

# INVEST IN ETHIOPIA

## TEXTILES: INVESTMENT OPPORTUNITIES

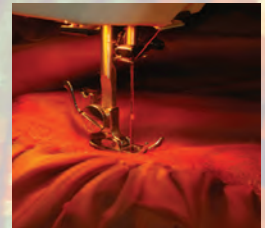
All essential ingredients for a competitive textile industry are available in Ethiopia: raw materials, low wages and low energy costs. This gives the country a comparative advantage over countries and regions elsewhere in the world. Ethiopia's textiles and clothing industry is undergoing massive development which is helped by the presence of a cheap, skilled and highly motivated workforce. This has also been aided by the country's impressive economic growth over the years. Ethiopia's access to domestic, regional and international markets, in combination with the availability of raw cotton and other natural fibres, forms the basis of its enormous export potential in the field of textiles and garments. Spinning, weaving and finishing of textile fabrics are ample manufacturing opportunities for prospective investors.



Textile and garment is one of the oldest industries in Ethiopia which spans over 70 years. It is still one of the driving forces in the Industrial Development Strategy. The Ethiopian Government is actively engaged in the modernisation of the textile sector with the objective of attracting foreign investors that can penetrate the global market. Ethiopia has a long tradition of producing cotton. It is cultivated in the lowlands of the country through rain-fed agriculture and in the past 40 years through modern irrigated farms. High quality cotton is also cultivated by small-scale farmers. There are about 2,575,810 hectares of land suitable for cotton production. The country provides a wide opportunity for investment in large scale farming. The production of cotton is well integrated into the textile sector, with garment factories relying heavily on domestically produced cotton.



The textile and garment sub-sector has registered marked growth. Currently, the number of factories has reached about 50. The majority of these factories are privately owned with a wide participation of foreign investors. Foreign investment is contributing a great deal to this growth. In addition to the ongoing expansion and overhaul of old textile factories, privatisation of public owned factories is also expected to bring about technology transfer and productivity in the sub-sector. Currently, there are about 10 textile and apparel factories that are engaged in export. With the expansion and growth of the sub-sector it is anticipated that in the coming five years export earnings would reach to about US\$1 billion.



**ETHIOPIA**  
TRADE & INVESTMENT



### 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 – ‘0Tariff’ privilege and India – DFQF. The market access 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 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.

