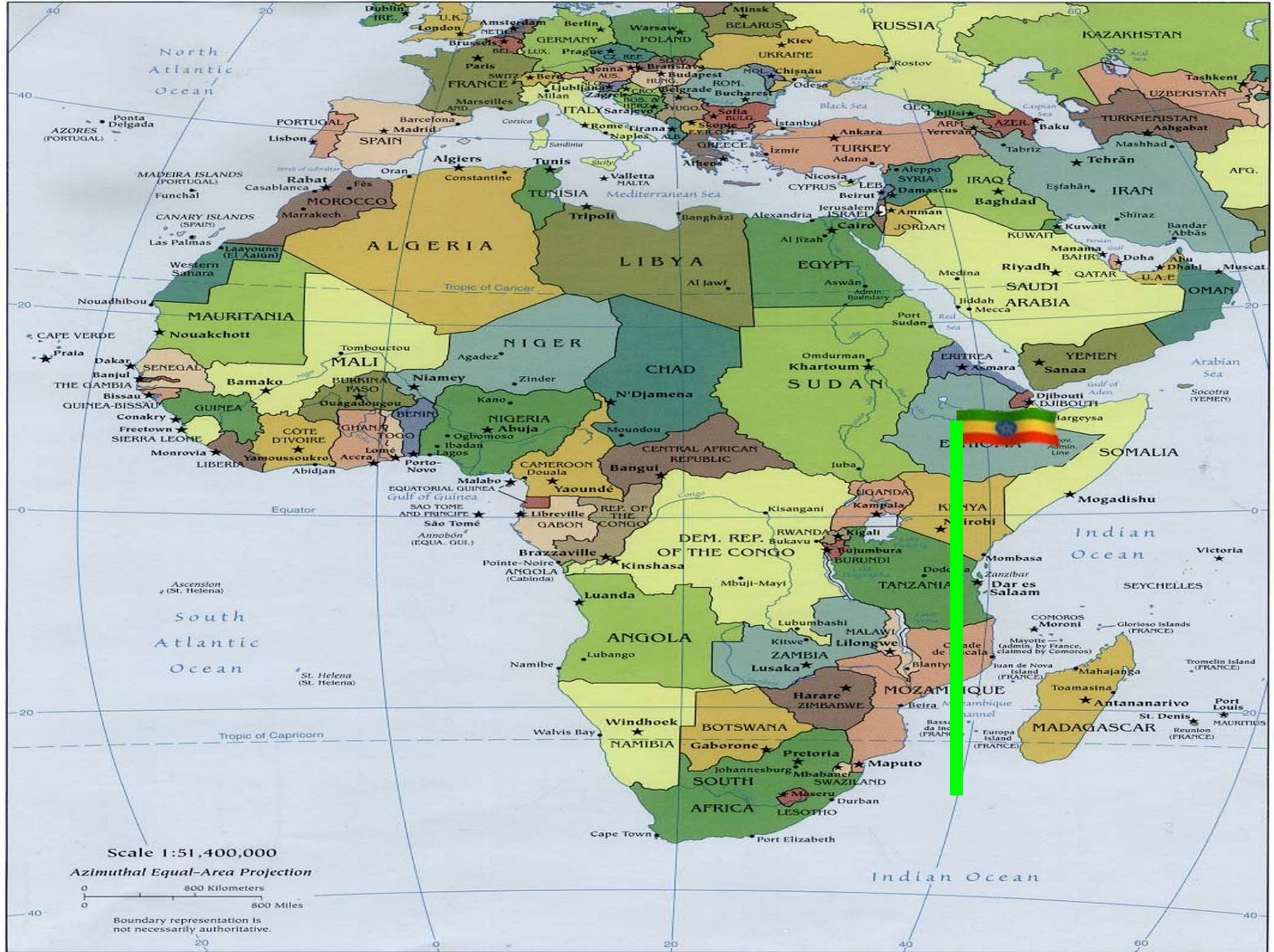


# **INVESTMENT**

## **Potentials and Opportunities in Ethiopia**

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# AFRICA



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## **A. Ethiopia at a glance**

### **Ethiopia:**

- **Strategically located in the Horn of Africa, at the crossroads between Africa, the Middle East, and Asia;**
- **Geographically a country of immense terrain characteristics;**
- **The people are ethnically, linguistically and culturally diverse, about eighty languages spoken in the country;**
- **Addis Ababa is the seat of the Federal Government, AU, UNECA, several regional & International orgs.**

## **A. Ethiopia at cont.**

- **Area ..... 1.14 million km<sup>2</sup>**
- **Population ..... Above 80 million (2007 projection)**
- **Population density ..... 62.4 inhabitants/sq. km in 2004**
- **Capital City .... Addis Ababa, Headquarters of the AU, UNECA**
- **Rainy seasons ..... Receives big rain during June, July & August and small rain during February and March**
- **Government ... Federal Gov't (9 autonomous states & 2 chartered cities)**

## B. Economic Environment

### Macroeconomic Indicators /Stabilities:

- GDP growth rate ..... 9.6% (2005/06)
- Inflation was reduced from ...15.1% to 12.3% (2005/06)

#### ☞ Sectoral share in GDP (2005/06) :

- Agriculture ..... 47.0 %
- Industry ..... 13.0 %
- Services ..... 40.0 %

# What is Investment ?

- **Expenditure of Capital by an Investor to establish:**
  - . **A New Enterprise or**
  - . **To Expand or**
  - . **To Upgrade**

**one that that already exist.**

# Why Investment ?

- **To accelerate the country's economic development;**
- **To exploit and develop the Immense natural resources of the country;**
- **To increase FDI by Export Promotion and Import Substitution**
- **To enhance the role of the private investor in the country's economic development;**
- **To create wide employment opportunities to foster the transfer of technical know-how, of managerial skills and of technology transfer etc.**

# Ethiopia's Economic Policies

- **Pro-Market**
- **Pro-Private Sector**
- **Pro- Liberalization**
- **ADLI- as a central plank of its  
development Programme**

## **C. Investment Policy**

- **One Investment law for both Domestic and Foreign investors**
- **Foreign investors can invest on their own or jointly with domestic investors**
- **The law does not discriminate between domestic and foreign investors**

## **D. Ethiopia's Investment Incentive i.e. Money in pocket/in Bank**

- **Exemption from the payment of Customs Duty:**
  - Duty free importation of capital goods and construction materials
  - Duty free importation of spare parts whose value is not greater than 15% of the total value of capital goods to be imported
- **Income tax exemption:**
  - 2 up to 7 years for manufacturing or agro-processing and agricultural projects
- **Carry Forward of Losses:** half of the tax holiday period

## **E. Export Incentive Scheme**

- **Exemptions from customs duties or others taxes levied on imports are granted for raw materials necessary for the production of export goods under the Export Trade Duty Incentive Scheme:**
  - . **Duty Draw-Back scheme**
  - . **Voucher scheme**
  - . **Bonded Manufacturing Warehouse**

## **F. Investment Guarantees and Protections**

- **Constitution and Investment Law protect private property;**
- **Repatriation of Capital and Profit**

**Other Protections : Ethiopia is one of the signing / member of:**

- **Multilateral Investment Guarantee Agency (MIGA);**
- **Bilateral Investment Promotion & Protection Treaties (BIPPT);**
- **Overseas Private Investment Corporation (OPIC) – USA;**
- **International Convention for the Settlement of Investment Dispute(ICSID)**

## **G. Investment Administration**

### **➤ Ethiopian Investment Agency's (EIA's)-Major Tasks:**

- ✓ Promoting and facilitating Foreign Direct Investment (FDI);**
- ✓ Serving as a nucleus in the country to enhance PI in general&FDI in particular**
- ✓ Collecting, analyzing and disseminating information on resource potentials and opportunities of the country;**
- ✓ Advising the government on investment policy measures to create an attractive investment climate for investors;**
- ✓ Providing advice & technical support to regional investment agencies;**
- ✓ Renders Pre and post approval investment servicing;**
- ✓ Renders one-stop shop service to foreign investors:-**

# Investment Adm...(cont)

## One-stop shop services

## Time frame

- Investment permit:
  - Issuance ..... 4 hours
  - Renewal ..... 1 hour
  - Replacement ..... 1 hour
- Principal commercial registration ..... 4 hours
- Issuance of work permits(for expatriate)..... 1 hour
- Issuance of business license ..... 4 hours

## Investment Adm... (cont)

### One-stop shop services

### Time frame

- **Technology transfer agreement:**
  - **Registration ..... 4 hours**
  - **Renewal ..... 1 hour**
- **Non-equity based foreign :**  
**collaboration registration ..... 1 hour**
- **Issuance of certificate to foreign investors**  
**to be considered as domestic investors ..... 1 hour**

# Main Investment Opportunities

## 1. Agriculture

- **Contributes:** . 47% (2005/06) average to GDP
  - . 62% to total export
  - . 85% to total employment
- **Arable land** .....51.3 million hectares(45% of total area)
- **Cultivated area**... 8 million hectares during the main harvesting season (16% of the arable land)
- **Irrigable area** .....10 million hectares
- **Irrigated area** ..... about 3% of the potential

## Main Investment cont:

- **Floriculture-cut flowers;**
- **Coffee farm:** Ethiopia's gift to the world , Coffee- Arabica ;
- **Tea farm :** is another potential for production, processing and export.
- **Spice Processing:** kororima, bishops weed, coriander, wild ginger etc.
- **Fruits and Vegetables:** diverse climate for banana, orange, mango...
- **Cotton farm:** potential exists in Wabe Shebelle, Baro-Akobo, Omo-Ghibe, Awash & Tekeze river basins.
- **Oil seeds and Pulses:** neggger seeds, linseeds, sunflower seeds...
- **Sugar cane plantation; Rubber tree plantation etc.**

## **2. Manufacturing / Agro-Processing:**

- **Manufacturing is at an early stage of development**

- **It contributes:**

- ✓ **13.0% to GDP (in 2005/6)**

- ✓ **About 16% to the total exports**



# Manufacturing Cont .

- processing of fruits: tomato paste, orange, mango, pineapple etc;
- Processing of spices;
- Processing of fish products;
- Processing of edible oil from oil seeds;
- Coffee roasting and packing;
- Honey processing;
- Processing of starch, corn flex and edible oil from maize;
- Processing of milk and milk p
- Processing of sugar,etc.
- **A leading producer of honey and beeswax in Africa (3.3 million beehives)**

# Manufacturing cont.

- **Food and beverage;**
- **Drugs and pharmaceuticals;**
- **Chemicals and chemical products;**
- **Paper and paper products;**
- **Building materials;etc.**
- **Leather and leather products**
  - **Raw hides and skins;**
  - **Leather footwear;**
  - **Leather garment etc.**
  - **Luggage and hand bags etc.**

## • Textile & garments/apparel:

• There are 60 firms in textile & apparel industry

<b>Textiles .....</b>	<b>35</b>
✓ <b>Spinning, weaving &amp; finishing of textiles .....</b>	<b>26</b>
✓ <b>Manufacture of cordage, rope, twine &amp; netting .....</b>	<b>2</b>
✓ <b>Knitting .....</b>	<b>7</b>
<b>Manufacture of wearing apparel, except fur apparel .....</b>	<b>25</b>

# 3. Livestock:

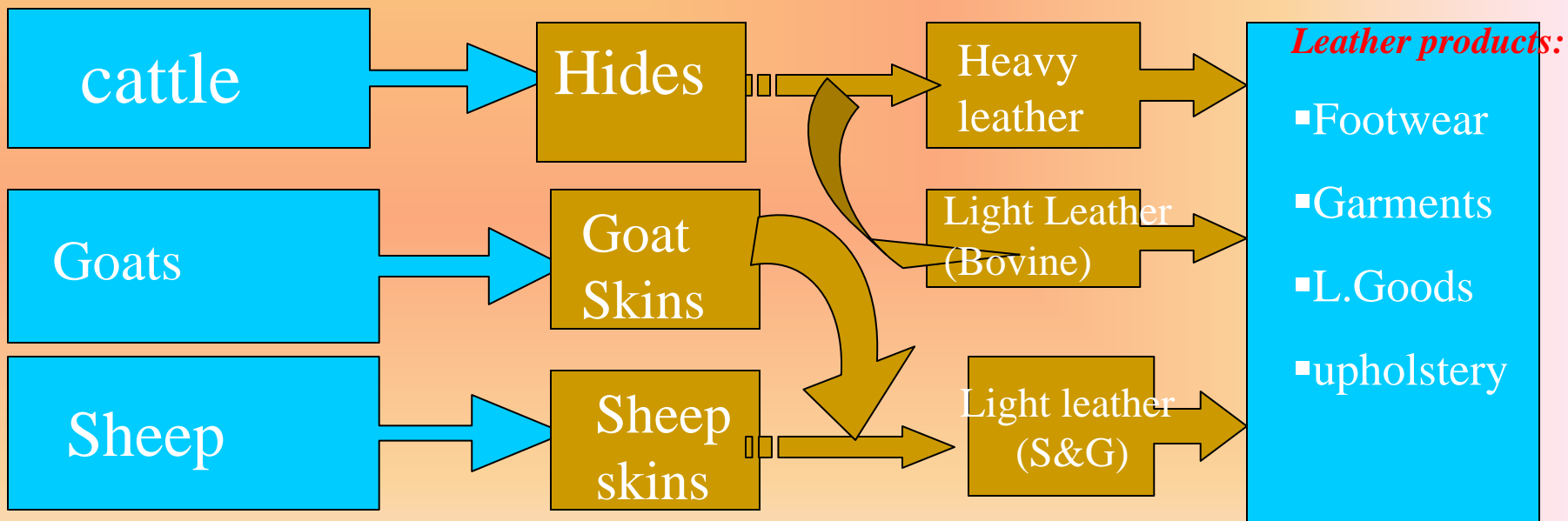
**Livestock Population:-** Ethiopia is one of the top ranking countries in Africa and among the first 10 in the world in terms of livestock resources.

- ✓ **No. 1 in Africa**
- ✓ **41 million cattle**
- ✓ **25 million sheep**
- ✓ **23 million goats**
- ✓ **37.8 million poultry**
- ✓ **0.23 million camels**

# Leather Products Cont.

## •Ethiopia :

- offers a wide range of processed and semi-processed hides and skins to the world market
- 20 tanneries
- quality goat skins classified as Bati-genuine



## **4 . Food-Processing**

- **Ample opportunities exist for food-processing of various types of products such as:**
  - **Frozen chilled and canned meat**
  - **Pasteurized milk, butter and cheese**
  - **Canned fruits and vegetable products**
  - **Crude and refined edible oil**
  - **Flour and bakery products, including spaghetti and macaroni**
  - **Animal feeds**
  - **Sugar and sugar confectionary**

## **5. Construction**

- **Comprising of first grade construction contracting**
- **Rental of construction machinery**
- **Real estate development**

## **6. Tourism**

- **There are a wide range of tourism attractions in Ethiopia**
  - **Hospitable and friendly people**
  - **Attractive historical and archeological sites, scenic landscape and cultural heritage**
- **Tourism investment opportunities:**
  - Construction and operation of :**
    - **star designated hotels, lodges, International Restaurants,**
    - Tour operations and Holiday hubs**

## **7. Mining and Energy**

- **Endowed with wide ranging & promising mineral resources such as:- gold,platinum,potash,phosphates, nickel,copper and other industrial and construction minerals**
- **Fairly good prospects for natural gas & petroleum**
- **Endowed with 30,000 MW of hydro power potential**
- **Less than 2% of these resources has been utilized**

# 8. Privatization Program

- **Public enterprises ready for privatization:**

- **Food processing factories**

- **Garment factories**

- **Leather industries**

- **Beverage & Breweries**

- **Chemical industries**

- **Textile factories**

- **Agriculture firms**

- **Construction firms**

- **Hotels**

# 9. Market

- Domestic Market... More than 80 million people(2005/06)
- COMESA : Export-Import with:-
  - ✓ 20 member countries
  - ✓ 400 million people, enjoy preferential tariff rates
- AGOA and GSP:eligible for duty free & quota free to 37 countries i.e to US,Canada...
- EBA : Everything, but arms of EU- duty free & quota free
- Middle East : A very huge open market to ...
- Preferential Treatment to Europeans under ACP-EU convention

# 10. Labour Force

- **Abundant & Trainable labour force**
  - **52% of the population is economically active**
- 
- **Labour cost in Ethiopia is competitive even compared to Africa average**
    - **daily laborer ..... \$1-2/day**
    - **Fresh university graduates.... \$100/month - \$120/month**
  - **English is the medium of instruction in secondary & higher education.**
    - **A number of international and community schools are available**

# 11. INVESTMENT SUPPORT SYSTEM PRE AND POST SERVICING

- **IMAGE-BUILDING** : Information - to create positive perception of the country abroad as a location for FDI, and a positive reception at home for incoming FDI.
- **INVESTMENT GENERATION** : Establishing direct contact with potential investors - communication , networking etc.
- **INVESTMENT SERVICING** : facilitation and aftercare services:-
  - To acquire land , utilities , visas etc.
  - To alleviate problems that may arise during implementation & operation.

# 12. Why then invest in Ethiopia?

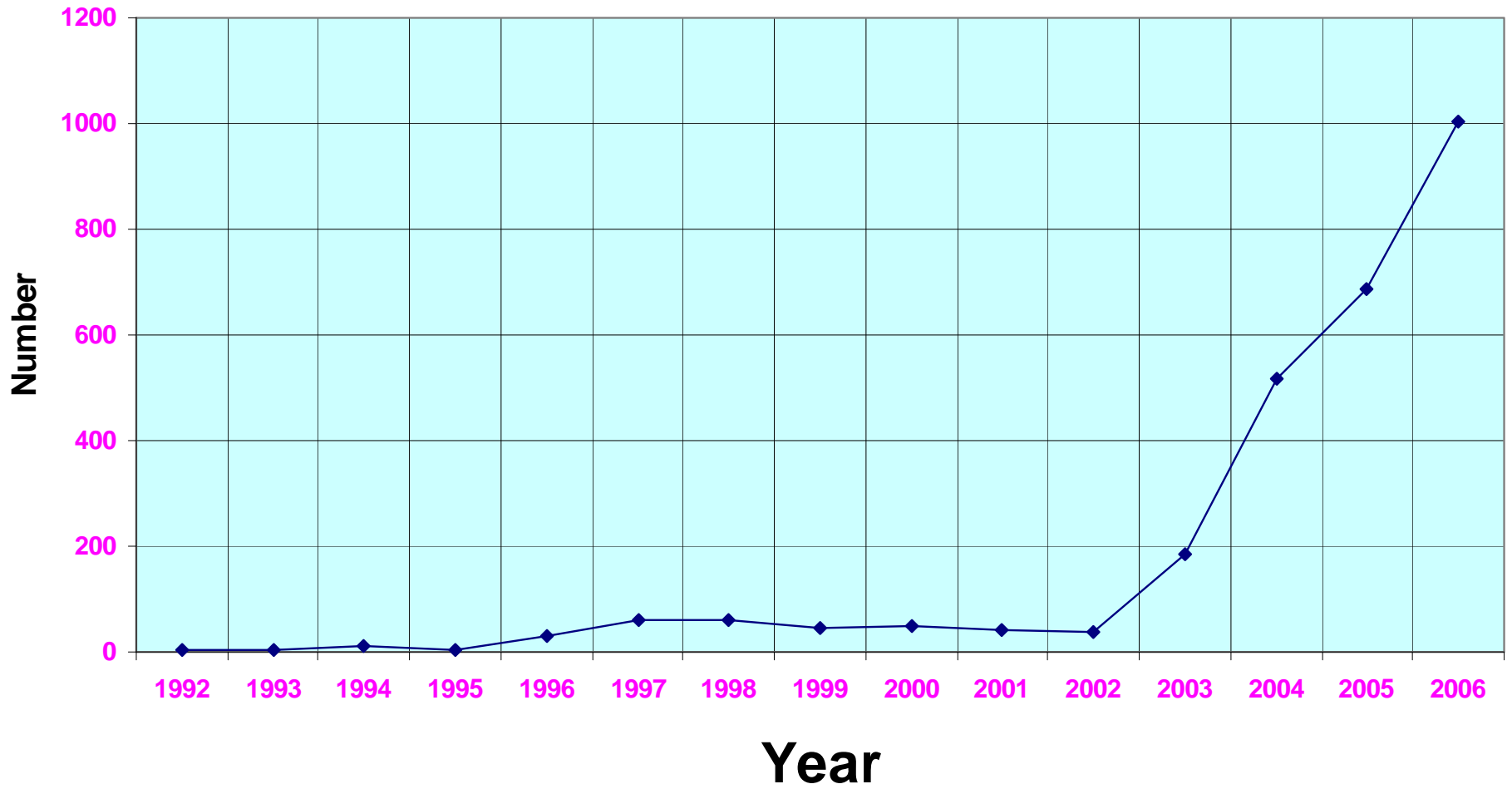
- **Political and Social stability**
- **Macro-economic stability**
- **Strategic location –Africa,Europe,ME& Asia**
- **Simple investment procedures**
- **Abundant, competitive & trainable labour force**
- **Competitive investment incentives**
- **Lowest crime rate compared to African countries**
- **Zero tolerance for corruption**

# Why then ... (Cont)

- **Welcoming attitude to FDI-pre and post investment servicing**
- **Wide market opportunities-at national and transnational**
- **Transparent laws & regulations**
- **Adequate guarantees & protections - at national & international**
- **Enormous investment opportunities**
- **Ethiopia's exceptional climate(more than 50% of the country consists of highlands, with average annual temperatures below 20°C)**
- **Investment support system-pre and post investment servicing .**
- **And , surely, hospitable and friendly people**

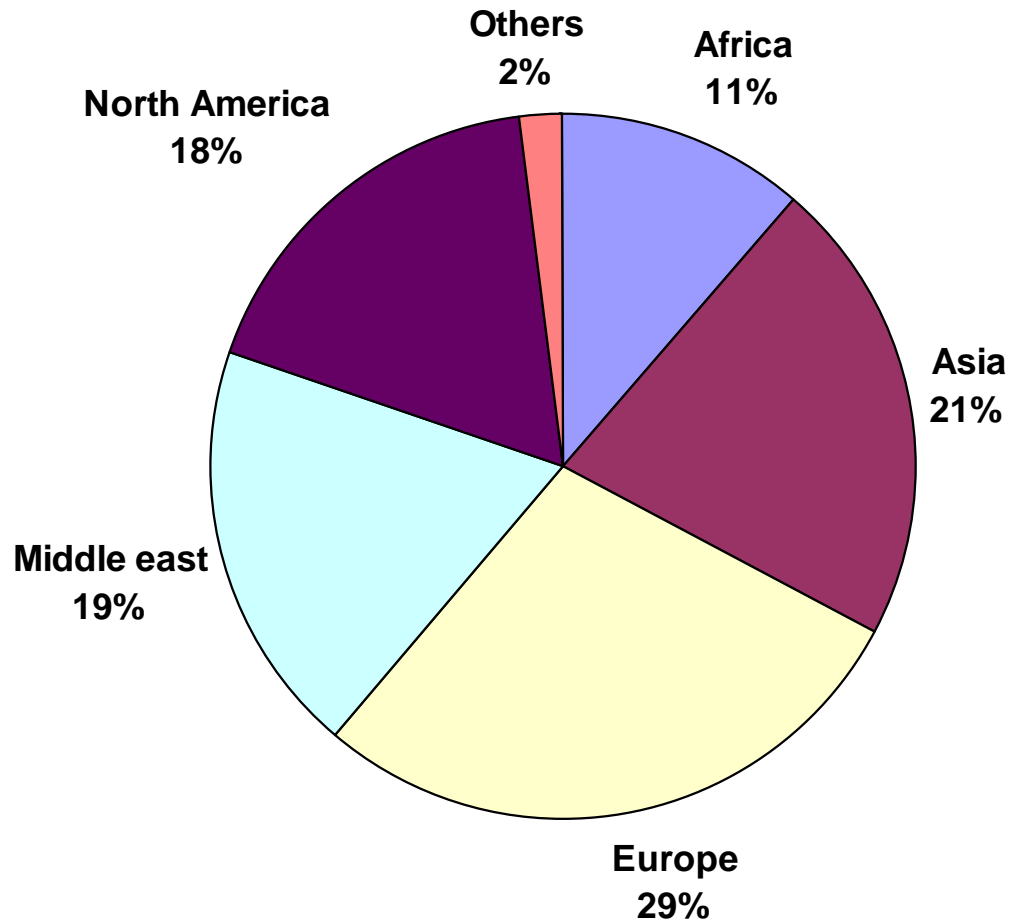
# Trend of Approved Foreign Investment Projects

*July 1992 to December 2006*



# Sources of Foreign Investment projects

*July 1992 to December 2006*



# FOR MORE INFORMATION

## The Ethiopian Investment Agency

- **P.O.Box: 2313**
- **TEL: 251- 011- 551 0033**
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- **E-mail: [ethiopian.invest@ethionet.et](mailto:ethiopian.invest@ethionet.et)**
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*THANK YOU*