Business and Investment Opportunities in Ethiopia

Consulate General of Ethiopia
Mumbai – India

WTC – Mumbai
I. Ethiopia at a Glance

- **Official Name:** Federal Democratic Republic of Ethiopia (FDRE)
- **Political system:** Federal State with multi-party system
- **Capital City:** Addis Ababa, which is also the seat of the African Union (AU) and United Nations Economic Commission for Africa (ECA).
- **Location:** Ethiopia’s location gives it strategic dominance as a jumping off point in the Horn of Africa, close to the Middle East and Europe markets.
- **Area:** 1.104 million square kilometres
- **Arable land:** 513,000 square kilometres (45%)
- **Irrigated land:** 34,200 square kilometres (3%)
- **Population:** Appx. 105 million (2018)
- **Population density:** Appx. 90.5 per square kilometre (2017)
- **Language:** Ethiopia is a multi-ethnic state with more than 80 languages and 200 dialects. Amharic is the working language of the federal government, while Oromiffa and Tigrigna are widely spoken. English is taught in schools and is the main business language.
Ethiopia at a Glance

**GDP per capita:** US$ 846 (2017)

**Economy:** More than 70% of the population earns a living from the land mainly as substance farmers. Agriculture is the backbone of the national economy.

**Export:** The principal exports from this sector are coffee, oil seeds, pulses, flowers, vegetables, sugar and food stuffs for animals. There is also thriving livestock sector, exporting cattle, hides and skins.
II. Why Invest in Ethiopia?
1. Political and Social Stability

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

- **Democracy and Rule of Law:**
- **Building peace in the region,**
- **Economic Reform**
  - Partial privatization of Ethiopia Airlines, Ethio-Telecom, and Shipping and logistics sector,
2. Growing Economy

- An average of about 11% annual GDP growth for the last 14 years, one of the fastest growing economies in the world during the same period (World Bank Global Economic Prospects).
- The growth of FDI inflow into Ethiopia-making the country the second largest recipient of FDI in Africa.
- 46% growth in FDI inflow-one of the most dynamic and largest FDI recipients in Africa (UNCTAD World Investment Report, 2017)
- Stable and conducive macroeconomic environment.
3. Regional Hub with Access to a Wide Market

- With a population of appx. 10 million people and a rapidly growing middle-class society, Ethiopia is the second largest market in Africa,

- Ethiopian products have duty-free, quota-free access to wide market:
  - a. COMESA (Common Market for Eastern and Southern Africa),
    - 19 member countries,
    - Over 400 million people
  - AGOA (African Growth and Opportunities Act) and GSP (Generalized system of preference) of the United States Government initiatives, and
  - EBA (Everything But Arms) of the European Union,
  - Continental Free Trade of Africa - CFTA
Ethiopia’s labour law, which regulates worker-employer relations, is in line with international conventions.

Ethiopia is the second most populous country on the continent with a working population of 60%.

Ethiopia has a young and trainable labour force and supportive government policy that facilitates labour sourcing for industries.
5. Improved Economic Infrastructure

- Power production has increased steadily over the last ten years, with 99% sourced from clean energy in the form of hydropower. Ethiopia has the second largest hydropower potential in Africa.
- Cheapest electricity rate in Africa and the whole world.
- Expanding and improving telecommunication service.
- Expanding road networks connecting national and regional markets.
6. Strong Guarantees and Protections

- Private property is protected by the Constitution and the investment law.
- A foreign investor has the right to make remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange.
- Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate which issues guarantee against non-commercial risks in signatory countries, and of the World Intellectual Property Organization (WIPO).
- Ethiopia has concluded over 30 bilateral investment promotion and protection agreements, of which 11 are with individual European Union Member States. Significant other partners include China, India, South Africa, and Russia, and a number of regional economic partners (Israel, Egypt, and Sudan, among others).
III. Competitive Incentive Packages

- Customs duty payment exemption on capital goods and construction materials, and on spare parts whose value is not greater than 15% of the imported capital goods’ total value;
- Investors have the right to ask refund of customs duty paid on inputs (raw materials and components) when buying capital goods or construction materials from local manufacturing industries.
- Income tax exemption of up to 6 years for manufacturing and agro-processing, and of up to 9 years for agricultural investment. Additional 2-4 years income tax exemption for exporting investors located within industrial parks and 10-15 years exemption for industrial park developers;
- Carry forward of losses for half of the tax holiday period;
- Several export incentives, including the Duty Draw-Back, Voucher, Bonded Factory and Manufacturing Warehouse, and Export Credit Guarantee schemes;
- Guarantees the remittance of profit, dividends, principals and interest payments on external loans, and the provision of land at competitive lease prices.
A. Manufacturing Sectors

1. Leather and Leather Products
   • Tanning of hides and skins up to finished level;
   • Manufacturing of luggage handbags, saddle and gloves
   • Integrated tanning and manufacturing activities.
2. Textile and Garments

- Ginning, integrated textile mills, spinning, weaving and/or knitting, dyeing and printing,
- Production of garments; the manufacturing of knitted and crocheted fabrics, carpets, and sportswear, among others.
3. Pharmaceutical Industry

- Manufacturing of human and animal medicine.
- Manufacturing of inputs of basic pharmaceutical products.
Fertilizers and nitrogen compounds
Caustic soda and soda ash
Soap and detergent
Paints, varnishes, writing and painting inks.
Man-made fibbers
Magnesium Chloride
Hydrogen peroxide
Coal phosphate
5. Paper and Paper Products Manufacturing

- Pulp, paper and paper packages
- Plastic products
- Plastic products used as imputes for construction of building, vehicles or other industrial products.
- Plastic pipes or tubes.

* Glass and glass products
* Ceramics
7. Building materials:

- Manufacture of:
  - gypsum,
  - marble,
  - granite,
  - limestone,
  - wall cladding and roofing tiles (not from cement),
  - corrugated sheets, tubes, pipes and fittings.
B. Agriculture Sector

- Sugarcane, horticulture, floriculture, forestry (including rubber tree plantation, fibre crops: (cotton, jute) animal husbandry etc.

- The total land area coverage is about 111.5 million ha, of which 74.3 million ha is suitable for agriculture.

- Eighteen major agro-ecological zones have been identified in the country, and over 3 million ha land has been made available for investment. Ethiopia offers one of the largest and most diverse agricultural investment opportunities on the continent.
1. Fruits and Vegetables

- Mango, banana, papaya, avocado, citrus, grape, and pineapple are the most common tropical and subtropical fruits cultivated.
- Pear and plum are emerging as temperate fruits.
- The vegetables grown in Ethiopia include, among others, green beans, snow peas, broccoli, okra, asparagus, cherry tomatoes, green chili, potatoes, cabbages, cauliflower, eggplant and cucumber, pepper, onion, and asparagus.
- Much of the land available for growing fruits and vegetables are suitable for organic certification.
2. Flowers

- Ethiopia is the 4th largest non-EU exporter to the EU cut-flower market and the 2nd largest flower exporter from Africa (after Kenya), exporting to the Netherlands, France, Germany, Italy, Canada, Norway, Sweden, UK, the Middle East, and other EU countries.

- Roses are the most widely produced variety of flowers. Other types of flowers currently in production include gypsophila, hypericum, limonium, chrysanthemum, carnations, static and pot plants.
3. Herbs and Spices

- The major spices cultivated in Ethiopia are ginger, hot pepper, fenugreek, turmeric, coriander, cummin, cardamom, and black pepper.

- Close to 122,700 hectares are being used for spice farming, with spice production reaching 244,000 tons per year.

- The total potential for low land spice farming is estimated to be 200,000 hectares.
4. Agro-Processing

- Processing of meat and meat product
- Processing of fish and fish product
- Processing of fruit and vegetables
- Manufacturing of edible oil
- Processing of milk and manufacturing of dairy product
- Manufacturing of starch and starch product
- Processing of pulses, oil seeds or cereals
- Manufacturing of macaroni, pasta and similar products
- Manufacturing of chocolate, candy and biscuits
- Manufacturing of baby foods, roasted and ground coffee and similar products
- Processing of animal feeds
- Processing of alcohol and soft drinks
5. Information and communication Technology (ICT)

- Software, content, application, and database development
  System integration and data center services
- Manufacturing of ICT equipment like computers and peripheral equipment, etc.
6. Tourism Sector

- Ethiopia Branded as “Land of Origins”
- Star rated hotels lodges, Restaurants
- Tour operations
7. Mining Sector

- Precious and metallic minerals
- Industrial and construction minerals
- Energy minerals
- Extracting oil and natural gas
- Exploration for gold and related base metals
- Exploration for Tantalum

- Assessment for iron and phosphate occurrences;
- Exploration for platinum group elements (PGE);
- Exploration for epithermal gold and associated metals;
- Advanced exploration and development in joint venture;
- Exploration for petroleum;
8. Energy Sector

- Hydropower power: with
  - potential of 45,000 MW
  - Generating 6450MW from a single dam.
- Geothermal
- wind power
- Solar Energy
9. Water Sector

- Dams and related hydraulic infrastructure;
- Irrigation schemes
- Water supply schemes including sewerage system
- Drilling of wells for domestic water supply and irrigation
For wholly foreign owned company, the minimum capital requirement is 200,000 USD (USD 100,000 if it is architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing).

For joint venture company, the minimum capital requirement is 150,000 USD (USD 50,000 if it is architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing).

Ethiopia offers a comprehensive set of incentives, particularly for priority sectors, such as:
VI. Land Allocation

• All land in Ethiopia is considered public property.

• Individuals, companies and other organizations can, however, acquire the right to use land.

• There are two broad classifications of land for rent or lease purposes: rural land, mainly used for agricultural purposes, and urban land, mainly used for industrial purposes or other activities. Land lease or rental rates differ from location to location.
VII. Industrial park development

• State-of-the art industrial parks constructed
• Constructed along key economic corridors, connected to port by road & electric powered railway lines.
• Clustered/specialized industrial parks
• Textile & Garment, foot wear & leather products
• Agro processing
• Building materials & furniture
Thank You!

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