP II)**
- 10. Continuous Government Support**

We Welcome you to invest in the fast growing Ethiopia

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

Thank You!