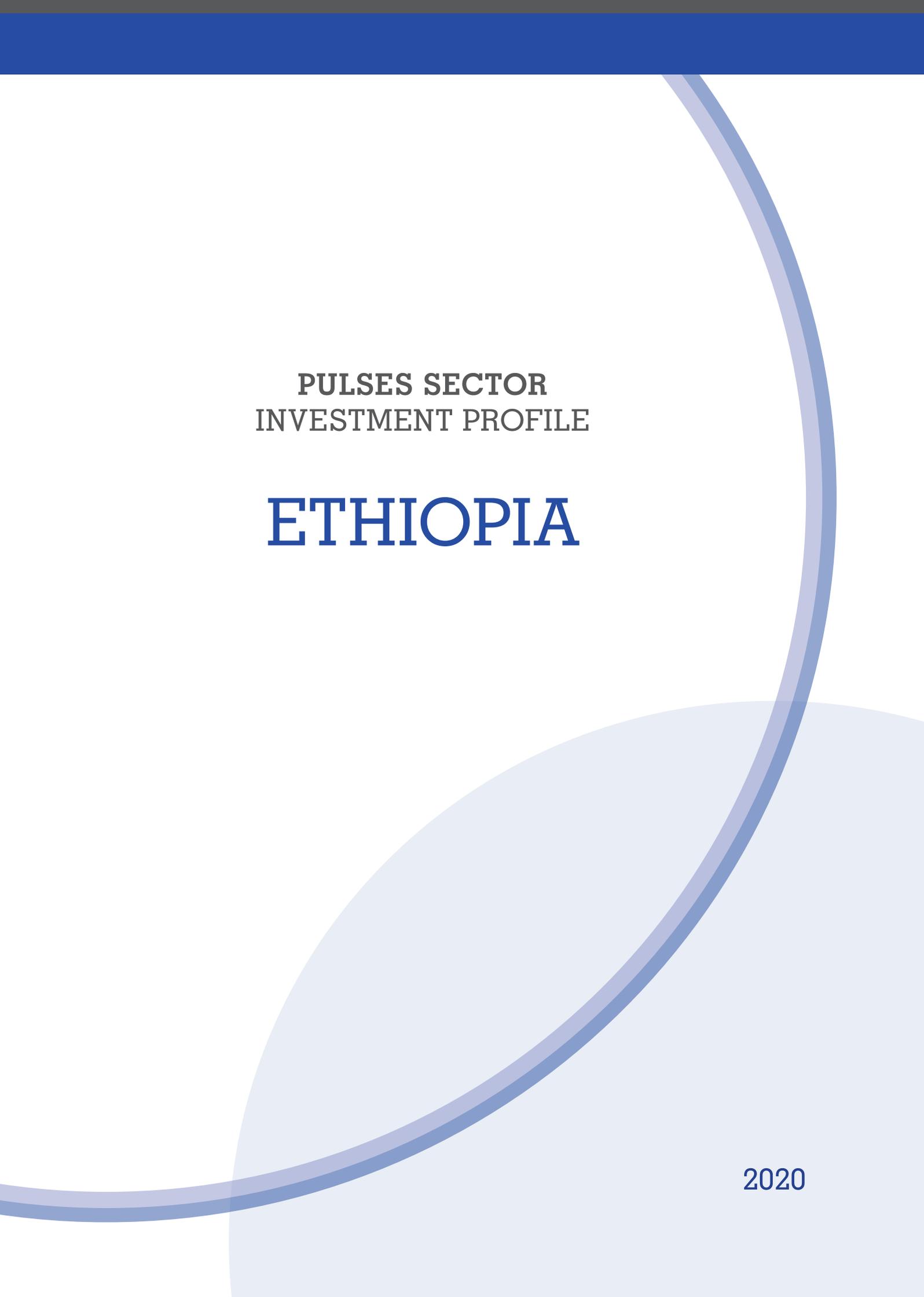


ETHIOPIA





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**PULSES SECTOR
INVESTMENT PROFILE**

ETHIOPIA

2020



ACKNOWLEDGEMENTS

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Abbreviations & Acronyms

AGOA	African Growth and Opportunity Act	SNNP	Southern Nations Nationalities and People
COMESA	Common Market for Eastern and Southern Africa	GDP	Gross Domestic Product
CSA	Central Statistics Authority	DBE	Development Bank of Ethiopia
EBA	Everything But Arms	VAT	Value-Added Tax
EIA	Ethiopian Investment Agency	FDI	Foreign Direct Investment
ERCA	Ethiopian Revenues and Customs Authority	IPDC	Industrial Parks Development Corporation of Ethiopia
GTP	Growth and Transformation Plan	EPOSPEA	Ethiopian Pulses, Oilseeds and Spices Processors – Exporters Association
MoFED	Ministry of Finance and Economic Development	PPP	Public-Private Partnership
NBE	National Bank of Ethiopia	ECX	Ethiopia Commodity Exchange

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WHY ETHIOPIA?

Due to its large population and rapid economic growth, Ethiopia has the potential to be among Africa's biggest domestic markets and its strategic location in the Horn of Africa at the junction between Asia, the Middle East and Africa presents further prospective market opportunities.



POLITICAL ENVIRONMENT

The Federal Democratic Republic of Ethiopia is Africa's oldest independent country and second largest in terms of population. Apart from a five-year occupation by Mussolini's Italy, Ethiopia has never been colonised and served as a symbol of African independence throughout the colonial period (BBC, 2018). Ethiopia is a federal parliamentary republic with its separate regions defined by ethnic lines. The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) has held power since it replaced the Derg regime in 1991. The current constitution was established in 1994 and the first multiparty election was held in 1995. National elections last took place in May 2015, and the next elections are due in 2020 (BBC, 2018).

Ethiopia's leadership reform in 2018 came along with meaningful reform and a strong commitment to create economic and political integration with neighbouring countries. Prime Minister Abiy Ahmed was appointed in April 2018 after the resignation of his predecessor. In the pursuit of achieving greater gender equality, Africa's youngest head of government appointed women to half of ministerial posts and Ms Sahle-Work Zewde was elected as Ethiopia's first female president in October 2018 (BBC, 2018). Since then, Mr Abiy has gained international recognition by promoting political freedom and stability, as well as normalising relations with Eritrea.

Ethiopia was a founding member of the United Nations and its capital, Addis Ababa, is the African base of several international organizations, such as the Economic Commission for Africa (ECA), the African Union (AU) and the United Nations Development Programme (UNDP).

Ethiopia at a glance

Official Name: Federal Democratic Republic of Ethiopia

Political System: Federal with multi-party democracy

Official national language: Amharic

Other major (regional) languages: Oromo, Tigrigna, Somali. English is widely used in business and higher education.

Principal Religions: Ethiopian Orthodox 43.5%, Muslim 33.9%, Protestant 18.5%

Capital City: Addis Ababa

Area: 1.14 million km²

Population: 109.22 million (2019)

- 0-14 years: 40%
- 15-64 years: 56%

Population growth: 2.6% (2018)

Urban population: 21% (2019)

Literacy rate (age 15 and over):

- Female: 44% (2017)
- Male: 59% (2017)

Why invest in Ethiopia?

- Rapid and sustainable economic growth
- Young and trainable labour force at competitive rates
- Favourable infrastructure and market access
- Abundant irrigable land
- Extensive incentive packages and investment facilitation
- Party to major international trade agreements: COMESA, AGOA, EBA

DEVELOPMENT COMMITMENTS

The Ethiopian Government created the Growth and Transformation Plan (GTP), a national five-year plan to achieve rapid, sustainable and broad-based economic growth. This plan (GTP I: 2010/11-2014/15 and GTP II: 2015/16-2019/20) pursued the growth through the export-driven industrialization strategy focussing on productivity gains and manufacturing industries. The plan set objectives, strategic directions and key targets across socioeconomic sectors. The formulation of the GTP has also passed through broad based consultation processes with relevant stakeholders at regional and federal levels and stimulated a sense of national ownership of the GTP. GTP I resulted into significant achievements in real GDP growth, infrastructure development, domestic saving and investment, as well as social development and capacity building at all levels. GTP II is regarded as an important milestone towards realizing Ethiopia's vision of becoming a lower middle-income country by 2025. It is centred on modernization in the agriculture sector, expansion of industrial development with primary focus on light manufacturing, and a significant shift in export development. To increase the share of manufacturing, GTP II efforts concentrate on light and agro-processing industries, which indicates the significance of strengthening the linkages between manufacturing and agriculture.

ECONOMIC ENVIRONMENT

Ethiopia is now among the fastest growing economies in the world, experiencing rapid and sustainable economic growth averaging about Ethiopia's economy experienced strong, broad-based growth averaging 10.3% a year from 2006/07 to 2016/17, compared to a regional average of 5.4%. Mainly driven by public investments in agriculture and infrastructure, the Ethiopian economy has

Key economic facts	
Currency	Ethiopian birr (ETB)
Exchange rate	1 USD = 28.4 ETB (period weighted average 2016/17)
GDP (current USD)	US\$ 84.35 bn (2018)
GDP per capita	US\$ 985 (2018/19)
GDP growth	9% (2018/19)
Inflation rate (consumer price)	12.6% (2018/19)
Imports	15.8% of GDP (2018/19)
Exports	2.8% of GDP (2018/19)
Govt. expenditure	US\$ 16.5 billion (2018/19 revised)
Govt. revenue	US\$ 11.8 billion (2018/19 revised)
FDI inflow	US\$ 3 billion (2018/19)

Source: EIC, 2018; NBE 2019; WB, 2018; IMF, 2018

more than tripled in size since 2003. The Ethiopian economy has recorded 9% growth in 2018/19, faster than the 7.7% expansion in the previous year. This growth was attributed to 12.6% growth in industrial output, 11% increase in service sector and 3.3% expansion in agriculture. Another favourable factor is Ethiopia's in interregionally low corruption level (Transparency International, 2018).

As a result, average per capita income has more than doubled while the poverty rate has almost halved since 2000. Ethiopia succeeded in reducing both total and food poverty with an increasing population. The poverty level declined to 22% in 2016/17 from 38.7% in 2005/06 (NBE, 2018). Food poverty has been reduced to 24.8% in 2015/16 from 33.6% in 2010/11 (GTP II, 2015; IMF, 2018).

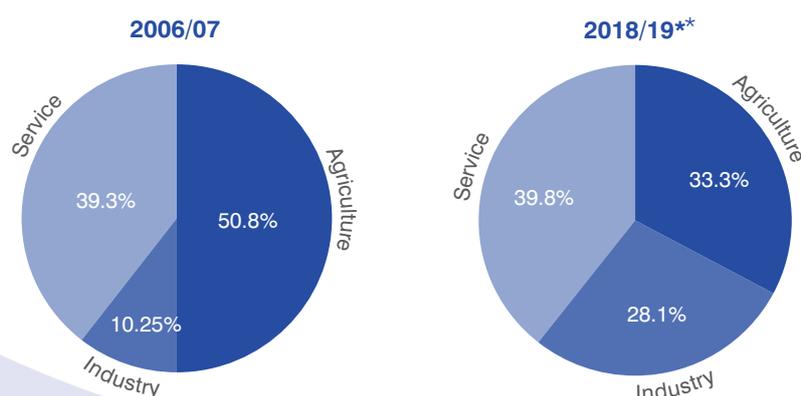
The share of industry in GDP has increased to 28.1% in 2018/19 from 27% in 2017/18 while that of service sector rose slightly to 39.8% from 39.2%. In contrast, the share of agriculture to GDP dropped to 33.3% from about 35% during the same period.

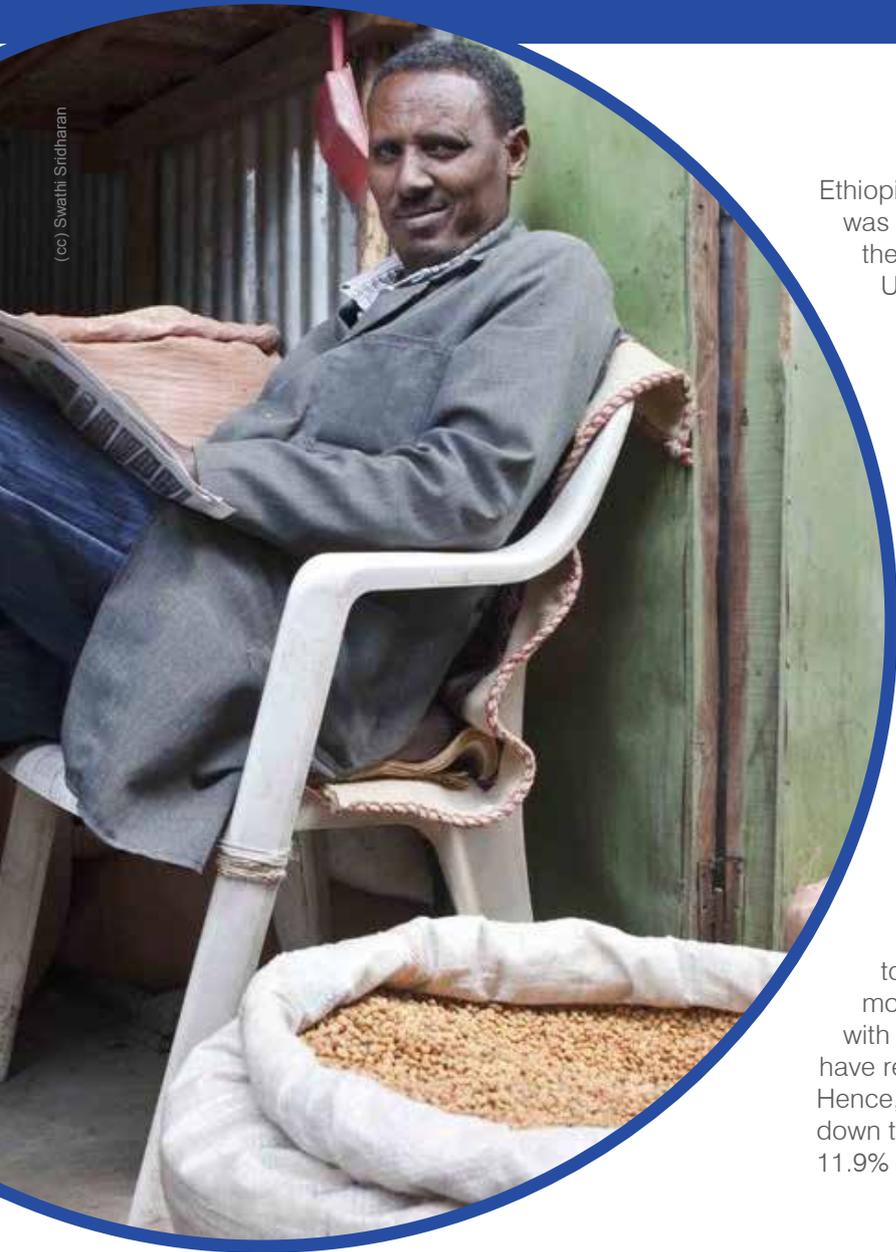
This gradual but steady shift in the structure of the economy reflects the government's policy direction of developing manufacturing sector and promoting export-led growth while continuing to give due attention to modernizing the agriculture sector which has dominated the country's economic base for years (NBE 2019).

Source: NBE, 2019

* The values of the sector shares in GDP add up to 101.2%, as published in the annual 2018/19 report of National Bank of Ethiopia.

Figure 1: Ethiopia's sectoral share trends

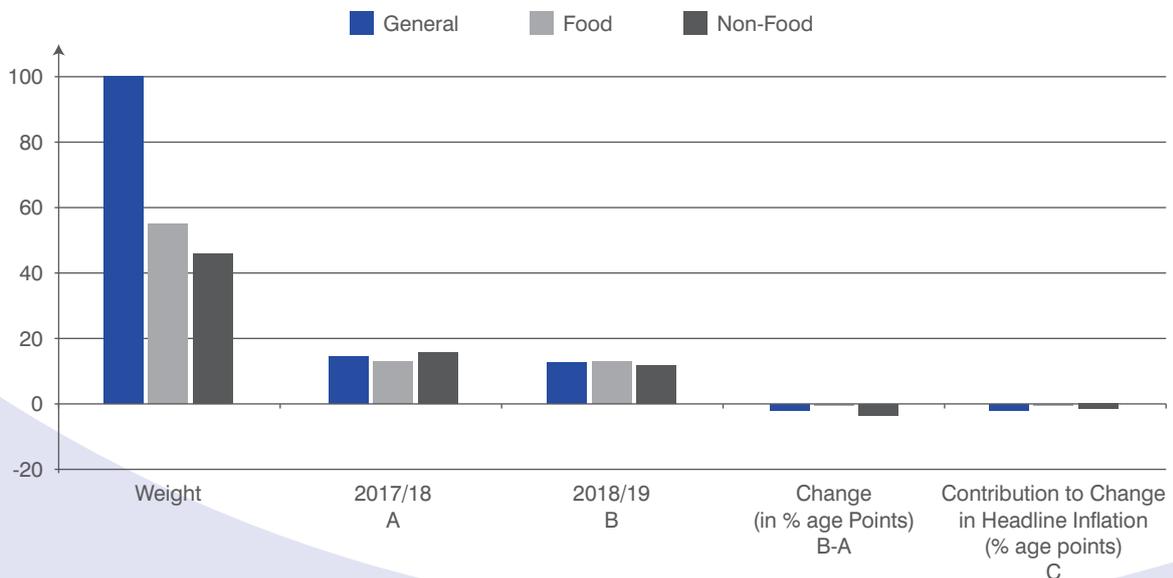




Ethiopia's nominal gross domestic product (GDP) was US\$ 84.35 bn in 2019. In the same year, the per capita purchasing power parity was US\$ 2330 and per capita GDP in current prices has grown to US\$ 985 from US\$ 341 in 2010 (NBE 2019). Gross domestic savings as a percentage of GDP have dropped to 22.3% in 2018/19 from 24.3% in 2017/18, which is still considerably higher than Sub-Sahara African average, and is projected to grow further in the coming years. Gross domestic investment is with 36.6% of GDP likewise high for African standards. The resource gap has decreased steadily to negative 16.2% and is projected to decrease further (IMF, 2018).

Since 2006, Ethiopia has not been considered a low inflation country and in July 2008 an all-time high inflation rate of 64% was recorded. Inflation re-emerged in 2012 and reached a peak of about 40% in September 2012 (mainly due to food prices). However, well-coordinated monetary and fiscal policy stance coupled with a slowdown in world commodity prices have resulted in a significant decline in inflation. Hence, in 2018/19, headline inflation tumbled down to 12.6%, while food inflation dropped to 11.9% and non-food inflation to 13.1%.

Figure 2 : Annual Average Inflation Rates (in %)



ETHIOPIAN PULSES SECTORAL OVERVIEW

With its diverse natural resources and many agro-ecological zones, Ethiopia is the homeland and domestication of a number of crop plants. Among those, large amounts of pulses have been farmed and consumed for many years.

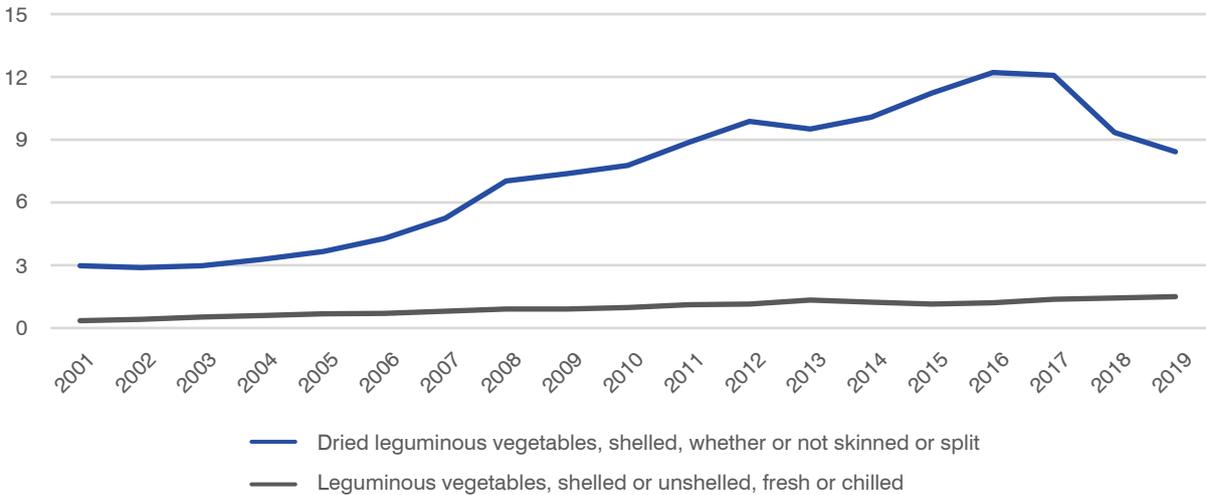
GLOBAL AND REGIONAL IMPORTANCE OF PULSES

Pulses are a traditional crop and a staple food in diets around the world and represent over sixty species of “grain legumes”, which are typically boiled and eaten. The climate smart crops with little water requirements are grown in climate zones ranging from tropic to temperate.

As an essential source of protein and minerals, pulses’ contribution to diets reaches up to 40% of protein consumption in some countries. Pulses also contain essential nutrients such as calcium, iron, and lysine that help the body fight vitamin and mineral deficiencies. In addition, pulses contribute to soil fertility due to their nitrogen-fixing ability and reduce the need for chemical fertilizers for crops planted on the same land. Therefore, pulses can be important in improving nutrition and health, food security, livelihoods and sustain natural resources.

Globally, pulse production increased from 44.9 million tons on 63 million hectares in 1981-1983 to 72.3 million tons on 80 million hectares in 2011-2013. International trade in pulses has likewise grown significantly, from an export global value of around US\$ 3.4 billion in 2001 to US\$ 13.4 billion in 2017 (Trade Map (ITC), 2018).

Figure 3: Exported global value of pulses, in USD billion (2001– 2019)



Source: ITC Trade Map, 2020

ETHIOPIA'S PULSES PRODUCTION SYSTEM

Given Ethiopia’s diverse topography and geographical location, it is a suitable ecology for pulses production and twelve varieties are cultivated in the country. Of the different varieties, faba beans (horse beans) account for nearly one third of entire pulse production, followed by red kidney beans, field beans, and chickpeas (each around 14% of production).

Other pulses, such as grass peas, lentils and white pea beans make up the remaining 25%.

While pulses are grown throughout Ethiopia, more than three quarters of production is concentrated in the Oromia and Amhara regions. The Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA) provided further information in box below.

Pulse producing areas and seasons

Pulse type	Cultivation area	Sowing and harvesting season
White Pea Bean	Amhara (Eastern Shewa), Oromia (Western & Eastern Harergea), Arusi	Sowing: June Harvesting: Sep-October.
Red Pea Bean	Oromia (West Arsi), around Shashemane, parts of Eastern Shewa Alaba, Kenebata	Sowing: March Harvesting: May/June
Pinto Bean	South Region Segn Zone	Sowing: March/April Harvesting: June
Horse Bean	Arusi Bale & Northern Shewa	Sowing: June/July Harvesting: November/December
Soya Bean	Benishangul, Metekel Zone, around Assosa	Sowing: June Harvesting: December/January
Mung bean	Amhara (Northern Shewa Robit)	Sowing: Rain Base March/April & Irrigation Harvesting: June/July
Chickpea	Amhara, in the South, Tigray and Oromia (potential: Benishangul, Somali Afar, Hareri)	Sowing: half of August/September Harvesting: November/January
Lupin	Gojam	Sowing: May Harvesting: January
Vetch	Eastern Gojam	Sowing: August/September Harvesting: November

Source: Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA), 2018

Ethiopia is among the world's top 10 total pulses producers, the second-biggest faba beans producer after China and the sixth biggest chickpea producer. In total, 3,300 tonnes of pulses have been produced on 1,620 hectares in Ethiopia in 2018/19 (NBE, 2019).

are exported with a contract based linkage between large-sized business and small farmers' organizations (unions), such as ACOS Ethiopia.

Smallholders are the backbone of the pulse sector and account for approximately 95% of the sector's production. The country also has a number of pulse processing factories. Pulses, especially red kidney beans, are produced through major cooperatives that exist along the major regions of Ethiopia, such as Tsehay Union in Oromiya and Mercha Union in Oromiya. Chickpeas



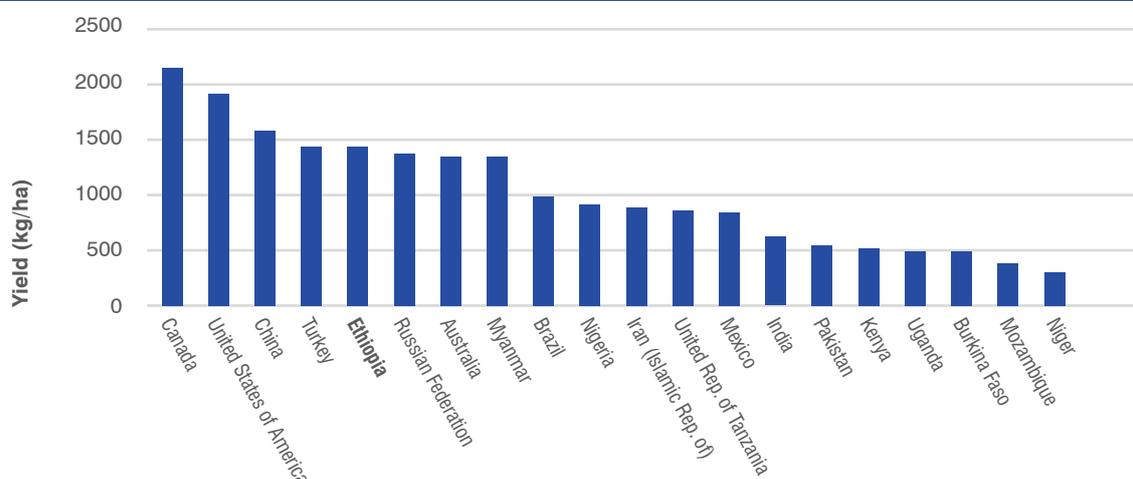
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Global pulse yields vary between regions and countries, with Canada producing over 2 tonnes per hectare in average and most of the African and South Asian countries have yields of less than 0.5 tonnes per hectare from 2011–2013. As indicated in Figure 4, Ethiopia stands as an exception with yields of close to 1.5 tonnes per hectare (Joshi and Rao, 2016).

Though Ethiopia’s pulse productivity is high in regional comparison, existing yields worldwide and on-farm trials suggest significant potential for productivity gains. For instance, farm trials

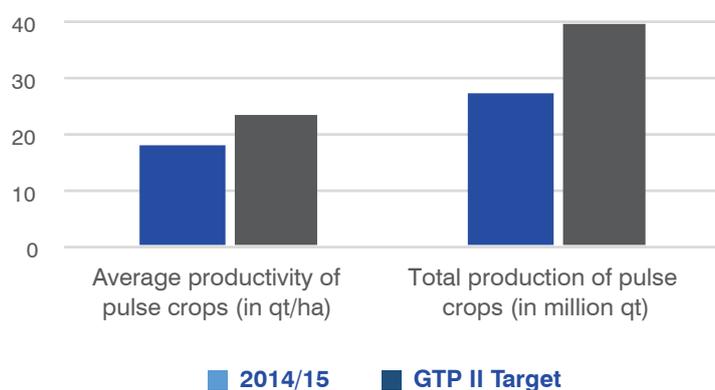
in Ethiopia on experimental plots have revealed a production gap of at least 150% (Netherlands – African Business Council and FME-CWM, 2015). Advances in planting techniques through targeted investment and knowledge transfer could increase total pulse production and raise smallholder income by between 40% and 70% per hectare (Shahidur Rashid et al., 2010). The Government of Ethiopia has recognized the potential of its pulses sector and promotes productivity and total production increase, as visualized in Figure 5.

Figure 4: Total pulse yields in top 20 growing countries (2011–2013)



Source: Joshi and Rao, 2016

Figure 5: Productivity and production of pulses



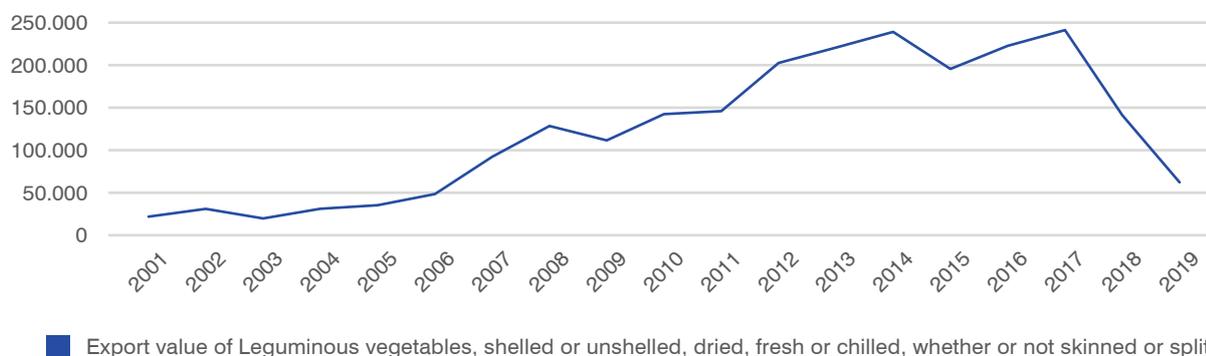
Source: Central Statistical Agency, 2015

PULSES TRADE PERFORMANCE

Ethiopia exports a sizeable amount of pulses to the global market. As depicted in Figure 6, the total export value of pulses has increased from US\$ 21.85 million in 2001 to US\$ 240.62 million in 2017 [Trade Map (ITC), 2018]. Based on export earnings in 2018/19, pulses are Ethiopia’s fifth most important export crop. Some chief export pulses are chickpeas, faba beans, field peas, haricot beans, and lentils.



Figure 6: Ethiopia's export value trends of pulses, in USD thousand (2001-2019)



Source: ITC Trade Map, 2020

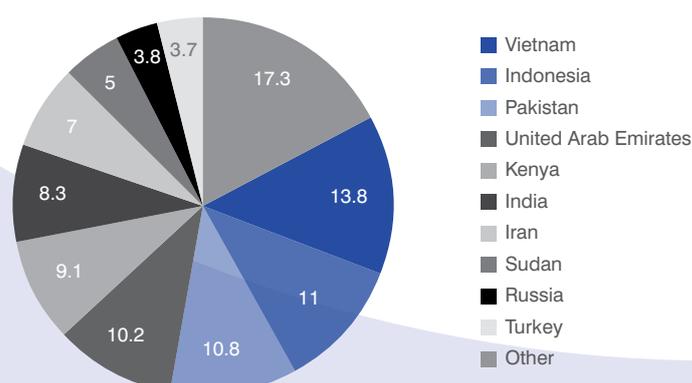
As shown in Table 1, pulses are among the top 5 export products, after coffee (28.7%) and oilseeds (14.5%), with a share of 10.2% contributing US\$ 272.3 million to export earnings in 2018/19 [NBE 2019].

Table 1: Ethiopia's export value and share trends by commodity (in USD million)

Particulars	2016/17		2017/18		2018/19		Percentage Change	
	A	% share	B	% share	C	% share	B/A	C/B
Coffee	883.2	30.4	839.0	29.6	764.1	28.7	-5.0	-8.9
Oilseeds	351.0	12.1	423.5	14.9	387.8	14.5	20.6	-8.4
Leather and leather products	114.0	3.9	132.4	4.7	117.4	4.4	16.1	-11.4
Pulses	279.9	9.6	269.5	9.5	272.3	10.2	-3.7	1.1
Meat and meat products	98.7	3.4	101.7.6	3.6	88.6	3.3	3.1	-12.8
Fruits and vegetables	56.1	1.9	61.4	2.2	60.9	2.3	9.5	-0.9
Live animals	67.6	2.3	61.1	2.2	45.8	1.7	-9.6	-25.0
Chat	273.0	9.4	263.2	9.3	303.6	11.4	-3.6	15.4
Gold	208.8	7.2	100.2	3.5	27.9	1.0	-52.0	-72.1
Flower	218.5	7.5	228.6	8.1	256.6	9.6	4.6	12.3
Electricity	73.4	2.5	80.5	2.8	55.7	2.1	9.7	-30.8
Others	283.2	9.7	275.0	9.7	285.7	10.7	-2.9	3.9
Total Export	2,907.5	100.0	2,836.1	100.0	2,666.5	100.0	-2.5	-6.0
Total Export Excluding Electricity	2834.1		2755.6		2610.8		-2.8	-5.3

Source: Ethiopian Revenue and Custom Authority and Ethiopian Electric Power

Figure 7: Share in Ethiopia's exports in pulses* in % (2017)



Ethiopia exports pulses mainly to Asia. Vietnam, Indonesia, Pakistan and the United Arab Emirates are the top export destinations of Ethiopian pulses, as indicated in Figure 7.

* Dried leguminous vegetables, shelled, whether or not skinned or split
Source: Trade Map (ITC), 2018

PULSES INVESTMENT OPPORTUNITIES

Investors can find lucrative opportunities in Ethiopia's pulses sector in primary production, indirect production through contract farming and value-addition. The growing demand for pulses, domestically and internationally, as well as the fact that only about 15% of the country's total pulse production is exported, indicate the positive prospects of investments [Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA), 2018].

PRIMARY PRODUCTION

Ethiopia offers ample irrigable land with abundant labour force for pulses farming for both domestic and foreign investors. Investors can take advantage of the substantial potential for productivity gains in the pulses sector in Ethiopia to further promote the competitive advantage. Ethiopia's climate, along with its diverse agroecology and varied and plentiful natural resources, is suitable for pulses production. Further to this, the Government of Ethiopia is proactively promoting FDI-initiated commercial farming and set goals for increased pulses productivity and production (GTP II).

INDIRECT PRODUCTION THROUGH CONTRACT FARMING

The Government of Ethiopia is keen to expand contract farming between companies and producers as an important commercialization instrument to enhance export earnings, knowledge transfer and food security.

VALUE-ADDED PRODUCTION AND PROCESSING

Investments in value-added production and processing offer great potential, as the government recognized that Foreign Direct Investment (FDI) plays an active role in industrial development through value addition. The strong political commitment is reflected in export incentives for agro-processed items, such as free from sales and value-added taxes, and in efforts for the establishment of food-related agribusinesses like pulses processing and packaging for further development.



ETHIOPIA'S TRADE AND INVESTMENT CLIMATE

As one of the fastest growing economies in the world, Ethiopia offers a large domestic market and abundant agricultural production inputs with easy access to foreign markets through infrastructure and various trade agreements.

To enhance Ethiopia's trade and investment climate, the government follows an integrated 5-year Growth and Transformation Plan to guide its state-led industrial development (GTP II currently covers 2016–2020). In realizing the government's ambitious goals, consistent and prudent macroeconomic policies as well as investments in large-scale social, infrastructural and energy projects are pursued. Furthermore, the government aims to facilitate foreign investment by providing investment incentives, such as facilitation of repatriation of investment and profit, ease in hiring expatriate personnel, temporary income tax exemptions for investments in selected sectors, duty-free imports of capital goods, components and raw materials for exporting industries and manufacturers in priority sectors (U.S. Bureau of Economic and Business Affairs, 2016).

TRADE AGREEMENTS

Ethiopia is a member of several trade arrangements and a beneficiary to different trade-enhancing schemes, listed below. Such market access privileges enable investors to benefit from the preferential terms, which gives them a competitive advantage for their goods over those not participating in the scheme (EIC, 2018).

World Trade Organization (WTO): Ethiopia applied for accession to the World Trade Organization in 2003 and is, as of April 2019, still in the process of becoming a full member. Being a member of the WTO implies that Ethiopian products have access to more than 90% of world markets at most favoured nation (MFN) treatment.

Cotonou Partnership Agreement: The Cotonou Agreement, also known as African Caribbean Pacific European Union (ACP-EU) Partnership Agreement, provides for the transition of the non-reciprocal Lomé type trade preferences to WTO-compatible Economic partnership agreements (EPAs) between the European Union and African, Caribbean and Pacific countries and regions (ACP). The Government of Ethiopia signed the Cotonou Agreement in 2000 and the EPA with eastern and southern African states is open for accession to Ethiopia.

Everything But Arms (EBA): EBA is a European Union initiative under which all imports from Least Developed Countries (LDCs) to the European Union are duty-free and quota-free, with the exception of armaments.

African Growth and Opportunity Act (AGOA):

AGOA is a non-reciprocal trade preference agreement offering 6,500 products from 40 eligible Sub-Saharan African countries duty-free market access to the United States of America. AGOA has been approved by the U.S. Congress in 2000 and renewed until September 2025.

Common Market for Eastern and Southern Africa (COMESA):

COMESA is a regional economic community of 21 Member States. Ethiopia is in the process of joining COMESA's Free Trade Agreement by 2021 to access its large regional trade union.

African Continental Free Trade Agreement (AfCFTA):

AfCFTA will be the world's largest free trade area, with the goal of creating a single continental market followed by free movement and a single currency union. It has the potential to double intra-African trade by eliminating import duties and reducing non-tariff barriers. As of April 2019, the trade agreement is signed by 52 and ratified by 22 of the 55 African Union member states, effectively meeting the minimum threshold for the agreement to come into force.

Trade and Investment Framework Agreement (TIFA):

The United States of America and COMESA signed a TIFA in 2001, providing a strategic framework and principles for dialogue on trade and investment issues between the parties to the agreement.

The country enjoys further privileged duty treatment and Generalized System of Preferences (GSP) from countries like Australia, Canada, Japan, Finland, Russia, Switzerland, and Turkey (EIC, 2018).

Did you know?

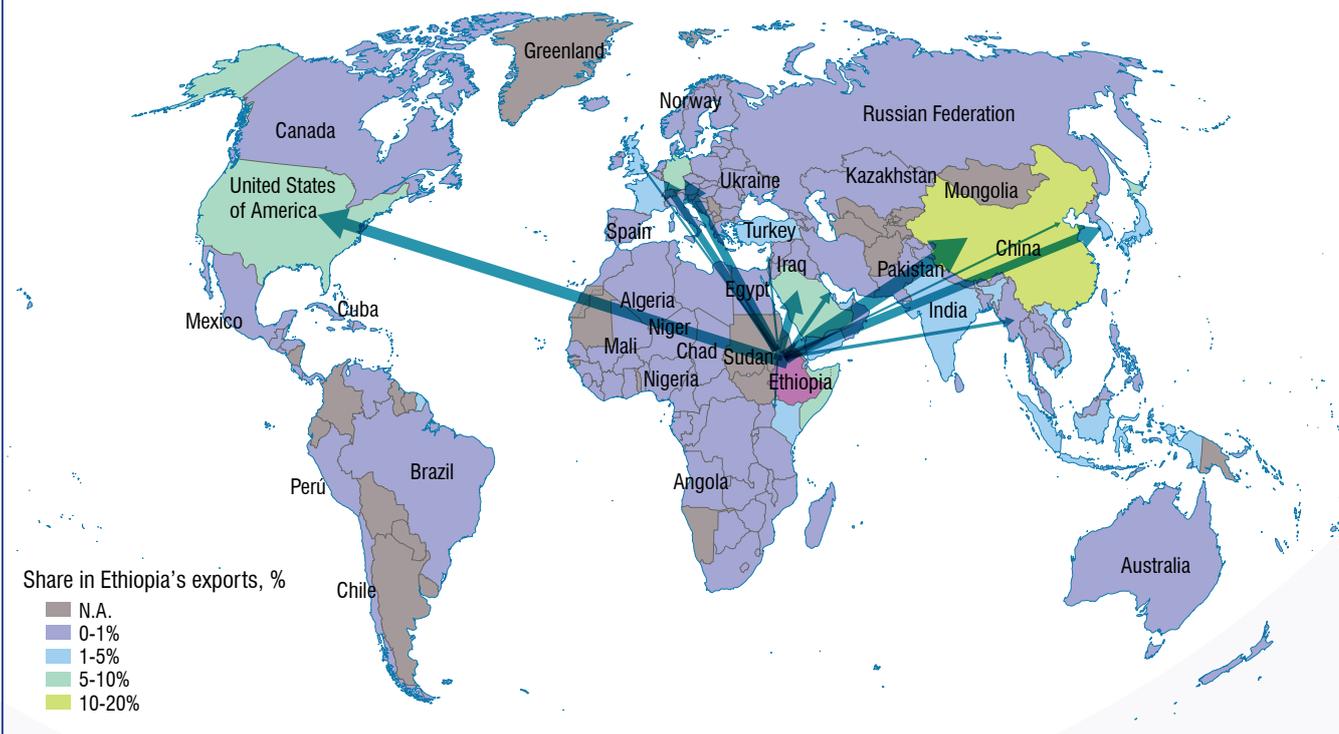
Ethiopia's trade and investment climate recognitions:

- United Nations Award for “Outstanding performance in targeted promotion, facilitation and execution of sustainable investment projects”, 2017
- World Bank global “Star Reformer Award” for effective foreign direct investment (FDI) related reforms and resulting success, 2017
- “Best Investment Promotion Agency in East Africa” at the Annual Investment Forum, an initiative of the UAE, 2018
- Ranked 80th out of 190 economies for ease of enforcing commercial contracts, rating of OECD standard, World Bank’s Doing Business Report, 2017
- Top 10 Most Attractive Investment Destination in Africa, Africa investment Index, 2018
- Top East African investment Destination by the Rand Merchant Bank (RMB), 2018

TRADE AND INVESTMENT TRENDS

List of importing markets for a product exported by Ethiopia in 2017

Product: TOTAL ALL products



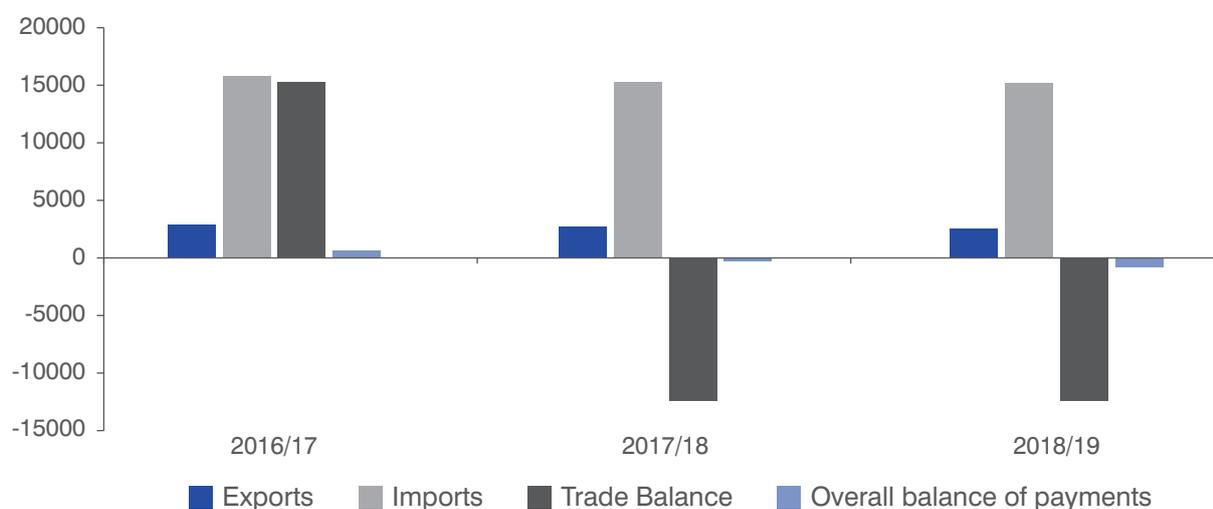
Source: Trade Map (ITC), 2018

Ethiopia's export has declined by 6% to US\$ 2.6 billion in 2018/19 compared to the preceding year. This was due to lower earnings from export of coffee, oilseeds, leather & leather products, meat & meat products, fruit & vegetables, gold, live-animals and electricity. The overall balance of payments registered US\$ 941.6 million deficit in 2018/19 compared to US\$ 201.6 million deficit a year earlier. This was attributed to higher shortfall in merchandise trade and net services trade balances as well as slowdown in the surplus of net capital account (NBE, 2019).



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Figure 8: Ethiopia's export and import volume trends, in USD million (2010-2017)



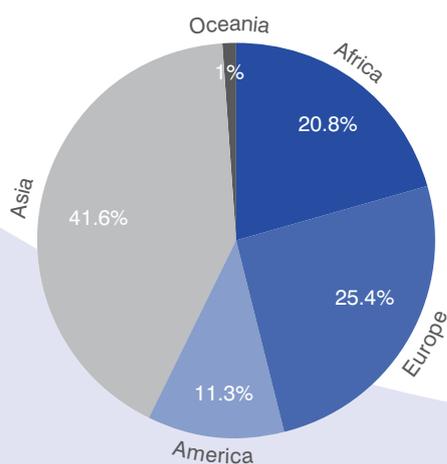
Source: NBE, 2019

Ethiopia's five main export destinations were China (10.1%), the neighbouring country Somalia (8.5%), United States of America (7.9%), Saudi Arabia (7.2%) and Germany (6.8%). The top import origins are China (33.1%), United States of America (8.2%), India (7.4%), Japan (4.6%)

and Italy (4.4%), as indicated in the map on the left [Trade Map (ITC), 2018].

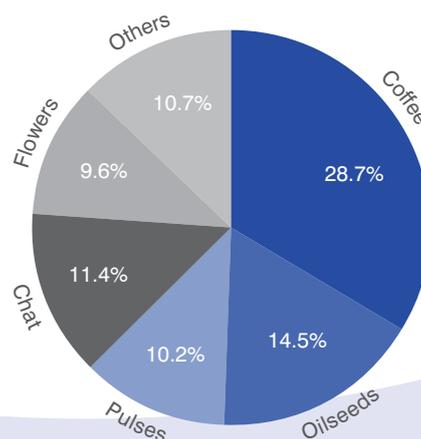
A vital product to Ethiopia's economy is coffee, representing 28.7% of Ethiopia's exports, followed by oilseeds, chats and pulses, as seen in Figure 10 (NBE, 2019).

Figure 9: Ethiopia's export by destination (2018/19)



Source: NBE, 2019

Figure 10: Ethiopia's export share of selected major commodities (2018/19)

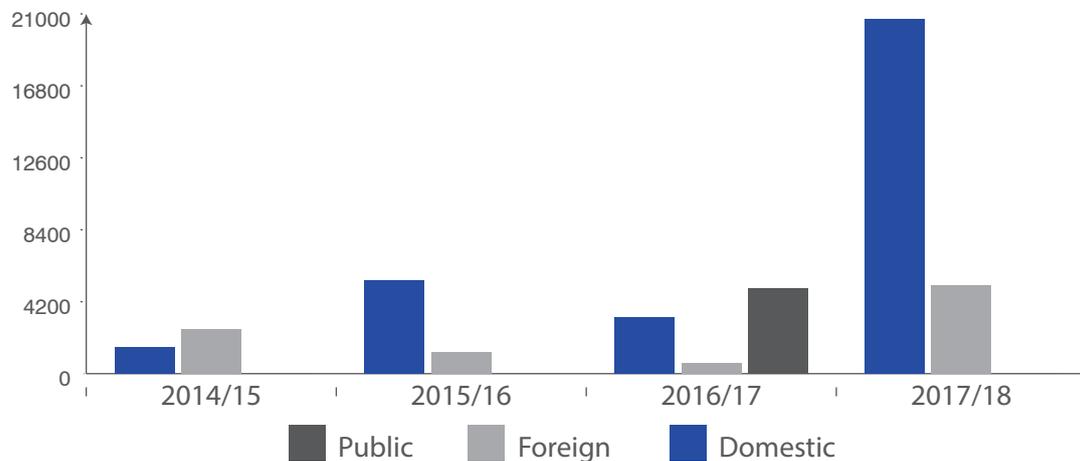


Source: NBE, 2019

As shown in Figure 11, the number of projects which became operational in the fiscal year 2018/19 decreased by 37% to 975 projects with an investment capital of ETB 8.9 billion. The vast majority, 93.5%, was of domestic nature, which indicates the unexplored market opportunities for foreign investors. The average capital investment for domestic projects was ETB 8.6 million while that of foreign projects ETB 17.7 million. This implies that foreign investment projects were more of capital intensive than domestic ones.

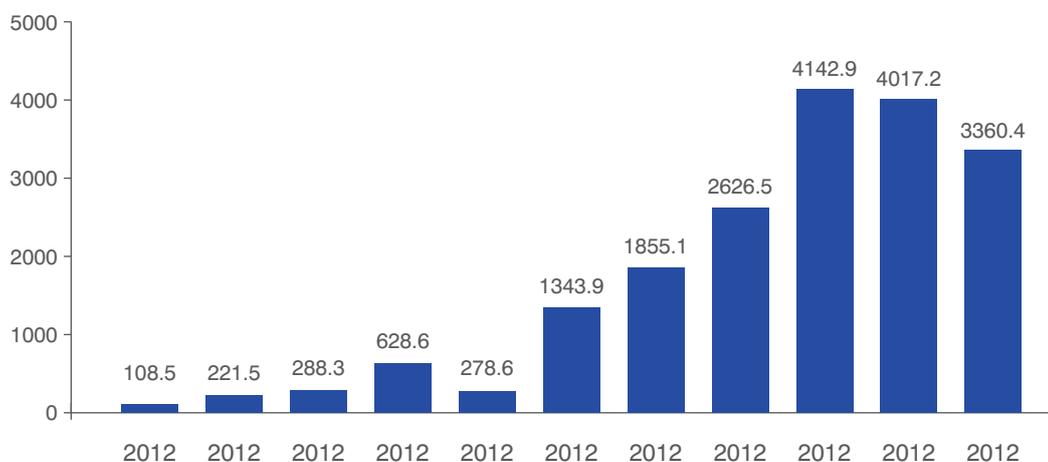
Ethiopia absorbed nearly half of all Foreign Direct Investment (FDI) in East Africa in 2017, US\$3.6 billion, and became the second largest recipient of FDI in Africa (UNCTAD World Investment Report, 2018). FDI inflow has grown during the last 21 years, by 27.6% in 2016/17, driven by investments in new industrial parks and privatization proceeds (IMF, 2018). China (24%), Saudi Arabia (17%), Turkey (19%), India (8%) and the EU (7%; namely the Netherlands, France, Ireland, Germany and the UK) are the major sources of FDI (U.S. Bureau of Economic and Business Affairs, 2018).

Figure 11: Ethiopia's investment capital of operational projects, in ETB million (2014–2018)



Source: UNCTAD World Investment Report, 2018

Figure 12: FDI in Ethiopia, in USD million (2008–2018)



Source: World Bank, 2019

ACCESS TO FINANCE AND INSURANCE

Ethiopia's financial sector expanded considerably over the last years. Recognizing the contribution to rapid, broad-based and equitable economic growth, the Government has set ambitious goals to further develop an inclusive and modern financial sector (NBE, 2017).

BANKING AND CREDIT AVAILABILITY

As of June 2017, Ethiopia had 18 commercial banks (two of them government-owned), 17 insurance companies, and 38 microfinance institutions.



LIST OF BANKS

- Abay Bank (152 branches): www.abaybank.com.et
- Addis International Bank (53 branches): www.addisbanksc.com
- Awash International Bank (339 branches): www.awashbank.com
- Bank of Abyssinia (253 branches): www.bankofabyssinia.com
- Bunna International Bank (143 branches): www.bunnabanksc.com
- Berhan International Bank (177 branches): www.berhanbanksc.com
- Commercial Bank of Ethiopia (government-owned, 1310 branches): www.combanketh.com
- Cooperative Bank of Oromia (287 branches): www.coopbankoromia.com.et
- Dashen Bank (315 branches): www.dashenbanksc.com
- Development Bank of Ethiopia (government-owned, 110 branches): www.dbe.com.et
- Lion International Bank (158 branches): www.anbesabank.com
- Dehub Global Bank (38 branches): www.dehubglobalbank.com
- Enat Bank (33 branches): www.enatbanksc.com
- Nib International Bank (203 branches): www.nibbanksc.com

- Oromia International Bank (237 branches): www.oroointbank.com
- United Bank (204 branches): www.unitedbank.com.et
- Wegagen Bank (223 branches): www.wegagenbanksc.com
- Zemen Bank (22 branch): www.zemenbank.com

LIST OF INSURANCE COMPANIES

- Ethiopian Insurance Corporation (government-owned)
- Africa Insurance Corporation
- Awash Insurance Corporation
- United, Global Insurance Corporation
- Nile Insurance Corporation
- Nyala Insurance Corporation
- Nib Insurance Corporation
- Lion National Insurance Corporation
- Ethio-Life Insurance Corporation
- Oromia Insurance Corporation
- Abay Insurance Corporation
- Berhan Insurance Corporation
- Tsehay Insurance Corporation
- Global Insurance Company
- National Insurance Company of Ethiopia
- Lucy Insurance Company
- Bunna Insurance Company

Savings Deposit (Simple Average / Minimum / Maximum)	8/7/9
Time deposit (Weighted Average)	8.07
Demand Deposit (Weighted Average)	0.04
Lending Rate (Average / Minimum / Maximum)	13.50/7/20
Headline Inflation (Year-on-Year)	15.4
Real Rate of Interest on	
Saving Deposit	-7.4
Time Deposit	-7.33
Lending	-1.9

Source: NBE, 2019

The various commercial banks offer short-term loans, chequing and savings accounts, cable and mail money transfer services, and foreign exchange transactions. They also offer guarantees, take part in equity investments and participate in other commercial banking activities. The National Bank of Ethiopia (NBE) is the central bank and its responsibilities include conducting implementation of monetary and exchange rate policy as well as regulation and supervision of banks and other financial institutions. Under NBE's foreign exchange regulations, expatriate employees are able to remit their salaries. Further, the NBE allows non-resident foreign nationals of Ethiopian origin and non-resident Ethiopians to open foreign currency accounts of as much as US\$ 50,000.

Access to financial services improved substantially in the last years. In 2018/19, banks opened 807 new branches thereby raising the total number of branches to 5564 (roughly 35% are in Addis Ababa) from 4757 a year earlier. As a result, one bank branch serves about 17 thousand people. (NBE, 2019). Total capital of the banking industry increased by 18.4% and reached ETB 101.5 billion by the end of June 2019 (NBE, 2019). Commercial banks and Development Bank of Ethiopia (DBE) disbursed ETB 164.5 billion in fresh loans in 2018/19 which was 42.5% higher than that of a year ago. Of the total new loans, about 60.8% was provided by private banks and 39.2% by the two state owned banks. Nearly, 25.3% of the loans went to finance industry sector followed by domestic trade (20%), international trade (16.8%), other sectors (10.5%), housing and construction (11.9%), and agriculture (10.9%) (NBE, 2019).

Both public and private banks offer short-, medium- and long-term loans. Ethiopia's largest commercial bank, the government-owned Commercial Bank of Ethiopia (CBE), which acquired the public Construction and Business Bank (CBB) in 2016, is often considered as the pioneer bank in Ethiopia and provides domestic and international banking services. The Development Bank of Ethiopia (DBE) specialized in fostering investment in agricultural and industrial development.

Investors involved in the agro-processing and agriculture sector and who export 75% of their goods are eligible for loans. In a joint venture, the DBE can offer a loan of 50% of the initial investment costs if investors can cover the remaining costs and the company is mainly foreign-owned. In case the domestic partners hold the major share, the DBE provides loans of up to 75%.

INSURANCE SERVICES

In Ethiopia, insurance services for the agricultural sector are not yet fully developed. However, crop and other product services insurance have been introduced by some insurance companies, such as government-owned Ethiopian Insurance Corporation (EIC), the Satellite Index Insurance for Pastoralists in Ethiopia (SIPE), the Oromia Insurance Company S.C., and the Nyala Insurance S.C. for members of farmer cooperative associations.



TAXATION

Residents and non-residents with Ethiopian source income are obliged to pay direct taxes. Foreigners who are present for 183 days in Ethiopia within 12 months are considered residents. For that purpose, every investor is required to obtain a taxpayer identification number (TIN).

INCOME TAX

According to Federal Income Tax Proclamation No. 979/2016, taxes are imposed on income from employment, rental of buildings, business and other sources. Taxable business income of bodies (e.g. PLC, Share Company) is taxable at the rate 30%, other taxpayers are taxed in accordance with Table 3.

Personal income levels	Business income tax rates	Tax rate in %
0-600	0-7,200	Exempt threshold
601-1,650	7,201-19,800	10
1,651-3,200	19,801-38,400	15
3,201-5,250	38,401-63,000	20
5,251-7,800	63,001-93,600	25
7,801-10,900	93,601-130,800	30
Over 10,900	Over 130,800	35

Source: Ethiopian Ministry of Revenues, 2016

RURAL LAND USE FEE AND AGRICULTURAL INCOME TAX

In observance of the 1994 constitution, the Ethiopian government owns all land and provides long-term leases to tenants. In some areas, regional governments are issuing land use certificates, providing tenants more recognizable rights to occupancy, and ask for income tax from earnings of agricultural endeavours and land rentals.

CAPITAL GAINS TAX

This is payable on profits from company shares at 30% and the transfer of buildings utilized for factory, office or business purposes at 15%.

OTHER DIRECT TAXES

Other applicable direct taxes at flat rates include income from interest (5% on gross income on savings deposit with a financial institution or 10% on gross income in any other case), dividends (10%), royalties (5%), property rental (15%), and games of chance (15% on gross amount of the winnings, not applicable to winnings less than ETB 1,000).

VALUE-ADDED TAX (VAT)

The standard VAT rate is 15% of the value of taxable transactions by a registered person and of imported services and goods unless exempted. Products and services exempt from VAT include financial, educational, healthcare and transportation services, as well as exports. A person has to register if the annual turnover is expected to exceed about 36,000 US\$ (ETB 1,000,000) (IGuide, 2018).

EXCISE TAX

In addition to VAT, excise tax is payable on a variety of consumer goods, both imported and locally produced. These include fuel, salt, tobacco, alcohol, carpets, toys, television sets and cars. The rates range from 10% on textile to 100% on perfumes, vehicles above 1,800 c.c. and some alcoholic drinks (IGuide, 2018).

TURNOVER TAX

This tax is applicable to small taxpayers who don't meet the VAT registration threshold of turnover of ETB 1,000,000 per year. The turnover tax rates are 2% on grain mills, contractors, combine harvesters and tractors; 2% on services rendered and goods sold locally; and 10% on others.

WITHHOLDING TAX

The sum of cost, insurance and freight of imported goods is taxed with 2% for business entities, non-governmental organizations, private not-for-profit institutes and government agencies. The withholding tax rate on suppliers that fail to provide a TIN and valid trade licence shall be 30%. (IGuide, 2018).

CUSTOMS DUTIES

Customs duties are payable on imports by all persons and entities without duty-free privileges and range from 0% to 35% with an average rate of 17%. In addition to customs duties, imports may be subject to VAT, withholding tax and excise tax.

INVESTMENT AND EXPORT INCENTIVES

To reinforce both foreign and domestic investment and export, the government has implemented a number of incentives in the form of tax exemptions, preferential access to credit and guarantees.

TAX EXEMPTIONS

The Ethiopian government offers tax exemption incentives for investors in certain sectors, especially for export-oriented investment and those located in industrial zones.

Income resulting from an approved new agricultural, agro-processing / agribusiness or manufacturing investment is exempt from income tax payment for two to seven years, depending on the export volume, investment field and investment location. Further, income resulting from the upgrading or expansion of an existing agricultural, agribusiness or manufacturing business is exempt from income tax for a two-year period if it exports a minimum of 50% of its goods and increases its production value by 25%.

Investment capital goods, construction materials and spare parts for setting up a new enterprise or to upgrade and expand an existing business are exempt from customs duty and other taxes imposed on imports (as long as the value of the spare parts is not greater than 15% of the imported capital goods' total value). Further, an investor eligible for a duty-free privilege who purchases construction materials or capital goods from local manufacturers can receive a refund of the customs duty paid for raw materials or items utilized as inputs for the manufacture of such goods. The customs duty exemption permits investors to indefinitely import capital goods for investment in agriculture and manufacturing duty-free (and for a five-year period for investments in other authorized areas). Investment capital goods which are exempt from import duties can be transferred to investors who have similar privileges.

EXPORT INCENTIVES

The Government put a number of export incentives in place, which apply to both foreign and domestic investors participating in eligible new initiatives or expansion projects. One of them is the Export Trade Duty Incentive scheme, which facilitates exporters' access to inputs at world market prices and enables them to compete on the same level as their competitors. To benefit from this scheme, exporters need to request an eligibility certification from the Ministry of Industry. According to Proclamation No. 768/2012, the incentives under this scheme include:

- **Duty Drawback scheme:** Duty paid on raw materials and accessories, such as packaging, used in the production of commodities are refunded upon exportation of the commodity processed.
- **Voucher scheme:** Eligible producer exporters and raw material suppliers can request a voucher passbook from the Ethiopian Revenues and Customs Authority (ERCA). In the voucher passbook is written an amount of duty and taxes that is supposed to be paid upon the business' annual planned procurement which is recurrently deducted from the originally given sum. The passport records and controls the used amount of duty incentives on raw materials imported and for fabrication of export commodities.
- **Bonded Factory and Manufacturing Warehouse scheme:** Eligible producer exporters with a manufacturing plant, which meets the standards set by the Ethiopian Revenues and Customs Authority, who are not benefitting from the voucher scheme, can be granted an exemption from customs duties and other taxes imposed on imports of raw materials and packing materials required for the manufacture of export goods.
- **Industrial Zone scheme:** Imported raw materials for eligible industries setup within an industrial zone shall be transported from a customs post to the factory without being subject to payment of duty. As of December 2018, nine industrial zones are operational or planned.

Other export and foreign investment incentives are:

- **Export credit guarantee scheme:** By safeguarding export-financing banks against losses resulting from export transactions, local exporters' access to bank credit is facilitated. The scheme awarded by the DBE is available for local exporters engaged in non-coffee export for pre-shipment and post-shipment loans.
- **Foreign exchange retention scheme:** Exporters can deposit foreign currency earnings derived from their export trade into two designated foreign exchange retention accounts 'A' and 'B' to be used for export-related expenses. 30% of foreign currency can be stored in account 'A' for an indefinite period of time and the remaining 70% can be stored in account 'B' for a limit of 28 days before the balance will be automatically converted into local currency.

- **External credit and supplier's credit directive:** The NBE can authorize investors to request a bank guarantee for interim short term financing by a foreign partner or supplier for export-oriented investments.
- **Franco Valuta Import Facility:** Franco-valuta refers to a process of importing goods by a person permitted to do so by using foreign currency from his own source. To benefit from this facility for importing of raw material and other essential production inputs for export commodities, exporters can obtain a permit from the National Bank of Ethiopia (NBE).
- **Right to hire expatriates:** Foreign investors are allowed to employ expatriate management staff and experts with a view to developing local capacity. The number of expatriates that may be recruited is subject to factors such as availability of local professionals, complexity of the investment and need for high-skilled professionals.
- **Investment loans:** Investors who export 75% of their goods and are involved in the agro-processing and agriculture sector are eligible for investment loans. If investors are able to provide 30% of their initial cost, the Development Bank of Ethiopia can offer loans for the remaining 70% of the investment cost.
- **Preferential rates for land lease and / or factory lease:** Ethiopia's land is government-owned and can be provided to investors at competitive lease prices.

against measures of expropriation and nationalization, unless out of public interest and in compliance with the legal requirements and adequate compensation.

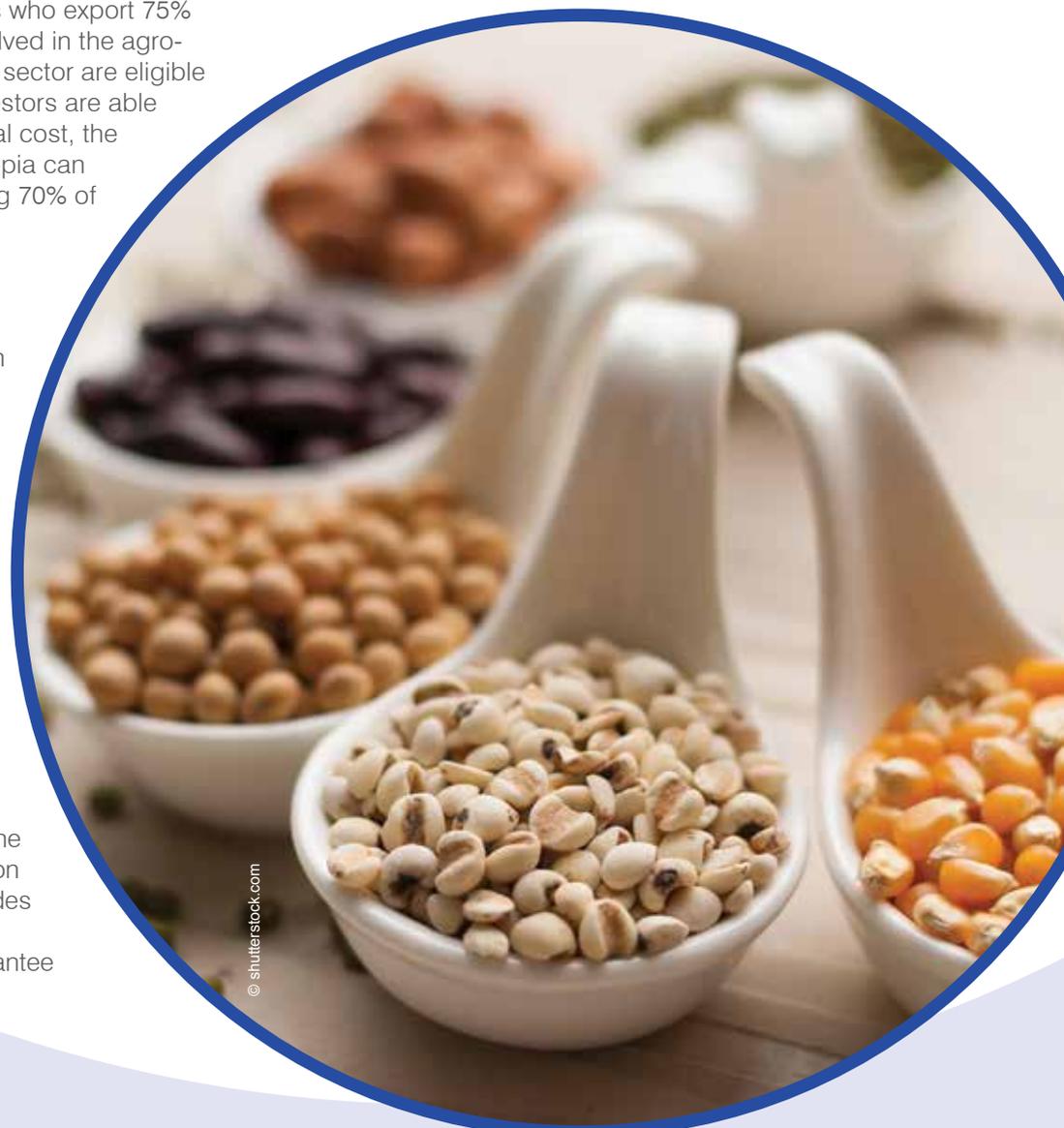
Foreign investors are also guaranteed full repatriation (in convertible currency) and remittance of profits, principal, interest and dividends (Government of Ethiopia, 2018).

In addition to national regulations, Ethiopia is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency (MIGA), which offers enterprises that invest in signatory countries guarantees against non-commercial risks (Government of Ethiopia, 2018). Further, Ethiopia signed bilateral investment protection and promotion agreements with about 30 countries as well as Double Taxation Avoidance Treaties (DTT) with about 13 countries including Netherlands, Israel, France, Turkey, Italy, and South Africa to encourage foreign direct investment.

PROTECTION AND GUARANTEES

To minimize investors' risks, losses incurred during the tax exemption period can be carried forward for half of the tax exemption period after expiry.

Ethiopia's constitution protects private property. The Investment Proclamation (2002) also provides investment guarantee



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LABOUR MARKET, LAND AND INFRASTRUCTURE

Besides the encouraging investment climate, the relatively low cost of production inputs such as labour, water and electricity, and rapidly expanding infrastructure provide further investment incentives.

TRAINABLE LABOUR FORCE AT COMPETITIVE RATES

With its population of 109.22 million (2019), Ethiopia is Sub-Saharan Africa's second heaviest populated country after Nigeria. In addition, Ethiopia experiences one of world's highest growth rates, with an annual growth rate of 3.02%, which would double its population in the next 30 years. Consequently, Ethiopia's demographic feature can be characterized by a young boom population, which indicates the existence of a huge labour force opportunity in the country, which was measured at 51.45 million in 2017. About 73% of the labor force (2013) are employed in agriculture, especially farming activities (CIA, 2018, UN DESA, 2017). Notwithstanding the labour force increase, the (official) unemployment rate decreased from 26.4% in 1999 to an all-time low of 16.8% in 2017, with a slight increase to 19.1% in 2018 (CSA, 2018).

Ethiopia's labour force is young, competitive and trainable. During the last ten years, Ethiopia's Human Development Index (HDI) value increased by 63.5% and ranked 173rd among 189 in 2017 (UNDP, 2018). Ethiopia's education system expanded rapidly in the decades after the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) came in power in 1991. For instance, the net enrolment rate in elementary education, jumped from only 29% in 1989 to 86% in 2015. The number of public universities increased from three in 1986 to over 30 in 2018. Other higher

education and research institutions, especially privately owned, likewise increased. As a result, the overall number of higher education students exploded by more than 2,000% from 34,000 in 1991 to 757,000 in 2014 (WENR, 2018).

Ethiopia's labour laws conform to international standards and are flexible enough not to present any restriction on the exit of firms (e.g. withdrawal of firms at any time is not legally forbidden).

In global comparison, unskilled workers' wages are very competitive. Ethiopia has no minimum wage legislation and wages are decided by agreement between the employee and the employer. Wages can be paid in cash, if mutually agreed to. Up to 30% of the wage can be paid in kind within the limits of market value. Salaries and wages are subject to the type of profession, size of the enterprise and skill levels needed, prevalent average wage levels are summarized in Table 4. Employees are entitled to 14 days of annual leave (and one bonus day for every additional year of service). Further leave entitlements include three days of special leave and 6 months of sick leave (first month at full pay, next two months at half pay and the remaining three months without pay). In addition, the following non-wage benefits are negotiable: over-time; per diems, hardship allowances, transport allowance, transfer expenses, and similar allowance payable to the worker on the occasion of travel or change of his residence; bonuses; commission; other incentives paid for additional work results; service charges received from customers and others (IGuide, 2018).

Employers are obliged to provide their employees with pension contributions for retirement, invalidity, incapacity, reimbursement of contribution (excluding for labourers involved in cotton collection, sugar cane cutting and similar works regularly repeated over the course of the year). The minimum social security contribution are 11% from employers and

Table 4: Ethiopia's main inputs

Input		Cost/tariffs	Availability
Labour		Monthly average wage (2018): Unskilled: US\$ 40 Semi-Skilled: US\$ 150 Skilled: US\$ 300	Abundant
Land		Low (rental-based)	Abundant
Water		Consumption per month (2018): 300 to 500 m3: US\$ 0.34 over 500 m3: US\$ 0.42	Abundant
Electricity		Value per kWh (2018): Industrial low and high voltage three phase: US\$ 0.02 Commercial three phase: US\$ 0.03	Moderate
Road transport	Dry cargo sea (40-foot container)	North Europe (1 890–3 850), Mediterranean (2 200–3 850), Africa (1 715–3 030), India (1 955–3 710), Dubai (1 650–1 895), China (2 300–4 195)	Moderate
	Air (foodstuff 100 kg)	Stockholm (2.05), Paris (1.75), Frankfurt (2.08), Rome (1.65), London (2.35), Washington (2.3)	Moderate

Source: Ethiopian Investment Commission, 2014; IGuide, 2018

7% from employees. The Ministry of Revenue collects the dues along with employees' income taxes while the Private Organizations' Employees Social Security Agency is maintaining a registry of employees (IGuide, 2018).

WATER AVAILABILITY

The Ministry of Water Resources is in charge of water policy and strategy development while regional governments are responsible for ensuring service provision through delegation to water service providers.

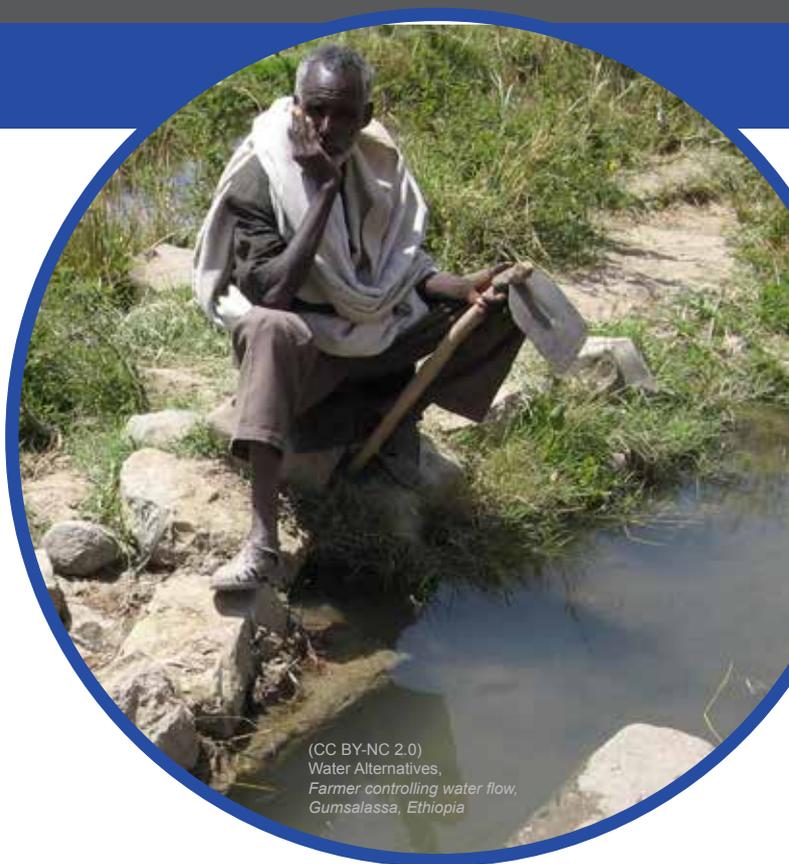
Though Ethiopia has great groundwater and run-off potential, it only makes use of a small percentage of these resources. About 93% of Ethiopia's water withdrawals are for agricultural use, much higher than the global average of 70%, which represent only about 4% of Ethiopia's total available renewable water resources. More to the point, 2.6 billion cubic metres of ground water and 122 billion cubic metres of surface water are available, which could easily be used for irrigation. However, due to rapid population growth over the last decade, Ethiopia is considered 'water stressed'. During 2018/19, the proportion of people having access to potable water supply improved by 4.8% point to 76% (79% rural and 66% urban population); from the 71% (74% rural and 60% urban people) coverage the year before. This indicates that the rural areas had a relatively better access than the urban areas. (NBE, 2019; EIC, 2017; USAID, 2018).

ELECTRICITY

The Ethiopian Electric Power Corporation (EEP), formerly known as Ethiopian Electric Light and Power Authority, is a state-owned and main electricity producer in Ethiopia. EEP is engaged in the production, transmission, distribution, and sale of electrical energy. In addition, there are small and isolated self-contained power generation systems unattached to the national power grid.

According to the EEP, the country has an estimated hydro-power potential of 45,000 MW, geothermal 10,000 MW and wind farm 1.3 million MW. The country's generating capacity is largely based on hydropower reservoirs as nine of its major rivers are suitable for hydroelectric power generation.

Considering the increasing demand for power and the importance of having a better power generation mix, the country has been venturing to diversify its



(CC BY-NC 2.0)
Water Alternatives,
Farmer controlling water flow,
Gumsalassa, Ethiopia

production of renewable energy to wind and geothermal sources.

The amount of electric power generated during 2018/19 was about 13.8 billion KWH, which was slightly lower than that of last year. Of the total electric power production, 95.5% was generated from hydropower, 4.2% from wind and 0.3% from biomass sources.

TELECOMMUNICATION

Telecommunication is one of the prime support services needed for rapid growth and modernization of the economy as well as for attracting investment, consequently the Ethiopian government has made huge investments to improve service quality, coverage and institutional capacity. As a result, the state-owned Ethio Telecom, Ethiopia's only and Africa's second largest telecom service provider, has set ambitious targets to enhance customer acquisition, customer satisfaction and provision of quality services to customers. During 2018/19, total telecom subscribers reached 43.6 million depicting 5.6% growth over last year as the number of mobile voice subscribers rose by 5.3% while that of internet and data subscribers and fixed voice service subscribers surged by 26.4% and 8.4%, respectively. Of the total subscribers, mobile voice constituted 42 million (96.1%) followed by fixed voice service (1 million or 2.8%) and internet and data (502 thousand or 1.2%) (NBE, 2019).

AIRPORTS

To meet the growing demand for air transportation, both passenger and cargo, the Ethiopian aviation sector expanded at an average 20% growth rate. For instance, international bookings for Ethiopia increased by more than 40% for the period from November 2018 to January 2019, compared to the same period in the previous year. As a result, Ethiopia's new and upgraded airports facilitate the transport of goods and encourage investment.

The Ethiopian Airports Enterprise (EAE) set the goal of increasing the number of national and international airports to 25 by 2020. After the expansion of Addis Ababa Bole International Airport, inaugurated in January 2019, the annual airport capacity tripled from 7 million to 22 million passengers. Future major projects involve a new airport 50 kilometres outside of Addis Ababa with an annual capacity of 80 million passengers at a cost of US\$ 4 billion, whose lower elevation promises reduced jet fuel consumption and flights of a greater distance.

In the 2017/18 fiscal year, Ethiopian Airlines transported 10.6 million passengers, 400,339 tons of cargo, and generated a US\$3.2 billion revenue with a total net profit of about US \$233 million (6.8 billion Birr). Further, Ethiopian Airlines opened eight new international and two local destinations, increasing its total flight destinations to 115 (Ethiopian Airlines, 2018).



Addis Ababa Bole International Airport
International Departures

Time	Flight	To/Via	Gate	Remarks	Esti
07:00	ET 202	via DIRE DAWA		ON TIME	07:00
07:10	BA 6566	LONDON	4	Proceed to Gate	07:10
08:30	ET 801	via NAIROBI		ON TIME	08:30
09:00	ET 809	JOHANNESBURG		ON TIME	09:00
09:00	ET 915	via LIBREVILLE		ON TIME	09:00
09:15	ET 901	LAGOS		ON TIME	09:15
09:15	ET 871	via HARARE		ON TIME	09:15
09:45	ET 801	NAIROBI		ON TIME	09:45
10:00	ET 831	KINSHASA		ON TIME	10:00

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ROAD NETWORK

Major public investments led to a steady improvement of the road network over the last years. During 2018/19, total road network reached 138,127 Km, depicting 9% annual growth. Asphalt road network accounted for about 11.5% of the road network which was lower than 15% GTP II target set for the fiscal year. In the Growth and Transformation Plan (GTP), a further expansion of the country's road network to 220,000 kilometres and improved access to all-weather roads by 2020 is anticipated, comprising the recently completed express way connecting Addis Ababa to Adama, which is an important route for the facilitation of import and export trade (NBE, 2019).

SEAPORTS

As a landlocked country, Ethiopia has no direct access to seaports and the port of Djibouti serves as the primary gateway for 90% to 95% of its internationally traded goods. However, the reopening of diplomatic relations with the neighbouring country Eritrea creates the potential for operations via the Eritrean ports of Assab and Massaewa.

The transport of goods by trucks to and from the port resulted into relatively expensive and uncompetitive trade logistics. To reduce logistical costs and time of delivery, the Ethiopian government made substantial advancements in the extension of the rail network.

RAILWAY

Under the National Logistics Development (NLD) strategy, which was incorporated into GTP II, the government plans to expand its railway network to roughly 1,545 kilometres to link all major dry ports and towns of the country. With the goal to alleviate trade logistic hurdles and enhance Ethiopia's export competitiveness, significant advancements have already been achieved in recent years. The Ethiopian Railways Corporation (ERC), established under the Ministry of Transport, was mandated to replace the old Franco-Ethiopian railway with a modern nationwide railway network. A 656 kilometres railway network construction project linking the capital Addis Ababa to the port of Djibouti began commercial operations in mid-2018. This railway reduced transport time from Djibouti to Modjo, a dry port city in proximity to Addis Ababa, from 84 hours to 10 hours. The rail network has a cargo capacity of 3500 to 4000 tons per train and ERC anticipates an annual freight of 6 to 7 million tons in its first year of operation and up to 10 million tons in the mid-term.



(CC BY-SA 2.0) UNCTAD, Kality Dry Port, Addis Ababa, Ethiopia



(CC BY-SA 2.0) UNCTAD, Kality Dry Port, Addis Ababa, Ethiopia

INDUSTRIAL PARKS

Integrated Agro-Industrial Parks (IAIP) are geographic clusters of independent firms, which can take advantage of economies of scale. The firms benefit from shared infrastructure, bulk purchasing and selling, training courses as well as extension services. The vertical integration in industrial parks is enhancing forward and backward linkages in the economy and the clustering of specialized firms is fostering workers' skill development and firms' competitiveness. With the vision to become Africa's leading manufacturing hub by 2025, the Government of Ethiopia invests in the development and expansion of specialized state-of-the-art industrial parks open for the domestic and

foreign private sector (EIC, 2017). Ethiopia's industrial parks are equipped with dedicated power substations, maintaining high environmental standards, and are well connected to the Djibouti port through the new electric railway and by road. Currently, there are 12 public industrial zones across the country under the Industrial Parks Development Corporation (IPDC).

The government avails fiscal incentives along the different stages of investment within industrial parks, namely exemptions of income tax, customs duty and export tax, as well as promotional rates for access to industrial park space (EIC, 2017).

<p>INCOME TAX EXEMPTION</p> <ul style="list-style-type: none"> Industrial park developer: 10 to 15 years depending on location of industrial park (10 years in Addis Ababa or surrounding Special Zones of Oromia, 15 years in other areas) Industrial park enterprise: Up to 10 years (up to 6 years depending on sector of engagement and an additional 2 to 4 years for industrial park enterprises with a minimum of 80% export) Expatriate employees of industrial park enterprises: Up to 5 years personal income tax exemption after issuance of business license 	<p>CUSTOMS DUTY EXEMPTION</p> <ul style="list-style-type: none"> Capital goods and accessories imported by manufacturing industries. Imported spare parts up to 15% of the total value of the capital goods. All machinery spare parts imported by enterprises inside industrial parks with 100% export. Imported construction materials, based on approved Bill of Quantity (BoQ). Imported motor vehicles: Two pickup trucks imported during the construction period. Three minibuses, two cargo trucks, two SUVs, two hybrid SUVs and buses for the transport of permanent employees imported after receipt of a business licence and commencement of operation or export (and three hybrid SUVs imported by Industrial Park developers). Imported special purpose trucks in line with the specific investment needs and for own use, such as crane trucks, garbage trucks, ambulances, fire trucks, refrigerated trucks. Two station wagons imported by partial exporters upon reaching paid up capital investment of at least ETB 200 million and with over 60% export performance for three consecutive years. All raw materials imported to produce export commodities. Personal effects of residents of the industrial parks.
<p>EXPORT TAX EXEMPTION</p> <ul style="list-style-type: none"> For all products except for semi-processed hides and skins 	

<p>ONE STOP SHOP SERVICES</p> <ul style="list-style-type: none"> Issuance of investment permits Issuance of business licenses Commercial registration certificates Issuance of work permits Registration of trade or firm name Technology transfer agreements Notarizing memorandum and articles of association Issuance of customs duty exemptions Issuance of tax identification number (TIN) Customs clearance in industrial parks Banking services

To facilitate investment in industrial parks, the government provides simplified and streamlined procedures for investment establishment and operation as well as strong property protection and guarantee (EIC, 2017). Non-fiscal incentives include:

- One stop shop services
- Customs facilitation
- Expedited visa procedure
- Guarantee against expropriation
- The right to own immovable property
- Guarantee for remittance of funds
- The right to open and operate foreign currency accounts

INVESTMENT START-UP PROCEDURES

With the aim of cutting time and cost of obtaining business and investment licenses, the Ethiopian Investment Commission (EIC) is adjusting regulatory processes to improve the ease of doing business and aims at providing business licenses within one day provided all conditions are met.

The new online investment guide iGuide serves as the first point of contact for domestic and international companies and individuals interested in investing in Ethiopia. The web-based investment promotion tool helps investors discover opportunities in the country and provides information on costs, laws and regulations related to various aspects of investment, such as business set-up, labour, taxation, and access to land. The iGuide was launched in December 2018 and developed by the EIC in collaboration with the United Nations Economic Commission for Africa (ECA) and Conference on Trade and Development (UNCTAD).

INVESTMENT PERMIT AND BUSINESS REGISTRATION

Investors are obligated to obtain an investment and business license prior to starting production.

To establish a new business, investors need to apply for an investment permit at the EIC. The application form is available on the iGuide platform and has to be submitted at EIC's Licensing and Registration Department. The same department is also providing a letter, which allows investors to open a bank account. After transferring/depositing money, the bank can issue the required letter confirming the fulfilment of the following mandatory minimum investment capital:

- For an investment project of a foreign investor: US\$ 200,000
 - For an investment in architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing work: US\$ 100,000
- For a joint investment project with a domestic investor: US\$ 150,000
 - For an investment in architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing work: US\$ 50,000

Depending on the type of business form (Sole Proprietorship, Private Limited Company, or Branch of a Multinational Company), investors are required to take additional steps to complete the registration process. To buy an existing enterprise or shares, investors require approval from the Ministry of Trade. A further requirement is the conduct of an initial environmental examination to determine if their project requires a full Environment Impact Assessment, which would be undertaken by the Ministry of Environment, Climate and Forest Protection (iGuide, 2018).



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VISA, RESIDENCE AND WORK PERMIT

All foreign visitors to Ethiopia need visas, except for nationals of Djibouti and Kenya. Tourist and different forms business visas can be acquired from Ethiopia's overseas diplomatic missions or online at www.evisa.gov.et. The regular e-Visa processing time is up to 3 days and the fee is subject to visa type, number of entries and visit duration. Investors in industrial parks can receive a multiple entry five year visa. Nationals of African Union states and nationals as well as permanent residents of 36 other countries can obtain a tourist visa upon arrival in Ethiopia. Travellers may be required to provide a Yellow Fever vaccination certificate upon arrival at the airport.

When the investment permit is issued, the Department for Immigration and Nationality Affairs supplies a residence permit to foreign investors, to shareholders and to expatriate staff in possession of a work permit. If eligible, the issuance of a work permit by the Ethiopian Investment Commission (EIC) takes about two hours upon presentation of an educational certificate, investment permit, work visa, five passport sized photographs and a completed application form (IGuide, 2018).

LAND ACQUISITION PROCEDURES AND PROCESS

Land in Ethiopia is public property and individuals, companies and other organizations can only lease land from the government for a limited period of time. Land to be leased is categorized into housing, urban and rural land and can be obtained through negotiation with the government or sub-lease of an already existing lease. Lease period and price are subject to the regional state, location, land category and investment type. Depending on regional administration and activity, the average prices for urban land range between ETB 8 and ETB 1650 per square metre. Rural land rental prices are usually low and farmland is easily available. Moreover, there is solid government commitment to make the country's fertile land available for investment. Investors can apply for land acquisition during a field visit and upon obtaining an investment license. Farmland is given to foreign investors by the Ministry of Agriculture. Tenants can transfer or undertake guarantees on their leasehold. Foreign nationals can purchase and construct accommodation and other immovable property needed for the investment on the land. Therefore, they need to apply for permits at the urban administration or designated organ. Construction permits are issued at district, municipality, or ministry level, depending on the region (IGuide, 2018).

INVESTMENT SUPPORT INSTITUTIONS

The Ethiopian Investment Commission (EIC), a government institution, promotes the country's investment opportunities and conditions to foreign and domestic investors. The EIC, especially the Department for Information and Investment Promotion, is often the first contact point for investors to receive for information on procedures and entitlements and to apply for the different. Main services include issuing investment, business, construction and work permits. In addition, the EIC provides free, confidential and customized services to investors regarding business opportunities, procedures and regulations. The EIC can offer support during acquisition of land and utilities, processing of loans and permit applications, environmental impact assessments studies, and the issuance of a tax identification number (TIN). Relevant information is made available through its website, various publications, or direct response to investor enquiries (iGuide, 2018).

The Ethiopian Pulses, Oilseeds and Spices Processors-Exporters Association (EPOSPEA) aims to build capacity of its members to advance their global competitiveness. EPOSPEA's main activity is the provision of sector-specific up-to-date local and foreign market information, trends and analysis, e.g. through workshops. Additional activities include advocacy services to create an enabling business environment and policy reform, exposure to international opportunities, and the provision of a Business Developing System. Most major Ethiopian pulse and oilseed exporters have membership with EPOSPEA.





USEFUL CONTACTS

ETHIOPIAN INVESTMENT COMMISSION

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ETHIOPIAN AGRICULTURAL TRANSFORMATION AGENCY

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Website: www.epospeaeth.org

INDUSTRIAL PARKS DEVELOPMENT CORPORATION (IPDC)

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Website: <http://www.ipdc.gov.et/>



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