



Ethiopia

The Emerging Manufacturing hub of Africa

Strategies to Attract Private Investment





1

Ethiopian Economy Profile

2

Strategic Investment Areas

3

Enabling Environments

4

Strategic Pillars to attract private investment



Ethiopia has a strong track record in attracting FDI



Population

Total: 100m (est. 2017)

Economics

GDP: >100b\$
PCI: \$739 (2015/16)
FDI inflow: \$3.2bn (2016)
FDI growth: 46% (2016)

Health

Life expec—64yrs
Health spend/capita: \$27
Health spend/GDP: 5%

Education

Literacy 49% of total population

Rapid economic growth

- One of the fastest growing economies in the world
- 11% average growth over the past 14 years

Favourable destination for FDI

- One of the top destinations for foreign direct investment (FDI) in Africa
 - Ethiopia accounts for 18.5% of all jobs created through FDI in Africa
 - 2017....3.6b\$.....2018....3.3b\$

Young and productive population

- Second most populous country in Africa and growing at 2.3 million annually.
- **>60% of the population are young** age group

Clear vision for development

- **Vision 2025:** Become leading manufacturing hub in Africa
- Targeted sector development
- Wide-ranging incentives in priority sectors



1 Ethiopian Economy Profile

2 Strategic Investment Areas

3 Enabling Environments

4 Italian Investment in Ethiopia



Ethiopia has identified strategic investment areas and working on developing the light manufacturing industries





2

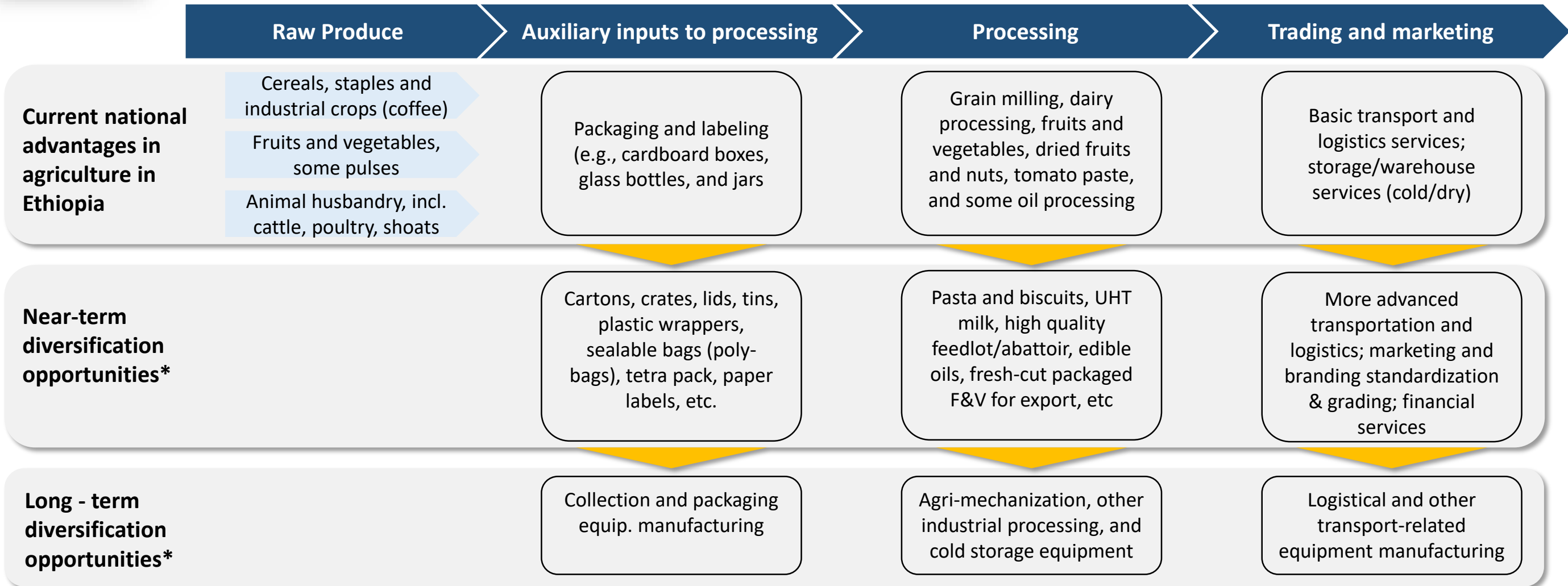
Strategic Investment Areas

Agro-Processing Sector Investment Opportunities





Agro-processing acts as a “Bridge” to long-term economic diversification opportunities for Ethiopia



Note: (*) Includes opportunities both for export growth and/or import substitution

Source: Ethiopian Agricultural Transformation Agency (ATA)



2

Strategic Investment Areas

Textile and Apparel Opportunities





Ethiopia's textile and garment industry continuous growth, abundant skilled labor and market access is attractive for globally renown firms

Textile and garment industry landscape

- **Booming industry** which grew by 7 fold since 2008
- **Emerging as a regional hub for sourcing/contract manufacturers** as companies start to look for the next cost-efficient production base in Africa.
- **Export of textile and apparel is sharply increasing over the last decade.** Major export products are garment, yarn, fabrics, and cultural clothes. Similarly, employment rate in the textile sector is substantially rising.
- Managed to attract **leading global brands** such as PVH, H&M, Wuxi and Sunshine, and vertically integrated high-capital investments such as Ayka.

Opportunities for private sector

- **Textile manufacturing:** Manufacturers producing any cloth or goods prepared by weaving, knitting or felting.
- **Garment manufacturing:** Manufactures producing any article of clothing such as dresses, suits, shirts, trousers made prepared from textile/fabric
- **Components and Trim manufacturing:** Manufacturers producing materials used as components & decorations of garments such zippers, buttons, plastics, threads, elastics, carton boxes, poly bags, hangers, printing, etc.



Enabling factors for the development of Textile and Apparel sector in Ethiopia

Availability of quality cotton and fibers

- More than 3.2 million hectare of land is suitable for cotton cultivation, less than 10% utilized so far
- Production potential equivalent to Pakistan, 4th in cotton production

Abundant and trainable workforce

- **Labor is available at competitive wage** rates which costs lower than other East African countries 1/5th of China's labor cost.
- 1/7th of China and ½ of Bangladesh (from \$25-\$200 per labor per month)

Globally competitive energy costs

- **Reliable green energy supply** with an estimated cost of 0.03 USD/kWh.
- **Industrial parks** with government provision of dedicated **power substation**

Market access

- USA imports 40% & UK imports 10% of Ethiopian textile
- Agreements such as **AGOA** in US, European and Asian markets

Easy access to industrial parks

- **Specialized industrial park:** 5 Operational IPs (Hawassa & Bole Lemi, Mekelle, Kombolcha and Adama and more to be inaugurated soon.
- Industrial parks strategically located along major trade and economic corridors.



2 Strategic Investment Areas

Leather Sector Opportunities





Leather industry has a significant role in employment creation and foreign currency generation

Ethiopian leather industry landscape

Positive economical impact

- Livestock resources contribute to about **45%** of the country's **agricultural GDP** and **31%** of total agricultural employment.
- Leather sector accounts for **6-8 % GVP** of the manufacturing sector, **4% of total national export income** with 132.86 Million USD earning
- Over **85%** and **90%** of farm cash and pastoral income are generated through animal husbandry.

Significant employment opportunity

- Leather goods manufacturing is a labour-intensive industry offering job opportunities for the poor. **75%** of those currently employed in this industry are **women**.
- Employment creation and foreign currency generation capacity of the leather industry is very significant and **the leather footwear industry** is considered as the most important sub-sector.

Existing brands

- Michael Kors among top brands in Ethiopia.



Availability of quality input supply, market access and skilled laborers attracts investors to Ethiopian leather industry

Competitive advantage for investment in Ethiopian leather sector

Quality input supply

- Ethiopia possess **largest livestock population in Africa** and **10th in the world**
- **Untapped potential: only 50%** hides & skins being utilized currently
- **World class quality of hides and skins:** 21 million skins supplied to tanneries on 2014/15

Rising skill in the sector

- Skilled labour in the sector is increasing with growing education and training institutions in leather technology in different government universities and private training institutions

Market access

- Largest domestic markets in Africa
- Quota and duty-free market access to the US and EU, COMESA and other 16 nations including China, India, Turkey, Canada and Russia.

Opportunity for private sector

- **Tanning of hides and skins**
- **Accessories:** soles, synthetic sewing thread, plastic linen, shoelaces, zippers, buckles
- **Chemical inputs manufacturing** for tannery use
- **Footwear, gloves** and other leather products manufacturing capacity.



2

Strategic Investment Areas

Horticulture Sector Opportunities



Ethiopia's favorable climate, water and land resource all combined makes it an incredible hub for horticultural investment

Competitive Advantages of Investing in Horticultural Sector in Ethiopia



Strategic location at cross road between Africa, Middle east and Europe.



Diverse Agro-climatic zones;

- Long growing seasons,
- Temperature is conducive with long hours of sunshine.



Availability of **abundant water for irrigation;**

- 12 river basins, 18 natural lakes (including the Rift Valley Lakes).
- **122 billion cubic meters of surface water** and **2.6 billion cubic meters of ground water**



Availability of **land;**

- **Land area allocated for horticulture** is about **12,552 ha**, with only 11% of this land being developed for horticulture





Allocated land in Ethiopia suitable for organic certification

Investment opportunities in horticulture sector

Fruits and Vegetables

- **Fruits:** Mango, banana, papaya, avocado, citrus, grape, pineapple, Pear and plum
- **Vegetable:** green beans, snow peas, broccoli, okra, tomatoes, green chili, potatoes, cabbages cauliflower, eggplant, cucumber, pepper, onion, and asparagus
- **Land:** suitable for **organic certification for growing fruits and vegetables**

Flowers

- Roses are the most widely produced variety of flowers. Other types include gypsophilia, hypericum, Limonium, chrysanthemum, carnations, static and pot plants.
- Supply 9% of global flower market.

Herbs and Spices

- Ginger, hot pepper, fenugreek, turmeric, coriander, cumin, cardamom, and black pepper.
- Close to 122,700 hectares with spice production reaching 244,000 tons per year.
- The total potential for low land spice farming is estimated to be 200,000 ha.



2

Strategic Investment Areas

Pharmaceutical Sector Opportunities



The GoE has identified Pharmaceutical as one of the priority sectors

National Strategy and Plan of Action for Pharmaceutical Manufacturing Development in Ethiopia (2015–2025)



Developing the pharmaceutical industry and improving access

Abridged version
July 2015

Federal Democratic Republic of Ethiopia
Ministry of Health and Ministry of Industry

- Ethiopia is **one of the first African countries to develop national strategy for pharmaceutical manufacturing**
 - **Strategy:** To grow exports in addition to substituting imports and improving access to medicines
- The Government has **developed state of the art Industrial Parks specialized in pharmaceutical manufacturing**
- Dual benefit of increasing **access to medicines** and promoting **rapid industrialization** of the country

Goal: To become a pharmaceutical manufacturing hub in Africa



There is access to market and Industrial Park (IP) designated for pharmaceutical sector

Advantages of manufacturing pharmaceuticals in Ethiopia

Focused Policies

- **Strong investment policy and incentives focused on pharmaceuticals**
 - **Tax exemptions:** corporate income tax, personal income tax, duties, export taxes
 - **One-stop shop** for government services
 - **Price preference in public procurement** which accounts for a **huge** market

Specialized Industrial Parks

- **Kilinto Industrial Park (KIP):** state-of-the-art basic infrastructure(ETP/STP, roads, water, electricity)
- Long term Land **lease rate:** 40 years.

Access to market

- Potential to serve as **export hub for the >\$20 billion pharmaceutical market in Africa**
- More regional markets through economic communities including COMESA and IGAD progressing towards **regulatory harmonization.**

Abundant workforce

- More than **10 schools of pharmacy in Ethiopia**
- Expanding programs to **new areas of specialization** (e.g. industrial pharmacy, pharmaceutical analysis, etc.)
 - **Centres of Excellence** are being established to offer these specializations



Domestic market is attractive due to rising population and health coverage

Key drivers of pharmaceutical demand in Ethiopia

Rising health care coverage

- Government **increasing healthcare coverage** to the large rural population that promotes the need for increased access to pharmaceutical products;
 - Primary health care service coverage reached 100% in 2015
- **Awareness, diagnosis and treatment of diseases are increasing;**
 - High burden of **communicable** diseases: malaria, HIV/AIDS, and TB
 - **Prevalence of non-communicable diseases**, such as diabetes, cancer and hypertension

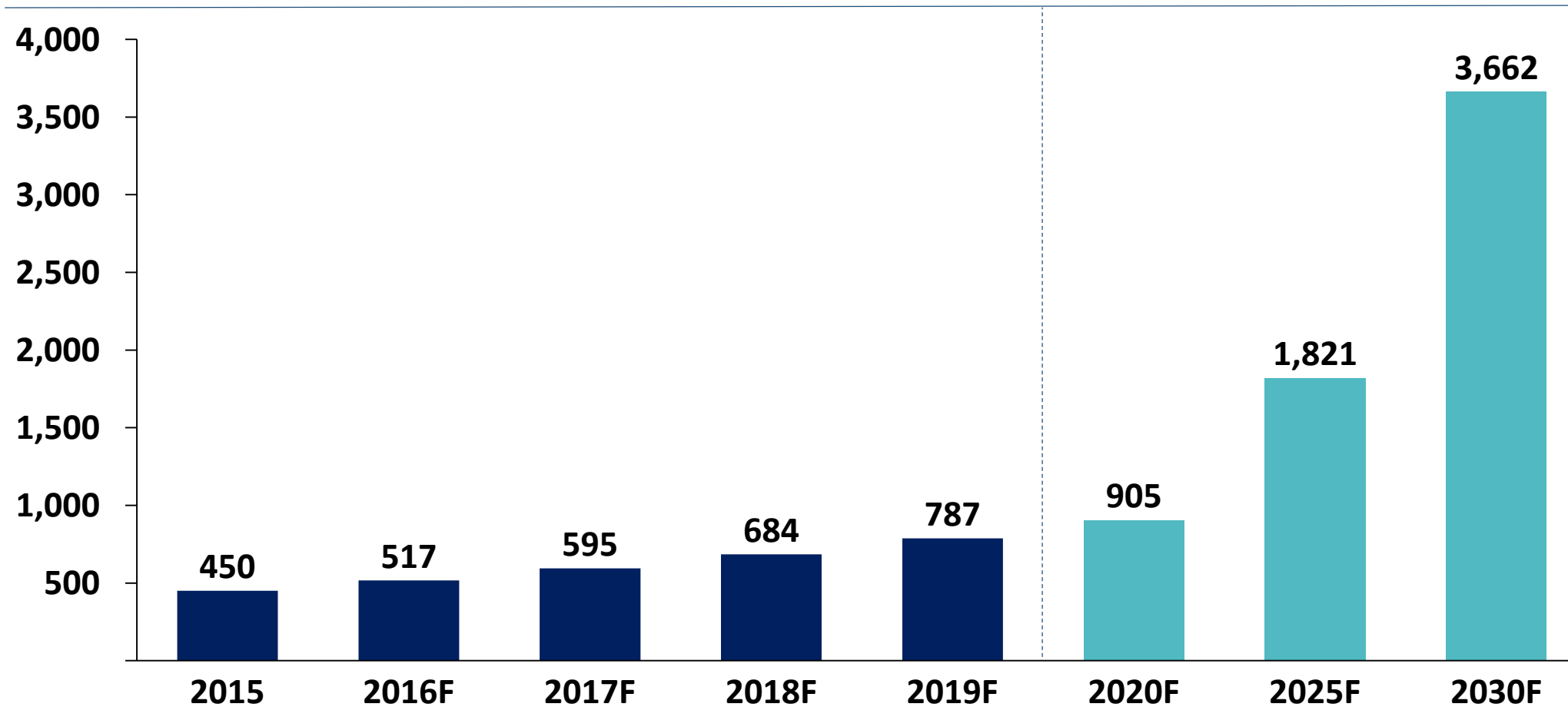
Growing population and economy

- Ethiopia has **second-largest population in Africa** (>100M, ~8.5% of Africa's population); **growth of 2.3% per year** is expected
- With average **economic growth of >10% per year**, increase in disposable income will influence spending on pharmaceutical products



Local pharmaceutical market is expected to grow at 15% per year to reach nearly \$1 billion by 2020

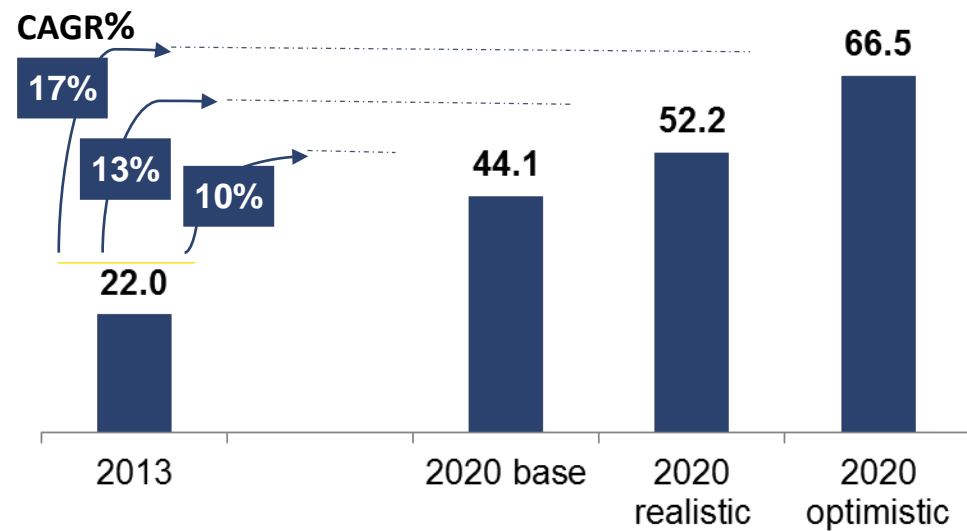
Pharmaceutical market in Ethiopia
(2015-30F), US\$ million



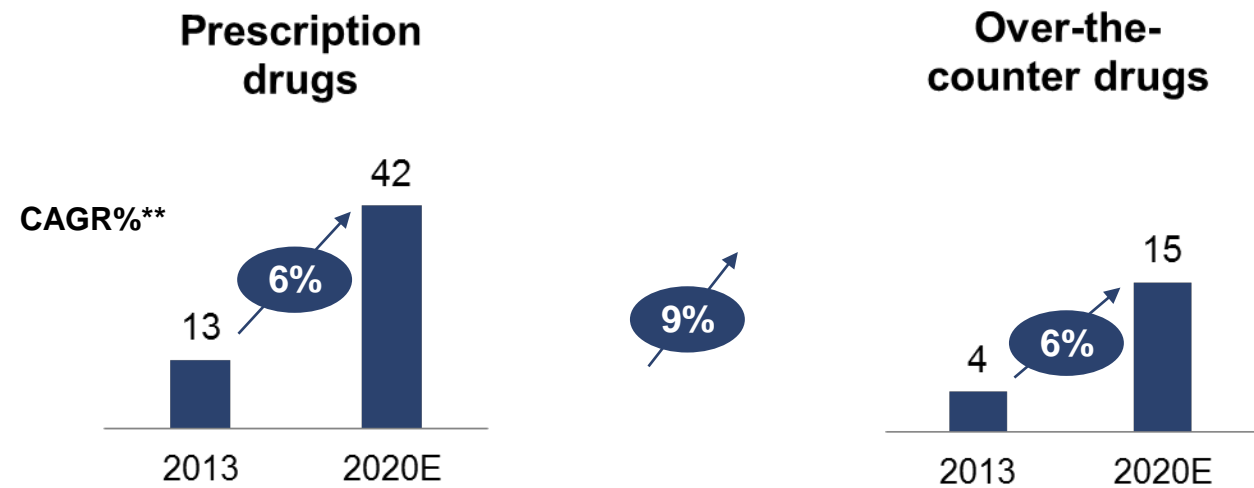


Ethiopia is the next frontier for pharmaceutical market valued at >\$25B

The growth of pharmaceutical sales in Africa* (2013-20E), \$US billion



Pharma segment growth in Africa (2013-20E), \$US billion



As developed markets stagnate, Africa represents a promising source of growth for multinational pharmaceutical companies

Note: *2013 numbers are approximate; 2020 numbers are estimates; **CAGR is for the top seven countries in Africa (Algeria, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa)
Source: McKinsey (2015) Africa: A Continent of Opportunity for Pharma



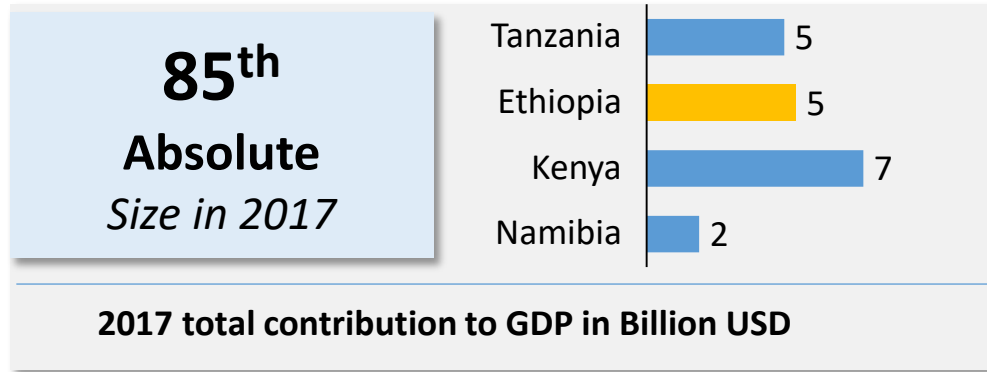
2

Strategic Investment Areas

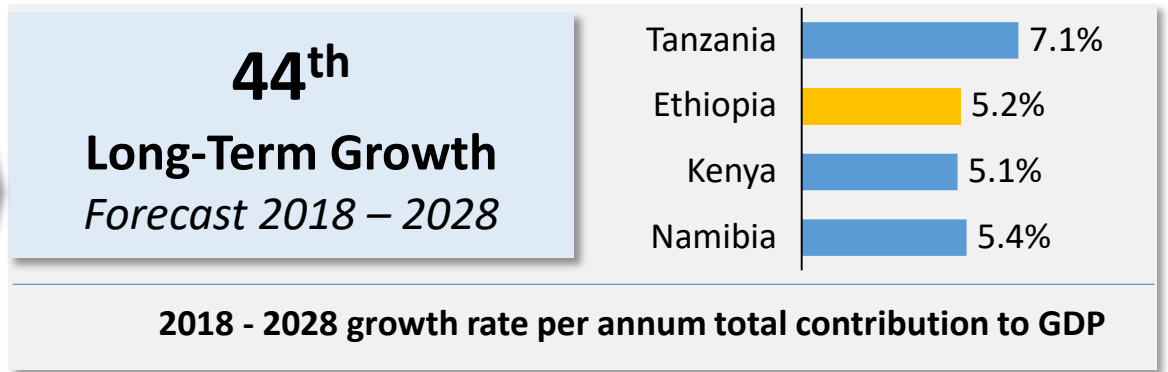
Tourism Sector Opportunities



Ethiopia's awe-inspiring destination has opened tremendous potential for the tourism and hospitality sector



Ethiopia's Tourism Potential – World ranking (out of 185 countries)



- Opportunities in the sector**
- **A star designated hotels, lodges and restaurants**
 - **Tour operation** (*foreign investors are allowed to have grade one category Tour Operator License*)





2

Strategic Investment Areas

Energy Sector Opportunities





Ethiopia has 4.29 GW installed capacity and more than 60 GW potential from renewable sources



80 kwh

Per Capita Electricity Consumption (per year)

4.9 GW

2018 Installed Capacity

17.2 GW

Planned installed Capacity by 2019/20

60 GW

Potential Capacity

60 GW+

Potential power generation from hydropower, wind solar and geothermal

4.29 GW

Installed Capacity
86% hydropower

17.2 GW

Planned total installed capacity by 2019/20

60%

National electrification rate

90%

Electrification Rate
GTP II targets for 2019/20

5,189

Number of rural towns and villages reached by the Rural Electrification Program

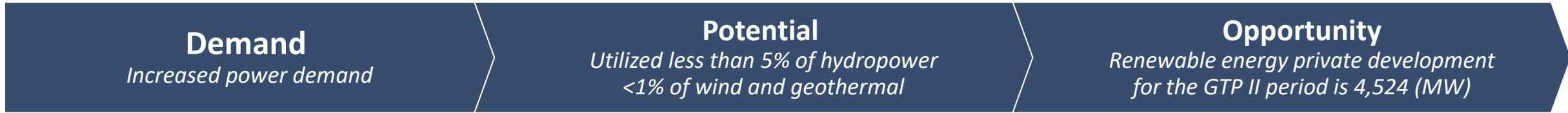
52.5%

Percentage of towns with access to electricity





Tremendous opportunity in the sector with ~4,500 MW expected from private sector generation



More than 10 Industrial Parks
being built to realize GOE's Industrialization agenda

Electric Driven Railway
networks being built to ease logistics

Booming Industry Sector
to realize Ethiopia's vision of being Africa's Manufacturing hub by 2025

Plan to Export Electricity
to neighbouring countries



Hydro: nine major basins estimated to generate competitive energy of about 45,000 MW



Wind: generating capacity about 10,000MW



Solar: average solar energy potential of 5.5 KWh/m²/day



Geothermal: abundant resources in Ethiopian Rift Valley system which runs for more than 1000 Km across the country with 5,000 MW capacity

- **Private sector is allowed for on-grid and off-grid power generation** including Public Private Partnership (PPP)
- Ethiopian Electric Power (EEP) buys power from Independent Power Producers (IPP)
- IPPs can generate power and sell it to EEP
- Transmission is administered by EEP and distribution is administered by Ethiopian Electric Utility EEU



1 Ethiopian Economy Profile

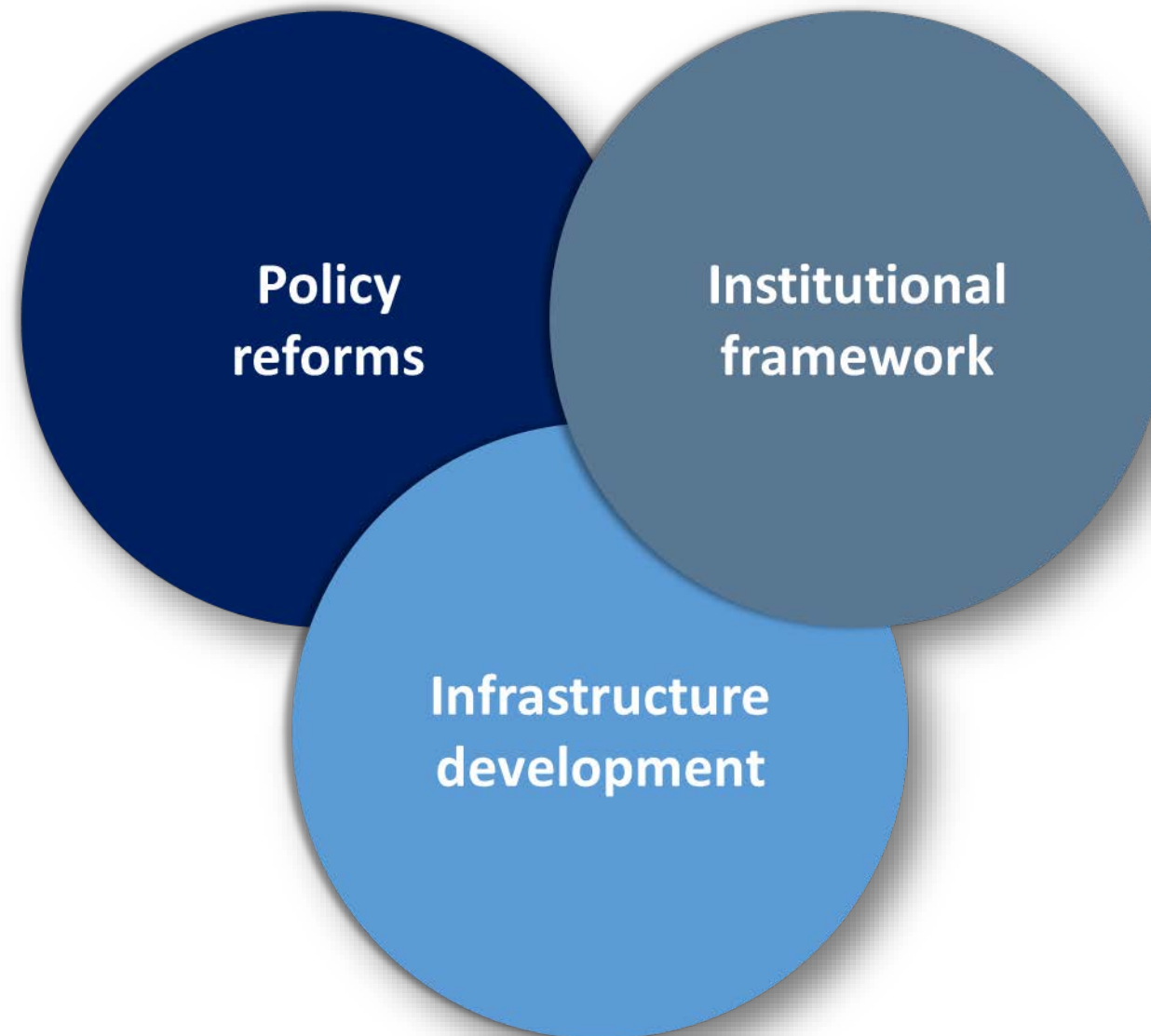
2 Strategic Investment Areas

3 Enabling Environments

4 Italian Investment in Ethiopia



Investors prefer to invest in Ethiopia due to the conducive policy and infrastructural development





Policy reforms spear head industrialization through sector strategies and tailored incentives

**Sector specific
strategies and
implementation
roadmap**

**Tailored
investment
incentives**



Tailored and attractive fiscal and non fiscal incentives

Major incentives include:

Fiscal Incentives

- **Exemption from income tax up to 15 years for Industry Park**
- Exemption from **income tax up to 8 - 10 years** for enterprises inside IPs, and 15 years for IP developers
- Exemption from duties and other taxes **on imports of machinery, equipment, construction materials, spare parts, raw materials and vehicles**
- **Loss carry forward**
- Full export duty exemption

Non fiscal Incentives

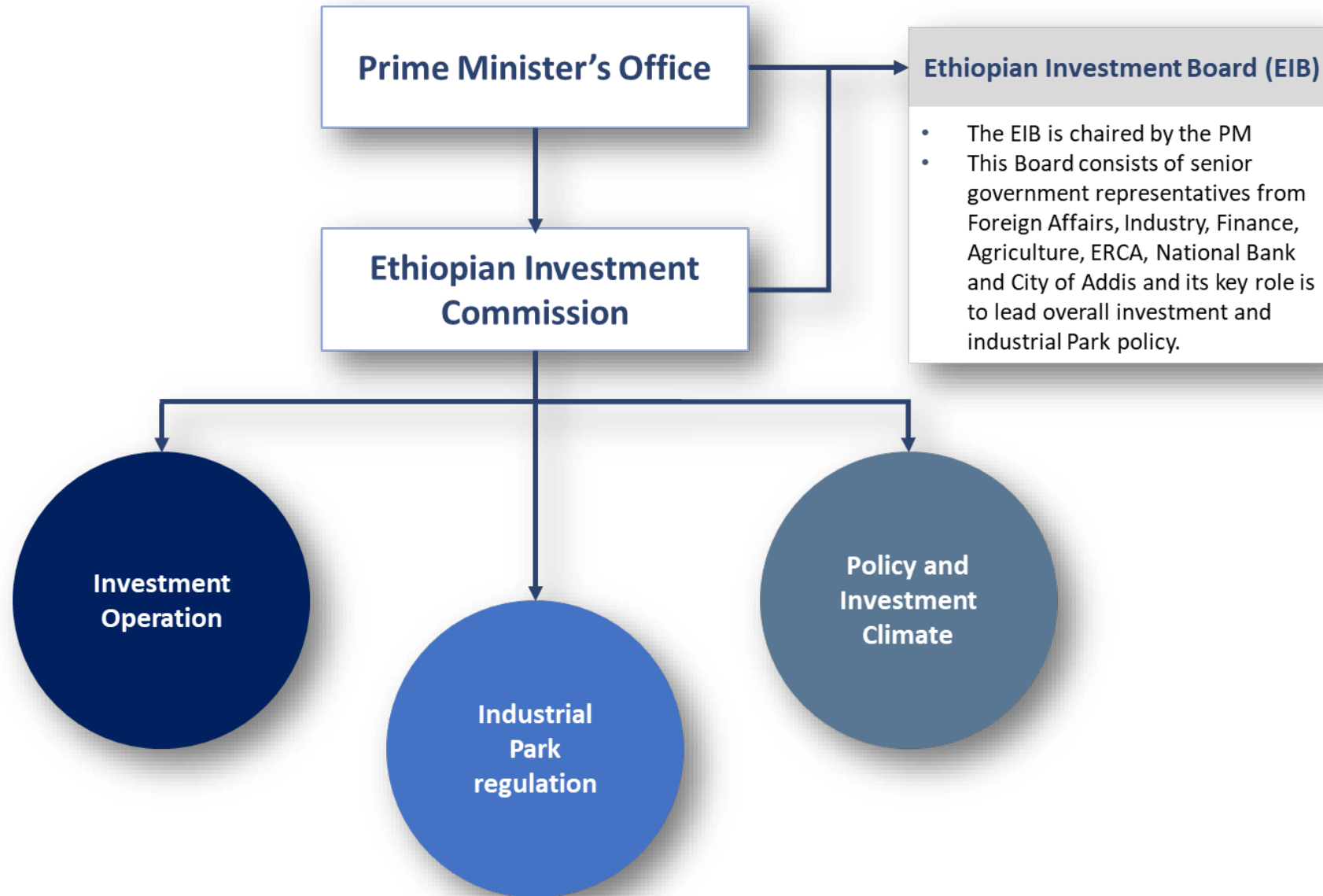
- Customs facilitation through bonded export factory and similar other schemes
- Guarantee against expropriation
- **Guarantee for repatriation of funds**
- Relaxed Industrial park land regime - **60-80 years charge-free lease** for IP Developers, discounted lease rate for IP Enterprises

Other Incentives

- Expedited visa procedure - expedited procedure of securing entry, work permit and certificate of residency
- **Multiple entry visas** for share holders and general managers
- **Facilitation of market linkages**
- **One-Stop Shop Service** under the EIC - including pre-establishment licensing and registration and post-establishment after-care services



Institutional reforms and structural change within the country has created an enabling environment to the investment climate



Institutional Reforms

- Investment policy became central aspect of government industrialization agenda;
- Ethiopian Investment Board (EIB) was established and chaired by the Prime Minister;
- Reorganization of Ethiopian Investment Commission (EIC) with a revamped and autonomous mandate under the Prime Minister;
- **Industrial Parks Development Corporation (IPDC) was established.**
- **Land bank and development corporation**

Streamlined investment services

- Effective promotion and recruitment activities;
- Integrated, streamlined and efficient One Stop Shop (OSS) services (including in all industrial parks).
- **Online service**



Ethiopia built sustainable infrastructure that suits globally renown firms

Largest cargo network and terminal in Africa



Africa's first electric-powered railway



Green electricity generation supports industrialization



Specialized industry parks





Industrial parks are all equipped with one stop services enabling manufacturers to access major services

Key principle of industrial parks

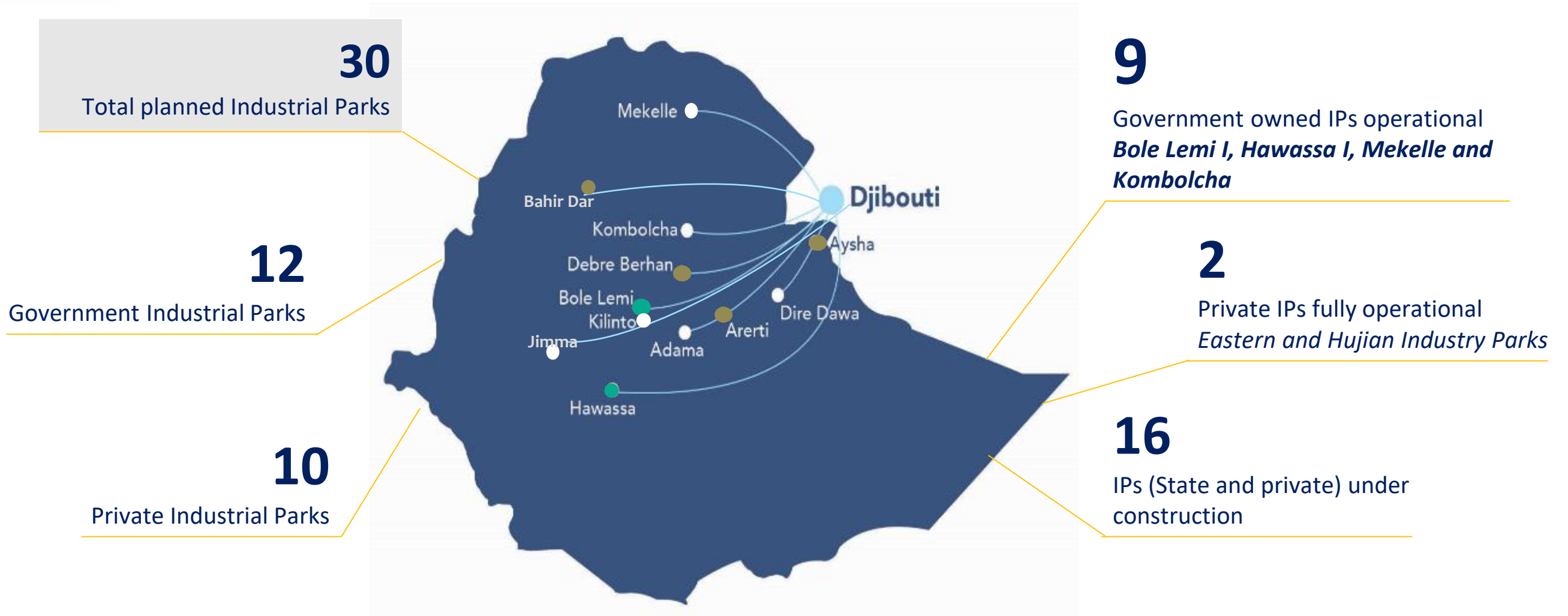


Features of typical Industrial Park

- Located along **strategic economic corridors, connected to ports by electric driven railway lines and asphalt roads**
- Close proximity to **abundant labor force**
- **Ready for plug-and-play**, equipped with all the necessary infrastructures including waste water treatment plants
- **Dedicated power with own sub-station and waste treatment facilities**
- **Health stations, fire brigade, expats accommodation and 24 hours security services**
- **One Stop Services (OSS)** including processing & issuance of permits, licenses, registration certificates, agreements, tax identification number, customs clearance, banking services.



Several industrial Parks are being developed through out the country





Completed IPs in Ethiopia occupied by renown brands in the textile & apparel sector

Hawassa Industry Park



Africa's 1st park with zero liquid discharge facility (ZLD)

Size: 350 Ha

Number of shed: 52 sheds (2018)

Location: Hawassa, Ethiopia

Specialization: Textile and Apparel

Inauguration date: July 2016



Bole Lemi I Industry Park



Size: 156 Ha

Number of shed: Phase I has 20 sheds in total where the 10 sheds are 5500 M2 sized

Location: Addis Ababa, Ethiopia

Specialization: Textile, Apparel, leather

Inauguration date: November 2014





Government owned additional industrial parks specializes on textile, garment, footwear and machinery

Kombolcha Industrial Park



Size: 75 Ha
Number of shed: 9 (two 11,000 m² and seven 5,500 m²)
Location: Kombolcha, Ethiopia
Specialization: Textile and garment

Mekelle Industry Park



Size: 75 Ha
Number of shed: 15 (five 11,000 m², six 5,500 m² and four 3,000m²)
Location: Mekelle, Ethiopia
Specialization: Textile, garment and leather

Adama Industrial Park



Size: 120 Ha
Number of shed: 19 (six 11,000 m², nine 5,500 m² and four 3,000 m²)
Location: Adama, Ethiopia
Specialization: Machinery, footwear, apparel and Textile

Dire Dawa Industry Park



Size: 150 Ha
Number of shed: 15 (four 11,000 m², six 5,500 m² and five 3,000 m²)
Location: Dire Dawa, Ethiopia
Specialization: Machinery, footwear, apparel and Textile



Kilinto Industrial Park is the only and the first IP that specializes on pharmaceuticals

Kilinto Industrial Park



Facts

- **Total area of the park is 279 ha and 60% of these amount will be serviced by the GoE and availed to interested investors**
- **It's located in Addis Ababa, the capital of the country**
- **Industrial cluster/ specialization - Pharmaceuticals**
- **As the pharmaceuticals sector is the GoE's priority sector, it's endowed with tailor-made incentives**

Strategic Pillars to attracting Private investment

- **Clear and predictable investment regime**
 - policy, strategy and regulatory framework
- **Sound business environment**
 - Streamlined services
 - digitization
- **More attention to retention than attraction**
 - Vibrant facilitation and aftercare services
- **Local linkages and support for domestic investors**
- **Institutional capacity building and cooperation**



ETHIOPIAN INVESTMENT COMMISSION

የኢትዮጵያ ኢንቨስትመንት ኮሚሽን

www.investethiopia.gov.et