COTTON, TEXTILE AND APPAREL SECTOR INVESTMENT PROFILE

ETHIOPIA

2017
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Abbreviations & Acronyms

FDI foreign direct investments
IMF International Monetary Fund
VAT value added tax
GDP gross domestic product
EU European Union
COMESA Common Market for Eastern and Southern Africa
CAGR compound annual growth rate
EIC Ethiopian Investment Commission
IZDC Ethiopian Industrial Zones Development Corporation
IPDC Ethiopian Industrial Park Development Corporation
ETIDI Ethiopian Textile Industry Development Institute
EIA Ethiopian Investment Agency
Why Ethiopia?

POLITICAL AND SOCIAL STABILITY

Ethiopia is Africa’s oldest independent country and is one of the region’s most stable countries. The peaceful changeover of power to a new prime minister in 2012 is proof of the solidity of the country’s parliamentarian form of government and multi-party political system.

The World Economic Forum ranked Ethiopia’s security 55th out of 148 countries (Global Competitiveness Report, 2013–2014), which is much higher than the majority of its regional peers, like Nigeria (142nd), Kenya (131st) and South Africa (109th). Ethiopia also ranked 36th and 38th worldwide in business costs of violence and crime, including organized crime.

GROWING ECONOMY

Since 2010, Ethiopia’s average growth rate has been 10%. Ethiopia is the fastest growing economy in the region and one of the fastest growing economies in the world and is expected to continue on this trajectory. The World Bank forecasts growth between 7.5% and 8.3% to 2019 (World Bank, 2016).

FAVOURABLE CLIMATE AND FERTILE SOILS

Ethiopia is the world’s 27th largest country by land size. Due to its geographical location and varied topography, it is suitable for producing some of the most sought-after food crops in the world – coffee, tea, tobacco, cereals, oil seeds, pulses, a wide variety of vegetables and fruits, spices and sugar cane, among others.

Due to its elevation, much of Ethiopia has a temperate climate in comparison with other African countries. Ethiopia has an elevated central plateau whose height fluctuates between 2,000 and 3,000 metres above sea level.

Due to its fertile soils, Ethiopia is the sixth biggest coffee producer and the third biggest arabica bean producer in the world (US Department of Agriculture). The country is also the EU cut flower market’s fourth biggest non-EU exporter and the second biggest flower exporter from Africa.

<table>
<thead>
<tr>
<th>Key factors</th>
<th>Labour cost (US$/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled1</td>
<td>60–80</td>
</tr>
<tr>
<td>Semi-skilled2</td>
<td>50–60</td>
</tr>
<tr>
<td>Unskilled3</td>
<td>40–50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labour availability</th>
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<tbody>
<tr>
<td>Skilled</td>
</tr>
<tr>
<td>Semi-skilled</td>
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<tr>
<td>Unskilled</td>
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<table>
<thead>
<tr>
<th>Power availability</th>
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</thead>
<tbody>
<tr>
<td>Power cost (US cents/kWh)</td>
</tr>
<tr>
<td>Power availability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent for commercial purpose (US$/sq. m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cities</td>
</tr>
<tr>
<td>Suburbs</td>
</tr>
<tr>
<td>Construction cost (US$/sq. m.)4</td>
</tr>
<tr>
<td>Readymade infrastructure</td>
</tr>
<tr>
<td>Lending rates (local currency)</td>
</tr>
<tr>
<td>Lending rates (foreign currency)</td>
</tr>
</tbody>
</table>

1 Skilled labour includes people capable of exercising considerable independent judgment, e.g. factory supervisors.
2 Semi-skilled labour includes workers who perform defined routine tasks where emphasis is on performing assigned tasks while expectation on judgment and skill are lower than the skilled workers.
3 Unskilled labour includes workers who perform simple duties such as helpers who are assigned to support the skilled and semi-skilled workers. On the job training can be used to graduate them to semi-skilled workers.
4 The cost of construction varies depending on the location, proximity to port, size of building and the status of industrialization and urbanization.

Source: ACTIF Benchmarking reports, 2016
STRONG GUARANTEES AND PROTECTION

The investment law and constitution protect private property. A foreign investor is entitled to make convertible foreign currency remittances out of Ethiopia at the existing exchange rate. Ethiopia is a member of the World Intellectual Property Organization (WIPO) and the World Bank affiliate, the Multilateral Investment Guarantee Agency (MIGA), which offers guarantee against non-commercial risks in signatory countries.

Ethiopia has 30 bilateral investment protection and promotion agreements, out of which 11 are with European Union (EU) member states. Some other noteworthy partners include India, China, South Africa and the Russian Federation, and several regional economic partners like the Republic of the Sudan, Israel and Egypt. In the World Bank’s Doing Business Report (2014), the country is positioned 44th out of 189 economies for ease of enforcing commercial contracts, putting Ethiopia within OECD levels.

ABUNDANT AND AFFORDABLE LABOUR


REGIONAL HUB WITH ACCESS TO A WIDE MARKET

Ethiopia is the second biggest market in Africa, with a population of 99.96 million. Ethiopia is part of the Common Market for Eastern and Southern Africa (COMESA), of more than 400 million people in 19 member countries.

Addis Ababa has become a regional hub and major international organizations are based there, for example, the United Nations Economic Commission for Africa (UNECA) and the African Union (AU). Addis Ababa is also the main air hub in Africa and home to Ethiopian Airlines. With services to 19 domestic destinations, Ethiopian Airlines also provides flies to 92 international destinations and transports two-thirds of Africa’s air freight. From its current fleet of 80 aircrafts, plans are underway for increasing them to 152 by 2025.

Ethiopian products enjoy quota- and duty-free access to the EU and US markets under the Everything But Arms (EBA) initiative and the African Growth and Opportunities Act (AGOA).

IMPROVED ECONOMIC INFRASTRUCTURE

Power production in Ethiopia has progressively increased during the last 10 years, with 99% of power sourced from clean energy, specifically hydropower. Ethiopia has the second biggest hydropower prospects in Africa (Deloitte, 2014) and its installed electricity generating capacity is anticipated to be 17,000 MW by 2020.

Development of railway infrastructure is one of the priority programs in the Ethiopian Government’s Growth Transformation Plan (GTP) and a 5,000 kilometre railway network is being constructed. The recent completion of the railway line between Addis Ababa and Djibouti’s main port has led to reduction of the transport time from 3 days to 12 hours between the capital city and the port.

Figure 1: Foreign direct investment in Ethiopia from 2006–2013 (in US$ million)

ECONOMIC INDICATORS
Ethiopia’s economy grew by 10.3% in 2014 and its average yearly real GDP growth rate was 10.9% for the last decade (Ministry of Finance and Economic Development).

Agriculture comprises 42.9% of gross domestic product (GDP) and increased by 7.1% in 2012/13, industry comprises 12.3% of GDP and increased by 18.5%, and services account for 45% of GDP and grew by 9.9% in 2012/13 (African Economic Outlook, 2014). This growth is anticipated to continue in future years.

In an attempt to reduce inflation, the government practiced a strict monetary policy that, in the situation of a worldwide commodity price slowdown, brought about a yearly consumer price inflation of 7.4% in 2014 and 7.9% in 2013.

The IMF rates Ethiopia as one of the world’s five quickest-growing economies. In 2013/14, following 10 years of constant expansion (during which time real GDP growth was an average of 10.9% per year), the economy grew for the 11th year in a row, with a growth of 10.3%. Ethiopia’s fiscal year is July to July and, during the 12 months from July 2013, all the chief sectors in the economy performed well. Representing 40.2% of GDP, agriculture grew by 5.4%, services (46.2% of GDP) grew by 11.9% and industry (14% of GDP) increased by 21.2%.

Fiscal policy concentrates on decreasing domestic borrowing and strengthening domestic resource mobilization with the aim of sustaining macroeconomic stability. A strong fiscal position, especially through measures to better tax enforcement and administration, kept the fiscal deficit to 2.6% of GDP in 2013/14, though this was higher than the 1.9% of GDP the year before. Between 2011 and 2012, merchandise exports totalled US$ 3.1 billion, and the value of imports, mostly from Asia and Europe, rose to US$ 11.5 billion in 2012/13.


Table 2: Ethiopia’s major export items (in US$ millions)

<table>
<thead>
<tr>
<th>Export commodities</th>
<th>2011/2012</th>
<th>2012/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Share (%)</td>
</tr>
<tr>
<td>Coffee</td>
<td>832 911 521.87</td>
<td>26.33</td>
</tr>
<tr>
<td>Oil seeds</td>
<td>472 310 030.60</td>
<td>14.93</td>
</tr>
<tr>
<td>Leather and leather products</td>
<td>49 575 223.66</td>
<td>1.57</td>
</tr>
<tr>
<td>Textile and garment</td>
<td>84 384 850.18</td>
<td>2.67</td>
</tr>
<tr>
<td>Pulses</td>
<td>159 689 150.77</td>
<td>5.05</td>
</tr>
<tr>
<td>Meat and meat products</td>
<td>78 808 601.51</td>
<td>2.49</td>
</tr>
<tr>
<td>Fruits and vegetables</td>
<td>44 693 809.08</td>
<td>1.41</td>
</tr>
<tr>
<td>Live animals</td>
<td>207 078 049.22</td>
<td>6.55</td>
</tr>
<tr>
<td>Chat</td>
<td>240 584 960.56</td>
<td>7.61</td>
</tr>
<tr>
<td>Gold</td>
<td>613 038 112.59</td>
<td>19.38</td>
</tr>
<tr>
<td>Flower</td>
<td>196 965 620.67</td>
<td>6.23</td>
</tr>
<tr>
<td>Others not specified</td>
<td>183 264 798.58</td>
<td>2.79</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 163 304 729.29</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Ethiopian Revenues and Customs Authority, 2013.*
### Ethiopia: An Overview

#### Key facts

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital City</td>
<td>Addis Ababa</td>
</tr>
<tr>
<td>Area</td>
<td>1.14 million km²</td>
</tr>
<tr>
<td>Arable land</td>
<td>513,000 km² (45%)</td>
</tr>
<tr>
<td>Irrigated land</td>
<td>34,200 km² (3%)</td>
</tr>
<tr>
<td>Population</td>
<td>99,966 mm (2015)</td>
</tr>
<tr>
<td>0–14 years</td>
<td>41.44%</td>
</tr>
<tr>
<td>15–64 years</td>
<td>55.08%</td>
</tr>
<tr>
<td>Population growth</td>
<td>2.5% (2015)</td>
</tr>
<tr>
<td>Youth literacy rate (15–24 years)</td>
<td>71.13 % (2015)</td>
</tr>
<tr>
<td>Male</td>
<td>67.82 (2015)</td>
</tr>
<tr>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>Urban population</td>
<td>19%</td>
</tr>
<tr>
<td>GDP (nominal)</td>
<td>US$ 61.54 bn (2015)</td>
</tr>
<tr>
<td>Exports</td>
<td>9.8 % of GDP (2015)</td>
</tr>
<tr>
<td>Imports</td>
<td>27.3 % of GDP (2015)</td>
</tr>
<tr>
<td>Exchange rate (per US$)</td>
<td>ETB 21.55 (2015 est.)</td>
</tr>
<tr>
<td>Govt. expenditure</td>
<td>US$ 20.2 bn (2015-16 est.)</td>
</tr>
<tr>
<td>Govt. revenue</td>
<td>US$ 16.3 bn (2015-16 est.)</td>
</tr>
</tbody>
</table>

*Source: EIC, 2015; World Bank, 2015; UN, 2013; CIA, 2016

#### Ethiopia at a glance

- **GDP per capita:** US$ 600 (2015)
- **GDP growth:** 9.6% (2015)
- **Inflation rate (consumer price):** 10.1% (2015)
- **Currency:** Ethiopian birr (ETB)
- **Language:** Amharic, Oromiffa, Tigrigna, English (major)
- **Religion:** Christianity and Islam (major)
- **Major business sectors:** Agriculture, industry, services
- **Other major cities:** Adama and Gondar
- **Major trade associations:** Ethiopian Chamber of Commerce
- **Top textile investments:** Ayka Addis; Kebire Enterprises; Almeda Textiles
- **Major international trade agreements:** Everything but Arms (EBA), African Growth and Opportunity Act (AGOA)
- **Key investment opportunities:** Spinning, weaving and finishing of textile fabrics. Production of garments; the manufacturing of knitted and crocheted fabrics, carpets and sportswear, among others.

*Source: EIC, 2015; World Bank, 2015*

### GDP composition by sector

- **Agriculture:** 42.2%
- **Industry:** 42.3%
- **Services:** 15.5%
MANAGEMENT OF INFLATION

The Ethiopian Government contained yearly consumer price inflation to 7.1\% in December 2014 by practicing a stringent monetary policy and utilizing base money as its nominal anchor (African Economic Outlook, 2015).

Ethiopia’s inflation rate was recorded at 11.80\% in October 2015. The Central Statistical Agency of Ethiopia reports Ethiopia’s inflation rate.

![Figure 6: Ethiopia’s inflation rate (2015)](source)

LIST OF BANKS AND AVAILABILITY OF CREDIT

There are 19 banks in Ethiopia. Of these, 16 are privately owned and comprise the country’s chief financial institutions (African Economic Outlook, 2015).

1. **Awash International Bank.**
   Website: [www.awashbank.com](http://www.awashbank.com)

2. **Commercial Bank of Ethiopia.**
   Website: [www.combanketh.com](http://www.combanketh.com)

3. **Development Bank of Ethiopia.**
   Website: [www.dbe.com.et](http://www.dbe.com.et)

4. **Construction and Business Bank.**
   Website: [www.cbb.com.et](http://www.cbb.com.et)

5. **Dashen Bank.**
   Website: [www.dashenbanksc.com](http://www.dashenbanksc.com)

6. **Wegagen Bank.**
   Website: [www.wagagebank.com.net](http://www.wagagebank.com.net)

7. **Bank of Abyssinia.**
   Website: [www.bankofabyssinia.com](http://www.bankofabyssinia.com)

8. **United Bank.**
   Website: [www.hibretbank.com](http://www.hibretbank.com)

9. **Nib International Bank.**
   Website: [www.nibbanksc.com](http://www.nibbanksc.com)

10. **Cooperative Bank of Oromia.**
    Website: [www.coopbankoromia.com](http://www.coopbankoromia.com)

11. **Lion International Bank.**
    Website: [www.anbesabank.com](http://www.anbesabank.com)

12. **Zemen Bank.**
    Website: [www.zemenbank.com](http://www.zemenbank.com)

13. **Oromia International Bank.**
    Website: [www.orointbank.com](http://www.orointbank.com)

14. **Bunna International Bank.**
    Website: [www.bunnabanks.com](http://www.bunnabanks.com)

15. **Berhan International Bank.**
    Website: [www.berhanbanksc.com](http://www.berhanbanksc.com)

16. **Abay Bank S.C.**
    Website: [www.abaybank.com.et](http://www.abaybank.com.et)

17. **Addis International Bank S.C.**
    Website: [www.addisbanksc.com](http://www.addisbanksc.com)

18. **Debub Global Bank S.C.**
    Website: [www.debubglobalbank.com](http://www.debubglobalbank.com)

19. **Enat Bank.**
    Website: [www.enatbanksc.com](http://www.enatbanksc.com)

There has been improved access to financial services and, in 2014, the total number of bank branches reached 2,208 (roughly 34\% of these branches are in Addis Ababa). This brings the ratio of population to bank branches to 39,834. The banking system’s total capital is ETB 25.6 billion (US$ 1.28 billion). Of this, private banks comprise 53.9\% (African Economic Outlook, 2015).
The Commercial Bank of Ethiopia is the largest state-owned bank and accounts for 34.2% of total capital in the banking system (African Economic Outlook, 2015). The banking sector in Ethiopia is stable and all-encompassing. According to the International Monetary Fund (IMF, 2015), the system-wide capital adequacy ratio was 17.5% (much more than the 8% requirement). Return on equity and return on assets displayed strong performance, at 44.6% and 3.1% respectively.

Banks’ loan portfolios also continue to be good and the ratio of non-performing debt is less than the 10% target, at roughly 2.1% (African Economic Outlook, 2015). There has been strong growth in deposits and the share of time and savings deposits in overall deposits has increased. Nevertheless, the financial sector does not offer a full range of services.

The financial sector is not open to foreign participation and there are no capital markets. Lending is mostly collateral-based and most small entrepreneurs do not have the required collateral.

**TAXATION**

**MAIN TAXES IN ETHIOPIA**

Ethiopia’s tax system covers indirect and direct taxes. Indirect taxes include value-added tax (VAT), turnover and excise taxes, and customs duty. Direct taxes comprise, personal income tax, corporation tax and rental tax, among others. The main taxes are shown in table 1.

<table>
<thead>
<tr>
<th>Table 2: Ethiopia’s main taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of tax</td>
</tr>
<tr>
<td>1 Corporate income tax</td>
</tr>
<tr>
<td>2 Turnover tax</td>
</tr>
<tr>
<td>3 Excise tax</td>
</tr>
<tr>
<td>4 Customs duties</td>
</tr>
<tr>
<td>5 Income tax from employment</td>
</tr>
<tr>
<td>6 Withholding tax</td>
</tr>
<tr>
<td>7 Value added tax (VAT)</td>
</tr>
<tr>
<td>8 Export tax</td>
</tr>
<tr>
<td>9 Royalty tax</td>
</tr>
<tr>
<td>10 Dividend tax</td>
</tr>
</tbody>
</table>

*Source: Ethiopian Investment Commission, 2016*

**INCOME TAX EXEMPTION**

Investors involved in ICT, agribusiness, manufacturing, and electrical energy production, distribution and supply enjoy income tax exemptions for between one and nine years, dependent on the individual activity and the investor’s location.

In addition, any investor who establishes a new enterprise in one of the following regions will enjoy a deduction of 30% in income tax for three years in succession once the income tax period mentioned above expires (Ethiopian Investment Commission).

- Gambella
- Gumuz/Benshangul
- Afar (excluding regions within 15 kilometres left and right of the Awash River)
- South Omo Zone
- Somali
- Borena and Guji Zones in Oromia
- Bench-Maji Zone
- Segen (Konso, Burji, Derashe and Amaro) Area Peoples Zone
- Keffa Zone
- Sheka Zone
- Dawro Zone
- Konta and Basketo Special Woredas (in Southern Nations, Nationalities and Peoples Region) (Ethiopian Investment Commission)

Investors can take advantage of the income tax exemption period if they upgrade or expand their existing business and increase its production or service capacity by at least 50%, or if they introduce a new service or production line by at least 100% of an existing enterprise.

Investors who export at least 60% of their services or products, or supply these to an exporter, is entitled to an exemption from income tax for an extra two years. Companies that experience losses during the income tax exemption period are able to carry forward these losses, after the income tax exemption period has expired, for half of the tax exemption period. No loss suffered during the income tax exemption period can be carried forward for more than five income tax periods.
ETHIOPIA’S BALANCE OF TRADE

In the second quarter of 2015, Ethiopia recorded a trade deficit of US$ 3413.10 million. From 2006 to 2015, balance of trade was an average of US$ -1922.54 million. In the second quarter of 2017, it reached an unparalleled high of US$ -956.70 million and, in the fourth quarter of 2014, it reached an all-time low of US$ -3737 million. In Ethiopia, the National Bank of Ethiopia reports balance of trade.

**Figure 7: Ethiopia’s balance of trade (2012–2015)**

Due to logistic hindrances and the limited production of exportable commodities, Ethiopia runs constant trade deficits. Ethiopia’s chief exports are live animals, coffee, gold, and oil seeds, and the country is a net importer of textile apparel, foodstuffs and fuel. Ethiopia’s foremost trading partners are the Kingdom of Saudi Arabia (7% of exports and 13% of imports) and China (8% of exports and 18% of total imports).
Figure 8: Supplying markets for products imported by Ethiopia (mirror) (2010–2014)

Source: ITC calculations based on UN COMTRADE statistics, 2016

Figure 9: Importing markets for products exported by Ethiopia (mirror) (2010–2014)

Source: ITC calculations based on UN COMTRADE statistics, 2016
DEBT POLICY

In 2014, the IMF assessed the risk of public and external debt distress as small, but it observed that this risk is changing to moderate. Between 2012/13 and 2013/14, the accruing external debt rose from US$ 11.2 billion at the end of 2012/13 to US$ 14 billion (African Economic Outlook, 2015). Nonetheless, debt burden indicators continue to be positive and new borrowing has been carried out on terms favourable to continuing sustainability. There is good coordination between macroeconomic policies and debt management. The Ministry of Finance and Economic Development’s (MOFED’s) debt management directorate is well-established, buoyed by effective systems and directed by a medium-term strategy (2013–2017). This approach depicts how debt should change in the medium-term in order to finance the Growth and Transformation Plan (GTP) and still preserve macroeconomic stability. The public borrowing legal framework is clearly outlined and various agencies accountable for contracting debt share information. All debt contracts are registered and debt totals are reconciled with creditors no less than once every three months. The directorate gives creditors’ auditors yearly letters verifying their balances.

Nonetheless, Ethiopia’s external debt stock has risen fivefold following the 2006 debt relief accorded under the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative. This is chiefly a result of public enterprises’ non-Paris Club borrowings and escalated public liabilities held by commercial banks (higher than 12.1% of GDP in 2009/10 to 23% in 2013/14). Commercial banks’ portion of outstanding external debt grew to 14.5% in 2013/14 from 4.6% in 2008/09. The portion of Paris Club donors dropped to 2.8% in 2013/14 from 16.5% in 2007/08.

Figure 10: Ethiopia’s stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services) (2006–2016)

Source: African Economic Outlook
ECONOMIC COOPERATION, REGIONAL INTEGRATION AND TRADE

While commodity export value has remained in the region of US$ 3 billion since 2011/12, as a percentage of GDP, exports have been progressively diminishing (from 8.6% in 2011 to 6.5% in 2013 and to 5.6% in 2014). Since 2013, Ethiopia’s biggest exports, gold and coffee, have dropped in both volume and value (with gold down 25% and coffee down 14.7%) as a result of both domestic and external factors, including logistical challenges, structural supply and poor international prices. Coffee is still the most exported commodity, accounting for 22% of exports, followed by oil seeds at 20%, gold at 14%, chat at 9% and pulses at 7.7% (African Economic Outlook, 2015).

Commodity imports have increased in value by 20% in 2014, from US$ 11.5 billion in 2013 to US$ 13.7 billion in 2014, fuelled by high demand for capital goods, petroleum products and fertilisers. This had a detrimental influence on the trade deficit, increasing it to 19.1% of GDP (US$ 10.5 billion) in 2013/14 from 17.7% of GDP (US$ 8.4 billion) in 2012/13. However, the impact on the total balance of payments deficit was minimal, because surpluses in the capital account (US$ 3.9 billion) and non-factor services (US$ 559.5 million) had a moderating effect. Substantial private transfers of US$ 4.04 billion likewise offset the increase in the costs of imports, with remittances reaching up to 23% (US$ 3 billion) (African Economic Outlook, 2015).

Ethiopia is a member of the Intergovernmental Authority on Development (IGAD) and COMESA. The country is a signatory to all regional integration protocols, such as the COMESA Free Trade Area Protocol and submitted its accession instruments to the COMESA Free Trade Area in 2014. Ethiopia is also still in the process of negotiating an economic partnership agreement (EPA) with the European Union and discussions are ongoing to become a member of the World Trade Organization.

INCENTIVES ON CUSTOMS DUTY

This is applicable to both foreign and domestic investors participating in eligible new initiatives or expansion projects in electrical energy production, distribution and supply, agriculture, manufacturing, tourism, agribusinesses, education and training, information and communication technology development (ICT), specialized restaurants, star-designated hotels, construction contracting, capital goods leasing, importation of bitumen and LPG, technical testing and analysis, and engineering and architectural consultancy works.

Customs duty incentives include:

- A 100 per cent exemption is granted on customs duties and other taxes imposed on imports of all capital goods, such as construction materials, machinery and equipment and plants.
- An investor allowed a customs duty exemption will be permitted to import capital goods duty-free for an indefinite period if his investment is in agriculture and manufacturing and for a five-year-period if his investment is in other eligible areas.
- An investor eligible for a duty-free privilege who purchases construction materials or capital goods from local manufacturers will receive a refund on the customs duty paid for raw materials or goods utilized as inputs in the production of goods.
- Investment capital goods that are imported without customs duty payment or payment of other taxes imposed on imports can be transferred to another investor who has a similar privilege.
Industry Overview

EXPORT INCENTIVES

To encourage exports, Ethiopia offers a wide range of both non-fiscal and fiscal incentives, including some of the following.

- Most of Ethiopia’s export products are exempt from export tax. (Exceptions include semi-processed skins and hides).
- Duty drawback scheme: This scheme gives investors an exemption from customs duties and other taxes imposed on locally purchased and imported raw materials for use in export goods production. When the finished goods are exported, duties and other taxes paid are drawn back 100 per cent.
- Voucher scheme: A voucher is given in lieu of taxes and duties payable on raw material imports. Exporters also benefit from the voucher scheme.
- Bonded factory and manufacturing warehouse schemes: Producers who do not qualify for the voucher scheme, but who have licences for bonded, are permitted to operate a warehouse or factory to import raw materials duty-free. Exporters are permitted to retain as much as 20% of their foreign exchange earnings to use in running their businesses and the National Bank of Ethiopia imposes no export price control.
- Franco valuta raw material imports are permitted for businesses involved in export processing.
- The export credit guarantee scheme benefits exporters, as it ensures that exporters receive payment for commodities shipped abroad should the customer default. This minimizes exporters’ business risk and enables them to be competitive in their pricing (Ethiopian Investment Commission).
- Exporters are allowed to retain and deposit in a bank account up to 20% of their foreign exchange earnings for future use in the operation of their enterprises, and no export price control is imposed by the National Bank of Ethiopia.
- Loss carried forward - Business enterprises that suffer losses during the income tax exemption period can carry forward such losses, following the expiry of the income tax exemption period, for half of the tax exemption period.

REMITTANCE OF CAPITAL

A foreign investor is permitted to effect the following remittances out of Ethiopia in convertible foreign currency.

- Compensation paid to an investor.
- Principals and interest payments on external loans.
- Dividends and profits.
- Payments associated with technology transfer agreements.
- Proceeds from the transfer or sale of shares or limited ownership of a company to a domestic investor.
- Proceeds from the liquidation or sale of a company.
GROWTH AND TRANSFORMATION PLAN II (2015–2020)

As part of its Growth and Transformation Plan II (2015–2020), Ethiopia aims to become a middle-income country by 2025. The Ethiopian Government defines middle-income more broadly than a quantitative target, including achievement of aggressive poverty reduction and advances in health, education and the environment.

To achieve this, the government has targeted three focus areas:

1. Economic development, focusing on light manufacturing, mainly textile and leather garments.
2. Social development by improving the quality of life through integrated progress in health, education and overall living standards.
3. Environmental development through the sustainable use of natural resources as well as increasing the resilience of the environment to the adverse impacts of climate change.

As part of its focus on the textile industry, the Ethiopian Government is aggressively promoting investment in the textile industry, highlighting the following reasons:

- Abundant available workforce at competitive costs;
- A strategic geographic location: Ethiopia is located at the centre of the world, with easy access to international value chains, and has access to the state-of-the-art container port at Djibouti;
- Potential to develop a competitive cotton or textiles industry due to good climatic and soil conditions, together with inexpensive hydro-energy;
- Duty-free access to the EU and US markets through ACP-EU Cotonou Agreement and the African Growth and Opportunities Act (AGOA);
- Strong export performance: The Ethiopian garment and apparel industry has grown an average of 51% over the last six years, with the United States accounting for 40 per cent of Ethiopia’s textile and garment exports, mainland Europe accounting for 50 per cent and the United Kingdom for 10 per cent.
- More than 65 textile investment projects from international investors have been licensed in Ethiopia since 1992, with retailers such as H&M and Primark already sourcing clothing from Ethiopia. (Ethiopian Investment Commission)
**RAW MATERIAL SCENARIO**

Cotton is grown under both rain-fed (smallholder farms) and irrigated (large-scale commercial farms) conditions in Ethiopia. The production methods vary considerably between the two types of farms. There is a vast potential to increase the production of cotton both under rain-fed and irrigated conditions in the country, which has about 3,000,810 ha of land potentially available for cotton growing.

The total cotton consumption of factories is expected to be around 111,081 tons of lint cotton at their annual full production capacity. Since there is no cotton grading and classification system in the country, lint cotton is marketed at the same price range for all quality grades.

---

### Table 3: Status of Ethiopian cotton production in the last six years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total area, ha</td>
<td>82 600</td>
<td>99 250</td>
<td>143 160</td>
<td>81 080</td>
<td>59 000</td>
<td>125 000</td>
</tr>
<tr>
<td>Lint, t/ha</td>
<td>0.55</td>
<td>0.55</td>
<td>0.56</td>
<td>0.56</td>
<td>0.59</td>
<td>0.68</td>
</tr>
<tr>
<td>Total lint, tons</td>
<td>45 845</td>
<td>55 081</td>
<td>79 452</td>
<td>45 000</td>
<td>35 000</td>
<td>85 560</td>
</tr>
<tr>
<td>Total seed, tons</td>
<td>123 900</td>
<td>148 870</td>
<td>214 730</td>
<td>121 620</td>
<td>94 590</td>
<td>231 250</td>
</tr>
</tbody>
</table>

Source: ACTIF Benchmarking reports, 2016

### Table 4: Ethiopian ginning factories capacity and location

<table>
<thead>
<tr>
<th>List of ginning factories</th>
<th>Production capacity in tons per day</th>
<th>Location</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Amibara (Birhale) Pvt LC</td>
<td>192</td>
<td>Addis Ababa</td>
<td>Saw gin</td>
</tr>
<tr>
<td>2 Middle Awash Ginning Factory</td>
<td>174.72</td>
<td>Afar (Middle Awash)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>3 Omo Valley Ginning Factories</td>
<td>15</td>
<td>SNNPR</td>
<td>Saw gin</td>
</tr>
<tr>
<td>4 Aribarnich Ginning Factory</td>
<td>96</td>
<td>SNNPR</td>
<td>Saw gin</td>
</tr>
<tr>
<td>5 Mohammed Amiru PLC</td>
<td>60</td>
<td>Afar (Awash)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>6 Ture Ginning Factory</td>
<td>11</td>
<td>Addis Ababa</td>
<td>Saw gin</td>
</tr>
<tr>
<td>7 Agricot Pvt Company</td>
<td>15</td>
<td>Oromia (MoJo)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>8 Studio 3D Pvt Ginning Factory</td>
<td>12</td>
<td>Oromia (MoJo)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>9 Des Ginning Factory</td>
<td>35</td>
<td>Amara (Gonder)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>10 Gonder Ginning Factory</td>
<td>18</td>
<td>Amara (Gonder)</td>
<td>Saw -gin</td>
</tr>
<tr>
<td>11 Shawa Ginning Factory</td>
<td>8</td>
<td>Addis Ababa</td>
<td>Saw gin</td>
</tr>
<tr>
<td>12 Luci International Ginning</td>
<td>174.72</td>
<td>Afar (Upper Awash)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>13 Gebre Selam Pvt Ginning</td>
<td>53.3</td>
<td>Oromia (Dukem)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>14 Hiwot Pvt Ginning Factory</td>
<td>174.72</td>
<td>TIGRAY (Umera)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>15 Abobo Ginning Factory</td>
<td>144</td>
<td>Gambella</td>
<td>Saw gin</td>
</tr>
<tr>
<td>16 Nuri Hussen Pvt Ginning</td>
<td>10</td>
<td>Amara (Gonder)</td>
<td>Saw gin</td>
</tr>
<tr>
<td>17 Else Addis Pvt Ginning Factory</td>
<td>150</td>
<td>Oromiya/Adama</td>
<td>D/roller gin</td>
</tr>
<tr>
<td>18 Ediget</td>
<td>5</td>
<td>Addis Ababa</td>
<td>Saw gin</td>
</tr>
<tr>
<td>19 Luci (Deri Kebede)</td>
<td>60</td>
<td>Dukem</td>
<td>Roller gin</td>
</tr>
<tr>
<td>20 Loyal Tirt</td>
<td>118</td>
<td>Amara</td>
<td>Roller gin</td>
</tr>
<tr>
<td>21 Abdulkadir</td>
<td>222</td>
<td>Afar</td>
<td>Saw gin</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1748.46</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ACTIF Benchmarking reports, 2016
TEXTILE INDUSTRY

Ethiopia’s textile industry is relatively diverse and can be divided broadly into four main areas of production: spinning, knitting and weaving, finishing and garmenting. The Ethiopian textile industry produces a wide range of products, such as yarn (cotton yarn; polyester blended yarn), grey knitted and woven fabric, finished fabrics (bottom weights; workwear; knits and uniform; printed sheeting) and made-ups (curtains; terry towels; blankets; mosquito nets).

There are 122 textile and garment factories, including ginning, spinning, weaving and knitting, and integrated and traditional clothing-making companies. There are 21 ginning, 3 spinning, 18 weaving and knitting, 13 integrated, 60 garment and 7 traditional handloom companies found in different parts of Ethiopia.

The factories are located in Tigray, Afar, Amhara, Oromiya, SNNP, Addis Ababa and Dire Dawa. There are also 79 mills in Addis Ababa, 22 mills in Oromiya, 7 mills in Amhara, 4 mills in Afar, 3 mills in SNNP, 3 mills in Tigray, 2 mills Dire Dawa and 1 mill in Gambelaare that produce cotton fibre, yarn, fabrics and garments.

The installed capacity of each section of the sector is 72 million kilograms of yarn, 122 million metres of woven fabric, 30 million kilograms of knitted fabric, 18 million kilograms of processed knitted fabric, 49 million metres of finished woven fabric, 62 million pieces of knitted garments and 18 million pieces of woven garments. Each section’s attained capacity is depicted in Table 5. The capacity utilization ranges from 45% to 70% and the average utilization of the industry is 58%.

<table>
<thead>
<tr>
<th>Section</th>
<th>Installed annual capacity</th>
<th>Attained annual capacity</th>
<th>Capacity utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ginning</td>
<td>106 164 tons of lint cotton</td>
<td>37 300 tons of lint cotton</td>
<td>35%</td>
</tr>
<tr>
<td>2 Spinning</td>
<td>72 million kg of yarn</td>
<td>50.4 million kg of yarn</td>
<td>70%</td>
</tr>
<tr>
<td>3 Weaving</td>
<td>122 million metres of woven fabric</td>
<td>61 million metres of woven fabric</td>
<td>50%</td>
</tr>
<tr>
<td>4 Knitting</td>
<td>30 million kg of knitted fabric</td>
<td>13.5 million kg of knitted fabric</td>
<td>45%</td>
</tr>
<tr>
<td>5 Knitting processing</td>
<td>18 million kg of processed knitted fabric</td>
<td>8.64 million kg of processed knitted fabric</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: ACTIF Benchmarking reports, 2016
Garment Sector

Garments produced in Ethiopia are primarily cotton and polyester-cotton mixed woven fabric-based garments and knitted products. Woven garments include shirts, casual jackets, pants, sports apparel and home garments. Knitted garments include t-shirts, polo shirts and underwear. Higher-end products such as suits and fashion garments are also produced.

The main types of garments that enterprises in Ethiopia’s textile and garment industry are providing for domestic market and export include men and women’s underwear, products for home use (sleepwear; pillow covers; bed sheets), clothing (shirts; polo shirt; trousers; jackets; skirts; dresses; nightwear), sportswear (baseball pants; sports jackets) and special products (military uniforms; work clothes; suits).

- Exports

Textile and apparel exports have grown from US$ 26 million in 2009 to US$ 94 million in 2013 at a compound annual growth rate (CAGR) of 38%. Apparel accounts for 43% of exports, followed by yarn at 32%.

<table>
<thead>
<tr>
<th>Table 6: Ethiopia’s textile and apparel exports (2009–2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in US$ million)</td>
</tr>
<tr>
<td>Fibre/filament</td>
</tr>
<tr>
<td>Yarn</td>
</tr>
<tr>
<td>Fabric</td>
</tr>
<tr>
<td>Apparel</td>
</tr>
<tr>
<td>Home textiles</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: DESA/UNSD, United Nations Comtrade database

<table>
<thead>
<tr>
<th>Table 7: Ethiopia’s top five exported textile and apparel commodities (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
</tr>
<tr>
<td>Cotton yarn &gt;85% cotton</td>
</tr>
<tr>
<td>T-shirts, singlets and tank tops, etc., knit or crochet</td>
</tr>
<tr>
<td>Furnishing articles of textile materials</td>
</tr>
<tr>
<td>Other woven cotton fabrics</td>
</tr>
<tr>
<td>Men’s or boys’ underpants, etc., knit or crochet</td>
</tr>
</tbody>
</table>

Source: DESA/UNSD, United Nations Comtrade database
### Imports

Textile and apparel imports have grown from US$ 237 million in 2009 to US$ 605 million in 2013 at a CAGR of 26%. Apparel accounts for 46%, followed by fabric and yarn, with 20% and 11% respectively.

#### Table 8: Ethiopia’s textile and apparel imports (2009–2013)

<table>
<thead>
<tr>
<th>(in US$ million)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fibre/filament</td>
<td>5</td>
<td>8</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>34%</td>
</tr>
<tr>
<td>Yarn</td>
<td>21</td>
<td>36</td>
<td>52</td>
<td>56</td>
<td>64</td>
<td>32%</td>
</tr>
<tr>
<td>Fabric</td>
<td>83</td>
<td>98</td>
<td>107</td>
<td>125</td>
<td>124</td>
<td>11%</td>
</tr>
<tr>
<td>Apparel</td>
<td>102</td>
<td>123</td>
<td>135</td>
<td>223</td>
<td>280</td>
<td>29%</td>
</tr>
<tr>
<td>Home textiles</td>
<td>17</td>
<td>74</td>
<td>27</td>
<td>34</td>
<td>58</td>
<td>36%</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>10</td>
<td>27</td>
<td>19</td>
<td>64</td>
<td>59%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>237</td>
<td>349</td>
<td>362</td>
<td>472</td>
<td>605</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: DESA/UNSD, United Nations Comtrade database

#### Table 9: Ethiopia’s top five imported textile and apparel commodities (2013)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Import value (US$ million)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woven fabric of synthetic filament yarn</td>
<td>86</td>
<td>14%</td>
</tr>
<tr>
<td>Men’s or boys’ suits, ensembles, not knit, etc.</td>
<td>52</td>
<td>9%</td>
</tr>
<tr>
<td>T-shirts, singlets and other vests, knitted or crocheted</td>
<td>43</td>
<td>7%</td>
</tr>
<tr>
<td>Women’s or girls’ suits, ensembles, jackets, blazers, dresses, skirts,</td>
<td>40</td>
<td>7%</td>
</tr>
<tr>
<td>divided skirts, trousers, bibs and brace overalls, breeches and shorts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synthetic filament yarn (other than sewing thread), not put up for retail</td>
<td>25</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: DESA/UNSD, United Nations Comtrade database
Investment Opportunities

*Investment opportunities exist across the textile value chain in Ethiopia, covering the spinning, weaving and finishing of textile fabrics.*

This includes:

- **Apparel manufacturing:** This is the most attractive investment option for global investors due to the duty advantage under AGOA to the United States. Ethiopia has well-developed export channels and infrastructure.

- **Textile (yarns and fabrics) manufacturing:** Ethiopia is an attractive destination for textile investments across four main production areas: spinning; knitting and weaving; finishing; garmenting. This will help satisfy the growing domestic and regional demand for a variety of products, including yarn (cotton yarn; polyester blended yarn), grey knitted and woven fabric, finished fabrics (bottom weights; workwear; knits and uniform; printed sheeting) and made-ups (curtains; terry towels; blankets; mosquito nets).

- **Apparel accessories:** East Africa’s apparel exports are increasing continuously, but there is little production of apparel accessories like labels, buttons, zippers and hooks, etc. An investment targeted at manufacturing and import substitution of such items is a good proposition.

- **Services:** With growing production of textile and apparel manufacturing factories, opportunities will arise to provide associated services like buying houses, testing houses, technical consultancies, brokerage services, export marketing and training, etc.
Useful Contacts

**Ethiopian Investment Commission**
- Telephone: +251 115 510 033
- E-Mail: ethioinvest@investethiopia.gov.et
- Website: www.investethiopia.gov.et

**National Bank of Ethiopia**
- Telephone: +151 115 517 438
- E-Mail: nbe.edpc@ethionet.et
- Website: www.nbebank.com

**Development Bank of Ethiopia**
- Telephone: +251 115 511 188
- E-Mail: deb@ethionet.et
- Website: www.dbe.com.et

**Ethiopian Revenues and Customs Authority**
- Telephone: +251 11 662 98 87
- E-Mail: erca@ethionet.et
- Website: www.erca.gov.et

**Ethiopian Shipping Lines**
- Telephone: +251 11 55 18 280
- E-Mail: amb.abrh@ethionet.et
- Website: www.ethiopianshippinglines.com.et

**Ministry of Trade**
- Telephone: +251 115 518 025
- Website: www.ethiopia.gov.et

**Ethiopian Chamber of Commerce and Sectoral Association**
- Telephone: +251 115 518 240
- E-Mail: etchamb@ethionet.et
- Website: www.ethiopianchamber.com

**Addis Ababa Chamber of Commerce and Sectoral Associations**
- Telephone: +251 115 528 120
- E-Mail: aachamber1@ethionet.et
- Website: www.addischamber.com

**Privatization and Public Enterprises Supervising Agency**
- Telephone: +251 011 646 5007 +251 011 646 4604
- E-Mail: pesa@ethionet.et
- Website: www.ppesa.gov.et

**Ethiopian Textile and Garment Manufacturers’ Association**
- Telephone: +251 115 576 002
- E-Mail: ageazi.etgama@gmail.com
- Website: www.etgama.com
ANNEX I: INSTITUTIONAL SUPPORT FOR INVESTORS

The Ethiopian Investment Commission (EIC) is an independent government establishment accountable to the country’s investment board, which the prime minister chairs. The EIC is headed by a commissioner, who is also a board member.

The EIC has restructured itself recently with a view to becoming more effective at attracting FDI and improving the services provided to investors.

EIC’s chief services include:

- Issuing business licenses, construction permits and investment permits;
- Promoting Ethiopia’s investment conditions and opportunities to domestic and foreign investors;
- Carrying out registration of company or trade name and amendment, along with cancellations or replacements;
- Notarizing memoranda and articles of association and amendments;
- Issuing certificates for commercial registration, along with replacements, amendments, renewals or cancellations;
- Issuing work permits, including replacements, renewals, suspensions or cancellations;
- Registering technology transfer agreements and export focused non-equity based foreign enterprise partnerships with domestic investors;
- Grading first grade construction contractors;
- Advising the Ethiopian Government on policy measures required to establish an appealing investment climate for investors;
- Negotiating and, upon government endorsement, signing bilateral investment protection and promotion treaties with other countries;

Additionally, the EIC offers investors the following cost-free, confidential and customized services:

- Provision (via its website, various publications or personal responses to investors’ inquiries) of data on employment regulations and sector-specific business incorporation procedures, business prospects and related regulations;
- Supporting and assisting investors throughout the procurement of land and utilities (electrical power, water and telecom services), processing residence permit applications and loans, approving investment projects’ environmental impact evaluation studies and issuing a tax identification number (TIN).
**ETHIOPIAN INDUSTRIAL ZONES DEVELOPMENT CORPORATION (IZDC)**

In 2012, the government sanctioned the creation of the Ethiopian Industrial Zones Development Corporation (IZDC) under the Ministry of Industrialization (MoI), and the establishment was later re-established as the Ethiopian Industrial Park Development Corporation (IPDC).

IPDC is responsible to the Ministry of Industry and has the role of:

- Designing implementation schemes and policies for developing industrial parks;
- Developing industrial zones development programme guidelines and regulations;
- Licensing and regulating the creation of new industrial parks and expansions of existing ones, both private and public;
- Leasing and allocating land to be utilized for industrial purposes in conjunction with other relevant governmental authorities;
- Expediting all logistical processes for the creation and operation of industrial bodies in the parks, and providing satisfactory incentives for new investments;
- Coordinating between all participating entities to ensure compliance with all national regulations, e.g. regulations for the use of energy or land, environmental regulations, etc;
- Ensuring the building of industry zones with adequate infrastructures, including techno parks, and administer industrial zones jointly with regional states and city administrations;
- Participating in joint ventures with foreign industry zone developers;
- Facilitating a one-stop shop for services in industrial zones by coordinating with service providers and customs, banks, telecom and electricity, etc.;
- Overseeing industry bodies outside the parks.

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**ETHIOPIAN TEXTILE INDUSTRY DEVELOPMENT INSTITUTE (ETIDI)**

The Government of Ethiopia set up the Ethiopian Textile Industry Development Institute (ETIDI) to facilitate and lead the development of the textile and clothing manufacturing industry in Ethiopia. With the aim of accelerating economic growth in the country via the export-led industrial development strategy, ETIDI’s key objective is to enable the development and transference of textile and apparel industry technologies and empower the industry to become competitive.

ETIDI has also been engaged in advising investors who want to be involved in the textile and apparel sector on the choice of technology, negotiation, construction and commissioning. ETIDI’s primary role is to prepare and carry out practical training on technology, technical matters, management and marketing, and other customized training that will support the competitiveness and development of the textile and apparel sector.
ANNEX II: INVESTMENT START-UP PROCEDURES

A. Investment license
To meet the requirements for an investment permit, an investor must submit the following documents:

- An investment application form signed by the investor or agent;
- If an agent signs the application on the investor’s behalf, a photocopy of his power of attorney;
- If an individual person signs the investment, a photocopy of his passport page displaying his identity and two recent passport-sized photographs;
- If an organization incorporated in Ethiopia makes the investment, photocopies of its memorandum of association and articles of association, or where it is to be initiated. It will also submit photocopies of each shareholder’s valid passport;
- If a foreign business organization branch makes the investment, photocopies of its memorandum of association or a similar parent company document;
- If it is a joint investment by foreign and domestic investors, in addition to the documents submitted under the previous point, photocopies of identity cards or photocopies verifying the domestic investor’s statues, as necessary;
- If an agent submits the application, a power of attorney and other related information pertaining to the project details;
- A foreign investor who plans to complete a technology transfer agreement associated with the investment is required to hand in a draft agreement and a filled-in application form.

The Ethiopian Investment Agency (EIA) authorizes and issues investment permits within four hours provided that the above-mentioned documents are submitted in full.

B. Residence permit
When the investment permit is submitted, the Main Department for Immigration and Nationality Affairs issues a foreign investor with a residence permit. An expatriate staff member who has a permit and a foreign investor who is a shareholder of a business or a branch business are also eligible for a residence permit.

C. Land acquisition
The EIA has the directive to enable land allocation for FDI projects all over Ethiopia. For other activities, there is urban land available on an auction basis. The auction prices differ, contingent on demand. The rental and lease prices of rural and urban land differ according to class of land, location and type of investment. The land cannot be sold or mortgaged, but the rental or lease value of the land and its fixed assets can be transferred to a third party or mortgaged.