



# ETHIOPIA

Aspiring to Become the Leading Manufacturing Hub in Africa by 2025



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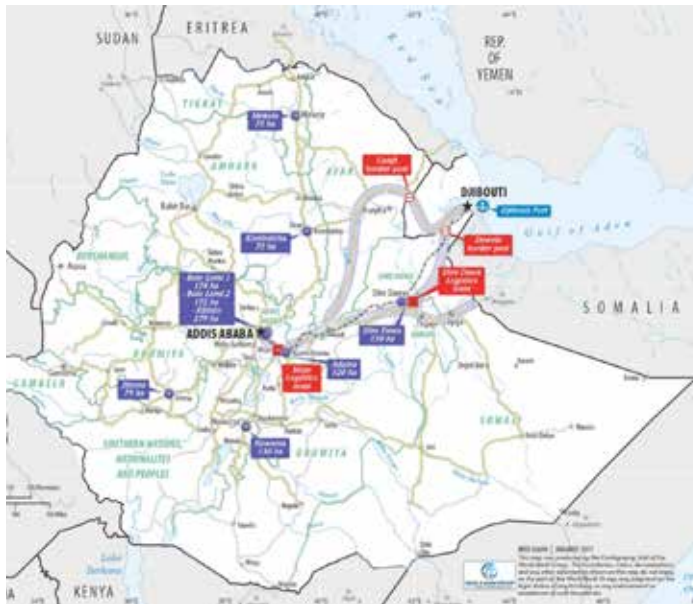
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Ethiopian Investment  
Commission (EIC).





Over the last decade, Ethiopia has achieved a remarkable economic growth. GDP growth rates average 10.8% annually – compared to a regional average of less than 5%, hence placing the country among the top performing African economies.

Ethiopia is implementing phase II of its Growth and Transformation Plan that is anchored on building a solid and vibrant industrial base which paves the way to structural economic transformation and inclusive growth. The government of Ethiopia's overarching plan is to make the country a manufacturing hub in Africa by 2025 – with a focus on light manufacturing.

Ethiopia's industrialization approach includes developing specialized industrial parks, maintaining environmental sustainability, building vertically integrated industries, and enhancing skills development – and achieve all these through strong collaboration with the private sector including global players in the value chain.

# 10.8%

## ANNUAL AVERAGE GDP GROWTH RATE



The fastest growing economy in the world in the year 2017



Second most populous country in Africa. Over 54 million productive labor force



FDI inflow in Ethiopia reached a record rate in 2015/16



One of the cheapest electricity rates in world

# WHY INVEST IN ETHIOPIA



## Political stability and committed government

- Stable socio-economic governance with sustained peace and security
- High level political commitment for investment promotion and protection; investment policy led by the Ethiopian Investment Board that is chaired by the Prime Minister
- Ranked 34th /138 economies for impartial public decision making

## Macroeconomic stability

- An average of about 10.8% GDP growth since 2005.
- Favorable credit rating from three globally renowned rating agencies, (Moody's (B1), Standard & Poor's (B) and Fitch (B))

## Favorable market factors

- Africa's second most populous nation with a population size close to 100 million.
- 54 million active labour force, trainable and available at competitive wage rate.
- Preferential market access to the USA, EU, China, Japan, Canada, India, Turkey, Australia, New Zealand etc. – covering substantially all export goods from Ethiopia.
- Member of COMESA with preferential market access to a regional market of 400 million people.
- Strategic location with proximity to the Middle East, Europe and Asia.

## Well-developed infrastructure

- State-of-the art industrial parks: two operational and seven upcoming government industrial parks, four privately developed industrial parks.
- Newly built Addis-Djibouti electric-powered railway
- Ethiopian Airlines, Africa's largest and most profitable airline flies to over 100 cities and 36 dedicated cargo destinations
- Globally competitive cost of energy
- Expansive road networks connecting national and regional markets

# MACROECONOMIC AND INVESTMENT CLIMATE REFORM

- Prudent inflation management: Inflation remained consistent with the central bank's (NBE) price stability objective of single digit inflation in 2016/17
- Domestic resource mobilization: target of mobilizing 17 percent of gross domestic product by 2020.
- In the process of implementing various Public-Private-Partnership (PPP) ventures
- In the process of accession to the World Trade Organization



- Streamlined investment services provision



- Doing Business reforms



- Investment policy reform

- One-stop services
- Investment aftercare services
- Investment Policy Dialogue (PPD)

- Streamlined business registration and licensing
- Reforms on tax administration
- Reforms on customs and logistics

- Autonomous investment promotion agency reporting to the Prime Minister
- Investment protection and guarantees; membership to a number of International investment protection agreements



# KEY OPPORTUNITIES



# ENERGY

- Ethiopia is endowed with abundant renewable energy resources and has a potential to generate over 60,000 megawatts (MW) of electric power from hydroelectric, wind, solar and geothermal sources,
- Ethiopia targets to increase power generation to 17,000 MW (from existing 4370MW) by 2020 and plans to increase exports to neighboring countries
- The Grand Ethiopian Renaissance Dam - the largest hydroelectric power dam in Africa set to generate additional 6,450 MW electricity.
- Private sector investment in power generation is highly encouraged.



## HYDROPOWER

Generating capacity:  
45,000 MW



## WIND POWER GENERATION

Generating capacity:  
10,000 MW



## GEOTHERMAL

Generating capacity:  
5,000 MW

# INDUSTRIAL PARKS DEVELOPMENT

- Significant importance given to industrial parks development and expansion
- Private investment in industrial parks development is encouraged
- Located along key economic corridors, connected to ports by electric-powered railway lines and roads
- Anchored on the principles of specialized parks and export promotion
- Government avails various incentives for industrial park developers



- Provision of off-site infrastructure by the government.
- Government avails dedicated power substation for industrial parks.



- 10-15 years income tax exemption for development of industrial parks
- 60-80 years land lease right at promotional rate; with sub-lease right.



- Reliable electricity at globally competitive rate
- One-stop services in each industrial park, including streamlined customs clearance procedures
- Tax free trading for inputs within the parks

## MANUFACTURING

- Manufacturing sector is recognized as a key driver for growth under Ethiopia's Growth and Transformation Plan (GTP, I&II)
- Priority sectors: textile and garment, leather and leather related industry, agro-processing, pharmaceuticals, metal and metal products, chemicals, electronic products, etc.
- Increasing foreign direct investment in the sector due to focused policy interventions
- Extensive investment incentives: Customs duty exemptions, income tax holidays up to 10 years, export credit guarantee etc.

### SPECIFIC GOALS FOR 2025:

- 2 million manufacturing jobs in medium and large businesses
- increasing the sector's contribution to overall GDP from existing 4% to 18–20%
- ensure the sector contributes to 40 percent of overall exports



## MAJOR GLOBAL BRANDS INVESTING IN ETHIOPIA INCLUDE

- PVH Corp: American clothing giant and owner of the big global fashion brands such as Tommy Hilfiger, Calvin Klein, Speedo, IZOD, Van Heusen, Arrow, Warner's and Olga. With distribution of its products to more than hundred countries and global retail sales of close to \$20 billion in 2015, PVH stands as the second largest apparel company in the world. Located in Hawassa Industrial Park of Ethiopia .



## 1 TEXTILE AND APPAREL

- Plan 2020: generate US\$ 1 billion export earnings and over 300,000 employment opportunity.
- Potential areas of operation: ginning, integrated textile mills, spinning, weaving and/or knitting, dyeing and printing, garment factory (knitted/woven).
- Established the Ethiopian Textile Industry Development Institute to enhance skills and technologies in the sector.
- Large land size and conducive climatic conditions for cotton and fibres production: Over 2.5 million hectares of land is dedicated for cotton production.
- Currently five industrial parks dedicated for textile and garment sector



**Pittards**  
WORLD CLASS LEATHER

## MAJOR GLOBAL BRANDS INVESTING IN ETHIOPIA INCLUDE

- Pittards PLC: British based company, has been investing since 2011. In 2014, the company exported 100,000 gloves for international market. It employs more than ~700 workers.



## 2 LEATHER & LEATHER RELATED MANUFACTURING

- Plan 2020: generate US\$ 800,000 million export earnings and over 300,000 employment opportunity.
- Potential areas of operation: processing and export of finished leather, shoe, gloves, bags and small leather articles.
- Established the Ethiopian Leather Industry Development Institute to enhance skills and technologies in the sector.
- Large population of livestock: More than 53 million of cattle, and sheep and goat populations of 25.5 and 24.1 million, respectively. 9th from the world and 1st from Africa



## MAJOR GLOBAL BRANDS INVESTING IN ETHIOPIA INCLUDE

- Africa Juice Tibila S.C: A Dutch company that employs more than 2,000 people to process passion fruit for export, and produce fruit and vegetables for the domestic market.



## 3 AGRO-PROCESSING & HORTICULTURE

- Abundant and high quality input for agro-processing due to: large land size (8th largest country in Africa and 27th in the world) and huge proportion of arable land, diverse topography and agro-climatic zones and water availability for irrigation.
- Ethiopia is home to some of the world's best specialty coffee varieties such as Harrar, Sidama, Yirgacheffe and Limmu.
- Ethiopia has one of the fastest growing floriculture sector. It is now the second largest flower exporting country in Africa and the fourth in the world.
- The European and Middle Eastern fruit and vegetable markets offer significant export opportunities for Ethiopia
- development of special clusters for horticulture development and integrated agro industrial parks as a key vehicle.

## USEFUL CONTACTS



ETHIOPIAN INVESTMENT COMMISSION

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