EIC
ETHIOPIAN INVESTMENT COMMISSION
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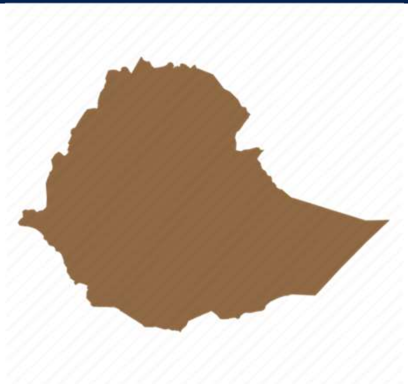
Ethiopia
A New Horizon of Hope



Ethiopian Investment Opportunities

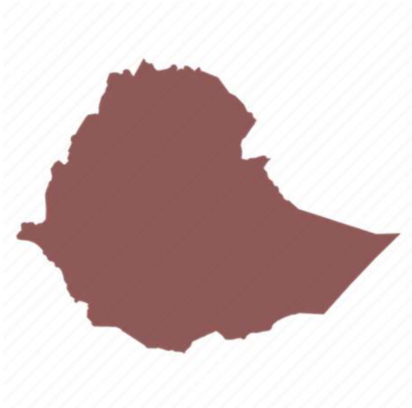
01 Ethiopia: Introduction

02 National Reform initiatives and government commitment

03 Priority sectors

04 Investment Incentives and National Infrastructures

05 Sustainable Infrastructures: Industrial Parks



01

Ethiopia: Introduction

Ethiopia: at a glance

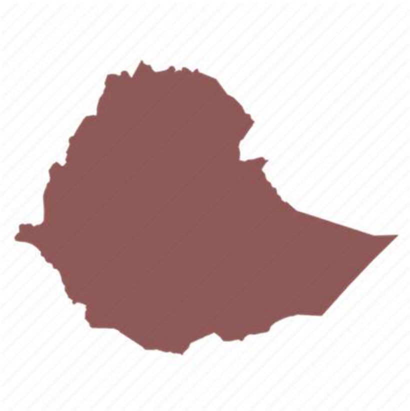
>116 million population, 21% living in urban cities, 60% young and productive

The 5th largest economy in Africa—GDP reached $110 Billion in 2020

The third fastest growing economy of the millennium—10% av. growth since 2010

49% literate population

Top/favorable FDI destination in East Africa—USD 4.3 billion in 2021



02

National reform initiatives & government commitment

Key Strategies

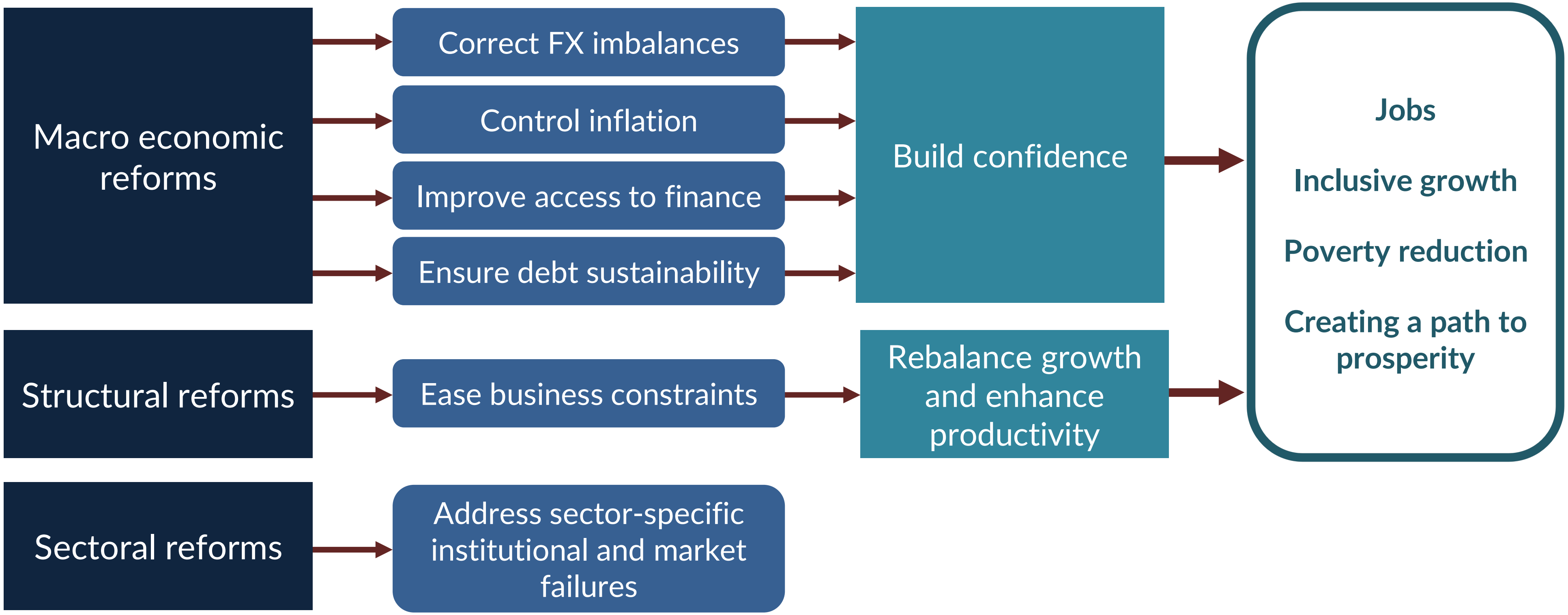
1. **Economic and investment reforms**

2. **Creating a conducive investment climate**

3. **Targeted investment in priority areas**

1 Economic and investment reforms

To sustain the success of the past decade, address emerging challenges and create new opportunities created for private sector development



1

Economic and investment reforms

Reform and investment committees

Macroeconomic committees

Economic reform steering committee

Private Sector and Investment Reform Sub-Committee	Job Creation and Investment Reform National Steering Committee	National Doing Business Steering Committee
Aimed to identify the enabling conditions necessary for the private sector to take a lead role in driving the growth and transformation agenda of the country in the coming years	Aimed at facilitating policy and institutional coordination and alignment to create sustainable and decent job creation	Aimed at identifying and implementing structural reforms to be address challenges of time, cost and procedural hurdles businesses face in their lifecycle

Economic and investment reforms:
From positive to negative listing

Investment Areas

Reserved for Joint Investment with Government

- Manufacturing of weapons, ammunition & explosives
- Import & export of electrical energy
- International air transport services
- Bus rapid transit
- Postal services excluding courier services

Joint Investment with Domestic Investors

- Freight forwarding and shipping agency services
- Domestic air transport service
- Cross-country public transport service (seating capacity > 45)
- Urban mass transport service (large carrying capacity)
- Advertisement and promotion services
- Audiovisual services – Motion picture and video recording, production and distribution
- Accounting and Auditing services

Reserved for Domestic Investors

- Banking, insurance & microfinance excl. capital goods finance business
- Wholesale trade, petroleum & products, wholesale of own products excluding whole of electronic commerce
- Retail trade excluding. retail of & electronic commerce
- Import trade, excluing liquefied petroleum gas and bitumen
- Export trade of raw coffee, khat, oil seeds, pulses, minerals, hides & skins, products of natural forest, chicken, & livestock
- Hotel, lodge, resort, motel, guesthouse excluding star-designated
- Travel agency, travel ticket sales & trade auxiliary, tour operation
- Operating lease of equipment, machineries & vehicles excluding industry-specific
- Transport services, excl Railway, cable-car, cold-chain, freight transport,

2 Creating a conducive investment climate (1/2)

National initiative to improve ease of doing business launched	
Starting a Business	Registering Property
Dealing with construction permit	Getting Electricity
Getting Credit	Protecting Minority Investors
Paying Taxes	Resolving Insolvency
Trading Across Boarders	Enforcing Contracts
Cross Cutting Reforms: Multi-Agency	

80 reforms undertaken
In various areas including:

- Elimination of requirements of newspaper publications of trade name
- Lease agreement for business registration and licensing removed
- Implementation of an OSS service delivery at the Ministry of Trade & Industry;
- Expansion of credit registry information
- Introduction of modern and web-based customs clearance and tax administration systems;
- Online permit application launched, statutory time limit for construction permit set,
- Electronic single window on pilot; new web-based customs management system implemented; service delivery on main dry ports extended from hours to 16 hours a day; e-certificate of origin implemented

2 Creating a conducive investment climate (2/2)

Promotion
Targeted to strategic sectors

Engaged in targeted investment promotion including:

- Promoting investment opportunities and conditions to foreign and domestic investors,
- Responding to investor's inquiries on sector-specific business opportunities, incorporation procedures and related regulations.

One Stop Service
Including licensing, Visa, TIN, and other services

Provide streamlined one-stop services including:

- Issuing investment permits, business licenses and construction permits,
- Notarizing memorandum and articles of association,
- Facilitating export-oriented non-equity-based foreign enterprise collaborations with domestic investors.

Providing Incentives
With tailored investment incentives

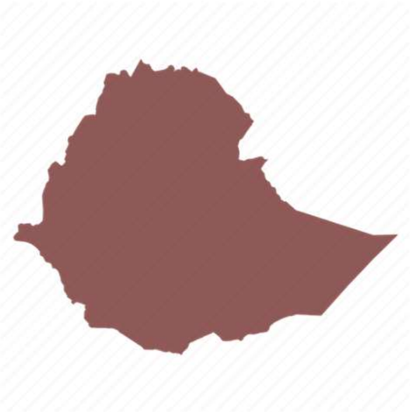
Approves investment incentives including:

- Import duty exemption on import of capital goods, construction materials, spare parts, vehicles, raw materials, and personal effects,
- Export duty exemption,
- Loss carry forward.

Aftercare Support
Support for investments during operation

Provides post establishment facilitation and follow-up services including:

- Facilitating acquisition of land and utilities (water, electrical power and telecom services),
- Processing of loans and residence permits,
- Facilitating export trade.



03

Priority sectors

3 Targeted investment in priority areas

- Textile and Apparel
- Leather & Leather Products
- Pharmaceuticals
- Agriculture and Agro-processing
- Tourism
- ICT
- Mining & Energy
- Transport: Freight, cold-chain, railway and cable
- Health
- Management Consulting
- Advertisements and Promotion Services
- Electronic commerce wholesale

1. Manufacturing

1.1. Textile and Apparel

- Booming industry which has grown 7-fold since 2008
- Target set to earn $30Bn in export by 2030
- Emerging as a regional hub for sourcing garment
- Endowed with needed industrial inputs.
- A vast labour force and low energy costs
- Managed to attract leading global brands such as PVH, H&M, Wuxi, Carvico, Kingdom and Sunshine,

Textile value-chain host potential opportunities for investors

Textile Sector Opportunities

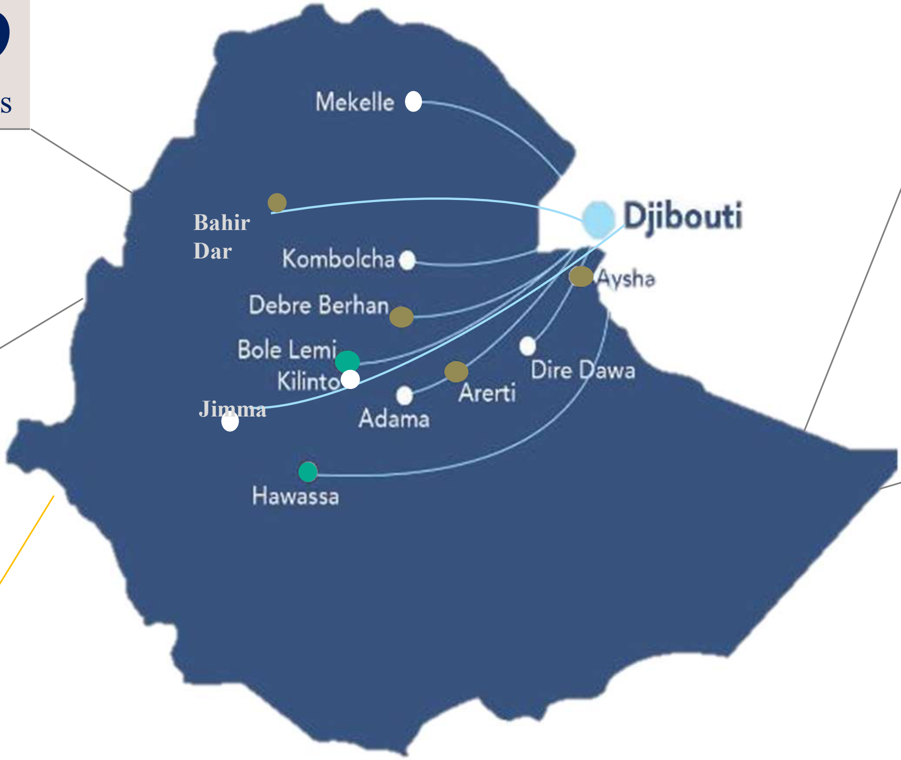
- **Commercial farming** — Cotton farming
- **Textile Manufacturing** — Ginning, spinning, weaving, knitting, dyeing, printing, integrated textiles mills etc.,
- **Garment manufacturing** — Knitted and crocheted fabrics, carpets, sportswear etc
- **Accessories, Trims and Packaging** — Zippers, button, sewing thread, labels, plastics, packaging, interlining, etc

Textile & Apparel specialized IPs

29
Total Industrial Parks

22
Operational Industrial Parks

4
Intergated agro IPs (3 Operational)



17
Government owned operational IPs

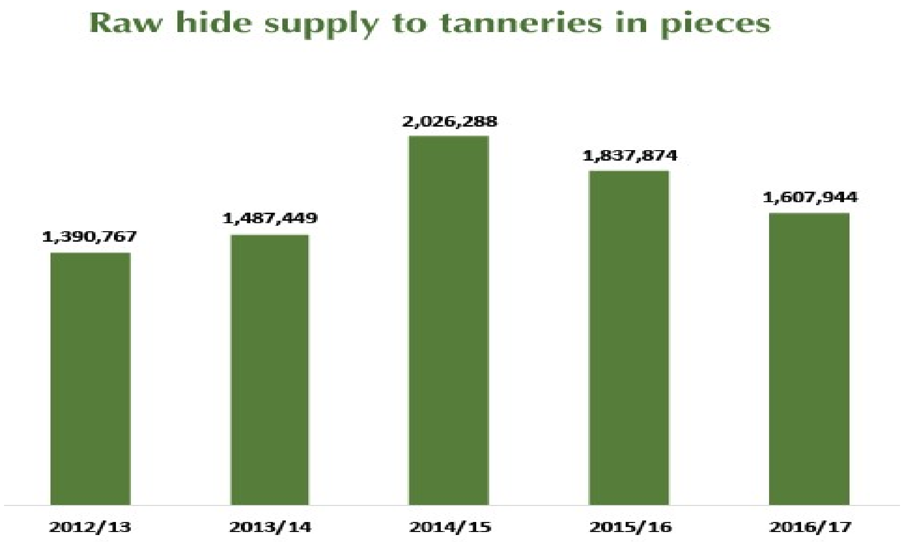
6
Operationl Private IPs

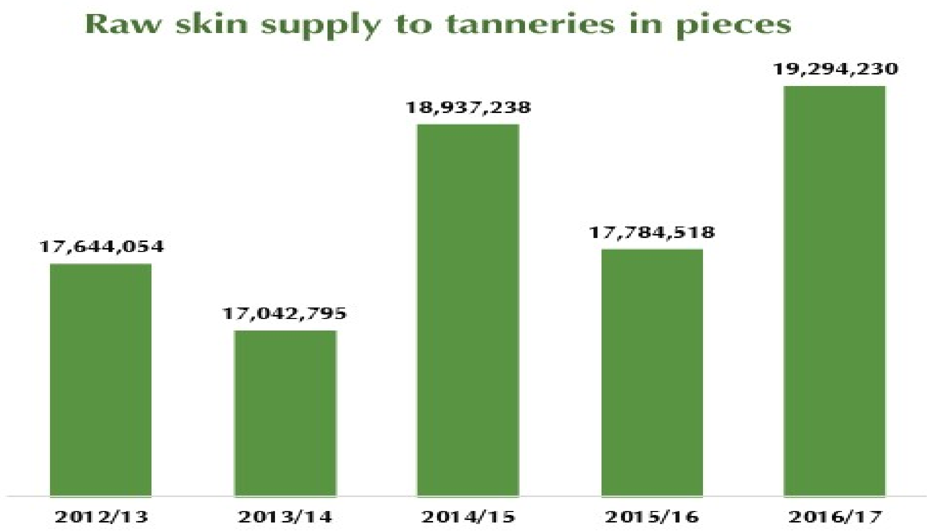
☞ **7:** IPs (State and private) under process

☞ **13:** IPs have expnasion plan with

1.2. Leather & leather Products

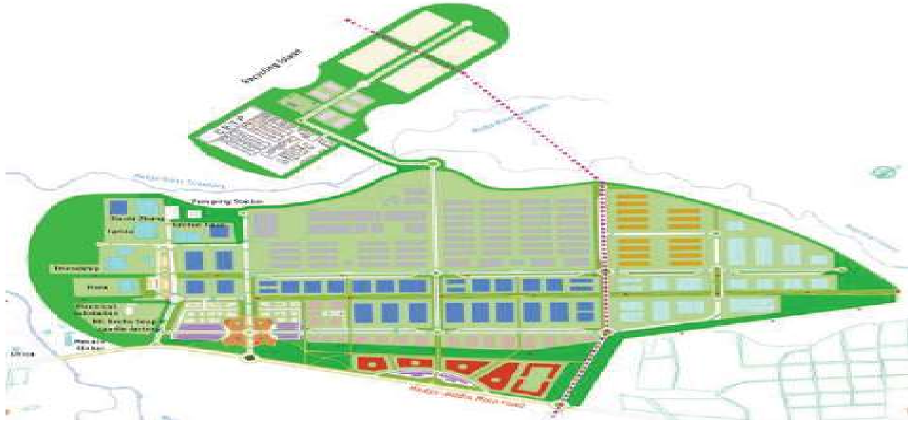
- A fine and globally demanded quality leather
- Strong value chain
- The Leather sector gets 44% of hides and 94% of skins produced in Ethiopia.
- RHS production is estimated at 3.6 million cattle hides, 9.7 million sheep skins and 10.7 million goatskins in 2016 (FAO's offtake rate)
- Serviced industrial zones for leather products manufacturing
- Low power costs
- Abundant livestock resources
- A reputable leather availability with goodwill to the global market
- Competitive labour costs
- An enhanced legal framework.
- Coordinated government services
- Enabling stakeholders coordination
- Identified industrial clusters





Leather: Sustainable Infrastructures

- National focus on infrastructure development.
  - Industrial Parks
  - Modjo leather city specialization: aims to upgrade leather processing by reducing the heavy pollution footprint and requiring environmentally friendly processing



Envisioned Modjo Leather City (MLC)

Basic Information

- **Location: Modjo**
- **Size: 29,000ha**
- **Composition:**
  - Common Effluent Treatment Plant (CETP)
  - Central Chrome Recovery Plant (CCRP)
  - Tanneries (~11% relocation of existing) and footwear factories (81% Domestic, 19% FDI)
  - Currently no space allocated to other finished products or accessories manufacturers

Amenities and supportive structures

- Centralized service centres (banks, post offices, training schools), 8% of total area.
- Maintenance shops, chemical storage (3% of total area)
- Green area (25% of total area)
- Land fill (3.5% of total area)

Planned implementation and status

- Phase 1: relocation of existing tanneries, waste treatment plant establishment, by product processing development. Currently, unclear status.
- Phase 2: tannery expansion; relocation of existing footwear factories and introduction new investments; recycling capacity upgrade. Currently, unclear status.

There are two private leather industry parks:

1. **Huajian International Light Industry City and**
2. **George Shoe Industry Park**

These two private industrial parks dedicated wholly to production of leather and leather products.

Ethiopia

1.3. Pharmaceutical manufacturing

Pharmaceuticals

Ethiopia's pharmaceutical sector market size

Estimated to reach

~1.8 B

USD by 2025

~ 4 B

USD by 2030

Mainly driven by:

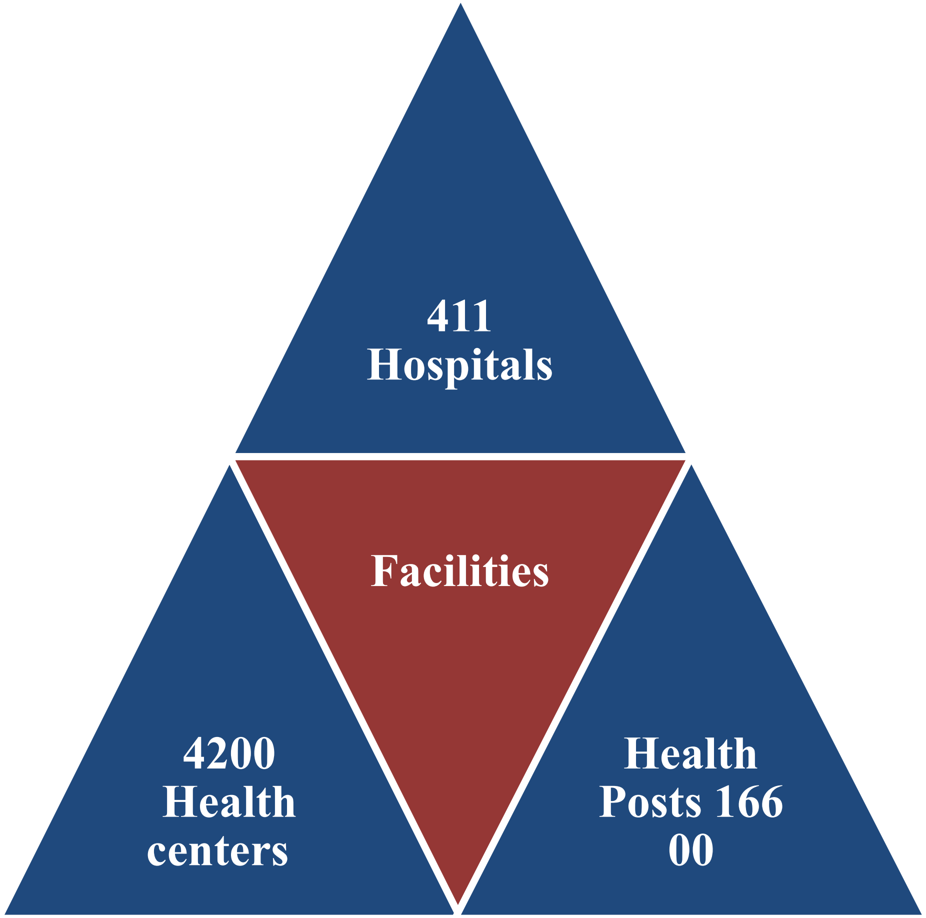
- Import
- 12% of GDP to health (75% on essential medicines & services)
- Out of pocket expenditure (46% of total expenditure)
- Government 10 years expenditure for the sector (15B USD)

- **One of the first African countries** to develop a national strategy for pharmaceutical manufacturing
- **Strong investment policy focused on pharmaceuticals** including tax exemptions, one-stop-shop services and price preference in public procurement
- Potential to serve **>$20 billion** pharmaceutical market in Africa

Pharmaceuticals and the Health Sector

Major highly demanded medical Products include:

- Pharmaceuticals
- Biological products
- Vaccines
- Diagnostics & laboratory instruments
- Medical supplies
- Medical equipment
- Contract research organizations-Eg. Bioequivalent centers

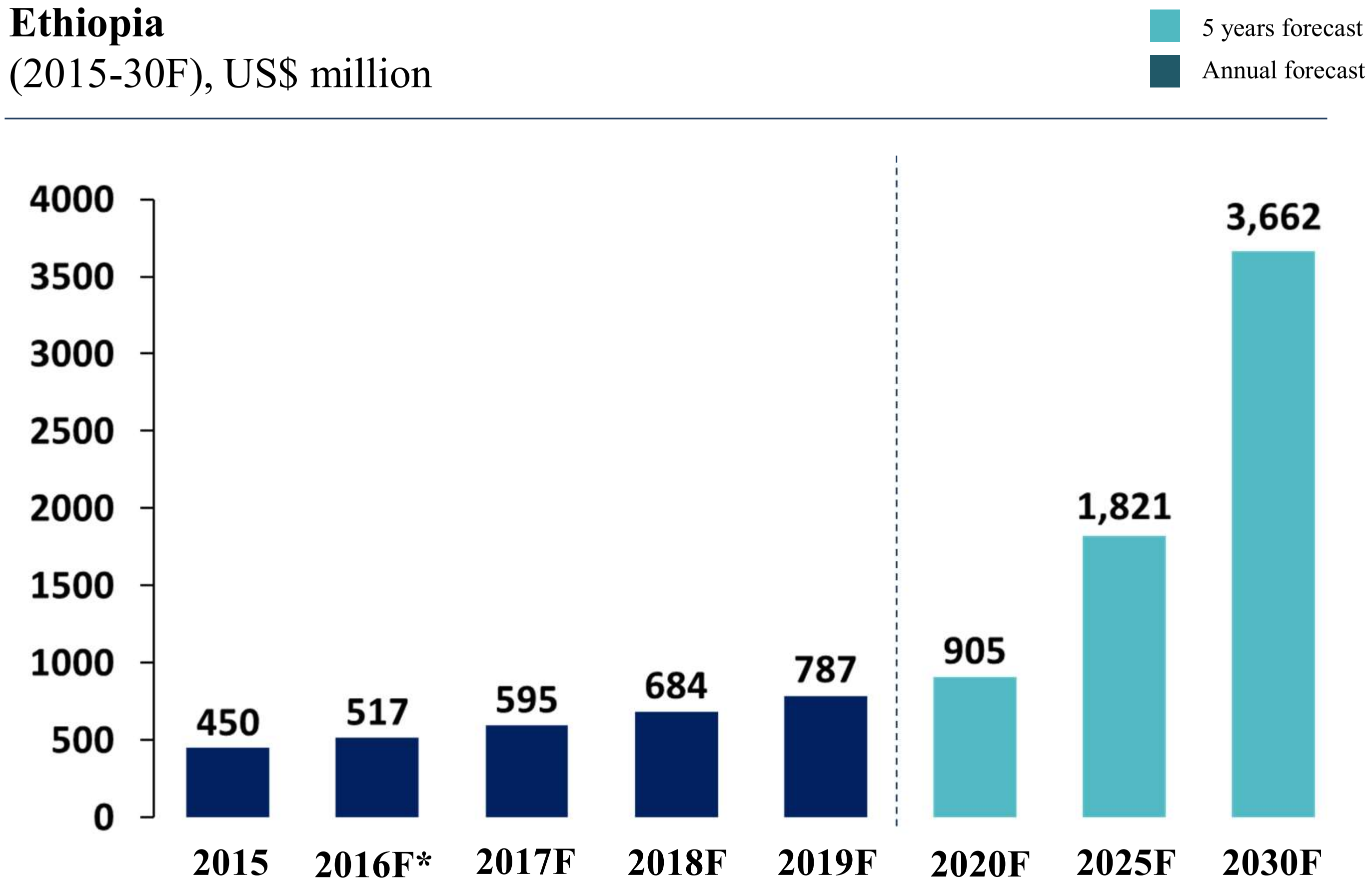


- Ethiopia is currently importing **~85% of its pharmaceutical needs** – a big gap that is yet to be fulfilled by manufacturing locally

MoH, 2021

Ethiopian Pharmaceutical Market

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



- Local market has been **growing steadily at an average of 15%** per year
- With growing population, **increased access to health services** and a **growing middle-class**, demand is projected to grow exponentially & reach >3.6 billion by 2030

Note: *Forecast
Source: Frost & Sullivan, World Bank, National Strategy and Plan of Action for Pharmaceutical Manufacturing

Kilinto Industrial Park is the first IP specializing in pharmaceuticals

Location
- Addis Ababa; 25 km from city center, 863 Km from Djibouti port and 10 minutes drive from Bole International Airport

Population and employment
- +4 million people live in the city
- Accessible to skilled labour

Industrial park area
- Established on 279 ha of land
- 177 ha service land for manufacturing
- Land is available at reasonable lease prices

Industrial park facilities
- Health Center
- Police Station
- One-Stop Shop Services
- Commercial Building
- Fire Brigade & 24/7 Security Services
- Waste Treatment Facilities

Cluster based product factories zoning

Zoning is compliance and GMP requirement expectation oriented.

	Hectares allocated	*Target per sizing⁴*
General products³	**72-88**	*57-83*
Beta Lactams	**22-35**	*21-34*
Biologics	**15-31**	*15-28*
Large animals²	**4-5**	3
APIs	**0-5**	5

- Area already allocated (construction started)
- Commercial services (24.69 ha already allocated)
- F Flexible area – allocation of manufacturers in those zones should be done last

2. Agriculture

Abundant natural resources (land, fertile soil, water and forests)

1st in Africa & 6th in the world in coffee production

2nd largest exporter of flowers

Diversified agro-ecologies

> 60% young working age population

One of the first places where agriculture started

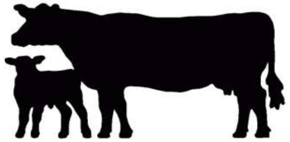
85% population depending on Agriculture

Agriculture: Product Opportunities

Sesame

- Ethiopia is the **9th top producer** of Sesame globally (FAO, 2019). Niger seed, Sesame, Ground nuts, Linseed and soybeans are the top five products by volume
- There is 204,000 ha of land suitable for sesame production
- The sector benefits from a **strong support from the GoE that** has set an ambitious target for the sector
  - Short term to medium term: increase local production of oilseed for end to end processing, replace imports
  - Long term: become a ***net exporter*** of edible oil

Dairy

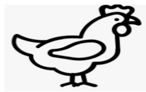


- Over the past 15 years, volume of cow milk production increased modestly from 1 billion to 4 billion liters
- Total milk production in Ethiopia is 4.3 billion liters and per-capita milk consumption is 19 L/Year, compared to required 22 billion total production and 200 L per capita consumption to meet WHO and FAO Standards
- There is 2.5mn ha of suitable land for dairy production and three public ranches that are soon to be privatized

Animal Feed

- Ethiopia has an attractive market for animal feed production, with unmet domestic demand estimated at USD 150mn and immense export potential
- An estimate of 91 million tons of dried feed is annually produced; equivalent to 1.3 tons per year for the estimated 70 million cattle in the country (an average weight of 250 kg)
- An estimated USD 8M in import-substitution opportunity
- Potential to tap into USD 2.9B market in East and North Africa

Poultry



•The average per capita poultry consumption of Ethiopia is 0.5k. It is significantly lower than the Sub-Saharan Africa average of 2.3 kg

•Imports of chicken meat increased by nearly 60% in a period of 10 years and risen by 32% between 2008-2013

•There is a shortage of day-old chick (DOC) supply

Apart from the above areas, there are other lucrative businesses in which foreign investors can get involved such as production of wheat, floriculture, vegetables and fruits

2.1. Cotton opportunities

- 3 million hectares of land suitable + available (and currently unused) for cotton with 8 cotton growing corridors
- No restrictions on foreign operation of ginneries or cotton farming since September 2020
- Mix of small-holding and commercial farming with mechanical and hand-picking
- Short to long staple - average middling 28-30
- Mix of rain, bore and basin fed
- Most farming – effectively organic
- Easily trainable workforce
- Enabling training and educational centres helping to boost productivity
- High government commitment supported by the sector specific stakeholders.

2.2. Agro-Processing

- While agriculture plays a central role in the Ethiopian economy, agro-industries accounted for only 5 per cent of GDP

- Good climate, ample arable land and labour, adequate rainfall and a range of agro-ecological zones

STRONG GOVERNMENT SUPPORT & COMPETITIVE TAX BENEFITS

- Enabling policies, government reforms
- A priority sector for the GoE, 10 year perspective plan drafted by Ministry of Agriculture (MoA) in line with the Home Grown Economic Reform agenda
- Integrated agro-industrial parks

ACCESS TO A ~$33 BN DOMESTIC MARKET AND A ~$313 BN SSA MARKET

- Growing middle income base and increasing consumer spending.
- Increasing productivity in the sector

Agro-processing: Government Attention

Committed stakeholders collaboration in IAIPs investment facilitation

Flagship components of the IAIPs program

1. Research and extension
2. Public extension services
3. Small scale irrigation
4. Agriculture marketing
5. Quality input supply
6. Mechanisation services
7. Marketing
8. Targeted support to VC
9. Farmers' organization

Private sector investments focus on the agribusinesses at the national level

Horticulture: 130 investors, 21 fruit and vegetable industries (USD 300 000 000 export and 68 million small-holding farmers employed)

Honey: 49,000 tonnes produced annually, 18 million beekeepers

Metal and leather: 15 export-oriented abattoirs and 23 commercial tanneries and 1000 SMEs in the production of footwear

Dairy: 35 dairy processors with excess capacity, zero export, domestic market constrained by animal products fasting

Coffee: major export commodity (USD 800 000 000 annually) and primary foreign currency earner (Annual production – USD 2 000 000 000)

Cereals: 231 million tons annually produced by >14 million farmers

Malt barley: 4 internationally known companies cover 60% of the market needs using locally produced malt barley

Integrated Agro Industrial Parks (IAIP)

KEY PRINCIPLES

- Sector specialization focused
- Vertically integrated
- Export oriented
- Sustainability driven
- Skill development oriented

4-Agro-processing Parks

3-OPERATIONAL

Baeker IAIP

Bure IAIP

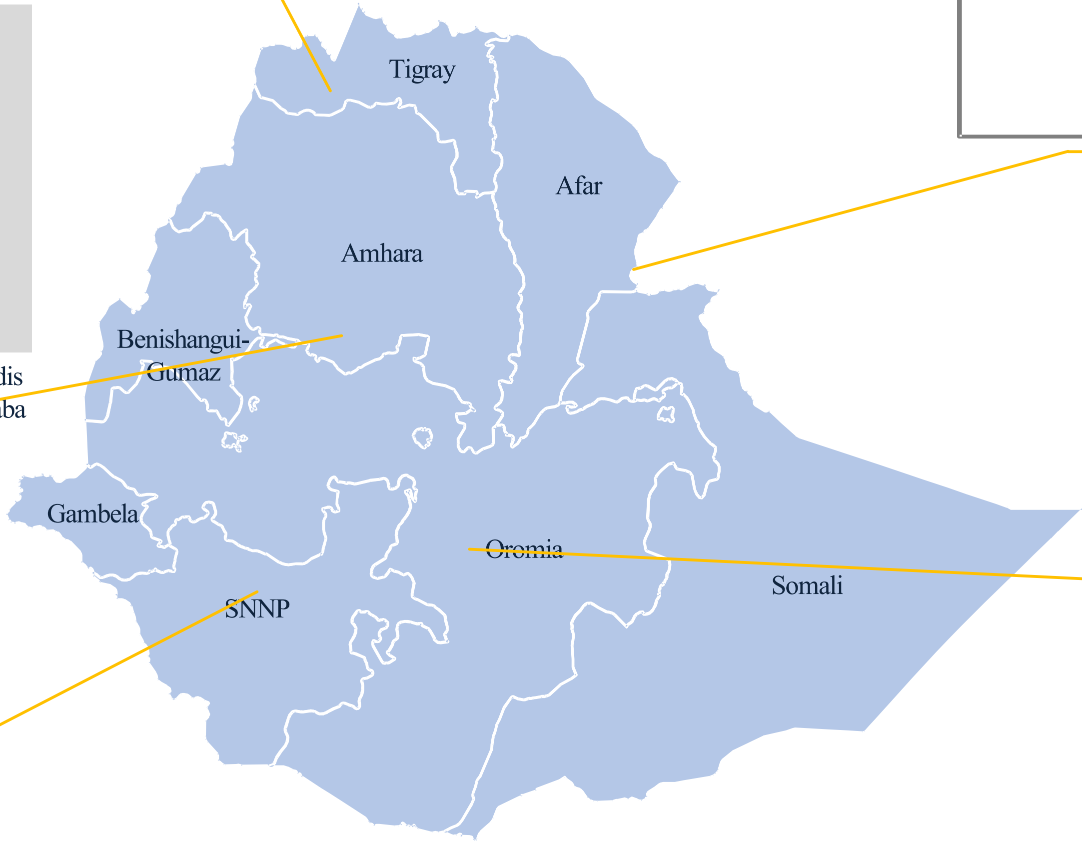
263.36 Ha

Bulbula IAIP

263.09 Ha

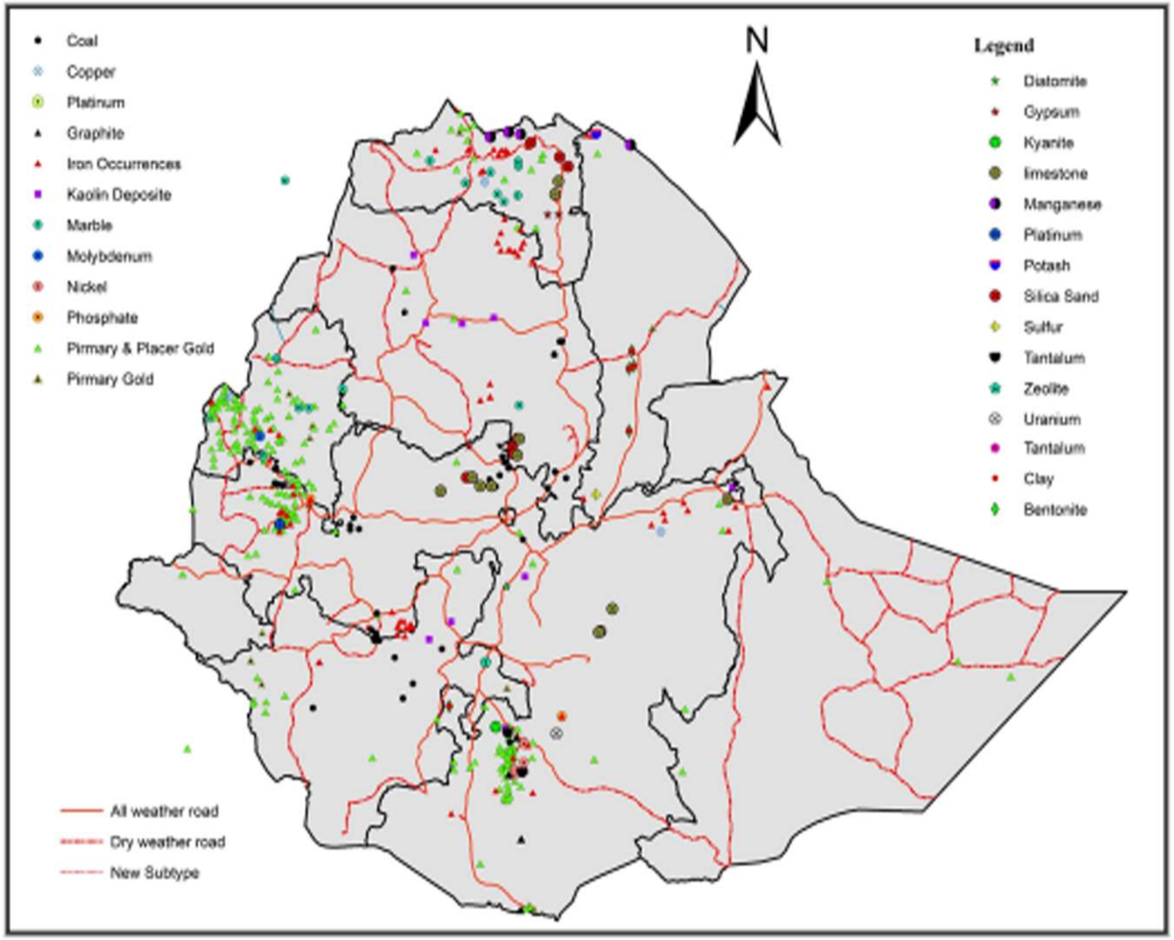
Yirgaem IAIP

294.5 Ha



3. Mining

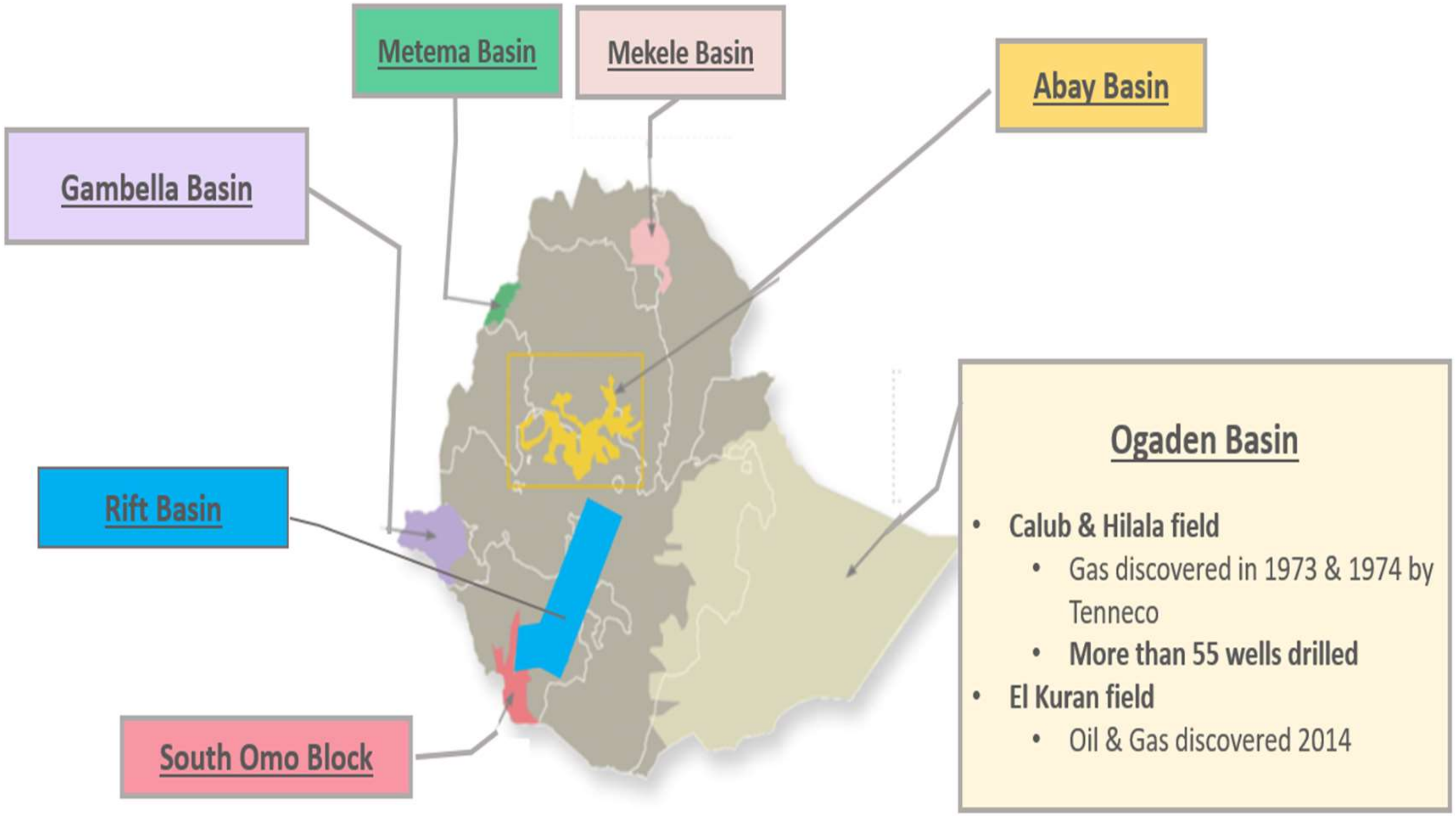
Ethiopia offers multi mineral extraction and processing opportunities



- **GDP Contribution**
  - 1.94 % (2021) , for the next ten years it is projected 14%
- **Employment**
  - 7. M people ,projected to hire 16.5M
- **Investment**
  - National and International Companies
- **Export share 20% , projected 37%**

3.1 Oil and Gas Potential Basins

Identified basins for oil and gas mining activities



3.2 Fertilizer

Natural Gas
- Reserves Certification

Potash
- 350 Billion Tones
- Production will start 2025

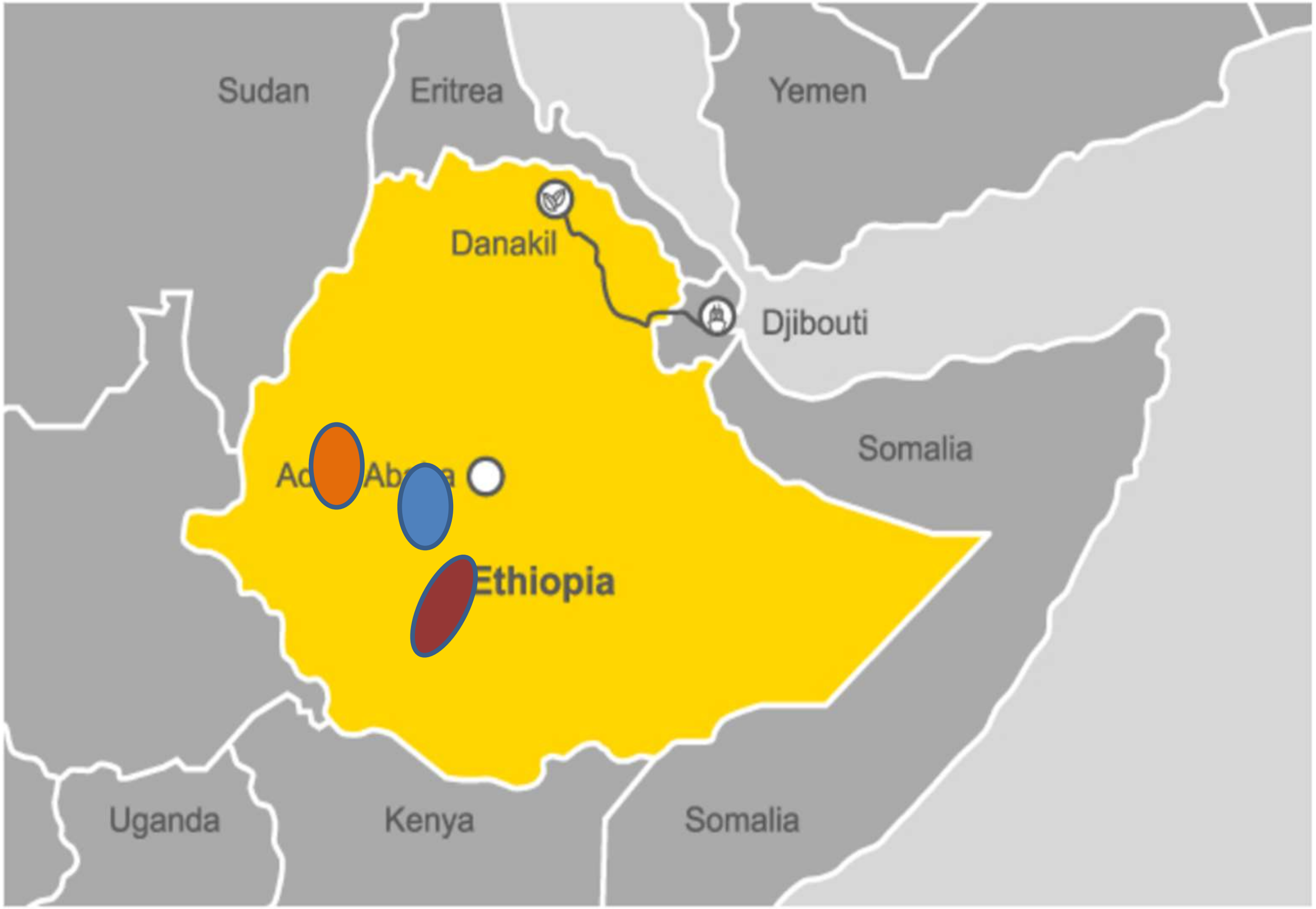
Phosphate
- 1.85B Tones

Sulphur Minerals
- Over 2.54B Tones

3.3. Iron and Steel Making

- 1.1 Billion Tones of Iron Ore reserves estimated.
- Plan to produce 3MTPY Million Tones annually

3.4. Construction Inputs



- Cement : Currently We produce 8.8MTPY
- National demand is 17MTPY, & Projections in 10 year is 100MTPY

Mining: Demand Gap

High government focus for exisiting companies.

High government support with active private sector engagement. Currently, companies are working on:

- **Iron ore (16)**
- **Steel making (80 +)**
- **Basic CHEMICAL and Petrochemical (50)**
- **Cement producing companies (14)**
- **Coal (4)**
- **Geothermal (2)**
- **Petroleum (1)**

Despite various existing companies, import is still significant and increasing.

Major Imports	
1. Coal	$ 500M /yr.
2. Iron/ steel	$1.5B/yr.
3. Fertilizer	$2.1B/yr.
4. Marble & Granite	$100M/yr.
5. Chlor-alkali Products	$750MUSD/yr.
6. Ceramics	$225 M/yr.
7. Petroleum Products	$ 3 .6B/yr.

4. Energy

Indigenous Energy Resources

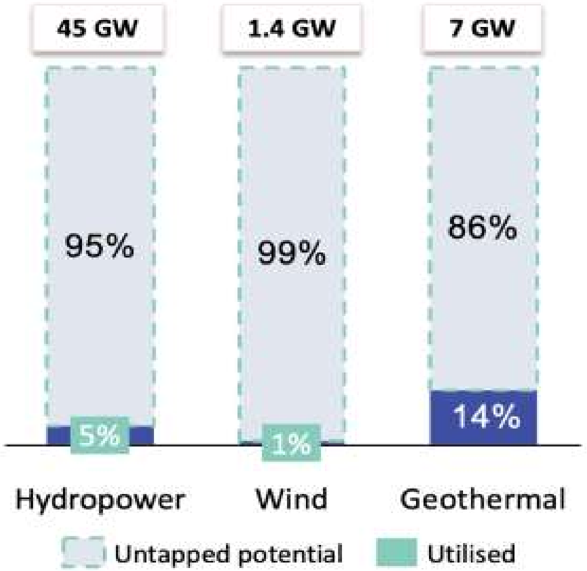
- High priority to RE Development
- Hydropower is considered as the backbone of the country's energy sector development
- Wind, geothermal and solar, and bio-mas being developed to increase the RE mix.
- Exploration for natural gas and other hydrocarbon fuels
- Bio-fuels for transport and household use
- The supply of various household fuels
- Energy efficiency and conservation
- Environmental sustainability, gender mainstreaming.
- Capacity building and technology transfer

Resource	Unit	Exploitable Reserve	Exploited Percent
Hydropower	MW	45,000	<5%
Solar/day	kWh/m2	Avg. 5.5	<1%
Wind: Power Speed	GW m/s	1,350 > 6.5	<1%
Geothermal	MW	7000	<1%
Wood	Million tons	1120	50%
Agricultural waste	Million tons	15-20	30%
Natural gas	Billion m3	113	0%
Coal	Million tons	300	0%
Oil shale	Million tons	253	0%

Ethiopia is yet to utilize more than 95% of it's power generation potential from it's indigenous renewable energy sources

More than 95% of hydro, wind and geothermal sources have not been utilised

Indigenous renewable energy power generation potential (GW) and their exploitation to date (%)



- >90% of power generation in Ethiopia is based on hydropower resources
- Hydropower serves an ideal base load mix for investment in wind and solar power generation
- High untapped potentials of renewables and the complementary energy mix makes Ethiopia **uniquely suited for wind and solar power generation**

Ethiopia is usually referred to as the Power House of Africa because of it's power generation potential.

Private sector is only allowed in the generation of power sector this is oversee by MOWE and regulated by EEA

Private sector participation is allowed for on-grid power generation, but not transmission and distribution

Overview of actors and respective duties along the power supply value chain in Ethiopia

Generation	**EEP** (Ethiopian Electric Power) **administers state owned power plants** in the country and **buys power from IPPs** **IPPs** (Independent Power Producers) generate power and sell it to EEP
Transmission	EEP is **in charge of transmitting** all power across the nation EEP **owns and operates** all long distance power transmission lines
Distribution	**EEU** bulk purchases power from EEP and **sells to customers**

Private sector participation allowed — Private sector participation not allowed

Off-grid transmission and distribution are open for private investors

MOWE oversees the power sector and EEA services as the regulator

Institutional framework of the Ethiopian power sector

Ministry of Water and Energy (MoWE)	• Oversees the power sector at ministerial level
Ethiopian Energy Authority (EEA)	• Regulates the power sector • Provides licenses for sector investment

Ethiopian Electric Power(EEP)	**Ethiopian Electric Utility (EEU)**
• Generation, • Transmission • Power procurement • Investment proclamation	Distribution and retail

MOF- develops detailed project pipelines for power generation plants through PPP project teams

Competitive Advantages of Ethiopia in the Power Sector

Untapped Renewable Energy Potential	Growing Electricity Demand	Workforce Availability	Logistics & Stability
More than 95% of renewable energy potential is yet to be deployed	Ever growing domestic and regional demand due to industrialization	More than 1 million workforce with electrical, mechanical and civil engineering background	Relatively politically stable country
Attractive basin and the great rift valley	Plan to export power to neighboring countries	More than 60 million young and trainable workforce	Competitive infrastructure – Ethiopian Airways and railways that extend to Djibouti

National Focus

The 25 years Power Sector Master Plan

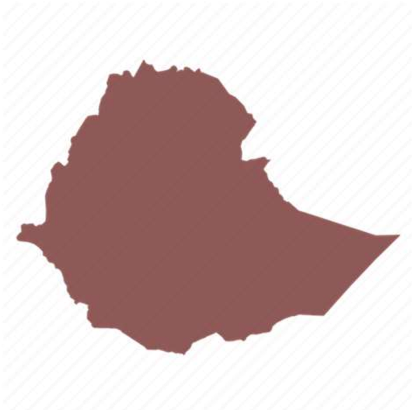
- Ethiopian Electric Power has developed has finalized In 2014
- The master plan has incorporated
  - Load Forecast
  - Generation Planning
  - Transmission Planning
  - In the master plan Target, Moderate and low case scenarios are considered

Investor Engagements

There are two ways for investors to participate in the power sector:

- ❖ The interested investor approach ministry of Water Irrigation and Energy and EEP.
- ❖ EEP will also float on various means of communication, IPP developers.

- ❑ Enabling environment is created for both Public and Private sector.



04

Investment Incentives & Sustainable infrastructures

Tailored Incentives and Support

NON-FISCAL

- Guarantee against expropriation
- Guarantee for repatriation of funds
- Customs facilitation through bonded export factory and similar other schemes
- Relaxed Industrial park land regime

FISCAL

- Corporate Income Tax exemptions
- Custom tax exemptions
- Loss carry forward
- Full export duty exemption
- Expatriates income tax exemption

OTHER

- One-Stop Shop Service
- Expedited procedure for securing visa, work permit & certificate of residency
- Facilitation of market linkages

Committed and strong government

Ethiopian Investment Board

- Regional Administrations
- Industrial Park Development Corporation
- Ethiopian Investment Commission
- Ethiopian Customs Commission
- National Bank of Ethiopia
- Ministry of Trade and Industry
- Ministry of Labour and Social Affairs
- Ethiopian Shipping and Logistics Service Enterprise
- Main Department of Immigration & Nationality Affairs
- Ministry of Foreign Affair

Sustainable infrastructures: Air

AIR

Largest cargo network and terminal in Africa

Destinations
>116 – International
>60 – Cargo

Sustainable infrastructures: Road

ROAD

All-weather roads nation-wide

Currently expanding all corridors

Sustainable infrastructures: Railway

RAILWAY

Djibouti to **Modjo** (dry port city 70 kms from the capital city) cut from **84 hours** to under **10 hours**

Cargo trains operating with capacity of **3500 - 4000** tons of **freight per day**

Sustainable infrastructures: Power

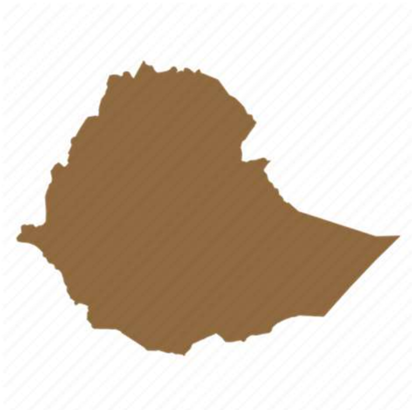
ELECTRICITY

Low cost green electricity rate at **4 US cents/KWH** – among the cheapest in the world

Country power generation potential

- ❑Non Hydro-electric power capacity: **> 17,000 MW**
- ❑Hydro power: **45,000 MW**

- ❑GERD: generating power



05

Sustainable Infrastructures: Industrial Parks

Sustainable Infrastructures: Industrial parks

Key principle of industrial parks

- Sector specialization
- Export oriented
- Vertically integrated
- Sustainability
- Skills development

Features of typical Industrial Park

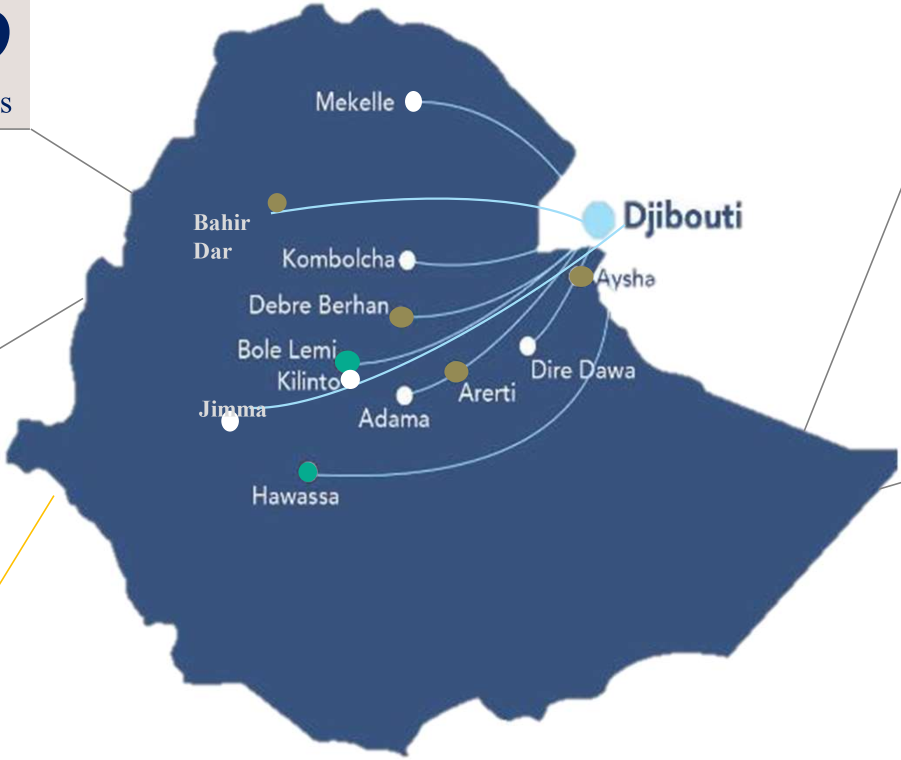
- Located along **strategic economic corridors, connected to ports by electric driven railway lines and asphalt roads**
- Close proximity to **abundant labor force**
- **Ready for plug-and-play**, equipped with all the necessary infrastructures including waste water treatment plants
- **Dedicated power 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.

Sustainable Infrastructures: Specialized industrial parks

29
Total Industrial Parks

22
Operational Industrial Parks

4
Intergated agro IPs (3 Operational)



17
Government owned operational IPs

6
Operationl Private IPs

☞ **7:** IPs (State and private) under process

☞ **13:** IPs have expnassion plan with

THANK YOU!

Time to Invest in Ethiopia!

CONTACT US FOR FURTHER INFORMATION!

We can help you set-up your agro-processing company in Ethiopia. You can get guidance from Ethiopian Investment Commission regarding your investment project in Ethiopia.

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