



Investment Opportunities G20 Compact with Africa

COUNTRY CONTEXT

Fastest growing economy:

- Average annual GDP growth rate of 11% for the past 12 years. According to WB- Global Economic Prospects (2017), Ethiopia has the fastest growing economy in the World for the year 2017.

Untapped human resource potential:

- Africa's 2nd most populous country -100 million population. Active and trainable work force of more than 45 million. More than 50 Universities with ½ million student population. More than 1,300 TVETs with annual intake of over 1 million students.

Favorable market factors:

- Large and growing local market and strategic location with proximity to the Middle East, Europe and Asia. Duty-free and preferential market access to USA, EU, China, India, Japan, Canada, Australia, etc.

Competitive infrastructure & connectivity:

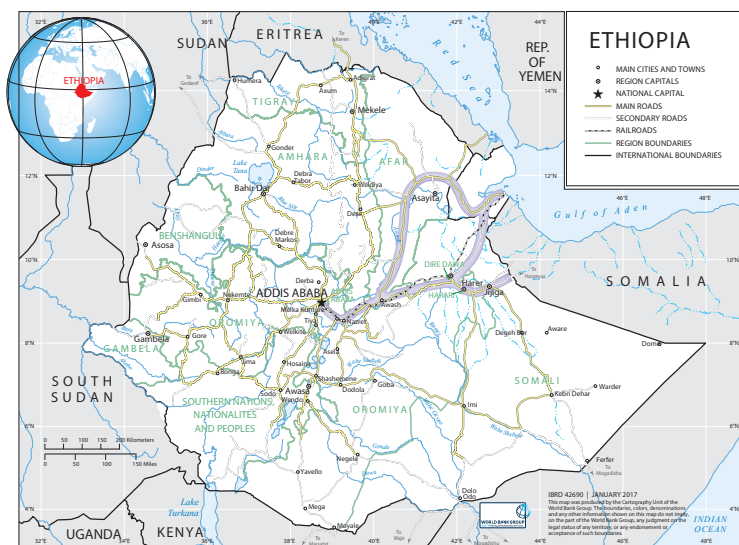
- Modern and electrified railway: 4-12 hours from industrial parks to Djibouti port. GTP II plan to construct more than 1500 km of railway line.
- Roads: During the GTP II period covering 2015/16 to 2019/20, the GOE anticipates a further expansion of the country's road and network from appx 120,000 to 220,000 km.
- Africa's aviation hub: Ethiopian Airlines serves more than 100 international destinations and operates Africa's largest state-of-the-art cargo hub; 1m ton/ year capacity.
- One of the lowest electricity rates in the world: 3 US cents/kWh.

Investment friendly environment:

- High level political commitment for investment promotion and protection; investment policy led by the Ethiopian Investment Board that is chaired by the Prime Minister.

CREDIT RATING

	Rating	Outlook
Moodys	B1	Stable
Fitch	B	Stable
Standard & Poor's	B	Stable



KEY FACTS

Languages	English Amharic
Currency	Ethiopian Birr
Government	Parliamentary Republic
Land area	1,133,380 sq. km
Coastline	0
Major urban areas	Addis Ababa, Dire Dawa, Adama, Bahir Dar, Hawassa, Mekelle
Population	100 + Million
Literacy rate	40%
GDP (current 2016)	72.3 billion
GDP Growth (2016)	8.4
GDP per capita (Current 2016)	\$720
Natural resources	Coffee, gold, gas, tantalum, coal, salt, limestone, oil seeds, hydro, thermal and wind power, vast arable land (45%), coal



Vision 2025: Ethiopia aims to achieve middle-income status by 2025 while developing climate-resilient green economy

SPECIFIC GOALS INCLUDE

- Creating 2 million jobs in medium and large businesses by 2025.
- Increasing the contribution of manufacturing to overall GDP from the current level of 5 percent to 18-20 percent.
- Ensuring that the manufacturing sector contributes 50 percent of exports by 2025.

COMPACT MEASURES

MACROECONOMIC FRAMEWORK

Government of Ethiopia is committed to:

- Maintain government budget deficit under 3 percent of GDP.
- Enhance domestic revenue mobilization efforts and increase the share of domestic tax revenue (share of GDP) - 17.0 % by end 2020.
- Maintain IMF's assessment of the country's risk of external debt distress - equal to or above "Moderate".
- Enhance the capacity of public investment management institutions.

BUSINESS FRAMEWORK

- Doing Business: Place Ethiopia among the top 75 ranked Countries.
- Implement Systemic Investor Response Mechanism (SIRM) and establish and strengthen structured Public Private Dialogue (PPD).
- Introduce a proclamation/bill that governs Public Private Partnerships (PPPs).

FINANCING FRAMEWORK

To improve and facilitate the domestic financing capabilities GoE is committed to;

- **Introduce modern movable assets collateral legal framework;** GoE is committed to work together with development partners to put in place the relevant regulatory as well as institutional readiness necessary for a functioning secured transaction regime.
- **Introduce Credit bureaus and enhance the capacity of existing collateral registries:** GoE is committed to modernize its secured transactions registries so as to increase the availability of credit and reduce the cost of credit.
- Using development finance institutions (DFI's) de-risking instruments to mobilize private capital.



OPPORTUNITY

INDUSTRIAL PARKS DEVELOPMENT

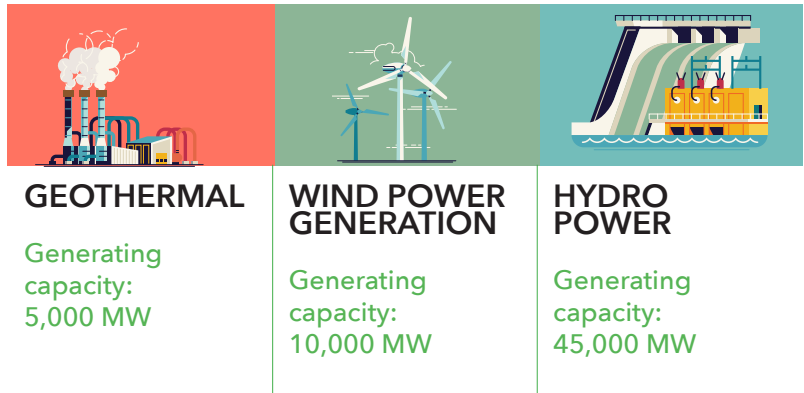
Significant importance given to industrial parks development and expansion

- Private investment in industrial parks development is encouraged.
- Located along key economic corridors, connected to ports by electric-powered railway lines and roads.
- Anchored on the principles of specialized parks and export promotion.
- Government avails various incentives for industrial park developers.
 - » Provision of off-site infrastructure by the government. Government avails dedicated power substation for industrial parks.
 - » 10-15 years income tax exemption for development of industrial parks 60-80 years land lease right at promotional rate; with sub-lease right.
 - » Reliable electricity at globally competitive rate One-stop services in each industrial park, including streamlined customs clearance procedures Tax free trading for inputs within the parks.



OPPORTUNITY ENERGY

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



OPPORTUNITY

TEXTILE AND APPAREL



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

Major Brands Investing In Ethiopia

PVH Corp: American clothing giant and owner of the big global fashion brands such as Tommy Hilfiger, Calvin Klein, Speedo, IZOD, Van Heusen, Arrow, Warner's and Olga.



OPPORTUNITY

LEATHER & LEATHER RELATED MANUFACTURING

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

Major Brands investing in Ethiopia include

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

OPPORTUNITY

AGRO-PROCESSING & HORTICULTURE



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

Major Brands investing in Ethiopia include

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



Modern ZLD (Zero liquid discharge) facility at HIP

COMPACT PARTNERS SUPPORT FOR REFORM

- Financing energy sector: Ethiopia targets to increase power generation to more than 17,000 MW by 2020 and plans to boost export to neighboring countries. So as to achieve this objective, Government of Ethiopia encourages private sector investment in power generation. The support of compact partners is needed in this regard both by directly financing projects, participation in PPPs, as well as indirect support and participation.
- IP development: Government of Ethiopia plans build 10 industrial parks across the country. In addition it invites private Industrial park developers to participate in this venture. The support of compact partners is needed in this regard either by directly financing development of industrial parks, PPP, as well as indirect support of private developers.
- Financing logistics facilities: Government of Ethiopia plans to boost the country's existing logistics infrastructure to continuously drive the current growth trends and boost the country's export performance. The support of compact partners is needed in this regard either by directly financing logistics projects, PPP, as well as indirect participation.
- Other financial and technical assistance to improve the country's macro-economic performance and enhance the capacity of public investment management institutions.

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