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Message from the Commissioner

Ethiopia continues to stride on its rapid economic growth performance - sustaining the double digit growth trend of the past 14 years with broad contributions from all economic sectors. At the same time, foreign investment showed continued increase in the past decade - reaching a record USD 4.2 billion in 2016/17. This is a great leap compared to investment flows that were under half a billion USD in 2005/6 and under USD 1.2 billion in 2010/11 where it has quadrupled in not more than five years. The combined reading of these trends shows that Ethiopia is on the right path to becoming Africa’s prime investment destination.

EIC’s role in this regard has been very instrumental; such inclusive and remarkable economic outcome is achieved among others, due to a number of investment enhancing measures - including the development of industrial parks in various parts of the country, and as a follow-up to the Industrial Parks Proclamation the coming into force of the Industrial Parks Regulation and Directive as well as in recent years the adoption of targeted investor recruitment strategies. In addition comprehensive investment climate reforms by GoE attracted both domestic and foreign entrepreneurs to invest in the country. A flagship achievement of the past two years has been the successful development of Industrial Parks in various parts of the country. We started by witnessing a record time completion of Hawassa Industrial Park (HIP) that attracted more than eighteen globally renowned textile and apparel manufacturers as well as local enterprises followed by Kombolcha and Mekelle Industrial Parks.

As testimony to such achievement the country received high marks and global recognitions from various international development agencies including The United Nations Conference on Trade and Development (UNCTAD) and the World Bank Group. In November of last year UNCTAD awarded Ethiopia its annual award for promoting investment in the Sustainable Development Goals (SDGs). Similarly, the World Bank Group recognized Ethiopia through its ‘Star Reformer Award’ for its outstanding performance on investment policy reform and promotion.

The enhanced coordination among relevant government agencies has been key to the successes recorded in the past few years. Among others, coordination among EIC, IPDC, Mol, with a guidance from Ethiopian Investment Board and the Prime Minister’s Office was indispensable for the timely and successful development of the HIP, KIP & MIP. Expectedly, this remarkable collaborative trend will continue in the coming years as well to ensure the timely completion of various industrial park development projects that are now under different phases of construction both by public and private sector players.

With all the pieces coming together, Ethiopia’s transformation agenda is gaining momentum and the country is heading to a real economic transformation through diversifying its economy and enhancing its FDI portfolio to realize its vision of becoming the leading manufacturing hub in Africa by 2025.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AGOA</td>
<td>African Growth and Opportunities Act</td>
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<td>ATA</td>
<td>Agricultural Transformation Agency</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>CRGE</td>
<td>Climate-Resilient Green Economy</td>
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<td>DFQF</td>
<td>Duty Free Quota Free</td>
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<td>EBA</td>
<td>Everything But Arms</td>
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<td>EIB</td>
<td>Ethiopian Investment Board</td>
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<td>EIC</td>
<td>Ethiopian Investment Commission</td>
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<td>EIPO</td>
<td>Ethiopian Intellectual Property Office</td>
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<td>EIR</td>
<td>Ethiopian Investment Report</td>
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<td>EPA</td>
<td>Environmental Protection Authority</td>
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<td>Ethiopian Airlines</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GERD</td>
<td>Grand Ethiopian Renaissance Dam</td>
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<td>GoE</td>
<td>Government of Ethiopia</td>
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<td>GSP</td>
<td>Generalized System of Preferences</td>
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<td>GTP</td>
<td>Growth and Transformation Plan</td>
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<td>HIP</td>
<td>Hawassa Industrial Park</td>
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<td>ICC</td>
<td>International Chamber of Commerce</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IP</td>
<td>Industrial Park</td>
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<td>IPDC</td>
<td>Industrial Parks Development Corporation</td>
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<td>KIP</td>
<td>Kombolcha Industrial Park</td>
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<tr>
<td>LDC</td>
<td>Lease Developed Countries</td>
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<td>LLDCs</td>
<td>Land Locked Developing Countries</td>
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<td>MIP</td>
<td>Mekelle Industrial Park</td>
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<tr>
<td>MOI</td>
<td>Ministry of Industry</td>
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<td>MW</td>
<td>Mega Wats</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Trainings</td>
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<tr>
<td>UN</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>United States of America</td>
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<td>WB</td>
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<td>World Intellectual Property Organization</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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## Ethiopia at glance

**Official name**
Federal Democratic Republic of Ethiopia

**Legislature**
Federal Parliamentary Assembly (Upper house - House of Federation, Lower house - House of Peoples’ Representative)

**Surface area**
1,133,380 sq. km

**Climatic conditions**
Ethiopian highlands enjoy subtropical, temperate and alpine climates with average annual temperatures under 20°C. Lowland areas experience tropical, arid and semi arid temperatures.

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<tr>
<th>Description</th>
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<tr>
<td><strong>Legislature</strong></td>
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</tr>
<tr>
<td><strong>Surface area</strong></td>
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<tr>
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<td>Ethiopian highlands enjoy subtropical, temperate and alpine climates with average annual temperatures under 20°C. Lowland areas experience tropical, arid and semi arid temperatures.</td>
</tr>
<tr>
<td><strong>GDP (2017 estimate) (nominal)</strong></td>
<td>$ 76.9 billion</td>
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<tr>
<td><strong>Current constitution</strong></td>
<td>August 1995</td>
</tr>
<tr>
<td><strong>Political system</strong></td>
<td>Federal state with multi-party parliamentarian democracy</td>
</tr>
<tr>
<td><strong>Head of state</strong></td>
<td>President Mulatu Teshome (Dr)</td>
</tr>
<tr>
<td><strong>Head of government</strong></td>
<td>Prime Minister Abiy Ahmed (PhD)</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Birr</td>
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<tr>
<td><strong>Country code</strong></td>
<td>+251</td>
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<tr>
<td><strong>Population (2017)</strong></td>
<td>Appx 100 million</td>
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<tr>
<td><strong>GDP per capita -PPP (2017)</strong></td>
<td>$2,070</td>
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<td><strong>Time zone</strong></td>
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<tr>
<td><strong>Drives</strong></td>
<td>On the right</td>
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<tr>
<td><strong>Life expectancy (2017)</strong></td>
<td>65</td>
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<tr>
<td><strong>Altitude</strong></td>
<td>From 120m below see level to 4600m</td>
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01 Introduction

Ethiopia has continued to capture headlines as a top economic performer in the world and the country’s continued strong economic performance is expected to reach yet another milestone in the coming years. As confirmed by multiple high-profile reports from the World Bank, IMF and UNCTAD Ethiopia is headed to be one of the top performing economies in the world in 2017 and 2018. The World Bank Global Economic Prospect (2017) forecasted that the country grew by 8.3 percent in 2017, making it one of the fastest growing economy in the world. Similarly, in its World Economic Outlook (2017), the IMF indicated that Ethiopia remained to be a star performer in the African continent in 2017.

Similarly Ethiopia has seen a steady growth in FDI flows in the last several years and 2017 has been another record year for FDI flow into the country. UNCTAD Investment Report 2017 shows that Ethiopia has become an investment hotspot in Africa and while FDI flows to the rest of the continent continued to decline, Ethiopia attracted more FDI than ever before in 2016. With a record growth of 46 percent FDI flow, the country has become one of the largest recipients of FDI in the continent and the second largest LDC host economy.

A crucial component of Ethiopia’s drive for growth and transformation is the development of a vibrant manufacturing and industrial base. A key component of the country’s economic transformation plan is the vision to become the light manufacturing leader in Africa. The Government is making significant steps towards achieving this vision. Between 2016 and 2017, Ethiopia inaugurated the Hawassa Industrial Park- the largest specialized Textile and Apparel Park in Africa, Kombolcha Industrial Park and Mekelle Industrial parks, while it has recently completed the construction of Adama and Dire Dawa Industrial Parks. All these industrial parks are at the crossroads of well-developed expressway and railway connections providing the necessary connectivity. With clear national vision, skilled and abundant workforce, the most competitive energy cost in the world and streamlined one-stop government services, the opportunity is immense. Ethiopia sees industrial parks investment in strategic locations and sectors as generator of more jobs, accelerator of increased and diversified exports, earner of foreign currency, means for greater transfer of technology and stimulator of socially and environmentally responsible urban development. The development of industrial parks has been a marked success in attracting and facilitating high quality investment.

The country’s achievements in successfully attracting productive foreign direct investment has been credited by key international institutions including the World Bank and United Nations Conference on Trade and Development (UNCTAD). Government of Ethiopia recently received a ‘Star Reformer Award’ from the World Bank Group for its outstanding performance on investment policy reform and promotion as well as UNCTAD’s Excellence In Promoting Investment In The Sustainable Development Goals (SDGs). Such recognition from the two leading global development organizations is a clear testament that Ethiopia is indeed on the right course in realizing its vision of becoming a leading manufacturing hub in Africa by 2025.

In particular, the sustainable features of Ethiopia’s industrialization agenda, as depicted in the design, construction and operation of Industrial Parks were highly commended as exemplary for other countries. Ethiopia’s deliberate policy choice to promote labour-intensive industries such as textile and apparel that provide job opportunities for youth and create equal opportunities for women; its compliance with high social and environmental standards on the development and operation of industrial parks; its targeted investor recruitment strategy and attraction of leading global firms; and its dedicated effort in establishing the OSS and other investor-friendly reforms all contributed to these recognitions.
World Bank Global Economic Prospects (June 2017) outlined despite a ‘fragile’ global economy prospects, growth in Sub-Saharan Africa is recovering, supported by modestly rising commodity prices, strengthening external demand, and the end of drought in a number of countries. Security threats have subsided in several countries. Several factors are preventing a more robust recovery.

Yet, in contrast to oil and metals prices, some commodity prices have plummeted, e.g. cacao, reducing exports and fiscal revenues in Côte d’Ivoire, Ghana, and other cocoa producers. The drought in East Africa has also continued into 2017, adversely affecting economic activity in Kenya, and contributing to famine in Somalia and South Sudan.

However, the region is expected to have positive outlook. Growth in Sub-Saharan Africa is forecast to pick up to 2.6 percent in 2017 and to 3.2 percent in 2018, predicated on moderately rising commodity prices and reforms to tackle macroeconomic imbalances. Most importantly growth in non-resource intensive countries is anticipated to remain solid, supported by infrastructure investment, resilient services sectors, and the recovery of agricultural production.

Among SSA economics with positive growth trajectory the star performer is Ethiopia. Ethiopia is forecast to expand by 8.3 percent in 2017, Tanzania by 7.2 percent, Côte d’Ivoire by 6.8 percent, and Senegal by 6.7 percent. According to the report “In non-resource intensive countries, growth should remain robust. Large low-income countries in Sub-Saharan Africa (e.g., Ethiopia, Tanzania) will expand at a rapid pace, helped by buoyant service sectors, infrastructure investment, and a rebound in agriculture.”

World Bank Global Economic Prospects
Domestic saving and investment

It is the Government of Ethiopia’s (GoE) strategy that Ethiopia’s economy should grow at an annual growth rate of more than 10 percent for no less than two decades if the country is to attain the projected middle income country status by the year 2025. Meanwhile, Ethiopia’s gross domestic savings as proportion of GDP has been historically quite low. Since it will be difficult to achieve such a growth trajectory without mobilizing domestic savings, the GoE has initiated a series of measures under GTP II with a view to raising the rate of private investment in GDP from around 17 percent 2013/14 to more than 20 percent in the coming years.

External trade performance

Ethiopia largely exports agricultural products, coffee, pulses and spices, flower, and fruits and vegetables, while the share of manufacturing goods - including textile and garments as well as leather products has increasingly become an important part of its export profile. The country is also diversifying its export trade portfolio with rising contribution of mining products such as gold; as well as new additions such as electricity, whose contribution is expected to grow significantly in the next few years and is facilitated by massive investment in national production capacity and cross-country network grids.

On the other hand, Ethiopia primarily imports fuel oil and manufactured goods from abroad. While both exports and imports of goods and services have increased substantially during the last five years, the less than $3.2 billion worth of exports recorded each year between 2011-2015 falls significantly short of the $5-8 billion targets set under GTP I and II.

Figure 1: Source IMF Global Economic Outlook
The Operating Environment

Massive and continued infrastructure projects in roads, railways, power generation make Ethiopia a favourable destination for investment.

The Ethiopian constitution, the supreme law of the land provides strict protection to private property. The country’s investment laws provide similar protections and guarantees.

The Ethiopian constitution, the supreme law of the land provides strict protection to private property. The country’s investment laws provide similar protections and guarantees.

Ethiopia ranks as one of the top performing African countries in government stability and security.

With appx100 million population Ethiopia is the second most populous country in the continent with a median age of under 20.

Cost: Competitive labour, power etc
Market: AGOA, EBA & Bilateral trade preferences
Incentives: Very attractive export incentives
1.1 Opportunities for Investment

Various opportunities for investment exist in many large and rapidly growing sectors that include government priority areas such as manufacturing (textile and apparel, agro-processing, leather and leather related products, pharmaceuticals, light machineries manufacturing), basic and import substitution (steel, equipment, chemical and pharmaceuticals), strategic sectors (energy, ICT and bio-technology) as well as agriculture and service sectors.

Manufacturing

Ethiopia provides ample opportunities in the manufacturing sector, which is also a key aspect of Ethiopia’s second five year Growth and Transformation Plan (GTP II). The plan aims to bring significant growth of the manufacturing industry so that it plays leading role in job creation, structural shift in Ethiopia’s export and address trade imbalance. In order to achieve the above goals and accelerate growth and expansion of the industrial sector a number of implementation strategies are devised. These strategies mainly focus on the implementation of project and programs which are gear towards attracting quality investment, enhancing production and productivity, boosting export shares, accelerating technological learning and strengthening the linkages among industries.

In addition to the strategic focus it receives from the government, the manufacturing sector’s comparative competitive edge is driven by the availability of large workforce, increasing productivity, strategic geographic location, opportunities availed in creating backward and forward linkages, preferential access to key global markets including the US, EU, Japan, China, India and other developed and developing countries, as well as the government’s strong commitment and sense of direction to enhance the role and contribution of foreign investment in the country’s industrial development strategy.

- Ethiopia offers a remarkable competitive advantage for manufacturing industries due to government facilitation of efficiency-enhancing investment solutions including:
  * Industrial parks that are ready for ‘plug and play’
  * Large pool of trainable work force available at competitive wages;
  * Competitive energy rate on a global standard;
  * Geographic proximity and preferential access to key markets; and
  * Abundance of high-quality industrial raw materials;

- Priority areas for investment:
  * Light manufacturing (textile and apparel, leather, agro-industry, electronics )
  * Basic and import substitution as well as export (steel, equipment, chemical and pharmaceutical)
  * Strategic (energy, ICT and bio-technology)
Agro-processing

Overview of the sector

• The agricultural sector has the lion’s share in Ethiopia’s economy, with more than 80% of the population working in agribusiness and related industries and 46% of the national GDP stemming from the agricultural sector. The agro-processing sector is also Ethiopia’s leading contributor in terms of production value-added and employment.

• Hence the agro-processing industry can not only take advantage of over 100 million populations domestic market, its large size can also offer competitive advantages in exporting to both the African as well as the global market.

Comparative advantages

• 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.

Government policies and strategies

• Strategic priority of GoE for FDI attraction and export promotion

• Strategic government intervention to boost the sector

• Export and employment rate sharply increasing

• Development of special clusters for horticulture development and integrated agro-industrial parks as a key vehicle.

Major brands in investing in Ethiopia

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.
Textile and apparel

Overview of the sector

- Ethiopia’s textile and apparel industry witnessing rapid growth, as a number of domestic and multinational firms are being engaged in productions of textile and apparel for domestic and global markets. In the path to industrialize Ethiopia, the sector is given prominent position in boosting export, creating job opportunities, and as a model to other sectors as well.
- Due to focused strategy and support of the government, in recent years, Ethiopia has grown spectacularly as a sourcing destination for apparel attracting most of the FDI in the sector.
- Global brands from H&M and Calvin Klein, to Lee, Wrangler and Timberland have already invested and/or started sourcing operations in Ethiopia.

Government policies and strategies

- The Ethiopian Government has put in place ambitious objectives for the sector within the five-year phase of GTP II.
- Plan 2020: generate US$ 1 billion export earnings and over 300,000 employment opportunity.
- Established the Ethiopian Textile Industry Development Institute to enhance skills and technologies in the sector.
- Potential areas of operation: ginning, integrated textile mills, spinning, weaving and/or knitting, dyeing and printing, garment factory (knitted/woven).

Comparative advantages

- The Ethiopian textiles and apparel industry has an international comparative advantage due to a large supply of skilled labor, most competitive cost of electricity and potential for backward and forward linkages.
- The sector has a massive potential to develop backward linkages within Ethiopia’s economy. Cotton is the main input to the production of textile and apparel and Ethiopia is endowed with massive fertile land suitable for cotton production. Over 1 million hectares of land is dedicated for cotton production.
- The sector’s standing is further augmented by the large-scale development of industrial parks in many parts of the country: See the following sections featuring Ethiopia’s industrial parks program.

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. PVH Corp. plays a key role in Ethiopia’s textile and apparel industry both as investor and major buyer; in particular within Hawassa Industrial Park (HIP).

Kanoria Africa Textiles Plc: Kanoria Africa, a subsidiary of New Delhi, based Kanoria Chemicals and Industries, has set up its state of the art manufacturing plant in Bishoftu, Ethiopia since 2015 to manufacture denim with initial capacity of more than 12 million meters denim per annum.
Workers in Hawassa Industrial Park
Leather and leather products

Overview of the sector

• The sector is the leading manufacturing sector for Ethiopia. In 2015, the leather sector contributed to 6 percent of GDP, and generated more than 22,000 jobs.

• Currently, Ethiopia exports, mainly finished leather followed by a growing shoe exports. Other leather items including gloves, bags and small leather articles have large potential for an exponential growth.

• Further to this, the recent expansion in leather gloves production (work, sports and dress types) is proof of existing capacity as well as the potential to export with a steady growth of volume and value.

• Positive sectoral growth trajectory: The sector has experienced more than 150 percent growth in export earnings in the first 5 years: The sector’s growing export trend is noticeable when comparing the total export earnings of only USD 75.5 million in 2008/2009 to USD 132.95 million by the end of 2013/2014 (LIDI, 2014).

Government policies and strategies


• The Ethiopian Government’s strategy and policies to help set up the leather sector as a globally competitive industry and incentives provided to help it grow has resulted in visible increases both in production and exports.

• Since 2012, the government has discouraged exports of raw hides and skins to boost exports of value-added products.

Comparative advantages

• Large population of livestock mainly cattle, sheep and goats, offering a significantly wide base of local raw materials: Ethiopia has cattle population of more than 53 million, and sheep and goat populations of 25.5 and 24.1 million, respectively. These numbers put the country 9th from the world and 1st from Africa, providing a strong raw material base for the leather industry.

• Untapped potential: only 50 percent hides and skins are being utilized currently. In addition, a large number of slaughter houses are being established with the potential of boosting the supply of high quality skins reaching the tanneries.

• Ethiopia has a potential for price competitive and quality supply of skins and hides: The Ethiopian highland sheepskins have got worldwide reputation in terms of quality, thickness, flexibility, strength, compact structure and clean inner surface

Following various government support, more than 75 domestic and foreign leather and leather products factories have invested in Ethiopia.
Major global brands investing in Ethiopia

George shoe factory: Based in Taiwan, invested around USD 150 million. It has a daily production capacity of 16,000 shoes and employs more than 1000 workers. Major destinations for the shoes are USA and China.

Huajian: Chinese based company, set up a factory in Ethiopia in 2011 as part of a plan to invest US$2 billion over 10 years in developing manufacturing clusters focused on shoemaking for export. It currently employs more than 3200 workers and produces for brands such as Guess and Calvin Klein.
Pharmaceuticals

Overview of the sector

Ethiopia’s pharmaceutical industry provides ample potential for investment. Ethiopia has the second-largest population in Africa (>100M, ~8.5 percent of Africa’s population); with growth of 2.3 percent per year is expected. Such increase in population size will result in an increase in the number of individuals requiring pharmaceutical products. With average economic growth of >10 percent per year, increase in disposable income will influence spending on pharmaceutical products.

Government policies and strategies

- Goal: to become a pharmaceutical manufacturing hub in Africa
- First country in Africa to develop a national strategy for pharmaceutical sector development
- Pharmaceutical manufacturing is priority sector for Government
- Investor friendly policies focused on pharmaceuticals: Strong investment policy focused on pharmaceuticals; various fiscal and non-fiscal incentives, one-stop government services, price preference in public procurement
- State-of-the art industrial park that specializes in pharmaceutical manufacturing is being developed in Addis Ababa
- Kilinto Industrial Park
  * Location: Addis Ababa (south-eastern part), 863 Km from Djibouti port
  * Labor: In close proximity to Addis Ababa Science and Technology University
  * Cluster: Specialized in Pharmaceuticals
  * Land area: 2.79 million m²
  * Serviced land with common infrastructure, such as wastewater treatment plant and dedicated power substation

Comparative advantages

- Growing local market: Ethiopia’s pharmaceutical market expected to grow by 15 percent annually and to reach $1 billion by 2020
- Accessible local and regional market: Ethiopia has potential to serve as export hub
- For the > $20 billion pharmaceutical market in Africa
- Trainable workforce with competitive wages
- More than 10 schools of pharmacy in Ethiopia

Major brands investing in Ethiopia

Cadila Pharmaceuticals Ltd:
Cadila is a global player in the pharmaceutical industry with significant presence both in India, and African market. In 2015 Cadila earned a global revenue of more than $1.4 billion. With its headquarter in India the company is a veteran investor in the Ethiopian pharma market since 2003.

Humanwell: Headquartered in China and with global revenue of more than $1.1 billion (2015) the company is a key player both in the Chinese and African pharma market. In its recent investment in Ethiopia the company is investing over $100 million in state of the art facility in two phases.
Agriculture

Ethiopia’s vast land, favorable climate, and water and land resources combine to make it an incredible hub for investment. Located in the Horn of Africa, Ethiopia is at the crossroads between Africa, the Middle East and Europe. Within easy reach of the Horn’s major ports, Ethiopia is close to its traditional markets for export products - the Middle East and Europe. This geographical proximity provides major exporters in the world unparalleled access to the Ethiopian floricultural market.

Horticulture

- Ethiopia provides the ideal conditions for growing a wide array of fruits, vegetables, flowers and spices given the existence of diverse agro-climatic zones, long growing seasons, and availability of water for irrigation, including 122 billion cubic meters of surface water and 2.6 billion cubic meters of ground water.
- Due to the strategic support provided by the government the horticulture sector has shown tremendous levels of growth in the past decade or so. Today, horticulture is one of the top foreign revenue earner for Ethiopia, for example generating US$ 250 - 300 million in annually compared to US$28.5 million in 2004/2005.
- Large available workforce: The industry creates over 180 thousand jobs, out of which 85 percent are for women - a section of the population that has been historically under-employed.
- Abundant land availability: Total land area available for horticulture is about 12,552 hectares, with only 11 percent of this land being developed for horticulture.
- International demand: Currently, over 130 international investors are operating in Ethiopia’s horticulture sector, exporting to the Netherlands, Germany, Saudi Arabia, Norway, Belgium, UAE, France, Japan Italy and the United States, among others.

Investment Opportunities in Horticulture

Fruits and Vegetables

- Mango, banana, papaya, avocado, citrus, grape, and pineapple are the most common tropical and sub-tropical fruits cultivated.
- Pear and plum are emerging as temperate fruits.
- The vegetables grown in Ethiopia include, among others, green beans, snow peas, broccoli, okra, tomatoes, green chili, potatoes, cabbages, cauliflower, eggplant, cucumber, pepper, onion, and asparagus.
- Much of the land available for growing fruits and vegetables is suitable for organic certification.

Flowers

- Ethiopia is the 4th largest non-EU exporter to the EU cut-flower market and the 2nd largest flower exporter from Africa (after Kenya), exporting to the Netherlands, France, Germany, Italy, Canada, Norway, Sweden, UK, the Middle East, and other EU countries.
- By the end of fiscal year 2016/17 floriculture has contributed to USD 212.56 million, or 80 percent of the total foreign revenue earning of the sector.
- Roses are the most widely produced variety of flowers. Other types of flowers currently in production include gypsophila, hypericum, limonium, chrysanthemum, carnations, static and pot plants.

Herbs and Spices

- The major spices cultivated in Ethiopia are ginger, hot pepper, fenugreek, turmeric, coriander, cummin, cardamom, and black pepper.
- Close to 122,700 hectares are being used for spice farming, with spice production reaching 244,000 tonnes per year.
- Potential areas for the cultivation of spices are Amhara and Oromiya regions; Southern Nations, Nationalities, and Peoples’ Region; and Gambella regions.
- The total potential for low land spice farming is estimated to be 200,000 hectares.
Herburg Roses, a Dutch owned grower, recognized back in 2006 the opportunity to expand their business by relocating to Ethiopia. At that time, floriculture was in the very early stages of development in Ethiopia, but the conditions for growing roses were perfect, with year-round warmth and great light, and a large and enthusiastic workforce.

Initially the business took on 18 hectares on the prestigious Sher Project in Ethiopia, and over the years has expanded to 40 hectares with more planned for the future. Herburg Roses has recently become Fairtrade certified and is exporting 22 types of flowers to the European market.
Agriculture remains the backbone of Ethiopia’s economy, and with farmers shifting from subsistence to commercial farming, the sector now stands at a unique inflection point. Promising investment opportunities are emerging, which the Agricultural Transformation Agency hopes to develop further by connecting farmers with commercial supply chains. Here, we present five commodities ripe for near-term investment.

**Beef**
Ethiopia’s large stock of cattle, abundant feedlot resources, and proximity to the Middle East and North Africa – one of the largest food-importing regions – all make beef an attractive commodity. Meat exports from Ethiopia are also currently growing at 25–30 percent annually. An investment of US$1–5 million in an early-stage, integrated feedlot and abattoir has the potential to generate a return of 30–40 percent over five years.

**Diary**
The urbanization of Ethiopia’s population is driving up dairy consumption, which is presently far lower than that in comparable countries like Sudan and Kenya. Meanwhile, long-life milk products have taken off in China and India and have the opportunity to disrupt Ethiopia’s market, where powdered milk substitutes prevail. A $10 million to $12 million investment in a greenfield ultra-high temperature processing plant could yield an annual return of 25–35 percent.

**Tomato**
Fruits and vegetables in general are a priority sector for the Ethiopian government, which aims to increase production by 47 percent in the next five years. Tomato processing in particular represents a natural move in a market with abundant produce and limited agro-processing capacity, in which consumers increasingly demand conveniently packaged goods. A greenfield investment of $1.5–4 million could yield an annual return of 30–35 percent.

**Poultry**
Ethiopia has Africa’s second-largest population but consumes only one-tenth of the chicken meat consumed by its neighbor, Kenya. Rising incomes and changing tastes, coupled with the government’s prioritizing poultry production for nutritional and environmental reasons, mean that the market will not remain undertapped for long. A $20 million investment in a vertically integrated, large-scale poultry processing plant would yield 15–20 percent returns in five years’ time.

For more information on the potential of Ethiopia’s agricultural sector, visit the Agricultural Transformation Agency website at ata.gov.et.
Tourism and Hospitality

Located in the Horn of Africa’s rift valley region and known worldwide for being the origin of mankind and one of the oldest civilizations, as the source of the mighty Nile River and endowed with a long-aged heritage and uninterrupted political independence, Ethiopia commands a large and untapped potential for tourism and hospitality business. In addition, Addis Ababa’s significance as the political capital of Africa brings high representation of international and regional organizations, including the seat of the African Union and the United Nations Economic Commission for Africa, and hence sharpens Ethiopia’s potential for business tourism.

- Ethiopia’s excellent network of national parks, UNESCO World Heritage Sites and other tourist attractions attract hundreds of thousands tourists every year.
- A varied selection of exciting destinations awaits the visitor to Ethiopia. National parks include the scenic Simien and Bale Mountains, with their wealth of endemic wildlife, while historical sites range from the atmospheric rock-hewn churches of Lalibela to the towering stelae of Aksum and castles in Gondar. Other highlights are the awe-inspiring Erta Ale Volcano, the cultural mosaic of Konso and South Omo, and bird-rich lakes strung along the Rift Valley floor.
- All the above present Ethiopia as a key source of growth in tourism and hospitality markets in the continent and therefore ample opportunities for investment in the sector
- Investment opportunities include, star-rated hotels, lodges, restaurants and grade 1 tour operations.
1.2 Infrastructure

Electricity

- 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.
- Grand Ethiopian Renaissance Dam (GERD) and Genale Dawa projects are under development while 8 new hydropower projects have been identified for private sector development
- The sector is open for private sector investment, including FDI, in all power generation sources and is expected to fund 75% of GTPII targets and develop ~4,500 MW.
- Energy is becoming an important source of export and foreign exchange earnings thanks to increased generation and interconnection capacities. Total electrical energy exports are expected to rise to 1,000 MW in the next 2-3 year.
In accordance with its sustainable development goals Ethiopia has Energy policy that focuses on development of renewable energy sources

- Priority to renewable energy development to follow climate resilient green economy strategy
- Increase renewable energy mix to improve security and reliability of energy supply and be a regional hub for renewable energy
- Strengthening cross boarder energy trade
- Improving the energy efficiency of systems and operations
- Strengthening energy sector governance to build strong energy institutions
- Ensuring capacity building and technology transfer to strengthen energy sector financing
- Encouraging Public-Private Partnerships in energy generation
6,800 MW power generation plants to be build over the GTP II period to achieve overall target.

GTP II power generation targets, 2020 (in MW)

Possible interconnection lines with neighbouring countries

- 220kv
- 230kv
- 2330kv (submarine cable)
- 400kv
- 500kv
- HVDC Link.

Substation at 230 KV and above
Substation with Generation Facility (Switchyard at 230KV and above)
Town
AF/DC Station (Converter/Inverter)
Ethiopia was among the most daring signatories to the Paris Agreement on climate change, committing to cut carbon emissions by 64% by 2030. The government has ploughed billions of dollars into hydropower megaprojects such as the Grand Renaissance Dam -- which will be the largest dam in Africa -- and the freshly-inaugurated Gibe III Dam.

The next target is to become the wind power capital of Africa.
Telecommunications
In the past decade, Ethiopia's telecommunications service has shown an explosive growth in terms of area coverage and number of subscribers. As of 2014, there were about 30 million telecom service subscribers across the country. The number of mobile subscribers increased from 6.25 million in 2009/10 to 28.3 million in 2013/14. Similarly, the percentage of rural population with access to telephone services (within 5 km radius) increased from 62.1 percent in 2009/10 to 96 percent in 2013/14.

Mobile telephone subscriptions have drastically increased since 2014 to reach 57 million; Ethio-Telecom has targeted to boost mobile network access to 113 million subscribers during GTP-II and broadband internet data subscription is projected to grow to 39 million from the current 1.46 million subscribers. According to IT web’s report, Ethio Telecom is now Africa’s largest mobile operator with more than 57 million mobile subscribers (by the end of 2017) the company has surpassed the record held by MTN Nigeria to become Africa’s largest telecom operator in terms of its mobile customer base.

Road
Ethiopia's road infrastructure has continued to witness increased investment during the past five years. The GoE dedicated over 5 percent of the country's GDP to the development of roads which makes it one of the highest in the continent.

Between 2009/10 and 2013/14 alone, the road network saw a boost from 48,800 km to 60,466 km. In addition, under the government’s universal rural road access strategy, a total of 39,070 Km all-weather roads were constructed - connecting the smaller level local administrative towns and cities. In general, road density increased from 44.5 km/1000 km2 to 90.5 km/1000 km2 in the same year. Thus, the average time taken to reach the nearest all weather roads has been reduced from 3.7 hours in 2009/10 to 1.8 hours by 2013/14.
Ethiopian National Railway Network (ENRN)

completed
under construction
planned

Railways
Railway infrastructure development was one of the priority development preoccupations of the GoE under GTP I and continues to receive greater investment under GTP II. In doing so, the national strategy puts into plan a network of railway development schemes stretching across all corners of the country. The completion of Addis-Djibouti railway line is expect to slosh the logistics cost in the sector and improve the speed-to-market bringing more opportunity for attractive & expansive investment.

Ethiopia-Djibouti railway line, one of the major railway projects set out under the Growth and Transformation Plan, entered into operation in October 2016.

In 2015, Ethiopia also put into operation the Addis Ababa Light Rail network - the first of its kind in Ethiopia and Sub-Sahara Africa. The project was implemented by the Ethiopian Railways Cooperation at the cost of USD 475 million and the network has a total length of 31.6 kms and a capacity of moving 60,000 passengers per hour. The Light Railway system connects the industrial suburbs of Addis Ababa to the city centers.
Air transport

The development of air transport services in Ethiopia has been narrated as one of the major success stories impacting the country’s overall development. Ethiopia prides operating the pioneering airline of the African continent, the Ethiopian Airlines, which was established in 1945. During the past seventy years Ethiopian Airlines has become one of the continent’s leading carriers, unrivalled in Africa for efficiency and operational success, and turning profits for almost all the years of its existence.

Parallel to its passenger transport, EAL’s cargo service has continued to grow and support Ethiopia’s expanding trade and investment interaction with the rest of the world. Ethiopian Airlines has designed an ambitious strategic plan to develop its cargo transportation capacity, including a dedicated cargo terminal, at a cost of more than 100 million USD. This will increase its cargo handling capacity by additional 600,000tn/year - doubling its current facility of 300,000tn/year and hence reaching a total of 900,000tn/year. With additional expansions in the pipeline, the cargo terminal is expected to eventually handle 1.2 million tn/year - becoming Africa’s largest and one of the biggest of its kind in the world.
1.3 Human Capacity Development

Ethiopia has shown significant improvements in the overall standings of primary, secondary and tertiary education services in the past five years.

During the reporting period alone, the higher education sector recorded rapid expansion with the development of twelve additional public universities enhancing the national enrolment capacity to over half a million students in 2012/13. The academic and research portfolio of higher education institutions has also seen fundamental reorientation to meet the high demands of the agricultural and industrial sectors for skilled labor in the upcoming years. Currently, 70 percent of university students are enrolled in science and technology streams while the remaining 30 percent are trained in social sciences and humanities.

The GoE has also put considerable efforts to expand technical and vocational education and trainings (TVET). About 450 TVET institutions have been established across the country with a view to producing trained manpower that could readily be employed in the country’s fledging manufacturing sector.

<table>
<thead>
<tr>
<th>Tertiary education graduates in Ethiopia 2014/2015</th>
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<tbody>
<tr>
<td>Teachers’ education</td>
<td>45,566</td>
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<tr>
<td>TVET</td>
<td>125,738</td>
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<tr>
<td>Undergraduate</td>
<td>86,210</td>
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<tr>
<td>Post-graduate</td>
<td>8,021</td>
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</table>

Source: Ministry of Education
Workers in Bole Lemi Industrial Park
2.1 FDI Size and Growth

Ethiopia’s impressive domestic and foreign direct investment (FDI) performance in recent years started from very low track record. From 2009 to 2013, Ethiopia recorded a positive growth trend in domestic savings with tremendous boost from 5.2% to 17.7% of GDP. However, the investment gap remained wide. Similarly, FDI inflows to Ethiopia during the five years preceding the start of GTP I showed very limited increase (with the notable exception of year 2011), accounting among the least share in Sub-Saharan Africa. In 2012, the FDI inward stock as a percentage of GDP was as low as 11.8%, which fared poorly against East Africa’s average of 18.8%.

Meanwhile, ambitious growth goals were set under GTP I and II which required significant investments. FDI, along with other measures, was regarded as essential tool to finance the national growth and development plans. The result was a significant increase both in the volume/size of FDI inflows as well as the number of projects initiated and implemented.

In 2014, Ethiopia emerged as the 8th largest recipient of FDI projects in Africa, up from 14th position in 2013. FDI flows reached record highs in 2015/16 and 2016/17, with respectively USD 3.3 and USD 4.2 billion, compared to the USD 344 million annual average for 2005-2007 and accounting for more than 11.1% and 8.8% of Gross Fixed Capital formation in 2014 and 2015 respectively. In nominal terms, FDI inflows to Ethiopia more than quadrupled, over the past five years.

### Foreign direct investment inflow (in US$ millions) 2007 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Total FDI</th>
<th>Manufacturing FDI</th>
<th>Share of manufacturing FDI</th>
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<tbody>
<tr>
<td>2007/8</td>
<td>814.6</td>
<td>570.2</td>
<td>0.7</td>
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<td>2008/9</td>
<td>893.7</td>
<td>661.3</td>
<td>0.74</td>
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<tr>
<td>2009/10</td>
<td>960.3</td>
<td>768.2</td>
<td>0.8</td>
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<tr>
<td>2010/11</td>
<td>1,242.5</td>
<td>1,018.85</td>
<td>0.82</td>
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<tr>
<td>2011/12</td>
<td>1,072.1</td>
<td>836.2</td>
<td>0.78</td>
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<tr>
<td>2012/13</td>
<td>1,231.6</td>
<td>985.28</td>
<td>0.78</td>
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<tr>
<td>2013/14</td>
<td>1,467.0</td>
<td>1,261.60</td>
<td>0.78</td>
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<tr>
<td>2014/15</td>
<td>2,202.2</td>
<td>1,893.80</td>
<td>0.86</td>
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<tr>
<td>2015/16</td>
<td>3,268.7</td>
<td>2,843.70</td>
<td>0.86</td>
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<td>2016/17</td>
<td>4,170.8</td>
<td>3,712</td>
<td>0.89</td>
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Source National Bank of Ethiopia (NBE), Ethiopian Investment Commission (EIC)
Ethiopia FDI stock in millions of (US) dollars (1995-2016)

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<tr>
<td>FDI stock</td>
<td>165</td>
<td>6455</td>
<td>8310</td>
<td>10503</td>
<td>13700</td>
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Source: UNCTAD: World Investment Report 2017

Average registered capital per project (million ETB)

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<tr>
<td>Average registered per project</td>
<td>0</td>
<td>50</td>
<td>100</td>
<td>150</td>
<td>200</td>
<td>250</td>
<td>300</td>
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</table>

Source: UNCTAD,EIC,NBE

Figure: FDI inward stock (million USD)

Domestic investment projects dominated in terms of the number of approved projects. However, foreign-owned investment projects contributed more to the national economy in terms of capital outlays (54 percent) and employment creation (55 percent).

Source: UNCTAD,EIC,NBE

The high level of economic growth, the provision of better infrastructure, the successive growth of market sizes and the government’s openness for FDI contributed to high profile investors targeting Ethiopia in the past few years. Hence, in 2014-15, Ethiopia rose to be included in the Top-10 investment destinations in Africa - recording 100% change in FDI flow. (The African Investment Report, 2015) Ethiopia also doubled its registered growth in manufacturing projects, in addition to parallel increases in manufacturing value added growth from 12 to 17 percent.

Investment projects in the pre implementation phase continuously increased for the time in consideration except for 2014 which recorded a 46% decrease from the year before. The highest increment is recorded in 2016 (an approximately 86% increase from earlier year) and the lowest one is recorded in 2014 (a decline of 42% from the previous year). The average growth of the pre implementation investment projects licensed from the Ethiopian Investment Commission (EIC from now on) is termed to be 18% for the four years taking five years data.

The number of new FDI projects per year is on linear (slightly decreasing) trend, so is number of operational projects. While a much broader analysis is warranted to better understand and explain this trend, at the outset the above graph seen together with continuous increase in average registered capital per project shows evidence of the fact that the country’s attracting more focused and targeted investment.

According to UNCTAD Investment Report 2017 “FDI flows to Africa continued to decline in 2016.” It stated “sluggish commodity prices have diminished economic prospects in Sub-Saharan Africa and tempered investor interest in the sub region.

However, according to the report, “some diversified producers of East Africa registered strong FDI in 2016, with Ethiopia attracting more inflows than ever before. In doing so Ethiopia stood out to become one of the largest recipients of FDI in the continent posting strong and record growth (up 46 per cent to $3 billion) and became the second largest LDC host economy, up from the fifth position in 2015. According to the report much of this achievement is derived from investments in infrastructure and manufacturing. The report also stated that, the largest cross-border M&A sale of the year ($510 million) was also recorded in Ethiopia, with Japan Tobacco acquiring a local cigarette manufacturing facility.

According to the report “Ethiopia attracted new FDI in manufacturing, which could create opportunities for local SMEs to link to global supply chains.” Ethiopia is also cited by the report as one of the top performers in its efforts to diversify its economy and consequently its FDI pool against extractive investment that hitherto African and land locked economies are known for. According to the report “despite the persistent weight of natural resources in FDI to LLDCs, diversification of inflows is advancing, especially in economies that have recently attracted sizeable FDI, such as Ethiopia.” The report also states “although China was one of the major sources of FDI, foreign investors from other economies have started investing more in Ethiopia’s agro-processing, hotels and resorts, as well as in its manufacturing activities.”

Similarly, even though the report outlines a slight decline in FDI inflows to landlocked developing countries (LLDCs), and these countries continue to play only a marginal role in the global FDI scene, Ethiopia stands out among these groups of countries by continuing in its positive trajectory for a fourth consecutive year.
Flows, by range

- Above $3.0 bn
- $2.0 to $2.9 bn
- $1.0 $1.9 bn
- $0.5 to $0.9 bn
- Below $0.5 bn

Ghana
$3.5 bn
+9.2%

Nigeria
$4.4 bn
+45.2%

Angola
$14.4bn
-11.2%

Egypt
$8.1 bn
+17.1%

Ethiopia
$3.2 bn
+45.8%

Top 5 host economies
Economy $ value of inflows 2016% change

Testimonial

Ethiopia has seen a steady growth in FDI flows in the last several years and 2016 has been another record year for FDI flow into the country. In doing so the country received high remarks for its achievements by various international development agencies including The United Nations Conference on Trade and Development (UNCTAD).

UNCTAD Investment Report 2017 shows that Ethiopia has become an investment hotspot in Africa and while FDI flows to the rest of the continent continued to decline, Ethiopia attracted more FDI than ever before in 2016. With a record growth of 46 percent FDI flow, the country has become one of the largest recipients of FDI in the continent and the second largest LDC host economy.
2.2 Distribution by Sector

The contribution of the investment projects in terms of capital outlays and job creation differed across sectors. Manufacturing and service sectors stood out among the top recipients. In 2013-4, the manufacturing sector received more than 70 percent of the total capital outlays, followed by services and agriculture.

Focusing on specific sectors, Ethiopia has been particularly successful in attracting greenfield FDI in: textile; food, beverages, and tobacco; chemicals and pharmaceuticals; automotive OEM; and financial and business services. Overall, manufacturing sectors accounted for 68% of total FDI stock since 1992.

Source: EIC
Agriculture

Historically, FDI inflow to the agriculture sector has been very limited. However, a combination of policy initiatives laid the groundwork for investment take-off in commercial agriculture. A strong package of fiscal and non-fiscal incentives – including income tax holidays, duty free imports of capital goods, unlimited repatriation of profits, and long term leases are to account for such success in the sector. Most importantly, however, a well-coordinated and streamlined land provision and management system orchestrated between the Federal Government and Regional States eased the hitherto cumbersome land provision procedures which investors had to navigate.

One of the most notable trends in FDI's sectoral composition in Ethiopia is the growth of investment in horticulture and floriculture. 10 years ago, Ethiopia was hardly known as an exporter of cut flowers. Within the last decade alone, Ethiopia transformed itself from zero commercial production of cut flowers to become the second largest exporter of the product in Africa only after Kenya, and the sixth in the world. Ethiopia’s supply to global flower market grew by more than 292.1% in recent years to contribute to more than 9% of the world market share.

The accelerated rate of investment registered in horticulture and floriculture sectors is the coefficient of favorable local conditions linked to apt climatic conditions and improvements in road and air transport and logistics infrastructure. The diversity of agro-climatic conditions in the highlands and lowlands make Ethiopia a suitable place for the production of a wide range of flowering plants, making cut flower production a fast-growing export business. Ethiopia is endowed with 12 river basins, 18 natural lakes (including the Rift Valley Lakes) and 3.7 million hectares of irrigable land. About 80-90% of these resources are located in the west and south-western regions of the country, which is home to 40% of the population. Temperatures are conducive to floriculture with long hours of sunshine - in many parts shining for more than 11 hours a day. Water for irrigation is available in abundant quantities and the well-drained soil in Ethiopia is suitable for growing diverse horticultural products.
Manufacturing

Ethiopia’s industrial development vision aspires to make the country the leading manufacturing hub of Africa by 2025. The country’s economic transformation to industrialized economy will generate massive employment opportunities, increase the per-capita income of its citizens and accelerate its strategic direction of achieving a middle-income status by the year 2025.

Due to the extraordinary attention accorded to the sector, investment in the manufacturing sector has continuously increased in the last five years.

The textile and garment industry received the larger share of investment in the manufacturing sector. Ethiopia has obtained a sizable portion of the overall FDI inflow to East Africa mainly due to the conducive opportunities availed in the sector. In less than ten years, Ethiopia is projected to become one of the major textile and garment producers and industry players in the world.

The growing investment in the textile and garment sectors could also be accounted as a factor of key infrastructural development interventions initiated by the government in electricity, road, and most recently, industrial parks development programs. What is more, the dedication of over three million hectares of irrigable land, linked to the prevalence of favorable climatic conditions for the production of cotton, is expected to play a key role in the country’s global competitiveness in textile production. To this could be added that foreign market opportunities and in particular, preferential access accorded to Ethiopia-based exporters to the US and EU markets under the AGOA and EBA schemes have encouraged investment in the sector.

### Summary of top 10 licensed foreign manufacturing investment projects by sub-sector 2001 - 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacture of Machinery and Equipment n.e.c</th>
<th>Manufacture of Furniture, Manufacturing n.e.c</th>
<th>Manufacture of Electrical Machinery and Apparatus n.e.c</th>
<th>Manufacture of Wearing Apparel, except fur apparel</th>
<th>Manufacture of fabricated Metal Products, Except Machinery and Equipment</th>
<th>Manufacture of Textiles</th>
<th>Manufacture of Other Non-Metallic Mineral Products</th>
<th>Manufacture of Chemicals and Chemical Products</th>
<th>Manufacture of Rubber and Plastics Products</th>
<th>Manufacture of Food Products and Beverages</th>
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Source: EIC
Service

The GDP share of the service sector in the national economy - including both distributive and other services - has increased substantially due to both domestic and foreign investment. Growth registered in trade, hotel and entertainment, electricity, financial intermediation and educational services are a few of the sub sectors that contributed to the overall growth of the service sector. The service sector has successively grown at a much faster rate than both agriculture and industry.
Huajian:
One of the largest shoe producers and exporters in China - Huajian - set up a factory in Ethiopia in 2011, as part of its plan to invest US$2 billion over 10 years in developing manufacturing clusters focused on shoemaking for export. The company produces shoes for brands such as Guess and Calvin Klein, and hopes to see its exports from Ethiopia reach US$4 billion within ten years. Source: Deloitte, “Ethiopia, a Growth Miracle,” 2014; Centre for Economic Policy Research, “PEDL Research Note: The Role of Foreign Investment in Ethiopia’s Leather Value Chain”, 2013

Investment in the brewery industry:
Once an industry solely operated by state-owned enterprises, the Ethiopian brewery industry has just been fully transformed in the past five years. Today, the sector attracts a number of domestic and foreign private operators, including Diageo, Heineken, Habesha and Raya, and is set to see even more entrants in the years ahead. Heineken bought Harar Brewery for US $78 million and Bedele Brewery for US $85 million - while Diageo bought Meta Brewery for US $225 million, resulting in a combined sum of US $388 million for the three breweries.

Africa Juice:
With global demand for tropical juices on the rise, in 2009, africaJUICE Tibila Share Company, a joint venture between Africa JUICE BV of the Netherlands and the Ethiopian government, took operational control of the Tibila Farm in Ethiopia’s Upper Awash Valley and started producing passion fruit, mangos, papayas and other tropical fruits. In addition to rehabilitating and expanding the newly acquired farm, africaJUICE built a new fruit-processing facility with state-of-the-art processing, sterilization and packaging equipment. The processed juice is exported through the port of Djibouti to markets in Europe and the Middle East. The company directly employs 2,400 people. Source: VC4Africa; MIGA, “Tropical Fruit Juice Project Helping to Spur Economic Revival in Ethiopia”, April 18, 2011.

Ayka Addis:
Ayka Addis, the Ethiopian subsidiary of the Turkish textile giant - Ayka Textile, inaugurated in 2010 its factory at a cost of US$140 million at Alemgena, 20km west of Addis Ababa, creating jobs for more than 10,000 people. Ayka Addis has the capacity to export textile products worth US$100 million a year. Source: All Africa, “Ethiopia: 50 Turkish Textile Factories to Relocate in Ethiopia”, 2 August 2013

Castel Winery PLC:
Castel Winery brought in to picture the second winery production line in the country with investment in the town of Ziway, Oromia Regional State, located 163 kilometers south of the capital Addis Ababa. Castel is the third largest wine producer in the world and the second largest beer and soft drinks business in Africa. Castel Winery PLC invested around 540 million Birr and generated employment for more than 800 permanent and casual workers. The first wine bottling commenced in January 2014 and sales of its first batch of products started to hit markets in the aftermath of its inauguration on March 22, 2014. Castel Winery PLC produces standard wines (Acacia brand) and premium wines (Rift valley and Cuvee prestige brands), targeting both local and foreign markets.
Employment

Foreign investment projects in Ethiopia created a total of 586,842 jobs between 1992 and 2016, representing a significant portion of the entire jobs created during this period. Between August 1992 and August 2016, Ethiopia attracted over 5000 realized FDI projects in multiple sectors, creating over 282 thousand permanent jobs (Ethiopia Investment Commission (EIC)'s statistics). In comparison, domestic and public projects generated an average of 389,876 and 4,812 jobs respectively.

On average each foreign project generated 235 jobs, 113 permanent positions and 121 temporary jobs on average. Overall, manufacturing sectors accounted for 41% of total permanent jobs created by FDI projects since 1992.

Ethiopia’s sustained growth brought down measured unemployment from its peak of 26.4 percent in 1999 to an average of 20.2 percent between 1999 and 2013, and to a record low of 17.4 percent in 2014 (IMF 2015).

The textile and apparel industry takes the lion’s share in employment creation largely due to the increased attractiveness of the country to the sector and the labor intensive characteristic of the industry itself.
03.Insight in to Ethiopia’s Industrial Parks Development Program

3.1 Background: Industrial Parks (IP) Program

Ethiopia is taking a range of policy and strategic measures to facilitate the move towards industrial development. To this end, the country has put in place an industrial park development program. This is apart from the national endeavors to attract investment through the employ of the ordinary investment regime. The IPs program has been integrated to Ethiopia’s development vision under the Growth and Transformation Plan II (2015/16-2019/20) and considered as important contributor to Ethiopia’s goal of becoming a middle income country by 2025. Ethiopia sees industrial parks investment in strategic locations and sectors as generator of more jobs, accelerator of increased and diversified exports, earner of foreign currency, means for greater transfer of technology and stimulator of socially and environmentally responsible urban development.

Ethiopia enjoys favorable conditions to meet these aggressive goals - especially in the light manufacturing sector. The country has one of the most competitively priced cost structures in the African Continent with regard to electricity, labor and overall operational environment and production costs.

Within the above framework the Government’s growth strategy emphasizes the development of Industrial Parks (IPs) as an important tool to support economic diversification, attract investment and increase exports. The IPs scheme is especially relevant in the light manufacturing sector to create employment, initiate export led growth, encourage private investment attractions and stimulate benefits from integration with the local economy. IPs are projected to be equipped with a streamlined business environment, common services and amenities, high-quality infrastructure and readily serviced industrial land. All such arrangements have been made available to local and foreign companies through a single, efficient and streamlined IP administration.

The plan for the expansion of existing facilities and development of additional IPs is buoyed by results of a speedy delivery of IPs as well as risk uptakes by the public developer arm of the government, the IPDC.

[A] crucial component of Ethiopia’s drive for growth and transformation is the development of a vibrant manufacturing and industrial base. Our vision is to become the light manufacturing leader in Africa. Our goal is to create millions of new jobs in medium and large manufacturing and to substantially increase the share of manufacturing in Ethiopia’s exports. …

It is therefore imperative we achieve structural transformation by reversing this trend irreversibly. And the development of Industrial Parks is the defining instrument for achieving our industrialization goals.

H.E Ati Hailelurnia Desalegn, Former Prime Minister of the Federal Democratic Republic of Ethiopia at the Inauguration of Hawassa Industrial Park, Hawassa, 13 July 2016
Furthermore, the Ethiopian model of IPs development features generally recognized sound practices within a competitive environment, combined with localized legal and operational practices to capture understanding and ease in implementation.

Salient benefits of the IPs program:

- Sustainability (environmental & social)
- Rapid and massive job creation; with tailored skills development
- Penetration into and expansion of external markets;
- Technology transfer;
- Linkages of IP production to local business leading to vertical integration
- Introduction of a business friendly environment; including One-Stop-Services /OSS

Of key importance in the context of this process is the institution of a streamlined, competitive and enabling environment for private investors through the establishment of the principle of separation of IP development and regulatory functions.

Introducing the strong features to the IP programs would eventually serve as a test lab to introduce reforms to the national territory following the Asian SEZ model. The fact that Ethiopia’s IP development strategy has been predicated on the experiences of and collaboration with fairly developed Asian economies ensures a bright prospect both to IP developers and individual tenants - especially in the light manufacturing sector.

In laying out its IP development strategy, GoE’s focus has also included programs to ensure IP investors are able to quickly integrate into the local economy, provide opportunities to local business to enjoy linkages with different IPs as business driven initiative and to make IPs investment more sustainable by stimulating higher value strategies to IP production. The latter component is particularly dictated by international experience; it would be very difficult to pursue its implementation at a later stage if it has not been duly considered at the beginning of IP development initiatives. Normally viewed as one of the key reasons why linkages programs for IPs are initiated, it suffices to note that only a few linkages programs have been successful around the world. In this tune, the EIC has further emphasized working on complementary themes such as technology transfer, labor training and overall social benefits. Indoing so Ethiopia is building competitive conditions required for a successful IPs development, growth and expansions within an Ethiopian social, legal and operational environment.

3.2 Progress in IP Development

Ethiopia currently has five completed industrial parks: Four publicly owned (Bole Lemi Industrial Park, Hawassa Industrial Park, Mekelle Industrial Park and Kombolcha Industrial Park) and one private (Eastern Industrial Park). From the five Bole Lemi IP and Hawassa IP are operational while Eastern IP (a private IP) is also operational. Mekelle IP & Kombolcha IP are already half full waiting for investors for the remaining space. The government has put in place concrete plans to develop additional IPs during the period of 2016-2017.

An important development that demonstrates the level of market interest in Ethiopia’s IP program is that seven additional IPs are already approved and currently under various phases of development. The development of five (5) private industries is also underway during the same period. These are Huajan, George Shoe, Vogue, CCECC and CCC Industrial parks.

In addition a key aspect of the of Ethiopia’s industrial parks program is the fact that the sector has been open for foreign investment and various government support measures has been put in to place. Currently seven private industrial parks are under different levels of development and/or undergoing expansion.
PUBLIC-INDUSTRIAL PARKS

**BOLE LEMI I & II**
Specialization: Textile and Apparel, Leather and Leather Products

**HAWASSA 2P**
Specialization: Textile and Apparel

**MEKELLE IP**
Specialization: Textile and Apparel, Leather and Leather Products

**KOMBOLCHA IP**
Specialization: Textile and Apparel, Leather and Leather Products

**DIRE DAWA IP**

**ADAMA IP**
Specialization: Textile and Apparel, Leather

**JIMMA IP**

**DEBRE BIRHAN IP**
Specialization: Agro Processing

**BAHIR DAR IP**

**KILINTO IP**
Specialization: Pharmaceutical
PRIVATE INDUSTRIAL PARKS

**EASTERN INDUSTRIAL PARK**
Located in Dukem
400 ha (total size), 267 (phase I)
Operational - UNDER EXPANSION

**GEORGE SHOE INDUSTRIAL PARK**
Located in Modjo
100 ha
Leather and Leather Products

**HUAJIAN INDUSTRIAL PARK**
Located in Lebu (south western outskirts of Addis Ababa)
184 ha
Leather and others

**VOGUE INDUSTRIAL PARK**
Located in Mekelle
100 ha
Textile & Apparel

**CCECC ARERTI INDUSTRIAL PARK**
Located in Arerti
100 ha (phase I)
Building materials and furniture

**CCECC DIRE INDUSTRIAL PARK**
Located in Dire Dawa
1000 ha
Mixed with export focus
3.3 IP Regulatory Framework

As international experience reveals, top industrial park jurisdictions owe their successes inter alia to a properly developed industrial parks legal regime while the failures of industrial park programs in many countries have been partly attributed to poorly-designed legal frameworks. Ethiopia has taken lessons from foreign experiences and has embarked on carving out specially designed normative and institutional frameworks well beyond the ordinary arrangements. The frameworks put in place are comprehensive, transparent and predictable and would help remove investment constraints and challenges emanating from the country’s traditional commercial and investment regimes.

The enactment of the Industrial Parks Proclamation in 2015 has been a milestone in this direction. A primary legislation for the sector, it is augmented by investment laws and regulations which define and bolster the powers of lead industrial park regulatory institutions – the Ethiopian Investment Board and the Ethiopian Investment Commission. These laws serve as solid legal foundations for the nation’s industrial parks program.

The statutes envisage key legal and institutional elements which are recognized as industrial park investment enablers, namely:

- Industrial park designation criteria;
- Private sector, private-public partnership or government investment in industrial parks;
- Rights and obligations of industrial park developers, operators, enterprises, workers and residents;
- Industrial park investor protections and guarantees including national treatment, protection of property rights and special foreign exchange schemes;
- Regulatory processes and procedures including streamlined enterprise registration and licensing rules, business facilitative customs procedures, and simplified visa, residency and work permits;
- Industrial park customs-controlled area elevating the status of industrial parks as extraterritorial from customs and fiscal stand points;
- Industrial park labor affairs and building norms;
- Special income tax, customs and other incentives with IPs;
- Provisions on mitigating the risk of land speculation;
- Lead-institutions to administer industrial park programs on strategic and day-to-day levels;
- Environmental and social impact mitigation plans;
- Investment dispute resolution and compliant handling procedures;
- One-stop-shop to deliver regulatory and related services;
- Special business exit strategies in the event of bankruptcy/liquidation, merger or acquisition, and
- Declaration on primacy of the industrial park legal framework in case of conflict of laws vis-à-vis other laws.

The Industrial Parks Proclamation addresses these major legal ingredients only generally so as to give room for regulatory flexibility without sacrificing legal predictability. The details regarding issues from industrial park designation to business exit strategies are worked out under a secondary law (courtesy of Ministers’ Regulation) and tertiary legislation (Ethiopia Investment Board Directives).

In doing so the highlights of the past year has been the successful development and adoption of the Industrial Parks legal instruments both the IP Regulation and IP Directive.

The process of developing the industrial parks’ legal and institutional arrangements has been informed by a series of consultations held with industrial park investors, public sector institutions and professionals; this was indispensable given the novelty and complexity of the legal regime (as it touches upon the mandates of many levels of public institutions) and to raise awareness about the purposes and contents of the regime, and most importantly, to enrich the documents through feedback received from various stakeholders.
Of the three currently operating industrial parks, the state-developed Bole-Lemi park is undergoing expansion, while it has already created employment for about 12,000 Ethiopians. Most importantly the Hawassa Industrial Park (HIP) has entered into operation with a commendable participation of PVH as the anchor investor, further strengthening Ethiopia’s target of attracting leading light-manufacturing investment especially in textile and apparel sub sector.

Developed by the IPDC, the HIP could be regarded a case study in successful and agile development as the infrastructure development venture was completed in just nine months. The standards developed in HIP are already directive the government’s initiative in developing the additional IPs in the coming year. HIP is projected to create about 60,000 direct jobs in two shifts when it reaches its peak.

This extraordinary performance in IPs development is the result of Ethiopia’s carefully designed market strategy to attract foreign direct investment from all over the world both as park developers and enterprise investors. Of the private sector IP developers so far approved, six are from China and one from Taiwan (China), India, Bangladesh respectively. The IPs development experience and models from these two countries will no doubt have a positive impact on Ethiopia’s IPs programs. China’s experience with Special Economic Zones (SEZs) was the precursor of its massive economic development enterprise providing business friendly reforms which were later rolled-out to the national territory - outside of the economic zones.

**Ethiopia’s IP development program features**

- Word class, ready to ‘plug and play’, dedicated to textile, apparel, footwear, leather & leather products industries; pharmaceutical, agro-processing etc
- Specialized, vertically integrated and eco-sustainable;
- One-stop government services;
- Strategically located along the new national railway corridors;
- Broad-based government support;
- Favorable investment climate;
- Investment policy led by the Ethiopian Investment Board (EIB) - chaired by the Prime Minister.

**Incentives Applicable to Industrial Parks: Manufacturers**

- 100% foreign ownership allowed;
- Exempted from income tax for 8 - 10 years; (subject to export)
- Exempted from duties and other taxes on imports of construction materials machinery, equipment, accessories, spare parts, raw materials and limited vehicles;
- No export restrictions or taxes;
- One-stop- government services;
- 60-80 years land lease at (promotional rate) for construction of factory shades and dormitories inside Industrial Park premises;

**Incentives Applicable to Industrial Parks: Developers**

- 60-80 years land lease at (promotional rate)
- Exempted from income tax (for) 10-15 years;
- Provision of necessary infrastructure, including dedicated power.
- Exempted from duties and other taxes on imports of construction materials machinery, equipment, and limited vehicles;
3.4 Hawassa Industrial Park - a flagship achievement

Hawassa Industrial Park (HIP) is located at the heart of Hawassa, the capital city of the Southern Nations, Nationalities and Peoples Regional State and a premium holiday destination. Known for its hospitality, Hawassa is home to a diverse group of nations, nationalities and peoples. The beautiful lake of Hawassa provides grace and cooling ambiance to the city. Hawassa has now added to its profile a state-of-the-art and the country’s flagship industrial park.

The park includes excellent shared facilities such as dormitories and commercial buildings covering a land area of more than 26,600 m² destined for the use of shopping centers, health clinics and banking services.

The construction of the park was completed with a record time of not more than 9 month and was inaugurated on July 2016 followed by production inauguration on June 2017.

Phase 1 of HIP rests on a total land area of 1.4 million square meters, of which 410,000 m² is taken by factory structures housing 52 factory shades, various other auxiliary buildings and features more than 18.3 Km of road, over 21.5 kms of electric line, 16 kms of telecom lines and over 23.8 Kms of fresh water supply pipelines.

As the city is endowed with massive labor supply of up to five million people within 50km radius - making it an ideal investment destination for labor-intensive industries. It provides labour that is 20-25% lower in cost than Addis Ababa with a low turnover of employees due to less competition from other industries and sectors such as construction.

The park has an anticipated export value of US $1Billion
H.E Ato Hailemariam Desalegn, Former Prime Minister of the Federal Democratic Republic of Ethiopia at the Grand Production Inauguration of Hawassa Industrial Park, Hawassa, June 20, 2017

Distinguished CEOs and Board Members

Excellencies and dignitaries,

Invited Guests,

Ladies and Gentlemen,

It is a great pleasure and honor to be here in Hawassa with you as we celebrate the full operation of the Hawassa Industrial Park.

Today's event paves the way to another exciting chapter in Ethiopia's industrialization efforts.

As many of you know, a crucial component of Ethiopia's drive for growth and transformation is the development of a vibrant manufacturing and industrial base. Our vision is to become the leading manufacturing hub in Africa by 2025. Our goal is to create millions of new jobs in labor-intensive and export-oriented light manufacturing. The full operation of the Hawassa Industrial Park is the most evident and concrete example yet towards achieving our national vision.

Hawassa will now and forever be a symbol of our national enterprise, our bold move to industrialize our economy.

In Hawassa, we have been successful in building a world-class industrial park featuring state-of-the-art, environmentally friendly technology. But the key to Hawassa’s success is not the infrastructure and factory sheds per se. In fact, that is the easiest part. It is rather our progress in translating our vision into reality. It is our achievement in attracting and hosting leading investors to establish manufacturing operations. Most of these companies have now started operations and export; and very soon Hawassa will be a thriving industrial hub.

Our economy is also expanding at a robust pace and the world is watching our transformation closely and with keen interest. A few weeks ago, the World Bank forecasted that this year Ethiopia will be the fastest growing economy in the world. Similarly, IMF called Ethiopia the star performer in the African continent this year.

Ethiopia has now become one of the largest recipients of FDI in the African continent. Despite the decline in interest in the rest of Africa, FDI flow in Ethiopia has increased by 46% this year. A recent report by UNCTAD concluded that Ethiopia is now the 2nd largest recipient of FDI in textile and apparel, next to Vietnam.

Ethiopia is fast becoming an attractive destination for investment. Our drive to create a competitive textile and apparel sector is advancing in the right direction. Indeed, Ethiopia is emerging as a leading manufacturing hub in Africa.

Ladies and Gentlemen,

The Hawassa Industrial Park is also significant because it represents our blueprint in designing and developing an integrated eco-industrial park across the country. We have learned a lot in the process of the development of this park, from design to construction and finally to park’s operation and management. The Hawassa Industrial Park has given us lessons and experiences as a framework in working procedures, strategies, speed of delivery, and most importantly viability. Using and improving upon our Hawassa Industrial park model we are in the process of developing industrial parks across the country. By virtue of being a model of sustainable and productivity for all subsequent industrial parks, Hawassa Industrial Park has created a conducive environment for the creation of jobs for Ethiopian youths across the country.

This achievement is a direct result of the shared vision among the government, PVH and other investors, as well the government’s unrelenting determination to stay actively engaged and adjust to arising trends and situations. Although our progress has not always been as smooth as we want it to be, we have succeeded in developing an industrial park that has addressed the fundamental problems and constraints previously encountered.

Although the production inauguration of Hawassa Industrial Park marks a milestone in our quest to industrialization, we should note that our journey has begun. Now is not the time to be resting on our laurels. We must keep this hard-earned progress going. We must continue to build on what we have done, and strive to climb higher.

And the question now is, how do we keep the progress going? How do we build on it?

First, I want to underscore the government’s firm belief that foreign direct investment has a critical role for manufacturing growth. It makes significant contributions in terms of investment, employment, and foreign exchange. Targeted and high-quality investments will enable us to expand the base of our economy and make it less likely that we will be affected by a downturn in the global economy. Additionally, it enables the diffusion of knowledge and technology to domestic firms and workers. Without new investment, there can be no strong economy. Without a strong economy, we cannot sustain our growth and increase the income of our people. This is why high-quality investors and anchors like those we have in Hawassa are important contributors to our growth efforts. They create a ripple effect to the whole economy. The opening of this park will provide a major boost to existing retail commerce, the hospitality industry, and housing and real estate sectors.

A strong manufacturing sector is therefore a vital ingredient to our growing economy. While acknowledging the critical role of foreign investment, we also need to emphasize the vitality to drastically develop the strategic manufacturing capabilities of domestic investors and ensure their viability.
Today, I’m calling for all of us—federal, regional, city, local officials and domestic industrialists, universities and our world-class investors—to come together, to spark a renaissance of our manufacturing sector, to support investments and to create new opportunities for our youth so that they can achieve an improved quality of life. Let’s all be genuine partners to growth!

Second, I believe our human capital will in the end drive our industrial productivity. We need to understand that what we do today will have a direct impact on the competitiveness of our industry sector in the future. To succeed in the manufacturing sector, we must have a capable and productive workforce. We need our workers to be skilled and disciplined. Industrial discipline is essential for ensuring improved performance, better productivity and an effective workforce. Our trade unions need to work closely and in good faith with our investors to forge sound industrial relations and to maintain industrial peace at all times. We also need to establish strong partnerships between universities and manufacturers where the flow of information can be facilitated to bring about an increased transfer of skills and technology.

Third, I am directing every single agency in our government to work with a shared and urgent sense of mission, to collaborate and create a vibrant “plug and play” business environment in the industrial parks. We are now shifting to a new way of doing business within the government—an approach that delivers vision and actions, and not just ideas and promises. We need to cut bureaucratic red tape that stalls good investments from breaking ground. Our service delivery to the investors should match the seriousness and the speed at which Ethiopia is pursuing this drive.

Fourth, we must make a concerted effort to ensure our manufacturing is globally competitive. We know, for example, the textile and apparel sector is highly sensitive to cost and lead times of import and export. If our trade logistics is not efficient, our export will never be competitive and our industries will fail. In this regard, we is making steady progress. For instance, we are constructing a cross-docking facility in Modjo to allow for efficient cargo movement from rail to trucks and trucks to rail. We’ve built and made operational a modern, high speed railway linking the country to the Djibouti Port. Still, we can and have to do better. Going forward, we need to create a competitive logistics industry that reduces transit time, modernizes the sector, provides more services and meets fully the users’ needs.

The availability of cost-competitive, renewable, and clean energy is important for all our investors. Our utilities need to provide adequate, reliable electricity, and to avoid unreasonable power outages that could interfere with operations. Without modern banking and financial services, Ethiopia will not be a competitive investment destination. Our banking industry need to continuously improve and optimize their services to provide tailored services to industrial parks to make our exporters internationally competitive. Our banks should offer diverse financial products and services. Our financial institutions need to modernize to keep up with global standards.

Finally, we need to create an ideal “work-live-learn” environment in Hawassa that is conducive for visitors, residents and investors to enjoy life and excel in their work. When Hawassa is clean and green, that makes it a great melting pot for talent, ideas, investment and business opportunities. We must Hawassa attractive not just because of our lake and climate but also because of our facilities, security, connectivity and health standards.

When we address these issues and do more, I am confident that we will take Hawassa to the next level of success and achieve our national vision of making Ethiopia the manufacturing hub of Africa.

**Excellencies,**

**Invited Guests,**

**Ladies and Gentlemen**

On behalf of the Government of Ethiopia, I wish to thank most sincerely everyone who has contributed to this success. From the first design, to the planning and construction, to attracting key anchor investors, a number of you have been involved.

Allow me to name a few.

I want to thank first the Investor Group led by PVH Corp. Your holistic approach, your focus on verticality and sustainability, helped us build a state-of-the-art industrial park. We know you have invested in Ethiopia because you have confidence in our country and our ability to deliver what we promise. We thank you for the trust and partnership. Your confidence is our competitive asset. I assure you we will not only retain it but we will improve on it. We encourage you to maintain you interest and expand your investment.

I would also like to thank the Chinese Civil Engineering Construction Corporation (CCECC). CCECC contracted to build the park to the highest standards taking into account relevant environmental and social standards and by all measures has achieved this feat.

I would also like to thank three of our development partners. The Government of the People’s Republic of China for its support and partnership in our infrastructure and industrial parks development program. DFID for providing us with strong support for our worker skills training program by setting up sourcing and grading centers and the IFC/WB team for providing us valuable technical assistance in attracting and promoting investment in Hawassa Industrial Park.

Finally, I would like to thank the government team. I would like to thank our lead agencies: Ministry of Industry, EIC, and IPDC for working seamlessly together to deliver this project. Moreover, many government agencies are involved in providing the one stop shop services (OSS). I want in particularly to thank the Ethiopian Revenue and Customs Authority (ERCA), Immigration and Nationality Affairs Agency, the Commercial Bank of Ethiopia and Ethiopian airlines, the federal and regional security forces for their all-rounded contribution.

May we continue to dream bold dreams and build on our success!

Thank you!
H.E Dr. Arkebe Oqubay, Minister, Head of Economic Sectors’ Delivery and Support, Office of the Prime Minister, and Board Chairman of Industrial Parks Development Corporation (IPDC) at the Grand Production Inauguration of the Hawassa Industrial Park, Hawassa, June 20, 2017

Your Excellency Ato Hailemariam Desalegn - Prime Minister of the Federal Democratic Republic of Ethiopia;
Your Excellency Ato Desse Dalge - President of the Southern Nations, Nationalities and Peoples National Regional State;
Distinguished Investors of Hawassa Industrial Park;
Distinguished Ambassadors and Dignitaries;
Distinguished Government Officials;
Invited Guests;
Ladies and Gentlemen;

I would like to start by first congratulating all of you here today as we celebrate the grand production inauguration of the Hawassa Industrial Park. Congratulations on this important achievement!

This impressive national accomplishment – attained through the unrelenting hard work of key stakeholders – is a clear demonstration of the soundness of our national development policies and economic transformation strategies that place particular emphasis on the expansion of the manufacturing industry and the full realization of our export potential. The manufacturing sector plays a critical role in increasing our exports and foreign currency earnings, generating employment opportunities, and creating knowledge and technology spillovers. Without a strong manufacturing base, we cannot build a strong and diversified national economy that is predicated on robust interlinkages between the industry and agriculture sectors.

With the aim of realizing Vision 2025 and becoming the leading manufacturing hub in Africa, we have made an extensive and targeted effort to attract and retain quality investors with sound capital and finance, strong technological spillover and export growth contribution potential. As a direct result of our efforts, 18 leading global manufacturers have invested in Hawassa Industrial Park (HIP) using their own capital and finance. Their investments are consistent with our strategy of developing a globally competitive, sustainable and vertically-integrated apparel and textile industry.

To promote meaningful participation of local investors in our industrial park development program, we have
formulated a clear linkage strategy. Domestic investors face significant challenges as it relates to access to finance, skills, technology, and market. To address access to finance constraints, the government has facilitated credit for working and investment capital up to 85% of their needs. In response to the other challenges, our government has prioritized the interest of domestic companies and has created opportunities for local investors to enter sourcing network and better exploit supply linkages opportunities. The government has also outlined a cost sharing scheme for up to 5 years for employee training and recruitment of expatriate managerial staff. In line with this scheme, the government will cover 85% of the training cost in the first year, 75% in the second year, 50% in the third year, and 25% of the total cost in the fourth year.

Over the past several months, we have overcome numerous odds and endured several challenges in laying the groundwork to transition manufacturers to the production and export phases. Power, water, telecom and related infrastructure were put in place within the Park to lower entry and operational costs for manufacturing enterprises. We installed park operation and management structures, and service systems which would enable enterprises to efficiently enter into full operations. The procurement, transportation and setting up of production equipment were successfully undertaken by manufacturing enterprises.

Government services in the past provided by different institutions in an uncoordinated approach have been rationalized and streamlined to improve the park’s business climate- with the Ethiopian Investment Commission, Commercial Bank of Ethiopia, Main Department for Immigration and Nationality Affairs, the Ministry of Labour and Social Affairs, the Ethiopian Revenue and Customs Authority and other key agencies all setting up an organized, efficient and comprehensive one stop service offerings at the park.

To assure a seamless and adequate supply of skilled labour force, we have been able to organize a model system for sourcing, recruitment and training of employees. Preparations have also been completed to establish an academy within the industry park that, on a regular basis, caters for the training requirements of employees and enterprises in relation to labour ethics, skills, and supervisory competences. We have also signed cooperation agreements with the globally renowned Kunshan Industrial Park for the effective operation and management of the industrial park, and with Arvind Envisol for the operation of the Zero Liquid Discharge (ZLD) facility.

We recognize that the Park’s full operation cannot be accomplished without pursuing a corresponding initiative that tackles the critical issue of shortage of affordable housing for park employees. In this regard, we have been able to introduce an innovative approach in collaboration with the Sidama Micro-Finance Enterprise. Hawassa residents were granted preferential access to loans – to finance the construction of additional housing units within their premises for rentals to park employees – a scheme which we believe will contribute in augmenting their income and in boosting the city’s economic standing. In our search for lasting solutions on housing, we have now commissioned a comprehensive study which is expected to explore all options and propose viable solutions.

Ladies and Gentlemen;

In realizing our vision of industrial development and economic transformation, we pursued our industrial parks development program - guided by the best global practices and lessons. First, all our industry parks were designed and constructed in strict compliance with environmental safety and protection standards as eco-friendly and green industrial parks. We are proud to announce a water and waste treatment plant within the HIP, which is based on the latest Zero Liquid Discharge technology for treating and recycling about 90% of the water used in the park. This technology is the first of its kind in Africa. This way, we will be able to ensure that no pollutant matter or waste is released into the Hawassa ecosystem.

Secondly, in building our parks, we adopted the key principle of specialization to respond more readily to the specialized needs of industry clusters. This has allowed us to attract high-quality investments in specific sectors that can contribute to export growth and create a condition for knowledge transfer and learning.

We have now been able to successfully complete the construction of the next line of industrial parks scheduled for the current fiscal year.

Excellency Prime Minister;

Ladies and Gentlemen;

Currently, close to 15 industrial parks, including Bole Lemi I and Hawassa Industrial Park, are at various stages of development. The Mekelle andKombocha Industrial Parks will be fully completed and inaugurated by the end of this month. This September, we will witness the inauguration of the Adama and Dire Dawa Industrial Parks.

The Ethiopian Investment Board (EIB) recently approved a Pharmaceutical Industry Incentives Packages and Institutional Framework for New Productive Capacity, Hubs Development and Exports for Ethiopia. To allow for the full implementation of this strategy, a new and specialized Pharmaceutical Hub will be completed and inaugurated in Klineto in January 2018. Bole Lemi-II will also be completed around the same time.
Additionally, Jimma and Bahir Dar Industrial Parks are scheduled to be completed in April and May 2018 respectively, while Arerti and Debre Birhan Industrial Parks will be ready to host investors by June 2018. Relatedly, we have completed our preparation to start the construction of Alagie, Aysha and Hunan-Adama Industrial Parks next year. We will also begin next year the preparation of the feasibility study for the Semera Industrial Park.

I also want to emphasize that despite the progress we have made so far, it is important to recognize that we have significant work ahead of us. Much more remains to be done.

Above all, we will provide comprehensive and continued support to ensure all the enterprises in Hawassa Industrial Park operate at full capacity, generate close to 60,000 jobs and reach USD 1 billion export target in the next 18-24 months. We need to improve our capacity to ensure all park operation, administration and One Stop Services are provided in an efficient, streamlined, coordinated and expedient manner. To drive our industrial productivity and maintain disciplined workforce, we need to carefully develop and properly implement an effective employee training program that will respond to and put at the center the needs of the manufacturing enterprises. This is vital to the long-term success of all our enterprises.

In addition, we have to make a coordinated effort to attract, facilitate and retain quality investments in Hawassa and all other pipeline industrial parks. Building on our current strengths and the presence of leading investors, we have to hard work to develop our domestic manufacturing capabilities and harness linkage opportunities to increase the sustainability of investment overtime.

It is also incumbent upon us to ensure all the parks in the pipeline are developed and operationalized as eco-friendly, green industrial parks, respecting our obligation to protect the environment.

Along the way, we have gained more experience. Our development journey has provided us with invaluable lessons about effective approaches of designing and developing integrated eco-industrial parks. We are also developing a dynamic and adaptive policy capability that will set clear goals, concretize implementation plans and inform action.

Finally, while acknowledging our limitations, I want to assure all our investors the government’s highest political commitment in providing full support and adhering to policies that foster growth. Our government will back you all the way.

Ladies and Gentlemen,

In closing, I want to express my gratitude to several institutions and individuals who contributed immensely to the success of our endeavour.

• First, I would like to thank all our investors in Hawassa Industrial Park. In particular, I want to express my heartfelt gratitude to members of the PVH Corp. management, Mr Bill McRaith, Mr Mark Green and Mr Roy Ashurst for sharing our vision and for their indispensable contribution. We look forward to long-term partnership and success together.

• I would also like to thank all the hardworking and teachable workers of the Hawassa Industrial Park.

• I want to extend my appreciation to the people of Hawassa and its surroundings for their hospitality and to all relevant Regional, Zone and city officials for the continued support they provided.

• An important aspect of the Hawassa Industrial Park is the provision of a One Stop Service. To all government agencies who supported us in providing high quality business environment in the park, particularly, the Ethiopian Revenue and Customs Authority, Commercial Bank of Ethiopia, Main Department of Nationality and Immigration Affairs, Ministry of Labour and Social Affairs, electricity and telecom utilities and also for the continuous and full support of Ethiopian Airlines, I am grateful.

• I would also like to thank the Chinese Civil Engineering Construction Corporation (CCECC) and the indigenous consulting firm, MH Engineering for building the park to the highest standards.

• The construction of the rainwater drainage system for Hawassa Industrial Park and city of Hawassa was an arduous task. However, this was ably executed by Hawassa City Administration, Ethiopia Road Authority, the Federal Integrated Infrastructure Development Coordinating Agency, Sino Hydro and AIC. Please accept our heartfelt gratitude.

• For their continuous support in developing an effective employee training program and technical assistance in investment promotion and facilitation, I would like to thank all our development partners particularly the Government of the People’s Republic of China, DFID, Enterprise Partners, Tony Blair Institute, World Bank and the International Finance Corporation.

• Finally, I want to thank the Ministry of Industry, the Ethiopian Investment Commission, and the Board and Management of the Industrial Park Development Corporation and government police and security agencies for tirelessly working day in, day out to bring this project to successful fruition.

Thank you!
Speech by Bill McRaith, Chief Supply Chain Officer for PVH Corp, at the Grand Production Inauguration of Hawassa Industrial Park June 20, 2017, Hawassa

Hello, and thank you all for being here!

My name is Bill McRaith, Chief Supply Chain Officer at PVH, one of the largest apparel companies in the world and parent company of Calvin Klein, Tommy Hilfiger and other well-known brands. I am honored to be speaking today on behalf of all the tenants of the Hawassa Industrial Park.

Today marks an exciting new chapter for the Park.

The progress we have made reflects the time that has been invested by so many towards our goal to create a vertical, scalable and sustainable venture in Ethiopia.

Our increased involvement in the region began in June 2015, after about a year of significant efforts by several organizations, to have the African Growth and Opportunity Act (“AGOA”) renewed and extended for 10 years by the United States Congress.

The Sub-Saharan region ultimately emerged as an attractive option for apparel sourcing.

Since day 1, we set out to learn from social and environmental challenges in other production countries, and establish an operation we can be proud of.
At every step, we have been sensitive to the challenges and conscious of the responsibilities that come with industrializing a predominantly agricultural region.

I want to take this time to commend the extraordinary efforts of everyone involved in helping to create this “best in class” facility – without you none of this would be possible.

To His Excellency Prime Minister, Hailemariam Desalegn: thank you to you and your government for your continuous support, and for your willingness and patience to partner to create something special that has both scalable with sustainable business practices.

I also want to thank:

- Special Advisor to the Prime Minister, Dr. Arkebe Oqubay. Without his energy, his pragmatic and relentless approach to support and elevate the original vision, none of this may have happened.
- President of SNNPR, Ato Dessie Dalkie
- The Mayor of Hawassa, Ato Tewodros Debaba
- Commissioner of the Ethiopia Investment Commission, Ato Fitsum Arega and his team
- CEO of the Industrial Park Development Corporation, Ato Sisay Gemichu – and his team
- Ato Seleshi Lemma from the ETIDI
- Donor agencies DFID, GIZ, JICA
- All tenants of the Industrial Park
- Executive Vice President, Global Supply Chain, PVH Far East Ltd.-Mark Green, who led the charge on behalf of PVH to attract the suppliers and then helped lead them through the many layers needed to construct this Park as a state-of-the-art, industry-leading park

I cannot stress enough how important the support of everyone involved has been.

The whole world has much to be excited about when it comes to our work in Ethiopia.

In fact, according to the recent 2017 UNCTAD Report, Ethiopia has become one of the largest recipients of foreign direct investment in apparel and textile industry in 2016, second only to Vietnam.

This is an incredible achievement, and our goal is for Ethiopia to become number one in 2017 and beyond.

The World Bank sees this cooperation between governments and private enterprise as the way forward, and I couldn’t agree more.

Thank you all again for being here today, and I look forward to the future of the Hawassa Industrial Park.

Thank you!
HIP - eco-industrial park

HIP is the first sustainable textile and apparel park in Africa. Consistent with the Ethiopian Government’s commitment to a green-economy, HIP is designed, constructed and operated as an eco-friendly park.

It has a water and waste treatment plant which uses the latest technology for treating and recycling 100% of the waste water discharge of the park and in doing so supplying 90% of the water needs of the park.

To this end, the zero-liquid discharge (ZLD) facility is the first of its kind in Africa. Apart from minimizing impact on surrounding soil salinity, groundwater pollution or ecology of river bodies, this technology helps conserve water resource through recovery and re-use of treated waste water. The technology further enables recovery and re-use of salt used in the textile dyeing process. For this purpose, more than 32,700 m² of zero liquid discharge (ZLD) facilities have been constructed and more than 1.5 kms of effluent line; 13 kms of recycle water line; 15 kms of sewerage line and more than 20 kms of integrated drainage lines have been constructed.

The park is surrounded by a natural and green environment – hence providing a soothing landscape.

"Africa’s largest ZLD ETF, an investment that will show the world there is no conflict between a company doing well and a company doing right by the people, the community and the environment it operates within the investment and commissioning of Africa’s largest ZLD ETF, an investment that will show the world there is no conflict between a company doing well and a company doing right by the people, the community and the environment it operates within"

Statement by Bill McRaith, Chief Supply Chain Officer for PVH Corp, at the grand Production Inauguration the Hawassa Industrial Park, Hawassa, June 20, 2017
The design and construction of Hawassa is conceived around energy and water conservation principles – including:

* Maximization of natural lightning and natural ventilation,
* Fitting of low consumption bulbs,
* Recycling of well water, and
* Solar powered LED street lights

As an Eco-Park, HIP is not only powered by renewable electricity and many green features;

* 15 thousand trees are planted
* There is an artificial pond for birds and fish
While the development of industrial parks normally entails the creation of common services and amenities, high-quality physical infrastructure and readily serviced industrial land. However, at the core of the enterprise – in the post-development phase of industrial parks – also lies the need for the provision of a single, efficient and streamlined one stop services to investors. Hence, a mechanism must be put in place where governmental agencies work with a shared and urgent sense of mission and collaborate to create a vibrant plug and play business environment in industrial parks.

This represents fundamental shift in doing business within the government structures – which cuts bureaucratic red tape a great deal, helps to attract investment in industrial parks and enhance Ethiopia’s competitiveness in relation to foreign direct investment. Given its extreme vitality, the OSS scheme – along with the organs responsible for its implementation on the ground – has been clearly recognized under Investment Proclamation No.769/2012 (as amended) and Industrial Parks Proclamation No.886/2015.

In this context, various measures have been adopted to install a coordinated, effective and investor-friendly government services platform both within and outside of HIP. Among others the park features a fully equipped One Stop Service building dedicated to bringing government facilities closer to industries.

PVH - HIPs anchor investment: With a heritage going back over 130 years, PVH Corp. has excelled at growing brands and businesses with rich American heritages, becoming one of the largest apparel companies in the world. Today the company has over 30,000 associates operating in over 40 countries with over $8.2 billion in 2016 revenue.

PVH owns the iconic Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, ARROW, Speedo*, Warner’s and Olga brands and market a variety of goods under these and other nationally and internationally known, owned and licensed brands.

As an anchor investor, PVH played a prominent role by working hand-in-hand with the Government of Ethiopia and actively supported the drive for targeted recruitment of investors. To this end, it tapped into its impeccable list of global vendors.

PVH has already commenced production in its manufacturing facility and exported its first shipment from the park in May, 2017. Seven of the companies that are operational in HIP supply their products to PVH.
The whole world has much to be excited about when it comes to our work in Ethiopia

Bill McRaith, Chief Supply Chain Officer for PVH Corp, at the grand Production Inauguration the Hawassa Industrial Park, Hawassa, June 20, 2017
HIP - Human resource development
The competitiveness of the manufacturing sector in industrial parks greatly depends on the development of human capital and multidimensional initiatives carried out by various stakeholders to assure seamless supply of skilled/productive labor force tuned to the specific needs of enterprises. Capable, productive and disciplined workforce - along with mechanisms and legislative frameworks that facilitate better performance, productivity and industrial harmony - are absolute preconditions for success in the manufacturing sector. Human capital development schemes must also be attended by continuous educational programs that focus on soft skills such as instilling positive work ethics and deconstructing unwarranted biases and flawed perceptions by employees and the larger IP community. Accordingly, parallel to putting together HIP’s hard infrastructure the government implemented various human capacity development programs to meet the labor supply and efficiency needs of the park.

Hawassa Industrial Park Sourcing and Training Employees in the Region (HIPSTER):
The HIPSTER program is a collaborative public-private platform established between apparel brands, manufacturers, commercial service providers and Federal/Regional government agencies (HIP Tenants’ Association, EP/DFID, ETIDI, EIC and SNNPR Bureau of Trade and Industry) to facilitate the sourcing, testing, grading and recruitment of employees in HIP.

The program commenced on August 2016 and projected to last for a period of two and half years. It is implemented with the main objective of developing a market-driven and inclusive labour information, registration and preliminary training system to facilitate employment opportunities in HIP. House at the HIP, the program responds to key constraints faced by factories in relation to the supply of suitable labour force which has hitherto compelled factories to produce below capacity. The four key triggers for the intervention were identified as ‘high absenteeism and turn over’, ‘wages and rising living costs’, ‘lack of skills, motivation and awareness of job opportunities’, and ‘poor relationship between factory managers and employees’.

HIPSTER’s implementation strategy involved two tiers: first, the establishment of market-driven system to match manufacturers’ labour demand with job seekers through the development of sustainable sourcing, screening, training and placement mechanisms, and second, the training of new entrants on soft-skills to improve performance, worker engagement and motivation, and reduction of worker absenteeism and turnover - which would eventually result in increased productivity and lowered cost.

So far, the program has been able to reach out to a significant number of job seekers, with greater outreach to geographically and economically remote female job seekers as compared to sourcing works pursued by factories on their own. The soft skills training package addressed various themes including workers’ industrial work ethics, attitude, performance, vision building and team work - responding to manufacturers’ demands.

Hawassa Industrial Park Center of Excellence for the Textile and Apparel Sector
On top of the regular industrial/technical and human resource training, the Center of Excellence will offer training to employees (during the post-recruitment period) on regular basis on subjects like improving performance and productivity, enhancing workers’ engagement and motivation, and work ethic issues (focusing on reducing worker absenteeism and turnover);

Active consideration is also given in terms of expanding the Center’s mandate and facilities for purposes of conducting executive-style training to staffs of the EIC/IPDC on various themes - including the operation and management of industrial parks.
Residential buildings, factory sheds, and green areas at Hawassa Industrial Park.
Hawasssa Industrial Park

- The first and largest sustainable textile & apparel park in Africa;
- Inaugurated in 2016 with state-of-the-art technology and world-class infrastructures (features a zero liquid discharge technology (ZLD), adheres to global quality/audit certification including Customs-Trade Partnership Against Terrorism (C-TPAT));
- Products: Woven shirts, woven bottoms, sportswear, underwear garments, synthetic tops, socks & tights, women wears (blouse, dress, skirts, etc)

Location
- It is situated at the heart of the city of Hawassa – capital of the SNNPR

Population & employment
- 5 million people within 50 km radius
- Employing ~ 20,000 workers

Industrial Park area
- Total land area of 3 million m² (300ha)
- Total built-up area of 1.4 million m² (140ha)
- 410,000 m² factory shed built up area

Sheds
- A total of 52 factory sheds
- 11 sheds of 11,000 m², 35 sheds of 5,500 m², and 6 specialized sheds (tailored to the needs of investors)

Park Specialization
- HIP hosts leading apparel and textile manufacturers

Bolelemi Industrial Park

- The park is 15 minutes drive from Bole-international airport;
- It has a access to 756km electric driven railway that connects Addis Ababa to Djibouti;
- Companies: Hosts leading manufacturers including George Shoe, Shirts ETP Garment PLC, Evertop Sportswear, etc.
- Products: Women shoes, sandals, Sportswear, Shirts, trousers, Gloves, jacket and shorts

Location
- Located in the South Eastern part of Addis Ababa

Population & employment
- 25 million people within 25 km radius
- Employing ~ 14,000 workers

Industrial Park area
- Total area of 3.27 million m² (327 hectares)
- Phase one: 1.56 million m² (156 hectares)
- Phase two: 1.71 million m² (171 hectares)

Sheds (Phase 1)
- A total of 20 sheds
- 10 sheds of 5,500m² and 11,000m² each

Park Specialization
- BLP hosts leading investors in textile & apparel and leather products manufacturing sector

Mekelle Industrial Park

MIP was inaugurated in July, 2017;
- The city of Mekelle has an international airport with 8 daily flights from Addis Ababa;
- A new electric-powered railway is under construction and will soon connect the city to the Port of Djibouti. The railway will guarantee efficient and eco-friendly cargo and passenger transport service between the park and the Port of Djibouti reducing travel time by more than 50%;
- A 40 meters wide road will link MIP to the railway line located 18 km from the park. The railway will guarantee efficient and eco-friendly cargo and passenger transport service between the park and the Port of Djibouti reducing travel time by more than 50%;
- Currently the park hosts leading manufacturers such as Ananta Group (Two companies Calistoga & Strathmore), SCM Garment Knit Tex plc, Pretty Industries plc, Pooja International India and Laguz Stylish Garment manufacturing plc;
- Products: Wearing apparel, Denim Composite, Knit Composite, Sweaters, Apparel, Knit and ready made garments

Location
- Located at the heart of the capital city of Tigray Regional State, Mekelle

Population & employment
- 1 million people in & around the city
- Expected to generate employment opportunity for about 20,000 employees

Industrial Park area
- Total land area of 10 million m²
- 1st phase: 1 million m²
- Phase 1 - 100,000 m² factory shed built up area

Sheds
- A total of 15 sheds
- 5 sheds of 11,000 m², 6 sheds of 5,500m² & 4 sheds of 3,000 m²

Park Specialization
- Hosts leading manufacturers in the textile & apparel and leather products sector

Kombolcha Industrial Park

KIP was inaugurated in July, 2017;
- The city of Kombolcha is next to the Kombolcha airport, and is walking distance from the railway line that connects the City to Port of Djibouti;
- KIP is located at 367 km distance from the Port of Djibouti;
- The Kombolcha airport has regular flights to the capital city;
- The KIP is located next to the Kombolcha airport, and is walking distance from the railway line that connects the City to Port of Djibouti;
- The park hosts leading textile & apparel companies including Carvico S.p.A, an Italian company globally known for its knitted synthetic fabrics used in swimwear and sportswear; Trybus a US-company engaged in the production of men’s suits and Pungkook Corporation; (a south Korean company known for supplying Michael Kors)
- Products: Synthetic fabrics, men’s clothing, leather bags, cotton yarn.
Location
- Located in Amhara regional state, north central part of the country

Population and employment
- 1.5 million people within 50 km radius of the city
- It is expected to generate employment opportunity for about 20,000 employees when it is fully operational.

Industrial Park area
- Total land area of 10 million m²
- Phase one: Total area of 75 hectare
- Factory built up area: 60,500 m²

Sheds
- A total of 9 sheds
- 2 sheds of 11,000m² and 7 sheds of 5,500 m²

Park Specialization
- KIP is designed to host investors in the Apparel & Textile and Leather & leather products sector

Dire Dawa Industrial Park
- DDIP is located 318 km away from the Port of Djibouti and is a few minutes away from the railway line; flights from Addis Ababa and Djibouti;
- Dire Dawa Industrial Park is placed on the rail route that connects Addis Ababa to Djibouti
- Companies: The park hosts leading textile & apparel companies including Wuxi No1 (one of the leading textile manufacturers in China that is doing its preparation to build its factory inside the park compound
- Products: Cotton & blended fabrics, yarn & dyed fabric, leather and leather products

Location
- It is situated in the Eastern part of the country, at a proximity distance from the Port of Djibouti - 348 Km.

Population and employment
- 1 million people in & around the city
- Expected to generate employment opportunity for about 30,000 employees when it is fully operational

Industrial Park area
- Total size: 10 million m²
- 1st phase: 1.5 million m²
- Factory built up area of 92,000 m²

Sheds
- A total of 15 sheds
- 5 sheds of 11,000m², 6 sheds of 5,500m² & 4 sheds of 3000 m²

Park Specialization
- DDIP is designed to host investors in the Apparel & Textile, Machinery, Chemical, Equipment, sector

Adama Industrial Park
AIP lies on the Addis Ababa-Djibouti railway at an approximate distance of 678 km from Djibouti and has an express way connection of 74 km from the country’s capital, Addis Ababa; The park is not inaugurated.
- Companies: The park has garnered the interests of worldly renowned apparel and textile companies such as Jiangsu Sunshine and Kingdom, these two big textile companies have started building their factories inside the park’s compound
- Products: Wool textile, linen yarn, fiber flax, sports wears, and packaging

Location
- It is situated ~90 km South East of Addis Ababa.

Population and employment
- 450,000 people in and around the city
- It is expected to generate employment opportunity for about 30,000 employees when it is fully operational

Industrial Park area
- Total land area of 1.2 million m² (120 hectares)
- Factory built up area of 122,500 m²

Park Specialization
- AIP hosts investors in apparel and textile manufacturing sector

Kilinto Industrial Park
Unlike others this park provides serviced land with major infrastructure constructed like dedicated power, ETP & STP for industrial & domestic waste water, telecom, OSS facility, internal roads among others;

Location
- It is located in Addis Ababa
- KIP is the one of closest park to Africa’s largest international airport

Population and employment
- Over 4 million people in the capital city
- Easy access to skilled manpower

Industrial park area
- Total land area of 2.79 million m²
- Factory built up area of 1.66 million m²

Park specialization
- KIP is designed to host investors in pharmaceutical manufacturing sector
Kombolcha Industrial Park

**Quick Facts on KIP**

**Location**
- North-central Ethiopia
- Located in the South Wollo Zone of the Amhara Regional State
- KIP is located next to Kombolcha Airport

**Population & Employment**
- 1.5 million people live within 50km radius of Kombolcha
- In two shifts, it can create employment for up to...

**Industrial Park Area**
- Land area of 750,000 m²
- Factory shed build-up area of 60,000 m²

**Industrial Park Facilities**
- Health center
- Police station
- One stop service
- Commercial building
- Fire brigade and 24/7 security services
- Waste treatment facilities (STP & ETP)

**Park Specialization**
- Designed to host investors in the textile & apparel and leather products sector

**Key Principles of the Park**
- Specialized park
- Sustainability (environmental and social)
- Vertical integration
- Export-oriented
- Skills development and competitiveness
Mekele Industrial Park

**Quick Facts on MIP**

**Key Principles of the Park**
- Specialized park
- Sustainability (environmental and social)
- Vertical integration

**Location**
- Northern Tigray region, located in the regional capital city Mekelle.

**Population & Employment**
- 486,000 people live in the city.
- In two shifts, it can employ up to 20,000 employees.

**Park Specialization**
- Designed to host investors in the textile and apparel and leather products sector.

**Industrial Park Facilities**
- Health center
- Police station
- One stop service
- Commercial building
- Fire brigade and 24/7 security service
- Waste treatment facilities

**Industrial Park Area**
- Land area of 750,000 m²
- Factory shed build-up area of 100,000 m²
Bole-lemi Industrial Park

Quick Facts on BLIP

**Location**
- Located in the Eastern part of Addis Ababa

**Population & Employment**
- 5 million people within 25 km radius
- Employing ~ 14,000 workers

**Key Principles of the Park**
- 30 minutes drive from Bole-international airport
- Access to 756 km electric driven railway that connects Addis Ababa to Djibouti
- Products: Women shoes, sandals, Sportswear, Shirts, trousers

**Park Specialization**
- BLP hosts leading investors in apparel & leather products manufacturing

**Industrial Park Facilities**
- Companies: Hosts leading manufacturers including George Shoe, Shints ETP Garment PLC, Evertop Sportswear, etc.
- Facilities (STP & ETP)

**Industrial Park Area**
- A total of 29 sheds (Phase I)
- 12 sheds of 5,500m2 and 10,000m2 each
Dire Dawa Industrial Park

**KEY PRINCIPLES OF THE PARK**
- Located 316 km away from the Port of Djibouti and is a few minutes away from the railway line.
- Has an international airport, having regular flights from Addis Ababa and Djibouti.
- Placed on the rail route that connects Addis Ababa to Djibouti.

**LOCATION**
- Situated in the Eastern part of the country, at a proximity distance from the Port of Djibouti - 348 Km. The park is not inaugurated.

**PARK SPECIALIZATION**
- Designed to host investors in the Apparel & Textile, Machinery, Chemical, Equipment, sector.

**POPULATION & EMPLOYMENT**
- 1 million people in & around the city.
- Expected to generate employment opportunity for about 20,000 employees when it is fully operational.

**INDUSTRIAL PARK FACILITIES**
- 15 sheds in total:
  - 5 sheds of 11,000m²
  - 6 sheds of 5,500m²
  - 4 sheds of 3000 m²

**INDUSTRIAL PARK AREA**
- A total of 15 sheds
  - 5 sheds of 11,000m²
  - 6 sheds of 5,500m²
  - 4 sheds of 3000 m²

**COMPANIES**
- Hosts leading textile & apparel companies including Wuxi No1 (one of the leading textile manufacturers in China).
- Products: Cotton & blended fabrics, yarn & dyed fabric, leather and leather products.
Adama Industrial Park

Quick Facts on AIP

**Key Principles of the Park**
- Located on the Addis Ababa-Djibouti railway at an approximate distance of 90 km.
- Garnered the interest of world-renowned apparel and textile companies such as Jiangsu Sunshine, Kingdom, Youngone, Antex, Iber Cotton, etc.

**Location**
- It is situated ~90 km South East of Addis Ababa.

**Population & Employment**
- 450,000 people in and around the city.
- It is expected to generate employment opportunity for about 30,000 employees when it is fully operational.

**Park Specialization**
- AIP hosts investors in apparel and textile manufacturing sector.

**Industrial Park Facilities**
- The park has garnered the interest of world-renowned apparel and textile companies such as Jiangsu Sunshine, Kingdom, Youngone, Antex, Iber Cotton, Jiangsu Changfeng Group, etc.
- Products: Wool textile, linen yarn, fiber flax, sports wear, and packaging.

**Industrial Park Area**
- Total land area of 1.2 million m² (120 hectares).
- Factory built up area of 122,500 m².
Kilinto Industrial Park

**Quick Facts on KIP**

**Location**
- It is located in Addis Ababa
- KIP is the one of closest park to Africa’s largest international airport

**Population & Employment**
- Over 4 million people in the capital city
- Easy access to skilled manpower

**Key Principles of the Park**
- Specialized park
- Sustainability (environmental and social)
- Vertical integration

**Park Specialization**
- KIP is designated to host investors in pharmaceutical manufacturing sector

**Industrial Park Facilities**
- Health center
- Police station
- One stop service
- Commercial building
- Fire brigade and 24/7 security services
- Waste treatment facilities

**Industrial Park Area**
- Total land area of 2.79 million m²
- Factory built up area of 1.66 million m²
Workers at Hawassa Industrial Park
4.1 Policies and Regulations

Since 2010, the Ethiopian government begun to follow integrated five-year growth and transformation plans as a central plank of its development programs. The first of such plans, the Growth and Transformation Plan – I (GTP-I) was implemented until 2015. The country has now embarked on the Second Five-Year development plan, GTP-II, covering the period running from 2016-2020. Both plans recognized private investment as one of the primary engines of industrial development. Particularly, the indispensable role of FDI has been included as an integral part of the development strategy. Negative domestic savings and the high demand for foreign exchanges as well as transfer of technology and knowhow continue to be major drivers of Ethiopia’s openness to FDI.

GTP-II targets to achieve a sustained double-digit annual GDP growth with the ultimate objective of attaining a middle-income status in 2025. It also projects to transform the subsistence agriculture-based national economy into a manufacturing-led economy. To realize these objectives, emphasis has been placed on improving social services and infrastructure, on ensuring stable macro-economic policies, intensifying investment in industrial parks (both state-run and private), and enhancing productivity in the agriculture and manufacturing sectors.
The plan further identifies and incentivizes high priority sectors of the economy open to FDI, which include renewable energy, light manufacturing, agribusiness, construction, healthcare, textiles and apparel, sugar, chemicals, pharmaceutical, mineral and steel industry, leather products, value-added services, and aviation support services and products. Investors, especially those who engage in priority sectors, benefit from multi-layered incentives packages including the repatriation of investment and profits, easy procedures in hiring expatriate personnel, and temporary tax exemption and duty free importation of capital goods and other inputs.

The Investment Proclamation of 2012, amended in 2014, along with the Regulation on Investment Incentives adopted in the same year, and amended in 2014, provide the main regulatory regime. These laws establish economic sectors open to FDI, the requirements for FDI investment monitoring and reporting requirements, and the fiscal incentives that are available to investors. A brief account of the core features of the regulatory regimes is presented below.

**Economic sectors open to FDI**

As indicated above, all manufacturing sectors, mining and most of the major other economic sectors are open to foreign investment. A few investment areas exclusively reserved to Ethiopian nationals include: banking, insurance and financial services; broadcasting; Few other areas are reserved for joint venture investment with the government.

In the meantime GoE has exerted increasing efforts to widen the economic sectors open to FDI. The law provides flexibility on the restrictions of FDIs by empowering the Ethiopian Investment Commission (EIC) - the investment regulatory body - to authorize select foreign investments in areas which are otherwise exclusively reserved to domestic investors. The Ethiopian Investment Board, chaired by the Prime Minister, dispenses such authorization taking into account the role of the specific project in promoting national interest. The Board is also authorized to grant new or additional incentives other than those provided under the existing regulations.

**Capital requirement**

Foreign capital brought to Ethiopia for every investment project is required to meet a certain threshold and be registered with the EIC. The minimum capital requirement for a project wholly-owned by a foreign investor is US$200,000. The capital requirement goes down to US$150,000 if the project is jointly undertaken with domestic investor/s. A different capital threshold is set for foreign investments in architectural or engineering works or related technical consultancy services, technical testing and analysis publishing is not allowed to FPI by a different law which is US$100,000. The capital threshold falls down to US$50,000 if such investment is made in partnership with a domestic investor. The requirement of minimum capital allocation does not apply to a foreign investor who reinvests profits or dividends.

**Monitoring and reporting**

For the purpose of close follow-up and monitoring, both foreign and domestic investors are required to submit progress reports to the EIC on the status of their projects; such reports shall be delivered every three months once the original investment permit has been issued. Investors shall also provide all such information which may be needed by the EIC in relation to investment projects.
**Investment incentives**

Ethiopia offers quite an attractive package of financial incentives, including income tax exemption and duty-free import, for investments in high priority areas such as manufacturing and agriculture sectors. The investment incentives are not limited to those already outlined under the law; the Ethiopian Investment Board (EIB) is authorized to grant investors additional incentives taking into account the contribution of the specific project to the national economy.

The tax incentives range from 1 - 15 years of income tax exemption - depending on sector and type of investment. As the location of an investment is situated further from Addis Ababa, the investment attracts more tax incentives. Another two years of income tax exemption is extended to export-oriented investment projects, which either directly export or supply to an exporter as production or service input, at least 60% of their products or services.

The income tax exemption period runs from the commencement date of production or the provision of service; in case where an investor incurs loss during the exemption period, it is possible to carry forward such loss for half of the exemption period after the expiry of such period. For a maximum of 5 years. Similar incentives apply for expansion and upgrade of existing investments.

Duty-free incentive is provided to investors who import capital goods and construction materials necessary for the establishment of new projects or the expansion/upgrading of the existing ones.

Industrial Park developers enjoy 10-15 years corporate income tax exemption depending on the investment location.
4.2 General Measures Affecting FDI

**Taxation**

The Ethiopian tax system has undergone continuous reforms especially from 2002 onwards. The tax laws have been repeatedly revisited and the office in charge of enforcing the laws - the Ethiopian Revenue and Customs Authority - ERCA, - has been restructured to make the system more accessible, efficient and effective. Efforts are also underway to standardize accounting practices and, in turn, to improve the accuracy of tax and other operating liability assessments.

The main types of taxes applicable in Ethiopia are: income tax on salaries and dividends, profit tax on business, custom duty, excise and VAT. Income taxable under the new Income Tax Proclamation No. 979/ 2016 includes: income from employment, business activities, personal activities, entrepreneurial activities by non-residents, movable property, immovable property, alienation property, dividends distributed by resident company, profit shares paid by registered partnerships, interest paid by national, regional or local governments, and license fees.

**Indirect taxes**

A business with an annual turnover of ETB 500,000 and above shall register for Value Added Tax (VAT), the rate of which is 15%. Businesses with taxable annual transaction of less than ETB 500,000 are charged with Turnover Tax (ToT) of 2% and 10%.

In addition to sales tax, excise tax is charged on various consumers’ goods like alcohol, tobacco, salt, fuel, television sets, cars, carpets and toys. The tax rates vary from 10% on receivers, garments and textiles of any type and fabrics to 100% on perfumes, vehicles above 1,800 cc and alcoholic drinks.

No export tax is imposed in Ethiopia.

**Foreign exchange regulation and transfer of capital**

Access to foreign exchange is regulated by the National Bank of Ethiopia (NBE)- the central bank of the country. The national currency of Ethiopia, Birr, is not freely convertible. Foreign exchange transactions need the approval of the NBE. Investors need to request for foreign exchange ahead of time since the process may take time.

Non-resident Ethiopians and non-resident foreign nationals of Ethiopian origin can establish and operate foreign currency accounts of up to US$50,000.

All foreign investors can remit out of Ethiopia profits and dividends, principals and interest on foreign loans, and fees related to technology transfer in convertible foreign currency at prevailing rate of exchange. They can also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt servicing or other international payments. Similar privilege extends to expats allowing them to remit their salaries.

Direct taxes

The business income tax rate for companies is flatly set at 30%. As per the new Income Tax Proclamation, individual taxpayers with a business income ranging from ETB 7200 - 130,800 pay between 10% - 30%. For the amount beyond ETB 130,800, a flat rate of 35% is levied. For the purpose of taxation, an individual is deemed a resident of Ethiopia if he/she has permanent residence in the country or has stayed in Ethiopia for 183 days, in a period of twelve calendar months, whether continuously or intermittently.

Incomes from employment and rental of buildings are taxed at a progressive rate ranging from 0% - 35%. Under the new law, the exemption thresholds for employment income tax and rental of building are raised from ETB 150 to 600 (per month) and from 1800 to 7200 per year, respectively.
Labor markets regulation

Competitive labor cost is among the key pulls of FDI in Ethiopia. The country is the second most populous nation in Africa with active workforce constituting more than 50% of its total population. The labor market offers a huge number of trainable manpower with a very competitive cost. Since there is no national minimum wage set by the government, wage is often determined by market forces. Ethiopia is signatory to eight Core ILO Conventions. In tune with the undertakings entered under the conventions, Ethiopia’s national laws criminalize, inter alia hazardous works and worst forms of child labor. The labor proclamation lays down the minimum work conditions employers shall comply with so as to maintain industrial peace and safety. Workers are allowed to exercise their rights to associate and organize by establishing labor unions under the umbrella of the Confederation of Ethiopian Trade Unions (CETU). Generally, employer-employee relationships in Ethiopia are smooth and workers’ strike is uncommon across industries.

Land and property rights

The FDRE Constitution recognizes and protects ownership of private property, which includes the rights to acquire, use and dispose objects of tangible or intangible nature. However, the right to ownership of land (both urban and rural) and other natural resources is exclusively vested in the State and in the people of Ethiopia. Investors exercise ‘use right’ over lands and ownership right over the buildings and any other value they add to the land. Investors can mortgage their rental (lease) right to access credit. Land is allocated for investment at a competitive price through a lease agreement that runs up to 99 years for residential and 70 years for business. The government is strongly committed to provide fertile rural land for large-scale commercial farms. Urban land is allocated for investment in two ways depending on the purpose: if it is for industrial uses, an investor can acquire land in one of the industrial parks built by the government, or private sector at a fixed price. For other purposes, land is obtained only through auction.

Environmental management

The GoE is committed to build a climate-resilient green economy by making all development projects environment-friendly. The Environmental Impact Assessment (EIA) Proclamation introduced in 2002 requires that an EIA process be undertaken on all development projects that are likely to have negative impact on the environment.

The judiciary and rule of law

In Ethiopia the federal Constitution is supreme law of the land. The Constitution recognizes international treaties ratified by Ethiopia as integral part of the national laws. With regard to the interpretation of human rights provisions of the Constitution international treaties tend to take even a higher position than the Constitution. The Ethiopian legal system is mainly continental with some mixed features in procedural and other aspects. The parliament (the House of People Representatives at the federal and State Councils, at the regional state levels) is the only organ vested with inherent law-making power. The legal system relies on codified laws such as civil, penal, civil procedure, and penal procedure, commercial and maritime codes. All laws passed by the legislator are published in official gazettes (Negarit Gazeta). The Judiciary is established by the FDRE Constitution with full institutional and individual independence. All federal matters are entertained by federal courts while state matters goes to state courts. To ensure consistency of legal interpretation and promote predictability of courts the Federal Supreme Court Cassation Division is empowered to give binding legal interpretation on all federal and state matters. Besides the regular courts, alternative dispute resolution (ADR) mechanisms are also legally recognized and widely used means of commercial dispute resolutions in Ethiopia. The 1960 Civil Code provides the basic rules governing Compromise, Mediation and Arbitration. Especially arbitration is becoming practiced means of dispute settlement among the business community. Institutional arbitration is also facilitated by Ethiopian Arbitration and Conciliation Center, established under Addis Ababa Chamber of Commerce.
Competition
Ethiopia enacted Trade Competition and Consumers Protection Proclamation (No. 813/2013) with the objectives of protecting the business community from anti-competitive and unfair market practices and also consumers from misleading market conducts. The government office in charge of overseeing proper implementation of the proclamation is Trade Practice and Consumers Protection Authority (TPCPA).

TPCPA is mandated with promoting a competitive business environment and enhancing economic efficiency and social welfare, by regulating anti-competitive, unethical, and unfair trade practices. It has also an administrative tribunal with a jurisdiction on matters pertaining to market competition and consumer protection. Over the last three years the tribunal has entertained many cases of consumer protection and unfair trade practices.

Protection of intellectual property rights
Ethiopia is a member of the World Intellectual Property Organization (WIPO). It has also passed a number of national laws to ensure the protection of intellectual property rights such as patent, industrial design, copy right and neighboring rights, and trademarks. A distinct government office, Ethiopian Intellectual Property Office (EIPO), is established to oversee proper enforcement of intellectual property rights. The Office also provides registration service for intellectual property rights such as trademark, patent and copyright.

Although both the protection of intellectual property rights and the capacity of EIPO are generally criticized for being weak, efforts are being exerted to improve the situation. The government has shown interest to accede the Berne Convention for Literary and Artistic Works and the Madrid System for the International Registration of Marks. EIPO is improving its institutional capacity by attracting skilled manpower.

Trade integration
Ethiopia has engaged in numerous trade negotiations at the regional and international levels. It is an observer of the World Trade Organization (WTO) and is in the process of accession. Ethiopia has been a member of the Common Market for Eastern and Southern Africa (COMESA) since its foundation in 1993.

With respect to market access, Ethiopia has wide opportunities which are far from being fully utilized. As a least developed country (LDC), it enjoys preferential treatment offered by many of its trading partners. By virtue of the European Union’s ‘Everything But Arms’ (EBA) program and the United States’ African Growth and Opportunity Act (AGOA) Ethiopia is granted duty-free, quota-free access to the largest foreign markets for virtually all of its exports. The country also enjoys tariff preferences under the Generalized System of Preferences (GSP) in Australia, Canada, Japan, New Zealand, Norway, and Switzerland. Ethiopia benefits from preferential market access in China, India, Russia, the Republic of Korea, and Turkey.
The African Growth and Opportunity Act (AGOA)
The African Growth Opportunity Act (AGOA) is initiated through the United States Trade and Development Act of 2000. It provides the most liberal trade opportunity for export products originating from eligible Sub-Saharan African countries to enter US markets under duty-free and quota-free treatment. The initiative works towards developing Africa’s trade integration with US markets. Only Sub-Saharan African countries are considered for eligibility, and in this light, AGOA beneficiary statuses have been awarded to approximately 40 countries - with the numbers changing from time to time. Ethiopia has been eligible since January 2001. The preferential scheme is recently extended to the year 2025 and hence continues to provide advantageous market access to exporters from Ethiopia.

AGOA eligibility does not imply automatic eligibility under the textile and apparel provisions which require the implementation of effective visa system and enforcement mechanisms to prevent illegal transshipment. A “special rule” named Third Country Fabric Provision (TCFP) permits lesser developed AGOA beneficiary countries like Ethiopia to utilize fabric manufactured anywhere in the world.

The Everything-But-Arms (EBA) Scheme
The EBA is part of European Union’s Generalized System of Preferences (GSP), a non-reciprocal scheme introduced by the EU in 2001 to give all LDCs full duty free and quota-free access to EU for all their exports - with the exception of arms and armaments. In principle the scheme runs for an unlimited period of time and is not subject to periodic reviews or renewal. The initiative also provides for a transition period of three years when Ethiopia moves up to the Developing Country status.

China - Duty Free Quota Free (DFQF) for LDCs
As a part of its commitment under the WTO, and within the framework of the Forum on China-Africa Cooperation (FOCAC), China announced on January 1, 2005 that 190 items from 25 SSA LDCs will be granted Duty Free Quota Free (DFQF) treatment to its Market. On 1 January 2008, the decision was expanded to a total of 30 LDCs in Africa. The programme initially implemented a zero tariff treatment for 60 per cent of products in China’s tariff schedule (4788 tariff lines (8-digit level)) which represented more than 95 per cent of products imported from beneficiary countries. Ethiopia and China signed an agreement enabling the preferential trade agreement on January 2010.

China progressively opened its market by expanding the coverage of the program to 97 per cent of its tariff lines as of 2015. The list of beneficiaries has also been adjusted over the years, covering 40 LDCs by December 2015. The program is implemented for an indefinite period of time on a non-reciprocal basis and unconditionally for all LDC’s that have diplomatic relations with China.

Others
In addition to the above, Ethiopia is a member of COMESA (Common Market for Eastern and Southern Africa), 20 member state regional integration framework with large market potentials serving a population of about 400 million.
## Preferential market access opportunities

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Sub-schemes</th>
<th>Provider(s)</th>
<th>Initial Entry Into Force</th>
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<tr>
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<td>African Growth and Opportunity Act</td>
<td>Other PTAs</td>
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</table>
4.3 Investment Administration

The Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) is the principal government organ responsible for promoting, coordinating and facilitating domestic and foreign investment in Ethiopia. EIC is established under Investment Proclamation No.769/2012 (as amended) and the Council of Ministers Regulation No. 313/2014. Functionally, The EIC is overseen by the Ethiopian Investment Board (EIB) – a governing body chaired by the Prime Minister and composed of government officials designated by the Prime Minister wherein the EIC serves as its secretariat.

At the local levels, the respective regional investment agencies have been established to promote and handle regional investments. Regional investment agencies and the EIC work hand in glove in all matters relating to investment promotion and facilitation.

EIC’s Mission

To bring rapid, sustainable and equitable economic growth in the country through the implementation of research-based investment promotion, the provision of one stop service and support system to enable the procurement of competent investors who can produce quality and value added products - primarily for export purpose and mainly operating within industrial parks.

EIC’s Vision

To see Ethiopia as one of the leading investment destinations in Africa and transition into a middle income country status by 2025.
History
Ethiopia opened its first investment promotion agency in 1993 after a new regime led by the incumbent party - the Ethiopian People’s Revolutionary Democratic Front - took power in the country. The institution was first established under Investment Proclamation No.15/1992 as the Ethiopian Investment Agency. It was later re-established as the Ethiopian Investment Authority by virtue of Proclamation No.37/1988. It was again reorganized and reconstituted with two subsequent Proclamations Proclamation No.280/1994 and Proclamation No. 471/1998. Since August 2014, it has been reestablished as the Ethiopian Investment Commission (Council of Ministers Regulation No. 313/2014). When it started operation, the Commission was functionally organized through 5 divisions delivering four major services and utilizing its fifty four employees.

The Commission had gone through different forms of accountability at different times. In the beginning, it was functionally answerable to the Investment Board, later to the Ministry of Trade and Industry and to the Industry Ministry, and currently to the Prime Minister’s Office.

Functions
The principal duties and responsibilities of the EIC include:

- Promoting, coordinating and expanding investment activities;
- Generating and implementing policy issues required for creating suitable and competitive investment climate;
- Negotiating and signing bilateral investment expansion and protection agreements with countries from which potential investment originates;
- Preparation and dissemination of investment information in the form of texts films and digital mediums, hosting and undertaking exhibitions and trade fairs, holding research expos and seminars both within the country and abroad, participating in similar events hosted by others, and providing training on issues of promotion and expansion of investment;
- Working on and coordinating the creation of cooperative and complementary relationships among investors, government offices, regional governments and other related stake-holders on matters of investment promotion and facilitation;
- Collecting, organizing, analyzing, updating and disseminating all investment related information;
- Preparing and promoting investment opportunity statements, and upon request, providing assistance to companies looking for joint ventures;
- Issuing, renewing and canceling investment permits within its jurisdiction, and registering foreign investment capitals;
- Registering investment related technology transfer agreements;
- Registering agreements between foreign enterprises and local investors not involving the pooling of capital;
- Tracking the progress of licensed investment projects, checking compliance with all requirements of licenses, and ensuring that all incentives are employed for the designated purposes;
• Providing investors with information, advisory and technical support services, organizing information to facilitate forward and backward linkages of resources among enterprises;
• Providing post investment support and follow-up services jointly with other responsible institutions;
• Providing advisory and technical supports to regional investment bureaus and hosting joint meetings and discussions;
• Enhancing the knowledge of investors on the Investment Proclamation and related regulatory instruments; and
• Resolving investment bottlenecks along with other concerned government bodies

Over the years, the commission has undertaken a range of measures to ensure the efficiency of the service it renders and thereby increase client satisfaction levels. Following the implementation of Business Process Re-engineering (BPR), the Commission’s working procedures have been improved; for example, the time it takes to get license and effect registration has been reduced to 1 days from the previous two weeks. The Commission has also put in place complaint handlings system through which clients submit their grievance on the quality of services received and get the issues solved hierarchically. Work ethics and anti-corruption manuals have also been amended to thwart employees’ misconduct which often generates the dissatisfaction of clients.
EIC’s major activities

The Growth and Transformation Plans (GTP I&II): Among the national objectives articulated under the national growth and transformation plans (GTP I&II), enhancing the role of investment in pursuing the country’s economic transformation has been highlighted as the most vital. Hence during both phases of the planning periods, the EIC - being the primary institution - has endeavoured to work on the implementation of the stated objectives.

EIC restructuring

Over the past three years, EIC has commissioned an independent review of its activities and institutional structure in an effort to streamline the country’s investment framework. Following the studies, the EIC embarked on the restructuring of its institutional setup to meet the changing dynamics of investment in the country, attend to the growing number and size of investment inflows and respond efficiently to the requirements of new frontiers in the investment landscape of the country such as the development of industrial parks.

One - Stop Services:

EIC provides a dedicated one-stop service to all foreign investors at the headquarter and at its branches opened in Industrial Parks in Ethiopia. Among others it;

- Provides the necessary information required by investors;
- Receives investment applications;
- Registers newly incorporated business organizations;
- Notarizes constituting documents;
- Approves and issues investment permits to foreign investors;
- Issues trade and operating licenses to approved foreign investments;
- Approves and registers technology transfer agreements;
- Provides advisory and aftercare services to investors;
- Approves expatriate posts and issues work permits to foreign employees;
- Approve investment incentives facilitates the acquisition of land by foreign investors in accordance with the relevant laws of the Federal and Regional Governments.

Other activities:

Over the past years, the EIC has recorded praiseworthy achievements in terms of investment promotion through the provision of general and targeted investment recruitment activities.

- The EIC has also provided follow up, facilitation and aftercare services to different projects to enable them transition to the implementation and operational stages;
- The EIC has conducted several empirically enriched researches to generate new policy insights and adopt strategic directions that foster better investment climate;
- The EIC has negotiated and signed bilateral investment agreements with countries from which high turnover of foreign direct investment is expected to come.
- EIC coordinates GOE’s investment climate improvement measures including improving the country’s WB doing business ranking (DB)
- EIC undertakes various investment policy dialogue (PPD’s)
The Ethiopian Investment Commission (EIC) won the 2017 United Nations award for outstanding performance in targeted promotion, facilitation and execution of sustainable investment projects.

This prestigious award is granted to a national Investment Promotion Agency (IPA) in recognition of its exceptional achievements in promoting and facilitating Foreign Direct Investment (FDI) that contributes towards the realization of the Sustainable Development Goals (SDGs). The winner is selected by a committee comprising the United Nations in collaboration with the World Association of Investment Promotion Agencies (WAIPA), which has over 170 members in 130 countries.

The Award was announced by the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) during the UNCTAD Investment, Enterprise and Development Commission Meeting on 20 November 2017, in Geneva, Switzerland.

UNCTAD remarked that Ethiopia won based on the criteria of effectiveness of its investment promotion agency in promoting and facilitating FDI projects, evidence of positive results from the promotion and facilitation services, and contribution of its FDI projects to the realization of the SDGs.

In particular, the sustainable features of Ethiopia’s industrialization agenda, as depicted in the design, construction and operation of Hawassa Industrial Park was highly commended as exemplary for other countries. Ethiopia’s deliberate policy choice to promote labour-intensive industries such as textile and apparel that provide job opportunities for youth and create equal opportunities for women; its compliance with high social and environmental standards on the development and operation of industrial parks; its targeted investor recruitment strategy and attraction of leading global firms; and its dedicated effort in establishing the OSS and other investor-friendly reforms all contributed to the decision to grant this award to Ethiopia.
Ethiopia won World Bank’s “Star Reformer Award” for its effective foreign direct investment (FDI) related reforms and resulting success.

In granting such a prestigious international recognition to Ethiopia, the World Bank Group appreciated the high-level political commitment the Government of Ethiopia has demonstrated towards FDI attraction and facilitation through the realization of targeted policy reforms.

According to the World Bank Group, conventional international indicators used for measuring reforms around the ease of doing business by small and medium firms do not capture the transformational investment policy and promotion reforms that can enhance flow of FDI. Thus key reforms impacting FDI and its spillover effects on the domestic economy may go unnoticed. The “Star Reformer Award” thus aims to increase the visibility of such transformational reforms and showcase success stories realized by committed governments such as that of Ethiopia. The World Bank Group is working very closely with the Government of Ethiopia in fostering such transformational reforms that can maximize potential benefits of FDI and in harnessing linkages with the domestic economy.

Such an award forms the **highest level of international recognition** to the tireless effort of the Government of Ethiopia in attracting and facilitating transformational investments into Ethiopia. This is testament yet that Ethiopia is **rightly positioned to realize its vision of becoming a leading manufacturing hub in Africa by 2025**.

Several strategic reforms have been put in place by the Government of Ethiopia to attract leading manufactures to Ethiopia and enhance their competitiveness of which the key ones include: development of industrial parks with a plug-and-play environment; design of legislations that regulate and facilitate industrial park programs; formulating targeted and sector-specific incentive instruments and other government support measures; as well as implementation of targeted and proactive investors recruitment.
Licensing and Registration Process in Ethiopia

Ethiopia’s new Investment Permit Application process is simple and requires only a few steps:

These steps vary slightly depending on the business form under which investors plan to operate their business:

**Sole Proprietorship**

- **Step 1:** Collect information from Ethiopian Investment Commission (EIC) Information and Investment Promotion Department about requirements, incentives, etc.
- **Step 2:** Collect application form from Information Desk.
- **Step 3:** Submit application with passport and visa to start new investment permit application in Licensing and Registration Department.
- **Step 4:** Collect bank letter from Licensing and Registration Department to open an account at National Bank of Ethiopia.
- **Step 5:** Transfer/deposit cash in an opened bank account.
- **Step 6:** Collect confirmation letter from bank which states the bank account is already opened and money is transferred/deposited.
- **Step 7:** Collect investment permit certificate from Licensing and Registration Department.

**Private Limited Company (PLC)**

- **Step 1:** Collect information from Information and Investment Promotion Directorate about requirements, incentives, etc.
- **Step 2:** Collect application form memorandum and article of association from Information Desk.
- **Step 3:** Submit draft memorandum and article of association in Licensing and Registration Department.
- **Step 3:** Check uniqueness of the company name from Ministry of Trade (MoT) database.
- **Step 4:** Collect letter of clearance for unique company name from Licensing and Registration Department.
- **Step 5:** Edit and authenticate memorandum and article of association in Licensing and Registration Department.
- **Step 6:** Collect letter to the National Bank of Ethiopia from Licensing and Registration Department to open an account at the bank.
- **Step 7:** Collect investment permit certificate and principal registration from Licensing and Registration Department.

**Branch/ Multinational Company**

- **Step 1:** Collect information from Information and Investment Promotion Directorate about requirements, incentives, etc.
- **Step 2:** Collect application form from EIC Information Desk.
- **Step 3:** Submit application, authenticated parent (mother) company document, new company general manager’s passport and visa in Licensing and Registration Department to start new investment permit.
- **Step 4:** Collect a letter to the National Bank of Ethiopia from Licensing and Registration Department of EIC to open an account in a bank.
- **Step 5:** Open an account at the bank and transfer/deposit cash.
- **Step 6:** Collect confirmation letter from bank which states the bank account is already opened and money is transferred/deposited.
- **Step 7:** Collect investment permit certificate from Licensing and Registration Department.

**Step 8:** Collect confirmation letter from the bank which states the bank account is already opened and money transferred, authenticated lease agreement from documentation and authentication office and TIN number from CUSTOM and Revenue office.

**Step 9:** Fill application form /profile/ available at EIC Information Desk.

**Step 10:** Collect investment permit certificate and principal registration from Licensing and Registration Department.
Key Contacts

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