INVESTMENT OPPORTUNITIES IN ETHIOPIA
Dr. Mebratu Meles, State Minister of Industry
May 2016
Ethiopia is a Choice for Investment

- Ethiopia Land size: 1,140,331 sq. km, World Rank 27th
  - 45% (513,000 sq.km of the Total Land) is arable and suitable for Agriculture
  - 10 million hectares of irrigable land (only 3% utilized) Africa Rank 8th
    - 18 major agro-ecological zones and 49 agro-ecological sub-zones
- Population: 93 million+, World Rank: 13th
- Africa Rank 2nd
- Per Capita Income 650USD
1.3 Major Important Facts about Ethiopia

- Political, Social and Macro-economic Stability
- Fast Economic Growth
- Good Governance & Attractive Investment Law
- Zero Tolerance for Corruption
- Lowest Crime Rate in Africa
- Commitment to Support Private Sector Development & FDI
- Competitive Incentive Packages
- Simple and Transparency Investment Approval Procedures
Attractive Investment Policies and Incentives

- No restrictions on equity ownership in joint venture investment with domestic investors
- One incentive policy for domestic & foreign investors
- Generous incentive
  - Income tax exemption (2 to 8 years)
  - Exemption from the payment of customs duty
  - Carry forward of losses: half of the tax holiday period
  - Export Incentive Schemes: Duty Draw-Back scheme, Voucher scheme, Bonded Manufacturing Warehouse scheme and Export Credit Guarantee scheme
  - Land at minimum lease rate
3. Investment Opportunities ...

Cont...Attractive Investment Policies and Incentives

- Guarantee against expropriation or nationalization (Constitution & Investment Law, MIGA & BITs)
- Full repatriation of profits, dividends, principal and interest payments on external loans
- The right to employ expatriate experts and management staff
- Bilateral Investment Promotion & Protection Treaties with more than 30 countries including with ITALY
- Double taxation avoidance treaties with 18 countries with ITALY
2. Macro-economic trends ...

Consistently Outperformed Most other Countries

Source: IMF Economic Outlook
Trade is growing fast

Source: IMF Economic Outlook
3. Investment Opportunities & Trends

Ethiopia’s trade is global

**Import**
- China: 27%
- Saudi Arabia: 9%
- USA: 5%
- Germany: 2%
- UAE: 3%
- Italy: 4%
- Others: 50%

**Export**
- China: 12%
- USA: 7%
- Germany: 7%
- Saudi Arabia: 7%
- Korea: 7%
- Turkey: 5%
- Japan: 3%
- Others: 50%

Source: ERCA, 2013
3. **Investment Opportunities**

### Attractive Business Climate

- **Availability of inexpensive skilled and semi-skilled labor**

- **Age 65+**
  - Daily laborer: $2/day
  - 3%

- **Age 15-64**
  - Salaries of fresh university graduates: $100-200/month
  - English is the medium of instruction
  - 56%

- **Age 0-14**
  - 41%

### Monthly wage in select African countries

PPP USD

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum wage (PPP USD per month)</th>
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<tbody>
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<td>Burundi</td>
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<td>Uganda</td>
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<td>Egypt</td>
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<td>Gambia</td>
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<td>Malta</td>
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<td>Ethiopia</td>
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<td>Madagascar</td>
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<td>Nigeria</td>
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<td>Central African Republic</td>
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<td>Algeria</td>
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<td>Tunisia</td>
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<td>Morocco</td>
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3. Investment Opportunities …

- Massive renewable energy infrastructure investments undergoing in the country to reach 10,000 MW in 2-3 years.
- Currently 2300 MW already produced
- 1870 MW Gillgil Gibe III completed. Under Commission
- 6000 MW from Renaissance Dam under construction (49% completed.)
- Besides Wind, Solar and Geothermal Energy sources projects are under construction
- Total estimated potential from all sources more than 60,000 MW (more than 50% completed)

Attractive Business Climate

- Green, Clean & Low energy costs
3. Attractive Business Climate

- Ethiopia ranks first as having the lowest electricity tariff in the world:

<table>
<thead>
<tr>
<th>Country</th>
<th>US Cents/KWH</th>
</tr>
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<tbody>
<tr>
<td>Ethiopia</td>
<td>3-4</td>
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<tr>
<td>China</td>
<td>7.5-10.7</td>
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<tr>
<td>India</td>
<td>8-12</td>
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<tr>
<td>S. Africa</td>
<td>8-16</td>
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<tr>
<td>Turkey</td>
<td>12.57</td>
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<tr>
<td>Brazil</td>
<td>16.2</td>
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<tr>
<td>UK</td>
<td>20</td>
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<td>Germany</td>
<td>36.25</td>
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</tbody>
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Source: http://energy4sustainablefuture.blogspot.com/2014/05/electricity-tariff-ethiopia_4788.html
Massive investment in infrastructure

- Building 72,000 km of new roads (URRAP), virtually all kebele administrations is underway. 39,094 km i.e. 55% is finished.
- Construction of > 2300 km Railway line in progress.
- More than 10,000 km Fiber Optics are constructed. 55 million mobile subscribers, >50% country coverage.
- Expressway linking Addis Ababa-Adama (key to import-export) becomes operational.

3. Investment Opportunities...

Addis-Djubuti Rail Way
Addis-Adam Express Way
5. Experience gained in managing different industrial parks

Public
1. Bole Lemi Industry Zone, phase I & II
2. Kilinto Industry Zone
3. Combolcha Textile Cluster (202 ha)
4. Dera Dawa Industry Zone
5. Hawassa Industry Zone
6. Others (Baher Dar, Mekele, Jimma)

Private Sector Developed
1. Ethio-Turkish Industry Zone (1460 ha)
2. Eastern Industry Zone (200 ha)

Bole-Lemi Industry Zone
- Has a total of 342 hectares available.
  - 156 ha. developed in first phase including construction of 20 factory shells & common facilities.
  - Focus on textiles, garments and leather products (including footwear) sectors.

Kilinto Industry Zone
- Kilinto: 308 hectares under Master plan and design preparation stage.
  - Kilinto will cater to the agro-processing, food, beverages, and pharmaceuticals sectors.
Focus Sectors For FDI

Manufacturing in Labor Intensive Industries by Developing Industrial Parks.
This is one of the biggest Chinese investment in Industrial Park, There are more coming in Ips like George and Hua-jian Industrial Parks. 14 in Eastern, 20 in BLIP, 35 in HIP etc. IPDC Will continue to build and rent or lease developed land with infrastructure.
3. Investment Opportunities ...

Source: World Bank, NBE, Moody’s
Some of Multinationals Operating in Ethiopia...

- Unilever
- IKEA
- Reykjavík Geothermal
- George’s Shoe Corporation
- Huajian
- H&M
- Tesco
- Hikma Quality
Some of Multinationals Operating in Ethiopia...
Integrated Agro Industrial Parks (IAIPs):
*Epicenter of Agricultural Commercialization*

Ethiopian opportunities in agro-industry and launch of the International Forum “Unleashing Ethiopia’s Investment potential”
Content

1. Background
2. IAIPs Master Plan
3. Drivers
4. Designed Programs
Ethiopia aims to achieve Middle-Income Status by 2025 while Developing CRGE

Leading country in light manufacturing sector in Africa by 2025

- Rapid Economic Growth - annually by 11% till 2025
- Increased contribution of industrial sector to GDP: form 15% in 2015 to 28% by 2025
- Manufacturing (%GDP) - 5%(2015) to 18% (2025)
- Agro-Processing (%GDP) - to 6.7 by (2025)
Background: Industrial Development Strategy & Road Map

- Industrial Development Strategy
- Priority sector: **Agro-Processing, Leather, Textile**
- Manufacturing Road Map Developed
- 13 years Strategic Plan Developed
  
  Phase 1: Enhancing productivity Priority Sector Industry (2013-25)
  
  Phase 2: Diversifying and emerging new key industry (2016-25)
  
  Phase 3: Building up high-tech industry (2021-25)
- Different Sector Base Strategies up until 2025 are Developed

Ethiopian Industrial Development Roadmap (2013-2025)

September 2013
Addis Ababa
### Background: Sector Plans & Feasibility Studies

<table>
<thead>
<tr>
<th>S.N</th>
<th>Sector Strategic Plans &amp; Feasibility Studies</th>
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<tbody>
<tr>
<td>1.</td>
<td>Manufacturing <strong>Human</strong> Resource Demand</td>
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<td>2.</td>
<td><strong>Meat</strong> Industry Development Strategic Plan</td>
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<td>3.</td>
<td>Cement Industry Development Strategic Plan</td>
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<td>4.</td>
<td><strong>Spices</strong> Industry Development Strategic Plan</td>
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<td>5.</td>
<td><strong>Fruits and Veg.</strong> Industry Development Strategic Plan</td>
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<td>6.</td>
<td><strong>Honey</strong> Industry Development Strategic Plan</td>
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<td>7.</td>
<td>Construction Industry Development Strategic Plan</td>
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<td>8.</td>
<td>Pharmaceutical Strategy and plan of action</td>
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<td>9.</td>
<td><strong>Dairy</strong> strategy</td>
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<tr>
<td>10.</td>
<td>Metal Packaging Factory Feasibility Study</td>
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<td>11.</td>
<td>Plastic Packaging Factory Feasibility Study</td>
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<td>12.</td>
<td>Bottle Packaging Factory Feasibility Study</td>
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<td>13.</td>
<td>Paper Packaging Factory Feasibility Study</td>
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<td>14.</td>
<td><strong>Coffee</strong> Processing Packaging Factory Feasibility Study</td>
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<td>15.</td>
<td><strong>Sesame</strong> Processing Packaging Factory Feasibility Study</td>
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<td>16.</td>
<td><strong>Textile</strong> Accessories Factory Feasibility Study</td>
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<tr>
<td>17.</td>
<td><strong>Leather</strong> Accessories Factory Feasibility Study</td>
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<td>18.</td>
<td><strong>Corn</strong> Processing Factory Feasibility Study</td>
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<tr>
<td>19.</td>
<td>Label Factory Feasibility Study</td>
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</tbody>
</table>
GOE requested UNIDO for support in designing Agro-Industry development strategy.

In 2009, UNIDO (in partnership with FAO, UNDP & MoA) developed:

1. Ethiopian Agro-Industry Sector Strategy
2. Ethiopian Agro-Industry Strategy - Cereals Sub-sector
3. Ethiopian Agro-Industry Strategy - Oilseeds Sub-sector
4. Ethiopian Agro-Industry Strategy - Coffee Sub-sector
5. Ethiopian Agro-Industry Sector Review
Background:

Major constraints in the Agro-Industry Sector

- Under developed agricultural commodity value chains (Weak backward and forward linkages)
- Weak infrastructure
- Limited farm support services
- Lack of timely & adequate raw material supply both in quality and quantity
  - Most of the factories work < 65% their capacity
- More than 50% of the food industries concentrated in and around Addis Ababa
The country exports raw commodities

| Livestock          | • Ethiopia is 1\textsuperscript{st} livestock producer in Africa   |
|                   | • Constitutes only 15\% while Namibia 40\% of African market.     |
|                   | • Export of \textit{live animal} represents 49\% of total livestock |
|                   | export value                                                      |
| Coffee            | • Ethiopia is globally major exporter;                            |
|                   | • But it exports the \textit{raw coffee} \approx 99\%             |
|                   | • In 2013, its unit price was 3775 USD/MT: where as for            |
|                   | Switzerland = 40,493 USD/MT; France = 27,684 USD/MT               |
| Sesame            | • Ethiopia is the world’s 3\textsuperscript{rd} to 5\textsuperscript{th} sesame exporter, |
|                   | • Accounts up to 18\% of global export share [ITC, ATA].          |
|                   | • But 95\% of export of the product is \textit{raw sesame} (cleaned) |
|                   | • Only 5\% is hulled [ATA]                                       |
2. Integrated Agro Industry Parks (IAIPs)

- The strategy recommended IAIPs as the road to Rural Industrialization

**IAIPs**

- Address supply chain and infrastructure
- Provide *farmer-market* linkages
- Create rural *off-farm* jobs
- Demonstrate *best management* practices
- Trigger *geographic clustering*
- Reduce *regional disparities*
- Enhance *rural industrialization*
The GoE, together with stakeholders such as UNIDO, the FAO, the UNDP and the Italian Development Cooperation, is currently piloting development of IAIPs.
Federal Democratic Republic of Ethiopia
Ministry of Industry

IAIP Business Model

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- **Rural Transformation Centers**
  - Agro tourism
  - Wellness & Nutrition
  - Common Infrastructure
  - Cold Stores
  - Ripening Chambers
  - Warehousing
  - Terminal Markets
  - Logistics

- **Production**
  - Modern Farm Clusters
  - Green Houses
  - Livestock farms
  - Mushroom Nursery
  - FP Zones
- **Processing**
  - R&D
  - Incubation
  - QCL
  - Agribusiness
  - Mgt. Trg. Inst
  - Convention Center
  - IT/ Library
  - Training Center

- **Trade**
  - Commercial Complex
  - Commissaries & Packaging

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Ethiopia agro power

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Federal Democratic Republic of Ethiopia
Ministry of Industry

IAIP Business Model...

Geographic clusters for agro-processing.
Aggregation or collection centres
Primary processing
Accessible to the smallholder

RTC

Rural Transformation Center

- Mentoring and training
- Food Entertainment
- Agri-clinic
- Commercial rural market
- Office space
- Farm credit, Farm finance

Collection center

Primary health

Village
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Ethiopia agro-power
Integrated end to end approach for sustainable agribusiness

Support infrastructure

Social amenities

Rural support centers

Production

Processing

R&D

KHBs

Trade

Source: MACE analysis
Federal Democratic Republic of Ethiopia
Ministry of Industry

Agro Industry Growth Corridors (17 selected)

17 Potential Agro commodities processing zones

- Tigray - West Tigray
- Tigray - Southern Tigray
- Amhara - South west Amhara
- Amhara - North Gonder
- Amhara - East Amhara
- Oromia - Central eastern Oromia
- Oromia - North west Oromia
- Oromia - Western Oromia
- Oromia - Eastern Oromia
- Oromia - South Oromia
- SNNP - Eastern SNNP
- SNNP - Northern SNNP
- SNNP - Southern SNNP
- Gambella - Central eastern Gambelle
- Benishangul - North west Benishangul
- Afar - South eastern Afar
- Somali - Northern Somali
IAIPs

Four ACPZs selected for piloting IAIPs

Selection Criteria:

1. Production potential
2. Triggering Effect
3. Infrastructure
4. Market potential
5. Access to support services
6. Attractiveness for investors
• Master plan developed for the 4 IAIPs
• The studies show the projects are feasible bankable
Bird Eye View for RTC
S.W Amhara (Bure IAIP)

- **Commodities**: Sorghum, maize, fava beans, chick peas, haricot beans, potatoes, fruits & veg., dairy, meat & animal products
- **Total Area of IAIP**: 154.99 Ha.
- **Initial Investment**: USD 69.71 mn.
- **Investment - 4 Years**: USD 173.81 mn.
- **Total Investment**: USD 227.58 mn.
- **Profit After Tax**: Year 1: USD 84.7 mn. Year 2: USD 53.8 mn. Year 3: USD 5.9 mn.
- **Payback Period**: 3 years + 0.00 months

W. Tigray (Baeker IAIP)

- **Commodities**: Sesame, Sorghum, maize, fruits and veg., dairy, meat & other animal products
- **Total Area of IAIP**: 152.92 Ha.
- **Initial Investment**: USD 72.67 mn.
- **Investment - 4 Years**: USD 181.18 mn.
- **Total Investment**: USD 232.83 mn.
- **Profit After Tax**: Year 1: USD 122.48 mn. Year 2: USD 54.49 mn. Year 3: USD 6.04 mn.
- **Payback Period**: 3 years + 0.00 months

Eastern SNNP (Weinenata IAIP)

- **Commodities**: Cereals, coffee, fruits & veg., dairy and meat & other animal products
- **Total Area of IAIP**: 108.82 Ha.
- **Initial Investment**: USD 51.55 mn.
- **Investment - 4 Years**: USD 128.53 mn.
- **Total Investment**: USD 176.21 mn.
- **Payback Period**: 3 years + 0.00 months

C.E. Oromia (Bulbula IAIP)

- **Commodities**: Wheat, barley, haricot bean, fava bean, tomato, potato, fruits and vegetables, dairy, fish, poultry, meat
- **Total Area of IAIP**: 263 Ha.
- **Initial Investment**: USD 72.1 mn.
- **Investment - 4 Years**: USD 179.88 mn.
- **Total Investment**: USD 233.1 mn.
- **Profit After Tax**: Year 1: USD 84.4 mn. Year 2: USD 53.9 mn. Year 3: USD 5.96 mn.
- **Payback Period**: 3 years + 0.00 months
The feasibility studies indicate:

- Investment in the parks 30 Billion ETB (1.5 Billion USD)
- Infrastructure development for the 4 IAIPs require 870 mn. USD
- Create investment opportunities for > 400 companies
- Expected to generate > 400,000 direct employment opportunities in short term.
- Significant role for private sector, development financial institutions and development partners

IAIPs are incorporated as top priority in the GTP II
2. IAIP: Expected Business Opportunities & Benefits

- **Agri inputs:** bio energy, green house cultivation, agri chemicals, agri Hi-tech, renewable energy
- **Agri infrastructure:** energy management, mechanization and transport, storage facilities, field handling, transport, bulk material handling
- **Agri Industry:** food technology, processing industry
- **Capacity building:** agri research, education hub, agri lab and clinic, extension service
- **Others:** agri tourism, rural financing, crop insurance
3. Drivers for Successful Implementation of the IAIP
1. IAIP Policy

Policy is developed to facilitate effective implementation of the initiative.
2. Attractive Incentive Packages

- **Income Tax Exemption**
  - Developers for the 4 IAIPs are entitled to 15 years income tax exemptions
  - A preferential incentives entitled by investors inside the industrial zones: additional incentives for 2 to 4 years tax holiday

- **Customs Duty**
  - Customs duty exemptions of up to 100% on imports of capital goods

- **Land**
  - Government provide land for industrial park and manufacturing enterprises at symbolic price
3. Partnership with Key Actors in the IAIPs & RTCs

Key Actors

1. Government (Federal, and Regional)
2. Real Estate/Infrastructure Investors
3. Industrialist/Agro Processors
4. Service Providers
5. Ingredient supplies, Farmer Coops/SMEs
6. Development Partners
4. Government Leadership: Consultation with regional cabinets

- **Regions** expressed their commitment & leadership.

- Agreements reached on governance structure, regulatory framework, roles of key actors

- Regions will assume dominant role
4. Government Leadership: Internal Stakeholder Consultations

- Key stakeholders (MoI, MoANR & MoLFRD) expressed their joint leadership

- Conesus reached on importance IAIP to promote rural industrialization

- Agreed on key milestones and task sharing arrangements

- Agreed to align IAIP with on-going initiatives (ACC, LMP & AGP)
4. Government Leadership: National High-level Launching Workshop

- National launching workshop held on 08 Feb. 2016
- Chaired by H.E PM
- Attendants: Deputy PM, House of speaker, Ministers, Regional states’ representatives, other government officials
- Government endorsed IAIP as epicenter of transformation process
- Timeline set to accomplish the remaining preparations
Ethiopia is a pilot country:
PROGRAM FOR COUNTRY PARTNERSHIP (PCP)

An Innovative Flagship Program with a Unique Opportunity for Leveraging and tapping in to Un-limited Resource and Knowledge Pool
5. ISID - PCP

- Following the Lima Declaration, Ethiopia & Senegal selected to pilot implementation of the PCP.
- PCP is a model of partnership for achieving ISID
- The PCP-ETH was developed under the leadership of the Government of Ethiopia.
- In February 2015, the document was approved by the Government
- Project implementation began March 2015.
- From MDG to SDG 17 GOALS

SDG 9: Building Resilient Infrastructure, Ensuring Inclusive and Sustainable Industrial Development and Fostering Innovation
Components of PCP Agreement Framework

1. Agro-processing (Integrated Agro-Industry Parks) Development
2. Leather Sector Development
3. Textile and Garment Industry Sector development
4. Capacity Building
4. ISID - PCP

Governance Structure

- Joint Steering Committee
- National Technical Task Force
- Implementing agencies

Note: SSWG – Sub-Sector Working Group, P – Project
Establishment of SEZs and IZs

1. Eastern Industry Zone (200 ha)
2. Bole Lemi Industry Zone
3. Kilinto Industry Zone
4. Ethio-Turkish Industry Zone (1460 ha)
5. Combolcha Textile Cluster (202 ha)
6. Dera Dawa Industry Zone
7. Hawassa Industry Zone
8. Others (Baher Dar, Mekele, Jimma)
6. Growing Capacity in Park Development ...
I. Program for completion of complementary studies
II. Program for enhancing production & productivity
III. Program for social rehabilitation & rural transformation
IV. Program for institutional set up & capacity building
V. Program for investor and resource mobilization
“Unleashing Ethiopia’s Investment Potential”:
The First International Agro-Industry Investment Forum
(5-7 Oct., 2016)

Road Map to the Ethiopia Investment Forum

Preparatory Phase
July – Nov 2015

Execution Phase
Oct 2016

Promotional Phase
End of April– Sep 2016

Follow-up Phase
Oct–2016

Federal Democratic Republic of Ethiopia
Ministry of Industry
Why participate in the International Agro-Industry Investment Forum 2016?

The Investment Forum will give you the opportunity to:

- Create strategic partnerships and expand your network through business-to-business meetings.
- Meet directly with policymakers at the ministerial level.
- Learn about the investment environment in Ethiopia.
- Secure a foothold in one of the fastest growing economies in Africa.
• **Vision 2025** → Middle income country

• **Structural transformation** of the economy can be realized through strong development of Agro-processing sector: IAIP

• Thus, agro-processing is the way out & top agenda of the country for the coming 10 years

• **AGRICULTURE** ↔ **INDUSTRY**

• **IAIP is epicenter** of transformation process

• The 3 Ministries, Regions and key partners have to show the required level of commitment and leadership to make IAIPs a reality
Speriamo di vedervi ad Addis Abeba ad Ottobre

Grazie mille