

# Ethiopia Investment Opportunities



Russia-Ethiopia Business Forum

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# Ethiopia Value Proposition: Why Invest in Ethiopia



- **>120 million population**, ~21% living in urban cities, Productive labor force with more than **60% of its population between the ages of 15 – 65.**



- Strong Air connectivity - **the largest cargo network and terminal in Africa** > 132 International & 23 local destinations and > 66 Cargo flights, member of Star Alliance



- The largest economy in East Africa and 3<sup>rd</sup> largest in SSA —GDP reached **\$126.78 Billion in 2022**



- Strong railway **connectivity from Addis Ababa to Djibouti** 784 KM (Connects Modjo dry port city 70 km from the capital city)



- Over the past 15 years, Ethiopia's economy has grown at an average of nearly **10% per year, one of the highest rates in the world.**



- Road: All-weather roads currently expanding to all corridors nationwide.



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



- Competitive & skilled labor force, > **300,000 university & 367,000 TVET graduates** /year



- Low-cost green electricity rate at **0.028 USD cents/KWH.**

# National Policy Reform Initiatives



# Economic Reforms

## Investment

*Policy Reforms*

- **New investment law**
- Amended its six-decade old **Commercial Code**
- **Digitized commercial registration** and business licensing processes
- Implementing the **Public Private Partnership (PPP) proclamation** to allow private investment in the power generation and road construction sectors

## Home Grown Economic Reform

- Aims to transform Ethiopia from a largely agrarian low-income country to an **industrialized middle-income country** with a focus on **enhancing the role of the private sector** in the economy and **attracting more foreign direct investment**

## Ease of Doing Business

- Integral part of the **national economic competitiveness and job creation agenda**
- The program seeks to **reduce public sector borrowing, rein in inflation, and reform the exchange rate regime**

## Privatization, Liberalization

- SOEs being **partially and fully privatized**
- **Telecom sector liberalization**
- **Finance sector reform:** Opening- up the banking sector and allowing foreign investors underway

## Stock Exchange

- Launching its own **stock market exchange**
- Fundamental economic reform of the Ethiopian macro-economic setting.

# Privatization and Liberalization Investment Policy Reform



## Telecom sector

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- New license provided for Safaricom
- Secondary bid already floated
- 40% of Ethio-telecom is up for privatization



## Investment

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Restricted investment activities will potentially be opened in the Special Economic Zones (as a pilot)  
8 Sugar factories open for privatisation bids



## Finance sector reform announcement

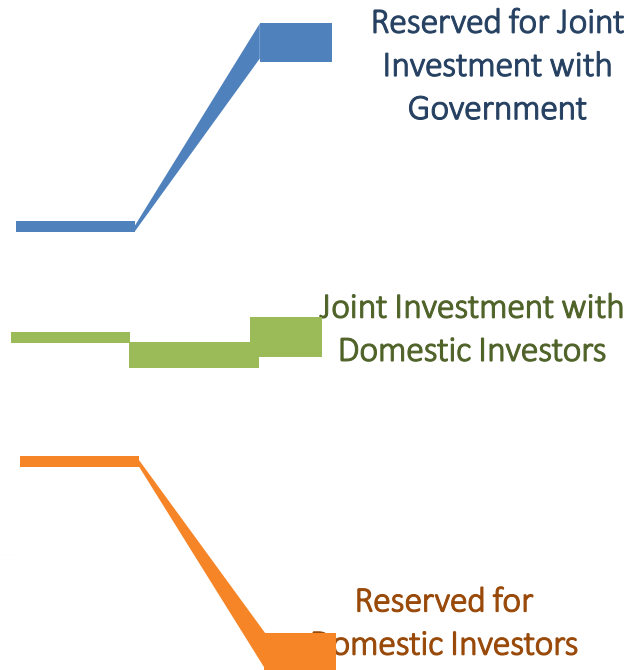
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- Opening- up the banking sector and allowing foreign investors in process
- Digital financial services

# Investment Policy Reforms: From positive to negative listing



Investment  
Areas



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

# Creating a conducive investment climate

## 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 Borders

Enforcing Contracts

Cross Cutting Reforms: Multi-Agency

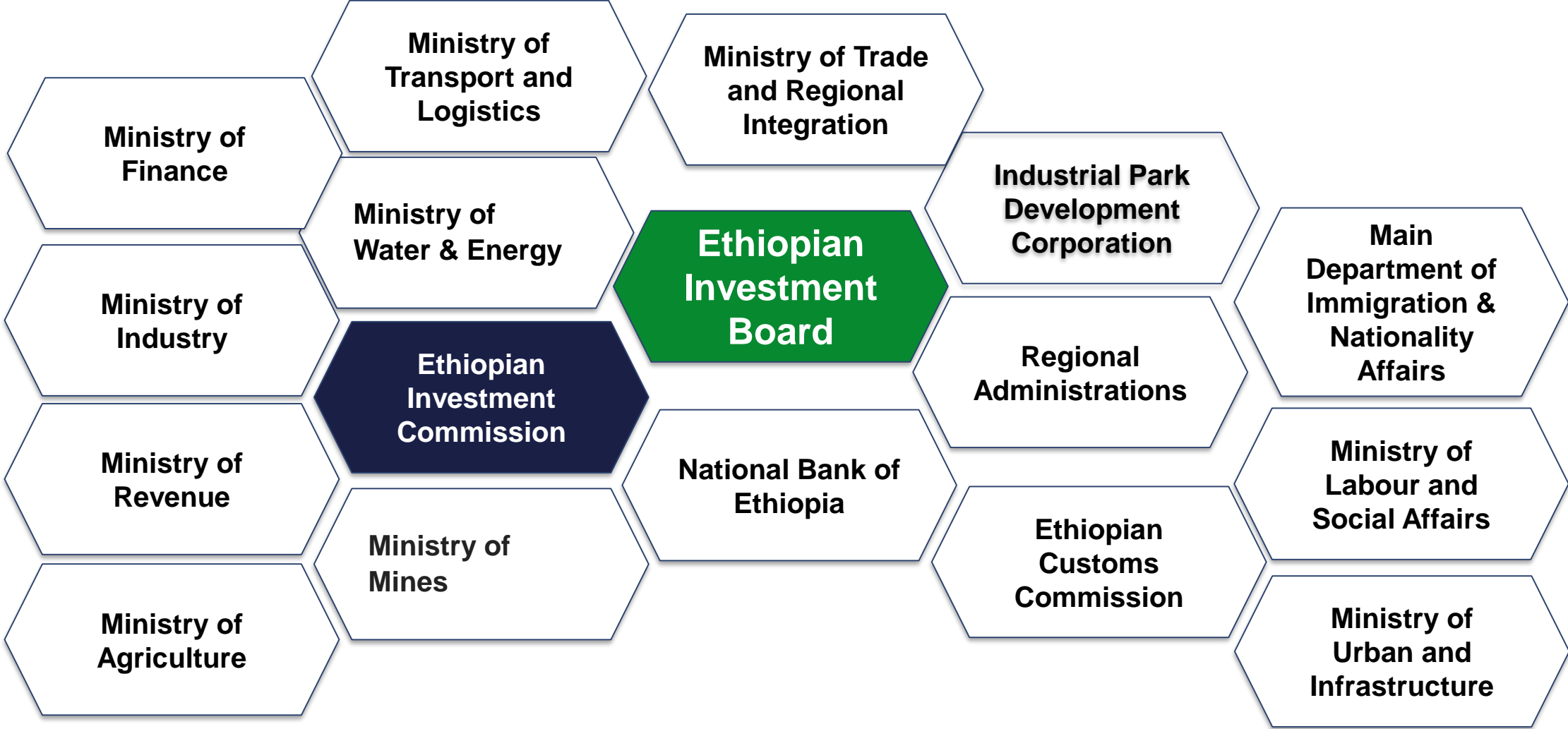


80 reforms undertaken in various areas including:

- Online Services for registration, permitting and other government services
- 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 & Regional Integration;
- Expansion of credit registry information



# The Government has established key institutions to support FDI



# EIC Mandate

## 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, & 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

# Priority Investment Sectors



## Agriculture

- Crops
- Livestock
- Floriculture
- Fruit & Veg.
- Poultry



## Manufacturing

- Textile & Apparel
- Leather & leather products
- Pharmaceutical
- Agro-processing



## ICT

- Database processing centre
- Software dev't
- Outsource business processing
- ICT consultancy



## Mining

- Gemstones (Emerald, opal, etc.)
- Metallic minerals (Gold, tantalum, etc)
- Industrial & Construction minerals (Phosphate, cement, ceramics, Quartz, etc)



## Tourism

- Star rated hotels, lodges & restaurants.
- Convention Center

# Emerging Investment Sectors



Transport & Logistics



Energy

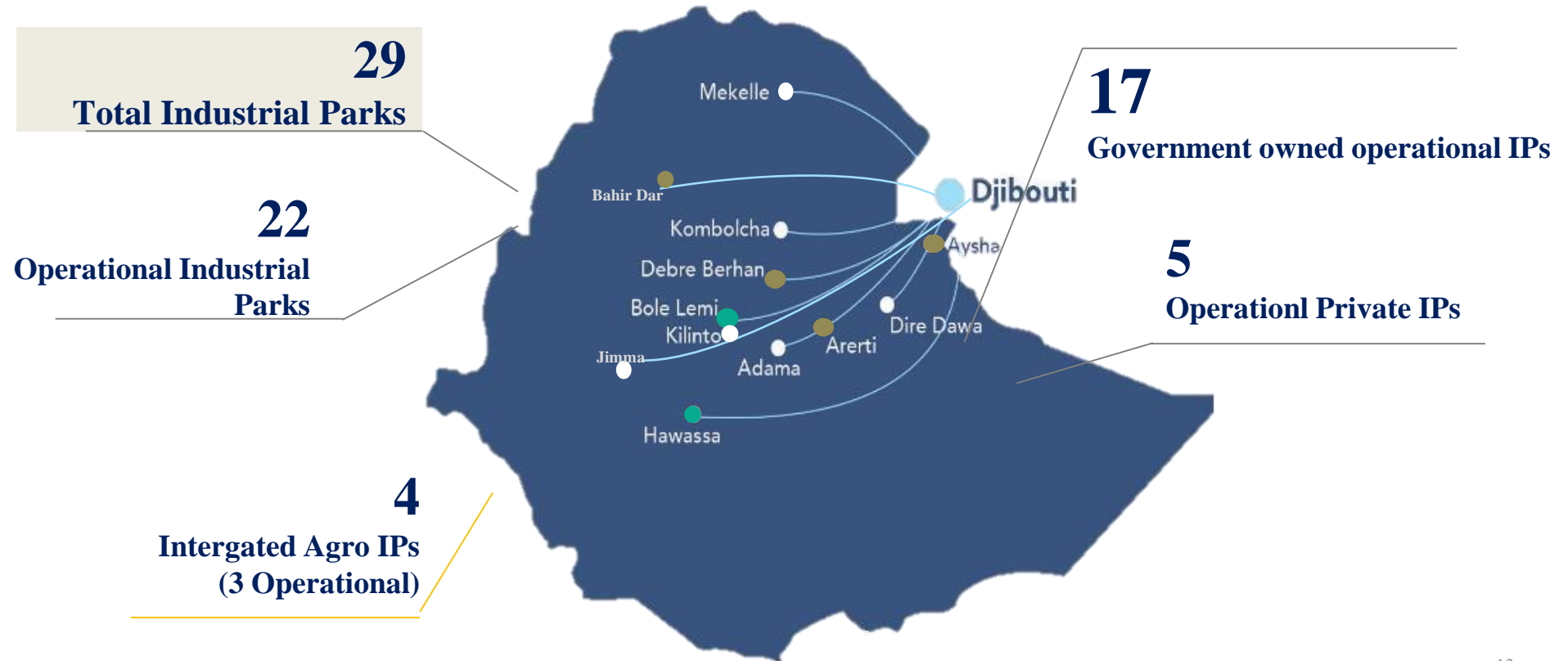


Health



Housing Dev't

# SEZs: Public and Private Industrial Parks



# Tailored and Attractive Fiscal and Non-fiscal Incentives

## Fiscal Incentives

- Exemption from income tax: up to 6 years for enterprises outside IPs.
- Exemption from income tax: 8 - 10 years for enterprises inside IPs, and 15 years for IP developers
- Exemption from imports of machinery, equipment, construction materials, spare parts
- Full export duty exemption
- Loss carry forward

## Non fiscal Incentives

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

## Other Incentives

- Expedited visa procedure - entry visa, work permit and certificate of residency
- Multiple entry visas for share holders and general managers
- Facilitation of market linkages
- OSS under the EIC - pre-establishment licensing and registration, post-establishment after-care services

# Opportunities & Incentives: 1. Agriculture and Agro-Processing

## Opportunities

### Crops

- Estimated market value = \$4.1 Billion + huge potential for export
- >476 thousand ha for cultivation allocated for investment

### Pulses

- Local market est = \$830 million, 5% annual growth
- >94 thousand ha available – faba beans, chickpeas, soya

### Livestock

- Per capital consumption of milk (19 litres / year) – huge potential
- Red meat demand growing 7% annually; production largely organic

### Poultry

- Low consumption of eggs and chicken meat per capita
- Rising incomes, urbanization.... Will drive higher demand

### Animal Feed

- Deficit of >160,000 tons / annum (Valued 200 million \$)
- ~ \$ 3 billion animal feed market of East & North Africa

### Fruits & Vegetables

- Local demand growing 30% annually
- Huge potential for export

## Incentives

- Income tax holiday: up to 6 years
- Duty free import of capital goods (machinery, equipment, construction materials...)
- Full export duty exemption
- Loss carry forward

# Opportunities & Incentives: 2. Fertilizer

## Opportunities

- The afar region is estimated to hold one of the largest potash deposits in the world
  - 26 billion tones of resource
  - 540 million tones of minable reserves
- Government has made major investments in infrastructure to support current companies
- Road construction to transport potash to port is nearing completion

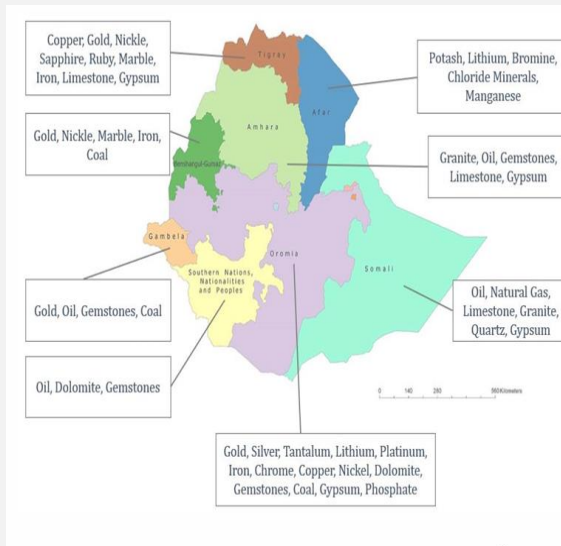
## Incentives

- Income tax holiday: 6 years
- Duty free import of capital goods (machinery, equipment, construction materials...)
- Full export duty exemption
- Loss carry forward



# Opportunities & Incentives: 3. Mining Sector

## Opportunities



- Potential to become a leading supplier of industrial minerals
- Current processing plants include: • Coal • Cement • Ceramics • Sulfuric Acid
- 600 million tons of coal resource estimated ▪ 11 Cement factories operating ▪ Domestic and International market

- **Significant deposits of rare earth metals: Lithium, Tantalum, Cobalt, Nickel**
- **Sixth (6) biggest producer of tantalum**
- Potential to be **key player in lithium market**
- Opportunities for investors in **exploration, mining and processing**

## Incentives

- 25% income tax on taxable income
- Cost recovery for preproduction costs
- Duty free import of capital goods (machinery, equipment, construction materials, consumables...)
- Government investing heavily in infrastructure to enable sector
- Government: 5% equity participation
- Large-Scale mineral operation are required to pay royalties at the following rates:
  - Precious metals 7%
  - Semi precious metals 6%
  - Metallic minerals 5%
  - Industrial minerals & salt 4%
  - Construction minerals 3%
  - Geothermal 2%



**EIC**

ETHIOPIAN INVESTMENT COMMISSION  
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Thank you!