HIGHLIGHTS ON BUSINESS AND INVESTMENT OPPORTUNITIES IN ETHIOPIA:

ETHIOPIAN EMBASSY’S COLLABORATION WITH SELECTED COMPANIES ON THE “PILOT PROJECT FOR BUSINESS IN AFRICA”

Hailu Tefera GAROMSA
Minister Councilor II
Embassy of F.D.R. of Ethiopia
Tokyo, Japan

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PRESENTATION AGENDAS

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ABOUT ETHIOPIA
1.1 Introduction - Ethiopian at a Glance

- Located at the crossroads between Africa, Asia & Europe (Located in North –East Africa)
- Ethiopian is one of the oldest independent nation on the planet
- Land linked country (Bordering with 6 Countries)
- Has a land size of 1,140,330 sq. km (435,186 sq. miles)
  - World Rank #27 & African Rank #8
- The second most populous nation in Africa with a population of 94m(2015 est.), Ethiopia is the second most populous country in Africa and 13th in the world
- The young and productive age accounts for 60% of the population.
- Wage comparatives for employers are among the most attractive in the world (offers a strong internal market.)
- Life expectancy has reached 63 yrs, (Life expectancy increased 19 years between 1991 and 2014)
Introduction Cont.

- **Ethiopia** is considered as a gate way to Africa as it is a seat for AU, ECA & many international organization; the political capital for Africa.
- Ethiopia is politically and macro-economically stable; stable exchange rate, single inflation rate, liberalized & free market economy.
- The fastest growing economy with annual average GDP growth rate is 11% for the last 12 Years as a result of good governance, attractive investment laws.
- The Government is fully committed to support FDI; It has established support institutions such as EIC, MIDI, HAD, ATA, TIDI, LIDI, etc.
- Has huge untapped natural resources.
II. ABOUT ETHIOPIAN INVESTMENT POLICY
2.1. DESIRABLE FOREIGN INVESTMENTS

- With high and sustainable value addition
- Contribution to our economic diversification
- Export oriented industries (Prioritized sectors but focus on manufacturing)
- Transfers technology, management know-how and technical skills
- Create relatively large employment opportunity
- Exploration (Beneficiation of natural resources)
  - Ethiopia is one of the least explored for mineral resources anywhere in Africa
- Productive investment (not trading)
WHY LIGHT AND LABOUR INTENSIVE MANUFACTURING IS A PRIORITY FOR ETHIOPIA?

- Easily trainable labor force *(Around 1600 TVETs are creating close to a million mediums killed labor force)*
- Potential for cheap renewable electricity
- Favorable legal and institutional environment
- Huge potential for raw materials for labor intensive industries *(Cotton, hides and skins, mines, cash crops and food products (identified 18 ecological zones and 32 sub-ecological zones))*
2.2 Admission and Incentives

1. Admissions

- Investors can invest on their own or in partnership with domestic investors in areas open for FDI.
- **No restriction on equity ownership in joint investment**
- Required to have investment permit from the EIC and relevant government organs as appropriate.
- Required to allocate /transfer minimum capital
  - USD 200,000 for a wholly owned single investment project
  - USD 150,000 for a joint with domestic investor
  - USD 100,000 for technical consultancy if wholly owned or USD 50,000 jointly with domestic investor
2. Admission and Incentives (Cont.)

2. Incentives

a) Regulatory

- Guarantee against expropriation or nationalization (The constitution & Investment law provide guarantee for investors)

- Ethiopia is a signatory of Multilateral Investment Guarantee Agency (MIGA) and has concluded Bilateral Investment Promotion & Protection Treaties with 30 countries.

- Privilege to full repatriation of profits, dividends, principals 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
2. Admission and Incentives (Cont.)

b) Fiscal Incentives

1. Duty Free capital Goods
2. Tax Holidays for Priority Sectors
   - Income Tax Exemptions (1 up to 9 years)
   - Loss Carry Forward
3. Duty Exemption on raw Materials used as inputs for export
4. Investment Credit Supports
5. Export Credit Guarantee Scheme
6. Bonded warehouse
2.3 One-Stop Shop Services

Major services

- Around 28 licensing and registration services in a relatively short timeframe;
- Approval of duty free importation of capital goods for manufacturing & other investment ventures;
- Complaint handling by executing officials;
- Entertainment of services beyond the judicial capacity of EIC by the Investment Board
2.4. Other Services provided on behalf of Investors

- Execution of investors’ requests for land required for their investment projects
- Execution of investors’ requests for residence permits
- Execution of investors requests for approval of environment impact assessment studies conducted on their investment projects
- Execution of investors’ requests to acquire water, electric power and telecom services
- Provision of other pre-and post approval services
Key Highlights on the path to the Middle Income Country (Growth and Transformation Plan, GTPI-III(2010-2025))

- 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
III. MAIN INVESTMENT OPPORTUNITIES

- Invest in Ethiopia.
- Textile factory
- Leather goods
- Textile industry
- Agriculture sector
- Oil production
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
a) Manufacturing Opportunities

- Textile and Garment/Apparel
  - Textile fabrics, garments, other textile products (Carpets, curtains, etc.)

- 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%
• 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

**Leather and leather products**
- Tanning of hides and skins up to finished level
- **Leather goods and articles (shoes, bags, etc.)**

**Chemicals, Pharmaceuticals,**

**Agro-processing**

- Meat and Dairy products, fruits and vegetables, Palm oils, Sugar and sugar products, Brewing and wine making etc.
Construction

- Grade one contraction contracting, real estate development, water works construction etc...

Tourism

- Development of star related hotels, lodges, restaurants, grade one tour operator

Mining

- Gold and related base metals, tantalum, platinum grouped elements (PGE), iron and Phosphate, exploration of petroleum and natural gas etc..

Electricity, Health Sectors, Privatization of Public Enterprises etc..
B) AGRICULTURAL OPPORTUNITIES

- Rubber Tree Plantation
- Livestock
- Horticulture
- Flower
- Root and Tuber Crops
- Beverage Crops
- Fiber Crops
IV. MARKET OPPORTUNITIES

- **Domestic** market with close to 94m million people

- **COMESA** (Ethiopian share is 22% of the COMESA Market)
  - 19 Member Countries
  - Over 430 million people

- **African Growth and Opportunity Act (AGOA)** and Generalized System of Preferences (GPS) initiatives of the USA Government

- **Everything But Arms (EBA)** initiative of European Union

- Geographical well-positioned to serve several export markets
Market Opportunities Cont’d…

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)
V. AVAILABILITY OF LABOR

- Abundant, trainable and Industrious labor force

- Labor cost in Ethiopia is relatively inexpensive even compared to regional average: Daily laborer ......less than $3/day

- Salaries of fresh university graduate .....$110-$200/month English is the min the secondary medium of instruction in the secondary and higher education;
Industrial Parks Development Corporation of Ethiopia (IPDC) is mandated to develop and operate a wide range of industrial parks.

IPDC serves as Industrial Park land bank, develops Industrial Parks and hands over to private Industrial Park developers (leases or subleases 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).
<table>
<thead>
<tr>
<th>In and around Addis</th>
<th>Operational</th>
<th>Size</th>
<th>Lots type</th>
<th>Distance To Addis</th>
<th>Distance To Djibouti</th>
<th>Clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bole Lemi I</td>
<td>Operational</td>
<td>156 Ha</td>
<td>Pre-built factories</td>
<td>15 Km</td>
<td>863 km</td>
<td>Apparel (Fully subscribed Parks)</td>
</tr>
<tr>
<td>• Bole Lemi II</td>
<td>2016</td>
<td>186 Ha</td>
<td>Pre-built factories &amp; Serviced land</td>
<td>15 Km</td>
<td>863 km</td>
<td>Textile &amp; Apparel</td>
</tr>
<tr>
<td>• Kilinto</td>
<td>2016</td>
<td>N/A</td>
<td>TBD</td>
<td>15 Km</td>
<td>863 Km</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Outside Addis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Hawassa</td>
<td>2015</td>
<td>300 Ha (phase 1)</td>
<td>Pre-built factories &amp; Serviced land</td>
<td>275 Km</td>
<td>998 Km</td>
<td>Textile &amp; Apparel (Fully subscribed Parks)</td>
</tr>
<tr>
<td>• Dire Dawa</td>
<td>2016</td>
<td>1500 Ha</td>
<td>TBD</td>
<td>445 Km</td>
<td>380 Km</td>
<td>Textile &amp; Apparel, Food Processing, assembly</td>
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<tr>
<td>• Kombolcha</td>
<td>2017</td>
<td>700</td>
<td>TBD</td>
<td>363 Km</td>
<td>480 Km</td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
<tr>
<td>• Mekelle</td>
<td>2017</td>
<td>1000</td>
<td>TBD</td>
<td>760 Km</td>
<td>750 Km</td>
<td>Textile &amp; Apparel, Food Processing, assembly</td>
</tr>
<tr>
<td>• Adama</td>
<td>2017</td>
<td>2000</td>
<td>South East 74 Km</td>
<td></td>
<td></td>
<td>Textile &amp; Apparel, Food Processing</td>
</tr>
</tbody>
</table>
FDI TO DATE - ILLUSTRATES THE TOP 5 COUNTRIES INVESTING IN ETHIOPIA
Since August 22, 1992 - April 02, 2015:
Summary of Licensed Foreign Direct Investment Projects by country of origin: No of Projects and Tot Capital in ‘000’ Br

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Tot No of Projects</th>
<th>Tot Capital in ‘000’ Br</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>163</td>
<td>22,325,174</td>
</tr>
<tr>
<td>China</td>
<td>814</td>
<td>14,531,756</td>
</tr>
<tr>
<td>India</td>
<td>322</td>
<td>7,177,924</td>
</tr>
<tr>
<td>USA</td>
<td>235</td>
<td>1,192,791</td>
</tr>
<tr>
<td>Sudan</td>
<td>373</td>
<td>805,083</td>
</tr>
</tbody>
</table>
Summary of 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
VII. Support Services/Collaboration provided by the Embassy on behalf of Investors/Companies

- “General and Specific Promotions” on business and investment opportunity in Ethiopia to selected Japanese companies who want to do business/investment in the country
  - Selecting Companies as per the policy priority of the country
  - Undertaking general and specific promotion by preparing “Seminars”
  - Undertaking B2B (Business to Business) meeting with these companies and trying to convince them to do business by providing relevant document
Support Services/Collaboration provided Cont’d

- Execution of companies’ requests for pre-investment visit to Ethiopia for the discussion with relevant authorities by arranging visit schedules.

- Discussion with the companies about their assessment on their visit in Ethiopia (Feedback).

- Assessing their feedback with Ethiopian Investment policy priorities.

- Informing the feedback of the company’s to the relevant authority (questions on custom clearance, infrastructure, hard currency etc..)

- Execute company’s interest to invest/to do business by preparing investment project proposal and commenting the project on the part of the Embassy.

- Offering support to companies to get investment license from EIC and relevant authorities

- Informing the prerequisite for registering the company (Guideline for registration of the company, visa approval, etc…)

- Informing Ethiopian relevant authorities for offering necessary support to the companies

- Provision of other pre-and post support facilities in collaboration with Ethiopian relevant authorities until final execution of the project…
Thank You!

Embassy of the Federal Democratic Republic of Ethiopia
http://www.Ethiopia-emb.or.jp
E-mail: info@Ethiopia-emb.or.jp