Highlights of Investment Opportunities and Conditions in Ethiopia

Presented by the representative of the National bank of Ethiopia in London, Oct. 21, 2015
## Ethiopia At A Glance

| **Ethiopia Land size** | ■ 1,140,331 sq. km  
■ Have abundant arable and irrigable land |
| --- | --- |
| **Population** | ■ 90 million+  
■ Ethiopia is the 2nd populous county in Africa |
| **Altitude** | ■ 4600 a.s.l. - 120 m b.s.l. |
| **Location** | ■ 3 -15º N Latitude  
■ 33- 48ºE Longitude |
Ethiopia At A Glance

- Ethiopia is considered as a gateway to Africa as it is a seat for AU, ECA & many international organizations; the political capital for Africa

- Ethiopia is politically and macro-economically stable

- Annual average GDP growth rate is 11% for the last decade 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, HDA, ATA, TIDI, LIDI, etc.
## 1. Desirable Foreign Investments

Investments are encouraged if satisfy one or more of the following:

- With high and sustainable value addition.
- Contribution to our economic diversification.
- Export oriented industries (prioritized sectors but focus on manufacturing)
- Transfer of technology, management know-how and technical skills
- Creation of relatively large employment opportunity
- Exploitation of & beneficiation of natural resources
- Focus on the Productive Investment (not trading)
2. Admission and Incentives

1. Admission

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 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 for joint with a domestic investor
- USD 100,000 for technical consultancy if wholly owned or USD 50,000 jointly with a 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 signatory of Multilateral Investment Guarantee Agency & has concluded Bilateral Investment Promotion & Protection Treaties with 30 countries.
- Privilege is given to full repatriate 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.
2. Admission and Incentives (cont.)

2. Incentives

b) Fiscal

1. Duty Free import of Capital Goods
2. Tax Holidays for Priority Sectors
   • Income tax exemption (1 to 9 years)
   • Loss carry forward
3. Duty Exemption on Raw Materials used as inputs for export
4. Investment Credit Support
5. Export Credit Guarantee Scheme
6. Bonded Warehouse

Fiscal Incentives
3. **One-stop Shop Services**

*Major Services*

- Around 28 licensing and registration services in 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 juridical capacity of EIC by the Investment Board chaired by the PM of the country
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 environmental impact assessment studies conducted on their investment projects
- Execution of investors’ requests to acquire water, electrical power and telecom services
- Provision of other pre- and post approval services.
5. Institutional Support for Investment Activities

- Ethiopian Investment Commission (EIC)
- Ministry of Foreign Affairs
- Ministry of Industry through
  - Ethiopian Textile Industry Development Institute (TIDI)
  - Ethiopian Leather Industry Development Institute (LIDI)
  - Metal Industry Development Institute (MIDI)
  - Food and Pharmaceutical Industry Dev. Institute (FPIDI), etc.
- Ministry of Agriculture:
  - Ethiopian Horticulture Development Agency
  - Agricultural Investment Land Administration Agency
About investment opportunities
Main Investment Opportunities

a) MANUFACTURING OPPORTUNITIES

Textiles & Garments/Apparel

- Production of:
  - textile fabrics
  - garments
  - other textile products (carpets, curtains, etc.)

Leather & Leather Products

- Tanning of hides & skins up to finished level
- Leather goods & articles (shoes, garments, etc.)
Main Investment Opportunities (cont.)

Chemical

Pharmaceutical
Main Investment Opportunities (cont.)

Agro-processing

• Processing of:
  ➢ meat & meat products
  ➢ fish & fish products
  ➢ fruits and vegetables
  ➢ dairy products

• Production of:
  ➢ crude and refined edible oil
  ➢ spaghetti, noodles and macaroni
  ➢ animal feeds
  ➢ sugar & sugar products

• Manufacturing of starch and starch products

• Brewing and wine making, etc.
Main Investment Opportunities (cont.)

b) AGRICULTURAL OPPORTUNITIES

* Rubber Tree Plantation
* **Livestock**: Breeding, Fattening, Veterinary Services

* **Horticulture**: citrus, banana, mango, papaya, avocado, guava, grapes, pineapple, passion, fruit, apples, potatoes, cabbages, cauliflower, okra, eggplant, tomato, celery, cucumber, onion, asparagus, water melon, sweet melon, carrots, greenbeans, strawberries, herbs.

* **Floriculture**: Highland and lowland world class flowers and roses

* **Root & Tuber Crops**: sugarcane, sugar beet, potatoes, corn, etc.

* **Beverage Crops**: Coffee and tea.

* **Fibre crops**: Cotton, jutes,
Main Investment Opportunities (cont.)

**Construction**
- Grade 1 construction contracting
- Real estate development
- Water works construction contracting including water-well drilling

**Tourism**
- Development of star rated hotels, lodges, restaurants
- Grade 1 tour operations
Main Investment Opportunities (cont.)

**Mining**

- Exploration for and development of:
  - gold and related base metals;
  - tantalum;
  - iron and phosphate;
  - platinum group elements (PGE);
  - exploration for petroleum and natural gas;
  - etc.
Main Investment Opportunities (cont.)

**ELECTRICITY**

- Generation of electricity from any source and without capacity limit;
- Off-grid transmission and distribution of electricity;

\[ \text{g) Privatization of Public Enterprises} \]
Main Investment Opportunities (cont.)

Health sector

- Out of 90+ million people approx. 42% use private health care facilities
- USD $8.6bn budgeted for next five years (health expenditure)
- Increased household income
- Increased educated population = higher demand for healthcare
- Urbanization, which concentrates people in areas with access to medical facilities
- Expected increase in government health expenditure
- Supportive regulatory framework (loans, biomedical instruments, zero tariff on raw materials etc.)
- Diverse investment opportunities (medical center, pharmaceutical manufacturing etc.)
D. Market opportunities

- Domestic market with close to 90+ million people
- COMESA (Ethiopian share is 22% of the COMESA market)
  - 19 member countries
  - Over 430 million people
- African Growth Opportunity Act (AGOA) and Generalized System of Preferences (GSP) initiatives of the USA Government
- Everything But Arms (EBA) initiative of the European Union
- Geographically well-positioned to serve several export markets
E. Availability of Labour

- Abundant, trainable & industrious labour force
- Labour cost in Ethiopia is relatively inexpensive even compared to regional average:
  - Daily labourer …… less than $3/day
  - Salaries of fresh university graduate…. $110 – $200/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.
FDI Inflow rising considerably due to attractive opportunities & incentives
Summary of Operational FDI Projects
(August 22, 1992 - August 12, 2013 G.C)

No. of Projects

- Agriculture: 371
- Mining: 18
- Manufacturing: 947
- Education: 63
- Health: 63
- Hotels and Restaurants: 129
- Tour Operations: 64
- Real Estate Development: 484
- Construction Contracting: 146
- Others*: 56

* Others include all other sectors not specifically listed.

No. of Projects: 0, 200, 400, 600, 800, 1,000
Presence of multinationals—witnesses of fast industrialization of Ethiopia
Banks

- 19 banks, 3 government-owned, 16 privately owned.
- As of June 15, 2693 branches.
- 35.5% of the branches are located in Addis Ababa.
- The share of private bank branches reached 58.1% and 56.5% of the total bank capital.
- CBE accounts for 34% of total capital.

Insurance companies

- Total number of insurance companies reached 17, one is state-owned.
- Number of insurance branches reached 377.
- 52.8% of the branches are in Addis.

MFIs

- The number of MFIs reached 35.
- They highly contribute to poverty reduction by providing loans to and mobilizing savings from the low income segments of the society.
Treatment of FDI’S

FDI’s after registering/declaring their capital with EIC submit their capital registration request to the NBE

NBE issue a consent letter to the FDI

FDI’S:

- are eligible to open a foreign currency denominated account with local banks
- They can borrow from abroad for their investment
- The debt equity ratio has to be 1:1
- FDI’S producing for export markets can alter the debt equity ratio.
- They are eligible to take a suppliers credit
- Can invest in kind and in cash
- Allowed to repay the loan acquired (principal & interest)
- Allowed to repatriate dividends, profit
- upon liquidation they may take their registered capital
Thank You

Please Contact
Ethiopian Investment Commission and/or
the National Bank of Ethiopia
P.O.Box: 2313, Addis Ababa, Ethiopia
Tel: +251.115.539474 / +251.115.157191
251 5 11 5175270
Fax: +251.115.514396, 251 11 5 514588
Email: ethioinvest@investethiopia.gov.et,
Website: www.investethiopia.gov.et