

# INVEST IN ETHIOPIA

## LEATHER AND LEATHER GOODS: INVESTMENT OPPORTUNITIES



With abundant and available raw materials, a highly disciplined workforce and the cheap cost of doing business, Ethiopia's leather sector, including the footwear industry and tannery, enjoy significant international comparative advantages. Ethiopia has the largest livestock production in Africa, and the tenth largest in the world, with 45.5 million cattle, 26 million sheep and 21.7 million goats at current estimates. The annual potential supply of hide and skins is estimated at 4.8 million pieces of hide and 12 million pieces of skin. The higher fibre structure of the highland sheepskins and goatskins of the country is renowned for producing high quality products. Currently, Ethiopia's leather industry is in the forefront of the leather sector development within the Eastern and Southern Africa region. The sector is shifting into semi-processed export products. In this connection, the Ethiopian Leather Technology Institute, a strategic innovation and research institute, plays important role in the productivity and quality of the leather sector. Ethiopia head quarters the Leather Association of Common Market for Eastern and Southern Africa /COMESA/. Currently, there are more than 40 tanners, footwear and leather product manufacturers in the country.



### Leather garments – facts

Ethiopian footwear factories produce men's casual shoes and children's shoe-uppers made from pure leather. On top of that, the factories:

- Sell directly to overseas importers/wholesalers, or to direct buying offices.
- Facilitate the production and export of footwear under the private labels of department stores, boutiques, shoe retail chains and mail order houses.
- Source out from Ethiopia and other nations in East Africa and re-export; and
- Facilitate the production and export of internationally well-known brands under contract.



The Ethiopian footwear industry produces globally competitive shoes both in quality and in price.

Due focus is given to maintaining the quality of the hides and skins, leather and leather products for export. All exports are tested by the Quality and Standards Authority of Ethiopia (QSAE).

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### Markets and Market Access

Major agricultural export products of Ethiopia include: coffee, livestock products (leather and leather products, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum and, spices products. Its agricultural export products have markets in neighbouring countries, Asia, the Middle East, Europe and America.

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) privileges 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 agriculture and agro-processing 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 agriculture and agro-processing export sector will have:

- Customs duty privilege for us capital goods and construction of materials necessary for the investment and 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 a 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 guarantees for their investment in the country.