INVESTMENT OPPORTUNITIES

Ethiopia’s investment potential in the agro-processing and light manufacturing sectors is clear.

**INDUSTRIAL PARKS**
- Ethiopia is building four industrial parks at a total cost of US$ 2 billion, covering various industries such as textile and apparel, packaging, machinery and anything else that can be manufactured.
- Ethiopia is targeting US$ 1 billion of annual investment in industrial parks over the next decade to make it Africa’s top manufacturer.
- The parks are located in the eastern towns of Dire Dawa, Kombolcha and Meki and in the capital’s south. A textile park has already opened in Hawassa in April 2016.

**COTTON**
- The total potential area agroecologically sustainable for cotton production in Ethiopia is 2.57 million hectares, but only 125,000 ha is currently under cotton production.
- Textile and apparel manufacturing is uniquely seen as Ethiopia’s step forward towards industrialization. Moreover, the country has a rich and vast cotton sector.
- Ethiopia also has one of the lowest costs of energy in the world at US$ 0.06/kWh.
- One industrial city, Hawassa, is chiefly designed and established for the textile industry.

**CONSTRUCTION**
- Construction has been Ethiopia’s fastest-growing sector. In 2015, there were an estimated US$ 20 billion worth of construction projects in the pipeline, with an output of US$ 3.2 billion.
- While most projects are financed by the public sector, the US$ 2.2 billion project in Huajian Group Industrial Park was led by the private sector for textile factories with an output of US$ 3.2 billion.
- The Federal Democratic Republic of Ethiopia is Africa’s oldest independent country, and is among the most stable countries in the region. For 11 years (2004 to 2014), Ethiopia has registered an average economic growth of 10.9% per year. The per capita GDP in current prices has grown from US$ 341.9 in 2010 to US$ 573.6 in 2014 (with a population size of 96.96 million). Ethiopia (with nominal GDP of US$ 55.61 billion) is the third largest economy in East Africa next to the Republic of Kenya and the Republic of the Sudan, and is the sixth largest Sub-Saharan economy.

**PHARMACEUTICALS**
- The annual pharmaceutical market in Ethiopia is estimated at US$ 400-500 million, and is growing at an impressive rate of 25% per year.
- Ethiopia is aggressively investing in and expanding its health sector. Health coverage increased from 30% in 2005 to 89% in 2015. The number of health posts and centres increased from 4,811 in 2005 to 17,415 in 2012.

**HORTICULTURE AND FLORICULTURE**
- Only a decade old, Ethiopia’s cut flower business is already the second largest in Africa, with 120 high-tech flower growers generating US$ 260 million in revenues in 2014 from US$ 28.5 in 2005.
- Ethiopia’s climate is its best comparative advantage, coupled with excellent export-oriented agricultural policies, comprehensive incentives, cheap electricity and affordable labour.

**PULSES**
- Pulses make up a substantial share of Ethiopians’ diet, especially for peri-urban and rural consumers.
- Relatively high productivity pulses gain. National pulses productivity on average was 15.6 quintals per hectare in 2014/15, which is above Sub-Saharan average.
- Good climate, endowed with abundant and diversified natural resources and diverse agroecology suitable for a variety of cereal production, including pulses.
- Out of 11.55 million hectares of land available for farming, 3,274,469 hectares of land are identified as potential areas for pulses farming in SNNP, Tigray, Amhara, Oromiya, Gambella, Benishangul Gumuz, Somali and Afar. Cultivated land for pulses in Ethiopia has been an estimated 1,742,600 hectares (2014/15). Rural land rental prices are usually low.
- Several factories in Ethiopia process pulses.

**INDUSTRIAL PARKS**

**AN OVERVIEW**

The Federal Democratic Republic of Ethiopia is Africa’s oldest independent country, and is among the most stable countries in the region. For 11 years (2004 to 2014), Ethiopia has registered an average economic growth of 10.9% per year. The per capita GDP in current prices has grown from US$ 341.9 in 2010 to US$ 573.6 in 2014 (with a population size of 96.96 million). Ethiopia (with nominal GDP of US$ 55.61 billion) is the third largest economy in East Africa next to the Republic of Kenya and the Republic of the Sudan, and is the sixth largest Sub-Saharan economy.

Ethiopia, with an estimated population of 96.96 million (2014), is Sub-Saharan Africa’s second most populated country after Nigeria. It is also predicted to reach 117.6 million by the year 2025.

The financial sector, mainly banking and insurance services, has been broadly stable and is growing in terms of expanding its services. The sector continues to tap into new opportunities for mobilizing savings through establishment of new banks and expanding their branch networks, as well as introducing new financial instruments. As of 2013/14, Ethiopia has 19 commercial banks, three of which are government owned.
AGRO-PROCESSING AND LIGHT MANUFACTURING

Ethiopia has one of the fastest-growing economies in the world. The economy is still largely based on agriculture, which accounts for an estimated 40% of its GDP and employs 85% of its active population.

With its population of 96.96 million, it constitutes Africa’s second biggest market. The fact that 40% of the population is under the age of 15 and 70% is under the age of 30 suggests significant place for growth in all sectors.

One of the government’s objectives is to make Ethiopia Africa’s number one manufacturer, in particular through the construction of industrial parks.

Opportunities in agro-processing include cereal crops (wheat, barley, corn, rice and teff), pulses (soy beans, haricot beans, chickpeas, beans and lentils), horticulture and floriculture, oilseeds (sesame, Niger seeds, canola, linseed, groundnuts and sunflower), cotton and textiles, livestock, dairy and poultry.

Opportunities in light manufacturing include leather and leather products, pharmaceuticals, industrial and construction materials, agrochemicals and fertilizer industries, agricultural machinery and packaging.

WHY ETHIOPIA?

ETHIOPIA’S GLOBAL AND REGIONAL MARKET ACCESS

Due to its large population, Ethiopia has the potential to be among Africa’s biggest domestic markets. The country’s proximity to the Middle East presents further prospective market opportunities. Thanks to its location in the Horn of Africa, Ethiopia also enjoys a strategic location to connect Africa, Europe, the Middle East and Asia.

ETHIOPIA’S TRADE SCENARIO

• Ethiopia’s exports have grown by 37%, 14% and 3% in 2011, 2012 and 2013 respectively.
• The government has plans to construct power-generating projects in hydropower (11,237 MW to 51,706 GWh), solar energy (300 MW to 525 GWh), geothermal energy (1,200 MW to 9,461 GWh) and gas turbine stations (420 MW to 2,940 GWh).

POWER SCENARIO

• Ethiopia has huge potential for geothermal and hydropower energy generation.
• The country’s installed power-generating capacity is an estimated 2000 MW out of which hydropower plants generate 1,980 MW (99%).

MANPOWER SCENARIO

• There is abundant availability of a relatively well-trainable population.
• The monthly average wage (labour, agriculture, forestry and fishing) is 1277.50 birr (2014).

ADVANTAGE ETHIOPIA

• Preferential market access (Africa, Europe, Asia)
• Young, competitive and trainable labour force
• Excellent climate and fertile soils; abundant irrigable land
• Improved infrastructure
• Competitive incentive packages
• Stable business operating environment
• Conducive investment policy

Successful Stories

• In 2011, Huajian, a large Chinese shoe exporter, established a factory in Ethiopia to produce shoes for brands such as Guess and Calvin Klein. Huajian plans to invest US$ 2 billion over 10 years and hopes to see its exports from Ethiopia reach US$ 4 billion within 10 years.
• New Wing Group: A Hong Kong company producing women’s shoes for the American and European markets. New Wing buys most of its leather from Ethiopia and plans to establish a tannery in the country.

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**SUCCESS STORIES**

- **Castel Winery:** The third largest wine producer in the world, in 2007 it signed an agreement to establish a winery in the town of Ziway, 163 km from Addis Ababa. After importing grapes from the Bordeaux region in France, investing US$ 25 million and creating 800 jobs, the first bottle of wine was produced in 2014.
- **Herburg Roses:** In 2006, Herburg Roses started cultivating flowers on 18 hectares and later increased its production to 40 hectares. It now sells 22 types of flowers to the European market.
- **Hualjain:** In 2011, Hualjain, a large Chinese shoe exporter, established a factory in Ethiopia to produce shoes for brands such as Guess and Calvin Klein. Hualjain plans to invest US$ 2 billion over 10 years and hopes to see its exports from Ethiopia reach US$ 4 billion within 10 years.
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