

Many companies have had successful experiences in Ethiopia after making the decision to invest:

“ We have been impressed all along by the positive attitude towards our inward investment by the Ethiopian Government. We know the country and the Ethiopian people well over a period of many years and so we know already that there are no language or legal barriers to smooth business cooperation but support and access at government level has made our investment process straightforward and without delays. On the basis of our initial investment we are looking forward to extending our long cooperation in the future ”

Reg Hankey, Managing Director (C.E.O) Pittards, World Class Leather

“ We have been developing the Tulu Kapi gold project in Ethiopia since 2009 and have made excellent progress defining significant gold resources in the area. This would not have been possible without the support of the Ethiopian Government, which is very welcoming to foreign investors. There is also a strong and transparent mining code which provides significant confidence to us and our investors. We look forward to continuing to work closely with the Ethiopian Government for many years to come. ”

Terry Tucker, Chief Executive Officer, Nyota Minerals

“ Unilever returned to Ethiopia in 2000 after a longish hiatus, having decided that we would capture a larger share of the local market by being on shore and building a manufacturing base than by staying off shore and relying on imports. The changes we have seen in the last couple of years, in such things as the speed of approval by the EIC, tell us that we made the right decision. The size of the population alone gives Ethiopia market potential but it is the changes in the business climate that suggests that the potential might actually be realised. ”

Richard Ponsford, Managing Director, Unilever Ethiopia plc

“ MIDROC Ethiopia is proud to be the largest foreign investor in Ethiopia - a country with a huge and trainable workforce, a wonderful climate and almost no corruption. The current political environment is also very hospitable to investors. Once the world knows that there is untapped investment potential, as well as continuous improvement in incentives and governance, we are bound to see more DFI in this beautiful country. MIDROC would certainly welcome it. ”

Arega Yirdaw, Chief Executive Officer, MIDROC Ethiopia

“ When we decided to come to Ethiopia in 1998, it was because of its natural advantages – in particular its climate, which was ideal for growing roses. We are delighted that now, in 2004, the natural advantages are beginning to be matched by man-made ones, those deriving from improvements in policies and procedures. If these improvements can be sustained, there is almost no limit to investment opportunities in Ethiopia. ”

“ **Ryaz Shamji, General Manager, Golden Rose Agrofarms Limited**
We believe that this is exactly the time to invest in the garment business in Ethiopia. Not only are labour costs low and the workforce trainable, access to major markets like the US and the EU is available on preferential terms. What's more, the investment climate has improved notably in the past year or so. Our own recent experience has been positive enough to lead us to expand our garment business (tripling employment) and setting up a related dyeing and knitting venture with two other foreign investors. ”

Worku Zewde, Managing Director, Garment Express Private Limited



1. Stable Economic Environment

- Comprehensive development strategy resulting in strong economic growth.
- Stable macro-economic condition.
- Double digit economic growth averaging 11% per annum in the past 7 years.
- Generally, inflation managed at a single digit figure.
- Stable exchange rate.
- Government commitment to private sector.
- Safe and secure working and living environment, identified by the UN and the International Chamber of Commerce (ICC) as a key asset for investors in Ethiopia.
- Low level of corruption – Ethiopia is described by the UN and ICC as “exceptional in its almost complete absence of routine corruption”.

2. Liberalised Economy

- Major economic sectors are open for investment and marketing.
- Remittance out of Ethiopia from invested capital (dividends and interest) is permitted.
- Remittance also permitted for principal and interest with technology transfer, proceeds from sales or liquidation of an enterprise, salaries and other payments.
- The investment code provides a conducive environment for private sector development.
- 100% foreign ownership of investment is permitted with the following minimum initial investment:
 - US\$100,000 – sole foreign investment
 - US\$60,000 – where the foreign investor is in a joint venture with a domestic partner
 - US\$50,000 – for consultancy or publishing businesses. This figure reduces to US\$25,000 for foreign investors working in partnership with a domestic investor in the areas of engineering, accountancy, architecture, auditing services or business/management consultancy.
- An investor reinvesting profits or dividends or exporting of at least 75% of outputs is not required to allocate a minimum capital.
- Substantial market liberalisation.



3. Strong investment guarantees

- The constitution and the investment code of the country guarantee the protection of private property.

- Ethiopia is a signatory to the main international investment related institutions – for example, it is a member of the Multi-Lateral Investment Guarantee Agency (MIGA).
- Ethiopia is also a signatory of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the World Intellectual Property Organization (WIPO). The accession process to the WTO is well underway.
- Ethiopia has concluded Bilateral Investment Promotion and Protection Agreements (BITs) and Avoidance of Double Taxation Agreements with a number of countries.

4. Attractive investment incentives

- **Customs Import Duty** – 100% exemption on all imports of investment capital goods and construction materials necessary for the establishment of new enterprises or for the expansion and upgrading of existing ones; including spare parts worth up to 15% of the imported investment capital goods; plus exemption for import of raw materials needed for the production of export goods.
- **Export Customs Duty** – products and services developed in Ethiopia are exempt from export tax.
- **Income tax ‘holiday’** – an income tax holiday of between 2 and 7 years (variable depending on area of investment, location and volume of export) is available to income derived from new manufacturing and agro-industrial investment, or agricultural investment and information and communication technology (ICT) development.
- **Loss carry forward** – businesses that have suffered losses during this ‘holiday’ can carry them forward for half the exemption period, once that exemption has expired.
- **Export sector incentives and benefits**
 - Export Credit Guarantee Scheme.
 - Duty Drawback Scheme.
 - Foreign Exchange Retention Scheme.
 - Foreign Credit and Loan Schemes.
 - Franco Valuta Import Facility.
 - Bonded Manufacturing Warehouse Scheme.
 - Availability of Loans for Investors – agriculture, agro-processing and manufacturing industries, preferably export focused, can obtain 70% of their investment capital requirement from the development bank of Ethiopia with a very reasonable interest rate.
 - The registration of businesses and the issuance of the export trade licence is highly simplified.



5. Conducive Tax Environment

- Corporate income tax (tax on profit) is 30%
- Excise tax is levied (minimum 10%) on selected local or imported products
- Turnover tax at 2% for priority sectors such as tractors, combine harvesting, grain mill etc. and 10% on other sectors
- Customs duty on unexempted imports ranges from 0 to 35%
- Income tax ranges from 10 to 35% on monthly income of £6.00 and above
- Withholding tax is payable on imports at 3% of cost, insurance and freight
- 15% VAT is payable on businesses with a turnover above £20,000
- Dividend tax (on income derived from dividends from a share company or withdrawals of profits from a private limited company) at 10%
- Royalty tax (on income derived from technology and intellectual property rights) at 5%
- Capital gains tax – Share of companies 30%; business, factory or office buildings 15%; residences 0%
- Rental income tax (on annual rental income) between 0 and 35% dependent on level of rental income
- Stamp duty – Leasing 0.5% of value; registering title to property 2% of value; contract of employment 1% of salary; bonds 1% of value etc

6. Investment Opportunities

- **Agriculture** – Ethiopia is known as a home of organically grown agricultural products. It has ample arable land, diverse agro-ecological zones, good rainfall and irrigation potential. New private investment is encouraged in the production and processing of agricultural crops such as coffee (the country's single most important cash crop), tea, sugar, flowers, fruits and vegetables, teff, wheat, maize, beans, peas, lentils, soya beans, chickpeas etc., starch production, oil crops such as rapeseed, linseed, groundnuts, sunflower, sesame, maize, niger seed and cotton seed, as well as investment opportunities for introducing modern commercial livestock breeding and processing into the largest livestock population in Africa (cattle, sheep and goats), plus significant freshwater fishery and apiculture resources. Investment is also required in the provision of agricultural support services such as pest and disease control, agricultural machinery and cold storage.
- **Textiles** – opportunities for production and processing of cotton, as well as producing and finishing textile fabrics and garment production.
- **Leather and leather products** – opportunities for investment in tanning to finishing; manufacture of luggage items, handbags, saddle and harness items, footwear and garments.
- **Horticulture** – cut flowers, fruits and vegetable are fast-growing export businesses, with great potential for private investment.

- **Energy production** – a huge unexploited hydropower potential as well as thermal, wind and solar energy production opportunity. Foreign investors can participate in the generation of power.
- **Mining** – as a result of the conducive fiscal and legislative environment, the country is now enjoying the participation of both foreign and local investors in exploration and mining. The country is endowed with metallic, industrial, construction and precious minerals. Exploration is also on going for oil and gas deposits.
- **Construction** – manufacturing of cement, ceramics, gypsum, marble, granite, and (?) limestone, lime, etc. as well as participation in the real-estate development and leasing of construction equipment.
- **Tourism** – untapped tourism potential that ranges from historic, natural and cultural attractions providing ample opportunities for investment in hotels, lodges (including eco-lodges), international restaurants and setting up tour operators.
- **Privatisation** – state-owned enterprises are open for privatisation mainly in the leather, shoes, textiles, mining, food & beverage industries, transport and construction, agri-services, hotels & tourism and pharmaceutical industries.

7. Strong market with excellent market access

- Strong internal market with a population of 80 million which is the second largest in Sub-Saharan Africa.
- The large and fast-growing domestic market offers good prospects for investment in and the development of consumer good industries such as food, beverages, tobacco, plastic products, soap and detergents, glass and ceramics, chemical and chemical products, drugs and pharmaceuticals, paper and paper products as well as electrical and electronic products.
- Located in the 'Horn of Africa' at the crossroads between Africa, the Middle East and Asia, Ethiopia offers a strategic market access.
- Membership of the Common Market for Eastern and Southern Africa (COMESA) embracing 23 countries with a population of more than 420 million. Ethiopia enjoys the benefits of preferential tariff rates on exports to these countries.
- Ethiopia is an ACP member (African, Caribbean and Pacific Group) and accession to the WTO is under negotiation.
- Ethiopia also enjoys Duty Free and Quota Free (DFQF) privilege extended by, among others, USA – Africa Growth and Opportunity ACT (AGOA), EU –



INVEST IN ETHIOPIA

10 REASONS TO INVEST IN ETHIOPIA



Everything But Arms (EBA), China – '0 Tariff' privilege and India - DFQF.

- Investors engaged in the export sector of Ethiopia will have competitive edge in these markets.

8. Strong natural resource base

- Good rainfall, rich soils and favourable temperature range. Climate is identified by the UN and ICC as 'exceptional', offering "an excellent environment for various agricultural activities"
- Unexploited mineral deposits, specifically gold, tantalum, platinum, nickel, potash and soda ash
- More than 80 million hectares of arable land and about 4 million hectares of irrigable land
- Diverse natural, historical and cultural tourist attraction with wide area of opportunity for development.
- More than 45,000mw hydropower, 10,000mw wind energy and 5000mw geothermal energy potential.
- Both urban and rural land is available for investment on leasehold basis. Lease right over land can be transferred, mortgaged or sub-leased together with on-build facilities. Leaseholders have the right to use urban land for up to 60 years in Addis Ababa and in a town designated as of the grade of Addis Ababa, and up to 80 years in other towns. The period of lease may also be renewed.

The average raft estimated costs of land in industrial zones designated are as follows:

- Addis Ababa US\$ 11.60-21.55 per m² for the lease period
- Dire Dawa US\$ 0.44-0.77 per m² for the lease period
- Oromia US\$ 5.55-6.55 per hectare per year
- Southern Nation, Nationalities and Peoples' Regional State US\$ 3-5 per hectare per year
- Amhara US\$ 1.13-6.00 per hectare per year
- Tigray* US\$ 2.36-3.16 per hectare per year

9. Trainable labour

- Ethiopia has a young, trainable and disciplined labour force.
- Private universities and colleges flourishing in Addis and regional cities.
- Over 30,000 university graduates per year; including business, management, economics, accounting, law and engineering graduates.
- Ample opportunity to meet the demand of skilled manpower in the technical and vocational field due to the expansion of Technical and Vocational Education and Training (TVET) college.
 - Average private sector wage £30 per month, with graduate salaries at between £43 and £55 per month.
 - Expatriate employees permitted in senior positions, with prior consent from the Ethiopian Investment Commission (where employer is sole or major owner or shareholder of enterprise). Expatriate experts are also permitted, as long as

the investor trains their replacement within a designated time period.

- Good standards of spoken and written English.

10. Good infrastructure standards

- **Air Transport:** – the Ethiopian Airlines (EA), African world class airline, connects the country with over 59 destinations worldwide. EA reaches to more than 20 destinations in Africa, USA and Canada, many European destinations including, London, Paris, Hague, Brussels and Rome, to China and India in Asia and Dubai, Tel Aviv and Jeddah in the Middle East . It provides both passenger and cargo flights in its domestic and international flights. EA has an outstanding safety record. Its modern air cargo terminal is furnished with cold storage to handle perishable products. Ethiopia has 3 international and 18 domestic airports.
- **Road transport** – Investment in road infrastructure is given a high priority. The total road network is expected to reach about 136,000km by 2015. The road network links Addis Ababa to various parts of Ethiopia and neighbouring countries.
- **Railways and ports** – 780km rail service linking Addis to the port of Djibouti (on the Red Sea coast) via the eastern cities of Dire Dawa and Nazareth. There is a plan to build an additional railway line of 2395km in the next five years. Ethiopia also has access to Port of Berbera in the East, Port Sudan in the north-west and Mombassa in the south. Inland Dry Ports at Mojo and Semara also serve as an import and export cargo hub.
- **Telecoms** – Microwave, satellite, Digital Radio Multi Access System (DMAS), VSAT and UHF connect all regional cities and a number of smaller towns have automatic telephone services. International communications links are maintained through satellite earth stations, fibre optics providing telephone, internet, telex, fax and TV services, digital data transmission, pre and post paid cellular phones and coin booth services.
- **Power supply** – Ethiopia has vast hydropower and promising geothermal energy resources. The main industrial towns are all connected into the national grid, and electricity is relatively cheap. Electricity generation has improved dramatically and is expected to reach up to 10,000 MW in five years time from the current 2000MW. The Government has liberalised the sector allowing foreign investors to participate in generating of electric power.

