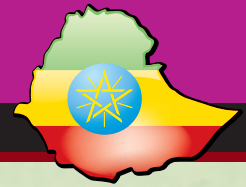


INVEST IN ETHIOPIA

HORTICULTURE: INVESTMENT OPPORTUNITIES



The horticulture sector has shown a very dramatic growth in Ethiopia, even surpassing most African nations that have an established operation long before Ethiopia start growing flowers. It is a sector that clearly shows the improved and attractive environment that the investment regime provides to foreign and local investors. Ethiopia is blessed with a favourable climate and vast land, water and labour resources which together make it an incredible investment hub. In essence, the sector is one of the top five foreign exchange earners to the nation. Land size is also expanding every year where new floriculture enterprises are opening.

Floriculture

Ethiopia is now the second largest flower exporter in Africa. It produces large budded and long stemmed roses with vibrant colours. Many varieties are available and the main production season is from October to May. Flowers are produced in modern farms around Addis Ababa and in the Rift Valley and are exported via Bole International Airport in Addis Ababa. Temperatures are conducive to floriculture and there are long hours of sunshine – usually for more than eleven hours a day.



Water for irrigation is available in ample quantity and the well-drained soils in Ethiopia are suitable for growing horticultural products. Furthermore, a new environmental law was introduced to assess and regulate environmental impact before horticultural projects start and environmental auditing is conducted regularly to avoid pollution. Investors keen to fulfil their corporate responsibility will therefore be assured that Ethiopia promotes environmentally sustainable flower production.

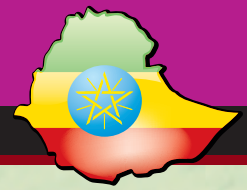
Roses are the most widely produced variety of flowers. Other types of flowers currently in production include gypsophila, hypericum, limonium, chrysanthemum, carnations, static and pot plants. The Ethiopian Highlands provide near ideal growing conditions for roses.

Vegetables, fruits, and herbs

Production of fresh vegetables, fruits, and herbs is a priority. Ethiopia produces and exports green beans, snow peas, broccoli, courgettes, okra, asparagus, cherry tomatoes, green chillis, fresh chives, parsley, rosemary, dill, basil, roccola, strawberries and table grapes. Seasons of production are compatible with many neighbouring countries and much of the land is suitable for organic certification.

The export performance of the sector had been limited to a very small volume to neighbouring countries and the European market. However, the export status is changing as more modern farms and processing enterprises are expanding. A huge effort is being carried out by the Ethiopian Horticulture Producers and Exporters Association (EHPEA) to link smallholders with the export market through an out-growers' scheme. A project to facilitate diversification of production and smallholder farmer participation in exports is also being implemented. Farms who are already involved in export to Europe are certified for Good Agricultural Practice (GLOBALG.A.P) and their produce is handled in pack houses that meet the BRC standard.





Markets and market access

Ethiopia, located in the Horn of Africa, with a geographical proximity to the Middle East and Europe, provides exporters with unparalleled access to floricultural market. Many farms are already certified with MPS, ABC, and MPS SQ labels and all farms have either implemented or are currently working towards implementing the EHPEA Code of Practice. The floriculture export sector had surged from about US\$300,000 in 2001 to US\$200 million in 2010. Flowers are exported mainly to Holland, Germany, and the UK but also to Scandinavia, Russia, Japan, and the Middle East. The fruits, vegetables, and herbs sector is also showing incremental growth. In the 2008/09, the sector earned close to US\$40 million.

Ethiopia is a member of a regional trade grouping – The Common Market for Eastern & Southern Africa (COMESA) – a region inhabited by more than 420 million people. Ethiopia also enjoys Duty Free and Quota Free (DFQF) privilege extended by, among others, USA – Africa Growth and Opportunity Act (AGOA), EU – Everything But Arms (EBA), China – ‘0 Tariff’ privilege and India – DFQF. The market accesses privileges allow investors engaged in the floriculture products export sector of Ethiopia, to reap the benefits of the preferential markets giving them the chance to get competitive edge for their products compared to those outside of the scheme.

Investment incentives

As noted on the investment code of 2002 (as amended in 2003) and Council of ministers Regulation 2003 (as amended in 2008), investors interested in the horticulture sector will have:

- Customs duty privilege for us capital goods and construction of materials necessary for the investment, spare parts whose value is not greater than 15% of the total value of the capital goods.
- Tax holiday privileges between 2 to 7 years of which details will be provided by the Investment Board of Ethiopia.

Investment guarantees

- The Constitution and the Investment Code protect private property.
- Foreign investors are entitled to make the following remittances out of Ethiopia in convertible foreign currency: profits and dividends accruing from investment; principal and interest payment on external loans; payments related to a technology transfer agreement; proceeds from the sale or liquidation of an enterprise; Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor; Expatriate employees may remit, in convertible foreign currency, unspent salaries and other payments accruing from their employment in hard currency.
- Investors that suffer losses during a tax holiday period provided under the investment incentive are also entitled to a loss carry forward of such losses for half of the income tax exemption period.
- As the member of the World Bank Multilateral Investment Guarantee Agency (MIGA), World Intellectual Property Organization (WIPO), the International Convention on Settlement of Investment Disputes between States and Nations of other States (ICSID) and having Bilateral Investment Promotion and Protection Agreement with the UK, investors enjoy strong guarantee for their investment in the country.

