

PRESENTATION FOR ETHIOPIA

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WHY TO INVEST IN ETHIOPIA?

GROWING ECONOMY

- An average of about 11% annual GDP growth for the last 14 years. The fastest-growing economy in the world during the same period (World Bank Global Economic Prospects)
- 46% growth in FDI inflow-one of the most dynamic and largest FDI recipients in Africa (UNCTAD World Investment Report, 2017)
- Ethiopia is ranked 57th, better than its regional peers (Kenya, Rwanda and South Africa), for its conducive macroeconomic environment (World Economic Forum, Global Competitiveness Report, 2017-2018)
- Recognized by UNCTAD for promoting investment in the Sustainable Development Goals (SDGs)
- Recognized by the World Bank through its “Star Reformer Award” for Ethiopia’s outstanding performance on investment policy reform and promotion
- Stable and conducive macroeconomic environment.
- Stable and positive economic outlook forecasts of more than 7% projected by IMF and the African Development Bank, placing Ethiopia among the world’s growth leaders over the medium term.

EXCELLENT CLIMATE AND FERTILE SOILS

- Ethiopia is the 27th largest country in the world by land size. Given its diverse topography and geographical location, it is suitable for the production of some of the world’s most coveted food crops, such as cereals, pulses, oilseeds, a wide range of fruits and vegetables, coffee, tobacco, sugar cane, tea, and spices, among others
- The majority of land in Ethiopia has a surprisingly temperate climate by African standards due to its high elevation. Ethiopia has an elevated central plateau varying in height from 2,000 to 3,000 meters above sea level.
- Due to its fertile soils, Ethiopia is among the world’s largest producers of coffee and the 3rd largest producer of Arabica beans in the world (USDA). Ethiopia also the top non-EU exporter of cut-flower to the EU market and the 2nd largest flower exporter from Africa.

STRONG GUARANTEES AND PROTECTIONS

- The Constitution and the investment law protect all private property.
- 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).

YOUNG AND TRAINABLE LABOR FORCE

- Ethiopia's labor law, which regulates worker-employer relations, is in line with international conventions.
- Ethiopia is the second-most populous country on the continent with 60% of the population in the labor force
- Ethiopia has a young and trainable labor force (median age of 19) and a supportive government policy that facilitates labor sourcing for industries.

REGIONAL HUB WITH ACCESS TO A WIDE MARKET

- With a population of more than 100 million people and a rapidly growing middle-class society, Ethiopia is the second-largest market in Africa and is also part of the Common Market for Eastern and Southern Africa (COMESA) comprising 19-member countries and over 400 million people.
- Addis Ababa has emerged as a regional hub and is home to key international organizations such as the African Union (AU) and the UNECA, and the UNDP.
- Addis Ababa is also the main aviation hub for Africa and the home of Ethiopian Airlines, which has won repeated recognition as the best airline in Africa.
 - 101 international passenger destinations (57 in Africa, 20 in Europe and America and 23 in the Middle East and Asia),
 - 22 domestic passenger destinations, and
 - 35 cargo destinations (21 in Africa, 11 in the Gulf, Middle East, and Asia, and 3 in Europe). Carrying two-thirds of Africa's airfreight.
- Ethiopian products have duty-free, quota-free access to a wide market, including major markets such as the USA, and the EU:
 - Large domestic market of over 100 million consumers,
 - COMESA (Common Market for Eastern and Southern Africa), with 19 member countries and 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

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 (Deloitte, 2014)
- The Grand Ethiopian Renaissance Dam (GERD) – the largest hydroelectric power dam in Africa being built on the Nile River - is expected to generate 6,000MW of electricity. This coupled with Gilgel-Gibe III (1,870MW) and Genale-Dawa III (254MW) and other wind power projects will make Ethiopia a regional powerhouse.
- Cheapest electricity rate in Africa and the whole world.
- Expanding and improving telecommunication service and road networks connecting national and regional markets.
- Newly built Addis-Djibouti electric-powered railway - making access to port Djibouti much easier.
 - As a significant portion of Ethiopia's import/export trade passes through port Djibouti, the railway construction is a huge efficiency enhancer.
 - 34 km Addis Abeba light rail is fully operational.
- Africa's world-class and Star Alliance member, Ethiopia Airlines, network covers more than 90 international destinations in the five continents of Africa, Asia, Europe South, and North America.
 - Ethiopian Airlines flies to more than 50 destinations in Africa alone.

GOVERNMENT COMMITMENT

- High-level political commitment for investment promotion and protection
- Investment policy-making is led by the Ethiopian Investment Board and chaired by the Prime Minister
- Wide-ranging incentive packages for priority sectors and export-oriented investments
- Bold initiative in the development of state of the art industrial parks, an electric-powered railway connecting the capital and other economic corridors to the port of Djibouti

IMPROVED ECONOMIC INFRASTRUCTURE

Ethiopia offers a comprehensive set of incentives, particularly for priority sectors, such as:

- 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 a 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 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.

Sectoral Incentive

- Manufacturing: 0-6 years income tax exemption
- Agriculture: 0-9 years income tax exemption
- ICT development: 4-5 years income tax exemption
- Electricity Generation, transmission and distribution: 4-5 years income tax exemption
- Industrial park development: 10-15 years income tax exemption

If investment within Industrial parks and 80% export or supply input to producer exporter

- additional 2 years income tax exemption if industrial park is in Addis Abeba or special zones of Oromia surrounding Addis Abeba, or
- additional 4 years income tax exemption if industrial park is in other areas

If 60% export or supply input to producer exporter

- additional 2 years income tax exemption

If Investment in the States of Gambella peoples , Benishangul/Gumuz, Afar except within 15km right and left of Awash River, Oromia Zones of Guji or Borena, or Southern Nations Nationalities and peoples Zones of South Omo, Segen area, Bench-Maji, Sheka, Dawro, Kaffa or Konta and Basketo

- additional 30% income tax deduction for 3 consecutive years

If domestic manufacturer located in industrial parks

- expatriate personnel exempted from income tax for 5 years