Ethiopia Investment Policies and Incentives and opportunities
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:

<table>
<thead>
<tr>
<th>Economic development</th>
<th>Social development</th>
<th>Environmental development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focusing on Light Manufacturing mainly Textile Leather Garment &amp; Agro processing</td>
<td>Focusing on Education &amp; health</td>
<td>Sustainable use of natural resources and boosting resilience to adverse impacts of climate change</td>
</tr>
</tbody>
</table>
Ethiopia’s geographic and demographic realities present excellent opportunities for investment and trade

<table>
<thead>
<tr>
<th>Ethiopia Land size</th>
<th>1,140,331 sq. km (twice the size of the United Kingdom)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45 Percent suitable for agriculture</td>
</tr>
<tr>
<td></td>
<td>Have abundant arable and irrigable land</td>
</tr>
<tr>
<td>Population</td>
<td>100 million+</td>
</tr>
<tr>
<td></td>
<td>Ethiopia is the 2nd populous county in Africa</td>
</tr>
<tr>
<td>Altitude</td>
<td>4600 a.s.l. - 120 m b.s.l.</td>
</tr>
<tr>
<td>Location</td>
<td>3 -15° N Latitude</td>
</tr>
<tr>
<td></td>
<td>• 33- 48ºE Longitude It is well positioned for global exports and is situated at the cross-roads of Africa and the Middle East</td>
</tr>
<tr>
<td></td>
<td>• Easy access to Asia through the port of Djibouti and close proximity to Europe also enable Ethiopian exports</td>
</tr>
</tbody>
</table>
Ethiopia has registered (average) 11% GDP growth over the last 12 years.

- 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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 0-14</td>
<td>42%</td>
</tr>
<tr>
<td>Age 15-64</td>
<td>55%</td>
</tr>
<tr>
<td>Age 65+</td>
<td>3%</td>
</tr>
</tbody>
</table>

### 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.

Source: PRB, Ethiopia Population Data, 2017
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

Source: EIC analysis
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.

Source: EIC analysis
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.

Source: EIC analysis
...coupled with a highly competitive fiscal incentives scheme

- Tax holidays for priority sectors
- Duty free import of capital goods
- Provision of land with competitive lease prices (> $1/m²)
- Investment credit support
- Income tax holidays (1 – 9 years)
- Duty exemption of raw materials used as inputs for export
<table>
<thead>
<tr>
<th>Type of tax</th>
<th>Tax rate</th>
<th>Sectors in which foreign investment is permitted&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Government incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>30%</td>
<td>Manufacturing, Agriculture, ICT, Generation, transmission &amp; supply of electrical energy, Export trade</td>
<td>✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Customs duties</td>
<td>0-35%</td>
<td>Hotel and tourism, Mining, Construction contracting, Import trade</td>
<td>✓ ✓ X</td>
</tr>
<tr>
<td>VAT</td>
<td>15%</td>
<td>Mining, Construction contracting, Import trade, Education and training</td>
<td>✓ ✓ X</td>
</tr>
<tr>
<td>Excise tax</td>
<td>0-100%</td>
<td>Manufacturing, Agriculture, ICT, Import trade, Education and training</td>
<td>✓ ✓ X</td>
</tr>
<tr>
<td>Withholding tax</td>
<td>3%</td>
<td>Health service, Architectural &amp; engineering works, Real estate, development, Publishing, Wholesale trade</td>
<td>✓ ✓ X</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

Source: EIC analysis
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 range of industrial parks.

- IPDC serves as the 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 throughout the country.

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

### By 2017

<table>
<thead>
<tr>
<th>Location</th>
<th>Specialisation</th>
</tr>
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<tbody>
<tr>
<td>Hawassa II</td>
<td>Apparel &amp; Textile</td>
</tr>
<tr>
<td>Mekelle</td>
<td>Apparel &amp; Textile</td>
</tr>
<tr>
<td>Adama</td>
<td>Apparel &amp; Textile, Machinery &amp; Equipment</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>Apparel &amp; Textile</td>
</tr>
<tr>
<td>Kombolcha</td>
<td>Apparel &amp; Textile</td>
</tr>
<tr>
<td>Kilinto</td>
<td>Pharmaceuticals</td>
</tr>
<tr>
<td>Bole Lemi II</td>
<td>Apparel and Textile</td>
</tr>
</tbody>
</table>
# Industrial Park Projects

## Fully subscribed Parks

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Parks</th>
<th>Site &amp; Location From Addis Ababa</th>
<th>Land size in hectare</th>
<th>Clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bole Lemi I</td>
<td>Addis Ababa</td>
<td>156</td>
<td>Apparel</td>
</tr>
<tr>
<td>2</td>
<td>Hawassa</td>
<td>South 275 Km</td>
<td>300</td>
<td>Textile &amp; Apparel</td>
</tr>
</tbody>
</table>

Source: IPDC
# Industrial Park Projects

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

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<tbody>
<tr>
<td>1</td>
<td>Dire Dawa</td>
<td>East 473 Km</td>
<td>1500</td>
<td>Textile &amp; Apparel, Food Processing, assembly</td>
</tr>
<tr>
<td>2</td>
<td>Kombolcha</td>
<td>North-East 380 Km</td>
<td>700</td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
<tr>
<td>3</td>
<td>Mekelle</td>
<td>North 760 Km</td>
<td>1000</td>
<td>Textile &amp; Apparel, Food Processing, Assembly</td>
</tr>
<tr>
<td>4</td>
<td>Adama</td>
<td>South East 74 Km</td>
<td>2000</td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
</tbody>
</table>
## Industrial Park Projects

### Parks under construction and finalized early 2018

<table>
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<tr>
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<th>Site &amp; Location From Addis Ababa</th>
<th>Land size in hectare</th>
<th>Clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bole Lemi II</td>
<td>Addis Ababa</td>
<td>186</td>
<td>Textile &amp; Apparel</td>
</tr>
<tr>
<td>2</td>
<td>Kilinto</td>
<td>Addis Ababa</td>
<td>337</td>
<td>Food Processing, Pharmaceuticals, House appliance, electronics and electrical</td>
</tr>
<tr>
<td>3</td>
<td>Bahir Dar</td>
<td>North-West 578 Km</td>
<td>1000</td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
<tr>
<td>4</td>
<td>Jimma</td>
<td>South-West 346 Km</td>
<td>500</td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
</tbody>
</table>

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

Overview of economic, geographic, social, and political outlook

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

Source: EIC analysis
More than 9 Industrial Parks being promoted or are in the construction stages are dedicated for textile and apparel products in Ethiopia. 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%
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

Source: EIC analysis
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

Source: EIC analysis
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, watermelon, 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

Source: EIC analysis
Ethiopia is capitalizing its electric power potential to enhance investment opportunities

- **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**

**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**

**Electricity tariff** is one of the lowest in the world
- **Current rate**: 3 cents/kwh
Railway networks will connect important corridors of the country

- New electric railway connecting industrial parks to Djibouti port
  - 4-12 hour travel time
A flagship industrial park, Hawassa Eco-Industrial Park I has been constructed in 2016

Overview

- 1.4 million m² land
- 400,000 m² 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
We Welcome you to invest in the fast growing Ethiopia

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

Thank You!