



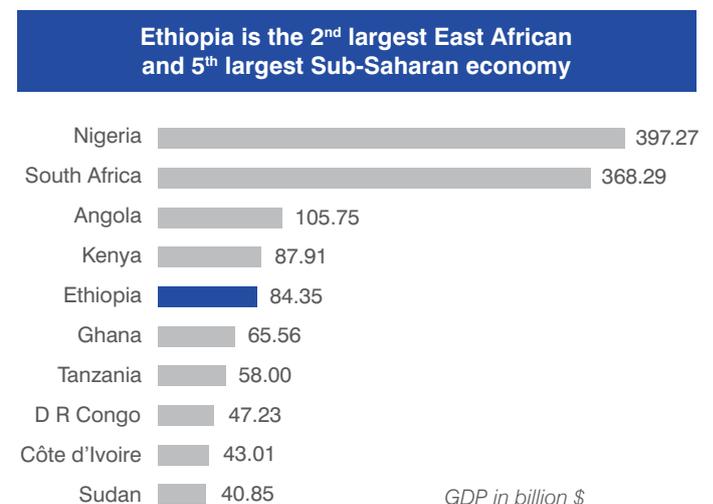
## ETHIOPIA: AN OVERVIEW

The Federal Democratic Republic of Ethiopia is Africa's oldest independent country, and is among the most stable countries in the region. 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%. The average per capita income has more than doubled while the poverty rate has almost halved since 2000. Ethiopia is the 2<sup>nd</sup> largest economy in East Africa, next to the Republic of Kenya.

Ethiopia, with a population of about 109.22 million (2019), is Sub-Saharan Africa's second most populated country after Nigeria. It is also predicted to reach 117.6 million by the year 2025.

The financial sector, mainly banking and insurance services, has been broadly stable and growing in terms of expanding its services. The sector continues to tap into new opportunities for mobilizing savings through establishment of new banks and expanding their branch networks as well as introducing new financial instruments. As of June 2017, Ethiopia had 18 commercial banks (two of them government-owned), 17 insurance companies, and 38 microfinance institutions.

Key facts	
Capital city:	Addis Ababa
Area:	1.14 mm km <sup>2</sup>
Population:	109.22 million (2019)
	0–14 years: 40%
	15–64 years: 56%
Literacy rate (age 15 and over):	
	Male: 59% (2017)
	Female: 44% (2017)
GDP (current USD)	US\$ 84.35 bn (2018)
GDP growth:	9% (2018/19)
FDI inflow:	US\$ 3 billion (2018/19)
Exports:	2.8% of GDP (2018/19)
Imports:	15.8% of GDP (2018/19)
Govt. expenditure:	US\$ 16.5 billion (2018/19 revised)
Govt. revenue:	US\$ 11.8 billion (2018/19 revised)
Currency:	Ethiopian birr (ETB)
Language:	Amharic, Oromiffa, Tigrigna, English (major)



Source: World Bank, 2018



## WHY ETHIOPIA?

With its diverse natural resources and many agroecological zones, Ethiopia is the homeland and domestication of a number of crop plants. Pulses cultivation in Ethiopia is the second (next to cereals) major crop activity of farmers. Ethiopia is among the world's top ten total pulses producers, the second biggest faba bean producer after China, and the sixth biggest chickpea producer.

### Raw material scenario

- Almost 11.55 million hectares of land are easily available for farming. Out of this, 3,274,469 hectares of land are identified as potential areas for pulses farming in SNNP, Tigray, Amhara, Oromiya, Gambella, Benshangul Gumuz, Somali and Afar. Rural land rental prices are usually low. There is solid government commitment to make the country's fertile land available for investment.
- In total, 3,300 tonnes of pulses have been produced on 1,620 hectares in Ethiopia in 2018/19 (NBE, 2019).

### Ethiopia's trade scenario

Ethiopia's export has declined by 6% to US\$ 2.6 billion in 2018/19 compared to the preceding year. The overall balance of payments registered US\$ 941.6 million deficit in 2018/19 compared to US\$ 201.6 million deficit a year earlier.

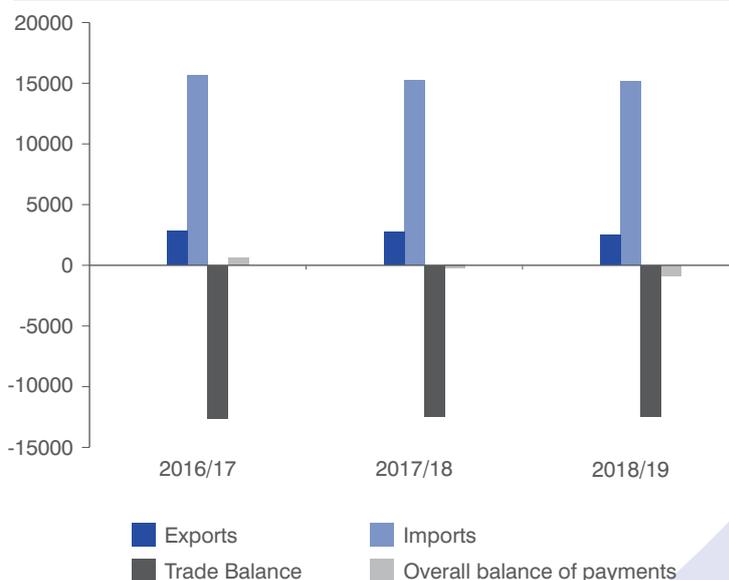
A vital product to Ethiopia's economy is coffee, representing 28.7% of Ethiopia's exports, followed by oilseeds, chats and pulses (NBE, 2019).

### Ethiopia's global and regional market access

Due to its large population, Ethiopia has the potential to be among Africa's biggest domestic markets. The country's proximity to the Middle East presents further prospective market opportunity. Furthermore, due to its location in the horn of Africa, Ethiopia enjoys a strategic location to connect Africa, Europe, the Middle East and Asia.



Ethiopia's export and import trends, in USD million



Source: NBE, 2019

Ethiopia's global and regional market access	
Market access under	Markets
African Growth and Opportunity Act (AGOA)	Duty-free and quota-free (DFQF) privilege extended by the United States of America
Everything But Arms (EBA)	The European Union
Other preferential duty treatment	The People's Republic of China, the Republic of India, the Republic of Austria, the Republic of Finland, Japan, the Kingdom of Norway, the Swiss Confederation and the Kingdom of Sweden
East African Community (EAC)	The Republic of Burundi, the Republic of Rwanda, the United Republic of Tanzania and the Republic of Uganda
Common Market for Eastern and Southern Africa (COMESA)	Burundi, the Union of the Comoros, the Democratic Republic of the Congo, the Arab Republic of Egypt, the Republic of Djibouti, the State of Eritrea, Libya, the Republic of the Sudan, the Republic of Madagascar, the Republic of Malawi, the Republic of Mauritius, Rwanda, the Kingdom of Swaziland, Uganda, the Republic of Zambia, the Republic of Seychelles and the Republic of Zimbabwe



## Ethiopia's business environment

### LEGAL AND REGULATORY FRAMEWORK

- The constitution is the highest law that prevails over all other legislation in Ethiopia. The Investment Proclamation (2002) permits foreign investors to purchase a dwelling house and other immovable land needed for their investment.
- The policy for investment in Ethiopia has been modified more than four times in the last 20 years.
  - Required to allocate minimum capital: US\$ 200,000 for a single investment project, US\$ 150,000 for a joint project with a domestic investor, US\$ 100,000 for technical consultancy if wholly owned or US\$ 50,000 jointly with a domestic investor.
- The Ethiopian Investment Commission approves and issues investment permits. A new online investment guide iGuide, launched in December 2018, serves as the first point of contact for domestic and international companies and individuals interested in investing in Ethiopia.

### LOGISTICS AND CONNECTIVITY

- 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.
- 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. A 656 kilometres railway network construction project linking the capital Addis Ababa to the port of Djibouti began commercial operations in mid- 2018.
- Major public investments led to a steady improvement of the road network. As result, during 2018/19, total road network reached 138,127 km, depicting 9% annual growth.
- Air transport is a key part of the transport network in Ethiopia. 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).

### MANPOWER SCENARIO

- There is abundant availability of a relatively well-trainable population.
- Monthly average wage (2018): Unskilled: US\$40; Semi-Skilled: US\$150; Skilled: US\$300.

### POWER SCENARIO

- Ethiopia has the huge potential of generating over 60,000 megawatts of hydropower, geothermal, wind and solar energy.
- From 2015/16 to 2020, the government has plans to construct power-generating projects in hydropower (11237 MW to 51706 GWh), solar energy (300 MW to 525 GWh), geothermal energy (1200 MW to 9461 GWh) and gas turbine stations (420 MW to 2940 GWh) (National Planning Commission, 2015).

### GOVERNMENT SUPPORT FOR PULSES SECTOR

- Support is being provided to smallholder farmers in the form of provision of planting seeds, technical support, advisory service through extension service and research, marketing search, information and finance services, etc.
- To enhance investment, the Ethiopian Government has put in place various incentives such as loss carry forward, income tax exemption, customs duty exemption, and non- fiscal incentives (investment protection and guarantee, remittance of funds, export incentives and conducive environment, export credit guarantee scheme, export trade duty incentive scheme, franco valuta import facility, guarantee against expropriation, full repatriation of profits, and dividends).
- There are also additional supporting institutions for investment and export facilitation, such as Ethiopian Industrial Zones Development Corporation (IZCD), Ethiopian Pulses, Oilseeds and Spices Processors – Exporters Association (EPOSPEA), and Ethiopian Commodity Exchange (ECX), etc.

### Advantage of investing in Ethiopia

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

#### Industrial park

In order to support, trigger and complement relative advantage, as validated via strategic planning, the Industrial Parks Development Corporation of Ethiopia (IPDC) is authorized to develop and run a number of industrial parks in Ethiopia. From 2016 to 2025, IPDC will develop 100,000 hectares of land (10,000 hectares per year) for an overall factory floor space of 20 million m<sup>2</sup> (two million m<sup>2</sup> delivered per year).

## INVESTMENT OPPORTUNITIES

The investment potential in the Ethiopian pulses sector is clear, as its population of 109.22 million (2019) constitutes one of Africa's biggest markets for pulses, apart from the international market requirements. Pulses make up a substantial share of Ethiopians' diet, especially for periurban and rural consumers; hence, its domestic demand is growing in tandem with population and income growth. The fact that 40% of the population is under age 15 suggests great scope for continued growth of domestic demand for pulses. Globally the demand for pulses is also increasing. Globally, Ethiopia's pulses demand is also growing. Considering domestic demand and global market access for exporting, investors might wish to target the following investment options.

### Primary production:

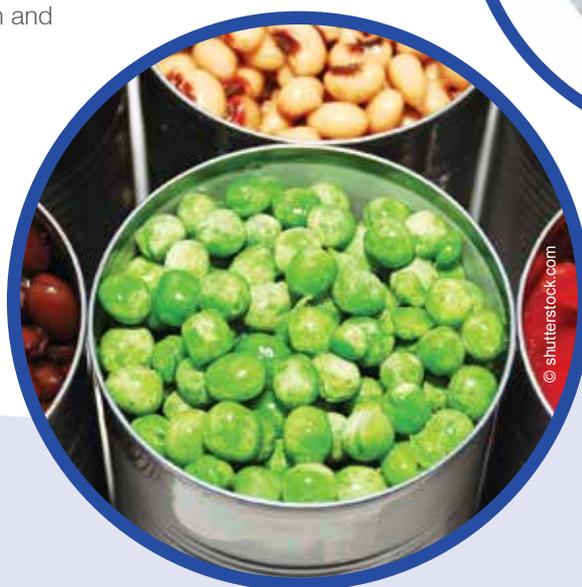
- Relatively high productivity pulses gain. National pulses productivity on average was 15.6 quintals per hectare in 2014/15, which is above Sub-Saharan average (NABC and FME-CWM, 2015).
- Good climate, endowed with abundant and diversified natural resources and diverse agroecology suitable for varieties of cereal production, including pulses.
- Proactive government policy to promote FDI-initiated commercial farming.
- Arable virgin and fertile lands are available that offer good opportunities for organic pulses production.
- Existence of favourable policy and adequate support to producer in the form of technical support and advisory services, etc.
- The Ethiopian Government is supporting rehabilitation of irrigation schemes to rehabilitate irrigated crop production, including pulses, in its Growth and Transformation Plan.

### 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

- Strong government support for value-added investments such as export incentives for agro-processed (such as free from sales and value-added taxes), efforts for the establishment of food-related agribusinesses like pulses processing and packing for further development.
- Furthermore, several factories in Ethiopia process pulses.
- The government recognizes that FDI will play an active role in industrial development through value addition.



## KEY CONTACTS

### Ethiopian Investment Commission

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