



ETHIOPIAN INVESTMENT COMMISSION

የኢትዮጵያ ኢንቨስትመንት ኮሚሽን



ETHIOPIA

A New Horizon of Hope

October 2021





1. Why invest in Ethiopia? and Investment Climate

2. Investment Incentives

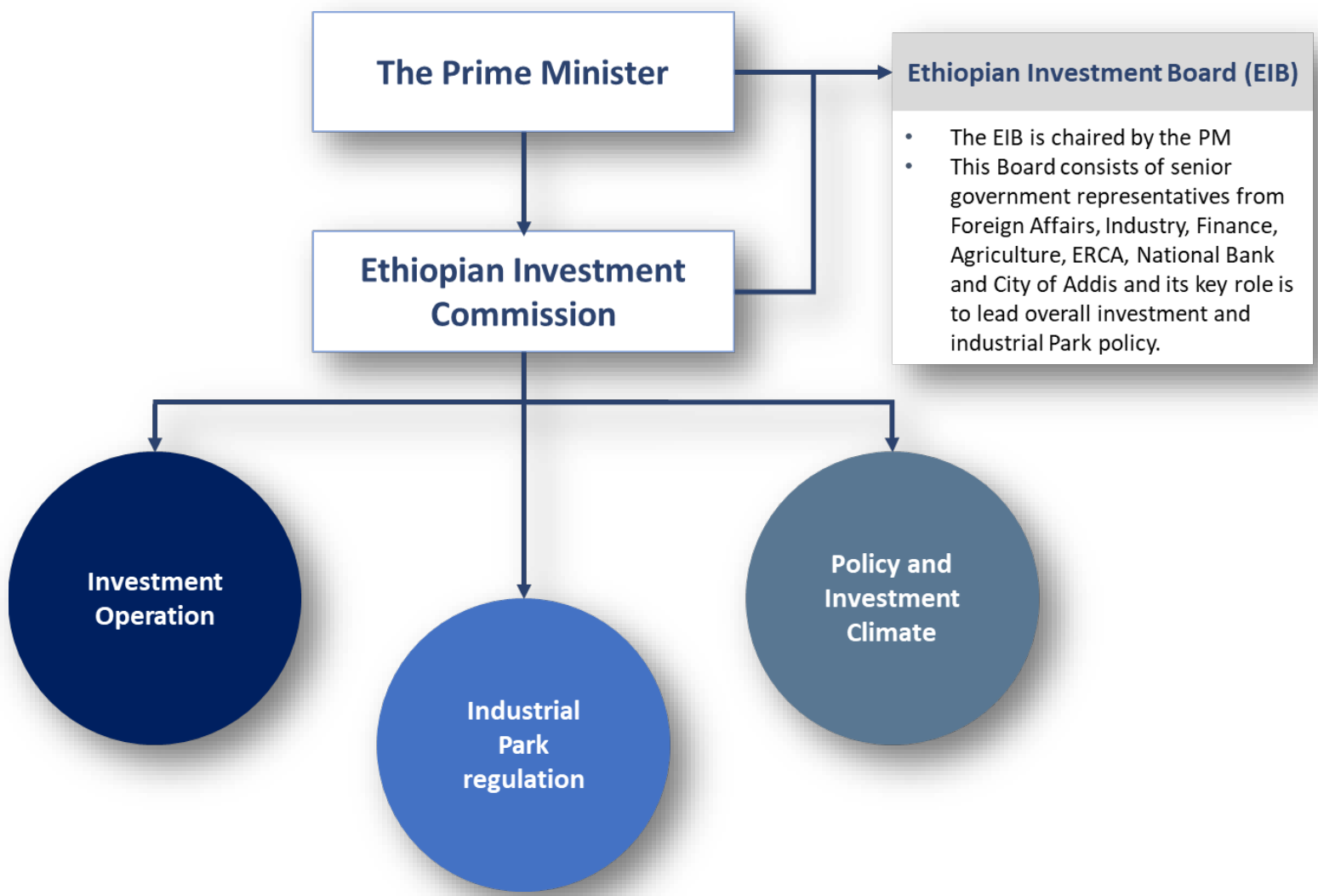
3. Industrial Park Developments

4. Regional Investment Opportunities, (Harari, Gambella, and Benshangul)

1. Why Invest in Ethiopia?

- ❖ Home grown Economic Reform Program: The Government of Ethiopia (GoE) under the leadership of Prime Minister Abiy Ahmed –
- ❖ The government is always working hard to make the investment policy beneficial to both the country and the investors.
- ❖ High level political commitment for investment promotion and protection; investment policy making is led by the Ethiopian Investment Board chaired by the Prime Minister.
- ❖ Bold initiative in the development of state-of-the art industrial parks, electric-powered railway connecting the capital and other economic corridors to the port of Djibouti.
- ❖ Africa's second most populous nation with a population size of over 100 million.
- ❖ 54 million active labor force, trainable and available at competitive wage rate.
- ❖ Expanding and partially privatized telecommunication services.
- ❖ Expansive road networks connecting national and regional markets.
- ❖ Duty-free, quota-free access to the USA ,EU markets through AGOA and EBA, and **ACFTA (African Continental Free Trade Area)** which is very beneficial for investors in terms of trade activities within African continent.

Institutional reforms enables EIC to present new policies directly to the PM and implement them to create conducive environment for investment



Institutional Reforms

- Investment policy became central aspect of government industrialization agenda;
- Ethiopian Investment Board (EIB) was established and chaired by the Prime Minister;
- Reorganization of Ethiopian Investment Commission (EIC) with a revamped and autonomous mandate under the Prime Minister;
- Industrial Parks Development Corporation (IPDC) was established.

Streamlined investment services

- Effective promotion and recruitment activities;
- Integrated, streamlined and efficient One Stop Shop (OSS) services (including in all industrial parks).

Ethiopia is building mega infrastructure projects to boost investment, which will capitalize on its existing geographic and market access advantages



- Electricity rate: 3 cents/kwh
- Massive investment in renewable energy generation
- Dedicated power sub-station in all industrial parks

- New electric railway connecting industrial parks to Djibouti port
 - 4-12-hour travel time

- Africa's aviation hub: over 100 international passenger, & 30 cargo destinations
- Ethiopian Airlines: World-class airline

- Industrial parks located in economic corridors
- 13 parks in total: 2 operational, 11 upcoming
- Specialized in priority sectors (including one upcoming pharmaceuticals park)
- Generous incentives

Investment areas moving from a positive to a negative listing

Investment Areas



Reserved for Joint Investment with Government

- Manufacturing of weapons, ammunition and explosives
- Import & export of electrical energy
- International air transport services
- Bus rapid transit
- Postal services excluding courier services



Joint Investment with Domestic Investors

- Freight forwarding and shipping agency services
- Domestic air transport service
- Cross-country public transport service (seating capacity > 45)
- Urban mass transport service (large carrying capacity)
- Advertisement and promotion services
- Audiovisual services – Motion picture and video recording, production and distribution
- Accounting and Auditing services

Note: Foreign investor share capital not more than 49%



Reserved for Domestic Investors

- Banking, insurance & microfinance excl. capital goods finance business
- **Wholesale trade**, petroleum & products, wholesale of own products excluding whole of electronic commerce
- **Retail trade** excl. retail of & electronic commerce
- **Import trade**, excl. liquefied petroleum gas and bitumen
- **Export trade** of raw coffee, khat, oil seeds, pulses, minerals, hides & skins, products of natural forest, chicken, & livestock
- **Hotel**, lodge, resort, motel, guesthouse & pension service excl star-designated
- **Travel agency**, travel ticket sales & trade auxiliary, tour operation
- **Operating lease of equipment**, machineries & vehicles excluding industry-specific
- **Transport services**, excl Railway, cable-car, cold-chain, freight transport,

Note: Refer to Investment Regulation No. 474/2020 for detailed and exhaustive list

With the above strategy and reforms, targeted investment in priority sectors are being promoted

Priority Sectors

Textile and Apparel

Leather & Leather Products

Pharmaceuticals

Agro-processing

Tourism

ICT

Mining & Energy

Newly Opened Priority Sectors

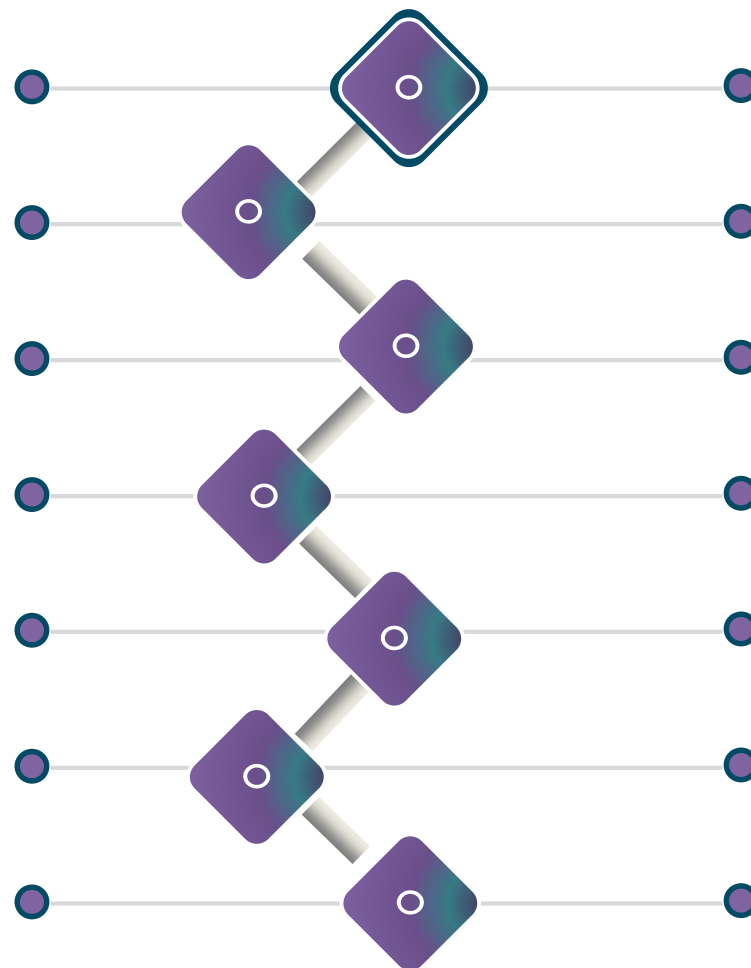
Transport: Freight, cold-chain, railway & cable

Health

Management Consulting

Advertisements and Promotion Services

Electronic commerce wholesale

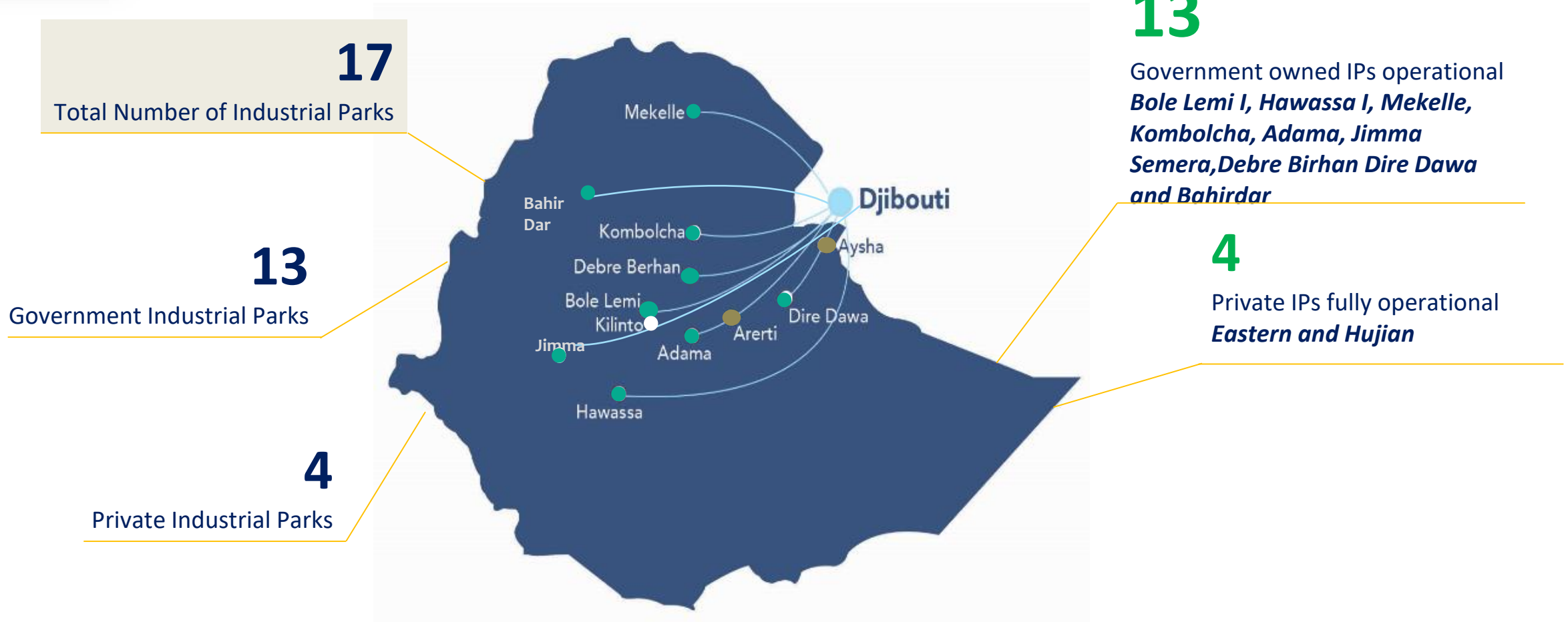


A Government that listens to you – tailored incentives and support





Several industrial Parks are being developed through out the country



Industrial parks development

Key principle of Industrial parks



Features of typical Industrial Parks

- Located along **strategic economic corridors, connected to ports by electric driven railway lines and asphalt roads**
- Close proximity to **abundant labor force**
- **Ready for plug-and-play**, equipped with all the necessary infrastructures including wastewater treatment plants
- **Dedicated power with own sub-station and waste treatment facilities**
- **Health stations, fire brigade, expats accommodation and 24 hours security services**
- **One Stop Services (OSS)** including processing & issuance of permits, licenses, registration certificates, agreements, tax identification number, customs clearance, banking services.



Manufacturing pharmaceuticals in Ethiopia





National Strategy and Plan of Action for Pharmaceutical Manufacturing Development in Ethiopia (2015–2025)



Developing the pharmaceutical industry and improving access

Abridged version
July 2015

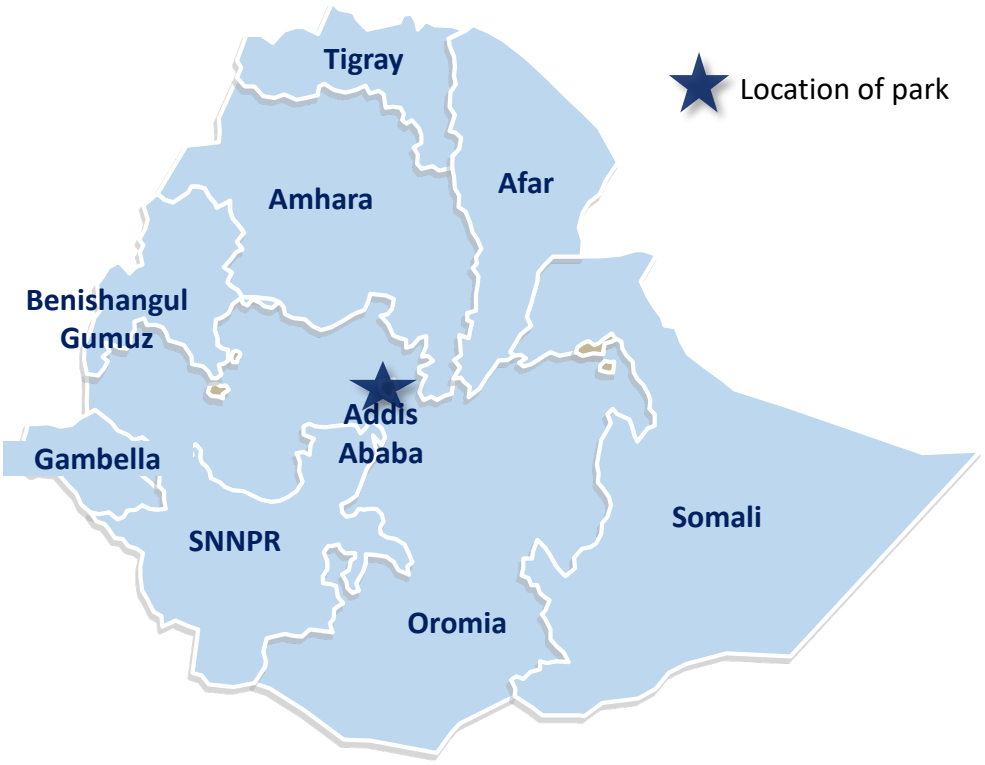
Federal Democratic Republic of Ethiopia
Ministry of Health and Ministry of Industry

Sector Overview

Country's Goal: To become a pharmaceutical manufacturing hub in Africa by 2025

- Developed national strategy for pharmaceutical manufacturing
 - *Strategy: To grow exports in addition to substituting imports and improving access to medicines*
- Second populous country in Africa
- 15 % manufacturing annual growth rate
- 85% of local demand - heavily import dependent while there is a great investment opportunity
- Hosting few domestic producers supplying less than 10% to half a billion-dollar market
- 12 Universities – Pharma degree program; 4 Universities provide industrial pharmacy, regulatory, R&D

Kilinto Industrial Park overview



Park infrastructure

Land size: 279.9 Ha
Specialization: Pharmaceutical including drugs, medical supplies
Land overview: the park availed ~170 Ha of land for manufacturers
Logistics overview: Located 591 kms North-East of the capital, Addis Ababa,

Product Focus

Specific zones are identified for operational purpose. Major product classifications are:

- General products (incl. antibiotics except. Beta lactams), Beta Lactams, Biologics (e.g., vaccines), Manufacturers with large animals in the park (e.g., cows, horses), Active Pharmaceutical Ingredients.

Labor overview

Plan for sourcing and training: The government has set up a catchment area
Opportunities for Production: Phatmaceutcal packaging, API Manufacturing and the like

Cost overview

Water cost: 1.75 to 11.60 ETB/m3 depending on tariff category
Electricity cost: 0.045 USD/Kwh

Park occupancy

Number of companies:

- 28 companies have signed MoU
- 13 have signed land leade agreement
- 4 have started project implementation

Company selection criteria

- **we have selected four pharmaceutical sub sectors based on Ethiopia's comparative advantage in targeting companies**
 1. Formulations - that includes Solids (Tablets and Granules), Injectables (ampoules, vials, syringes), Semi -solids (Syrups, lotions), Others (Inhalers, Patches)
 2. Non formulation products:- Health Consumables (Bandages/Gloves/Hygiene/sanitary/Adhesive tape), Medical Devices (Thermometers, tubes, Surgery equipment)
 3. Packaging for pharmaceutical products (for tablets, capsules, injectables)
 4. Active pharmaceutical ingredients

Wide-ranging incentives for pharma manufacturers located in IPs – generous income tax exemption

Formulation/final medicine production inside of industrial parks

	In Addis/surrounding areas	Outside of Addis/surrounding areas
Base	6 years	8 years
30% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
60% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
TOTAL	Up to <u>10 years</u>	Up to <u>12 years</u>

Active Pharmaceutical Ingredient (API) production inside of industrial parks

	In Addis/surrounding areas	Outside of Addis/surrounding areas
Base	8 years	10 years
30% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
60% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
TOTAL	Up to <u>12 years</u>	Up to <u>14 years</u>

Pharmaceutical packaging production inside of industrial parks

	In Addis/surrounding areas	Outside of Addis/surrounding areas
Base	3 years	4 years
30% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
60% export (in terms of value, successively for 3 years)*	+ 2 years	+ 2 years
TOTAL	Up to <u>7 years</u>	Up to <u>8 years</u>

Kilinto IP land lease rents

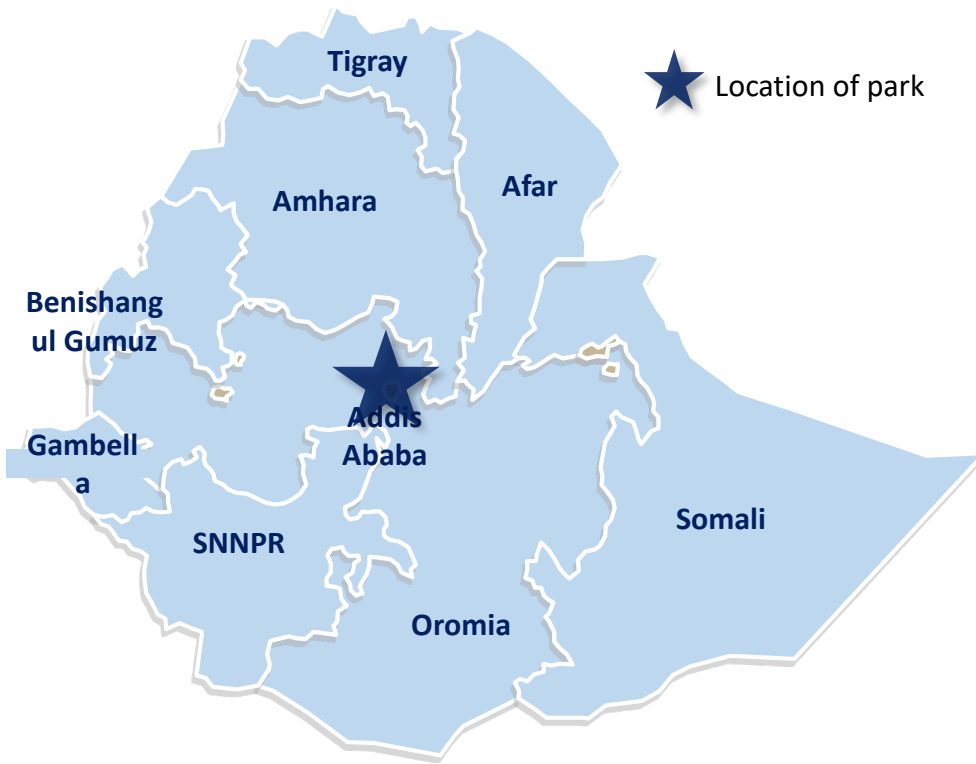
1. For investors to the park until end of 2019 and which are in pipeline, the lease price is a flat rate USD 4.88/m² per annum for forty years.
2. For investors to enter the park starting from January 2020 up to December 2020, the rate, for forty years, is as detailed in below:

Year	2019-2023	2024-2028	2029-2033	2034-2038	2039-2054	2054-2058	Average
Rate (USD/m ²)	3.59	5.53	7.20	9.30	11.71	14.23	9.46

3. For investors to enter the park starting from January 2021 onwards and for forty years, the rate is as detailed in below table:

Year	2019-2023	2024-2028	2029-2033	2034-2038	2039-2054	2054-2058	Average
Rate (USD/m ²)	3.73	5.80	7.64	9.35	12.65	15.51	10.33

Bole Lemi Industrial Park overview



Park infrastructure

Land size

- Phase I: 156 Ha
- Phase II: 171 ha

Specialization: Textile and Leather

Sheds overview: 20 sheds in total; 10 (5,500) and 10 (11,000)

Sustainability facilities: Effluent Treatment Plant

Logistics overview: Located in the Capital of Ethiopia with close proximity to Bole International Airport

Labor overview

Population: Over 3 million people

Plan for sourcing and training: The government has set up a catchment area

Housing: Land available without lease price for companies interested to develop dormitories

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

Electricity cost: 0.045 USD/Kwh

Sheds lease cost per month: \$1 (1-4th yr), \$1.25 (5-7 yr)
\$1.50 (8 – 10 yrs)

Park occupancy

Number of companies: 11 Companies

Sheds occupied: 3 sheds – Available horizontal infra

Sheds available: None

Dire Dawa Industrial Park overview



Park infrastructure

Land size

- Phase I: 150 Ha

Specialization: Multi sectors

Sheds overview: 15 sheds in total; 5 (3,000), 6 (5,500) and 4 (11,000)

Sustainability facilities: Zero Liquid Discharge (ZLD)

Logistics overview: Located in the Eastern part of Ethiopia with very close proximity to the port of Djibouti and the Addis - Djibouti railway station

Labor overview

Population: Close to 300,000 people

Plan for sourcing and training: The government has set up a catchment area

Housing: Land available without lease price for companies interested to develop dormitories but expat dormitories have been built

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

Electricity cost: 0.045 USD/Kwh

Sheds lease cost per month: \$2.75 (1-4th yr), \$3 (5-7 yr), \$3.5 (8 – 10 yrs) and \$4 (11 – 15yrs)

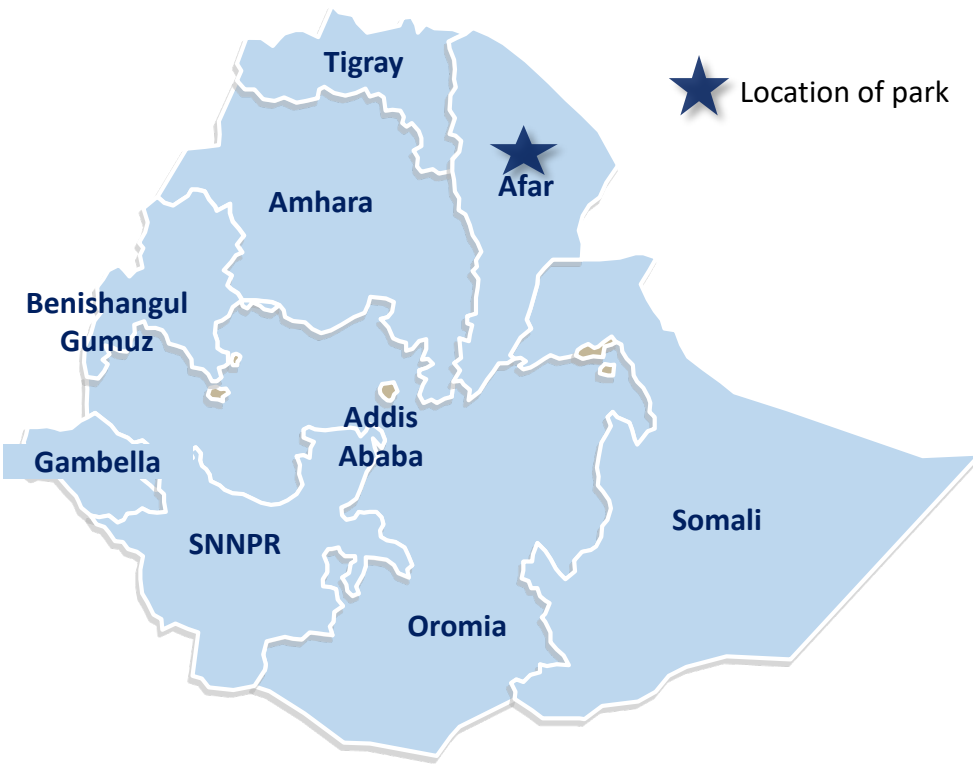
Park occupancy

Number of companies: 5 Companies

Sheds occupied: 4

Sheds available: Proposals on all the remaining 11 sheds are being reviewed

Semera Industrial Park overview



Park infrastructure

Land size: 2140 Ha

- **Phase I:** 50 Ha

Specialization: Integrated Textile and Garment, Leather and Leather Products and manufacturing of Industrial Chemicals.

Sheds overview: 8 sheds of 5,500 meter square

Logistics overview: Located 591 kms North-East of the capital, Addis Ababa,

Labor overview

Plan for sourcing and training: The government has set up a catchment area

Opportunities for Production: cotton, various mineral resources, livestock

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

Electricity cost: 0.045 USD/Kwh

Park occupancy

Number of companies: None

Sheds occupied: None

Sheds available: 8

Bulbula Integrated Agro-Industrial Park Overview



Park infrastructure

Land size

- **Phase I:** 258.62 hectares

Specialization (crops): Sorghum and sesame, fruits and vegetables, honey, dairy, meat and other animal products

Sustainability facilities: TBA

Logistics overview: Located in Eastern Shewa zone. The site abuts the federal highway no. 7 connecting Addis Ababa and Hawassa which are approximately 180 km north and 85 km south of the site, respectively

Labor overview

Population: Over 1,800,000 people

Plan for sourcing and training: TBA

Housing: None

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

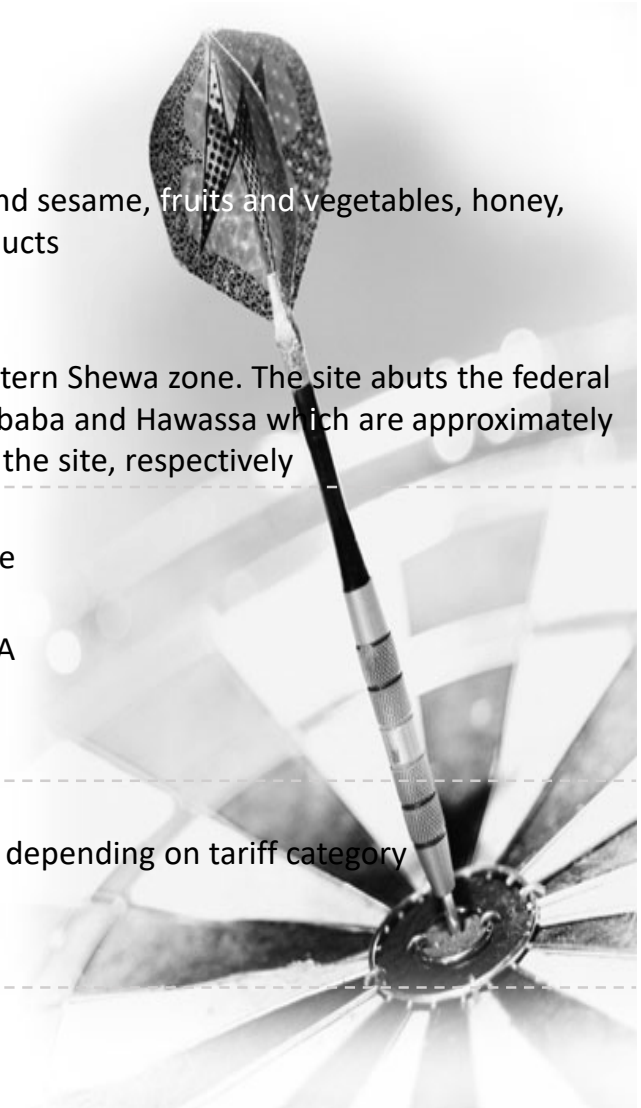
Electricity cost: 0.045USD/kwh

Park occupancy

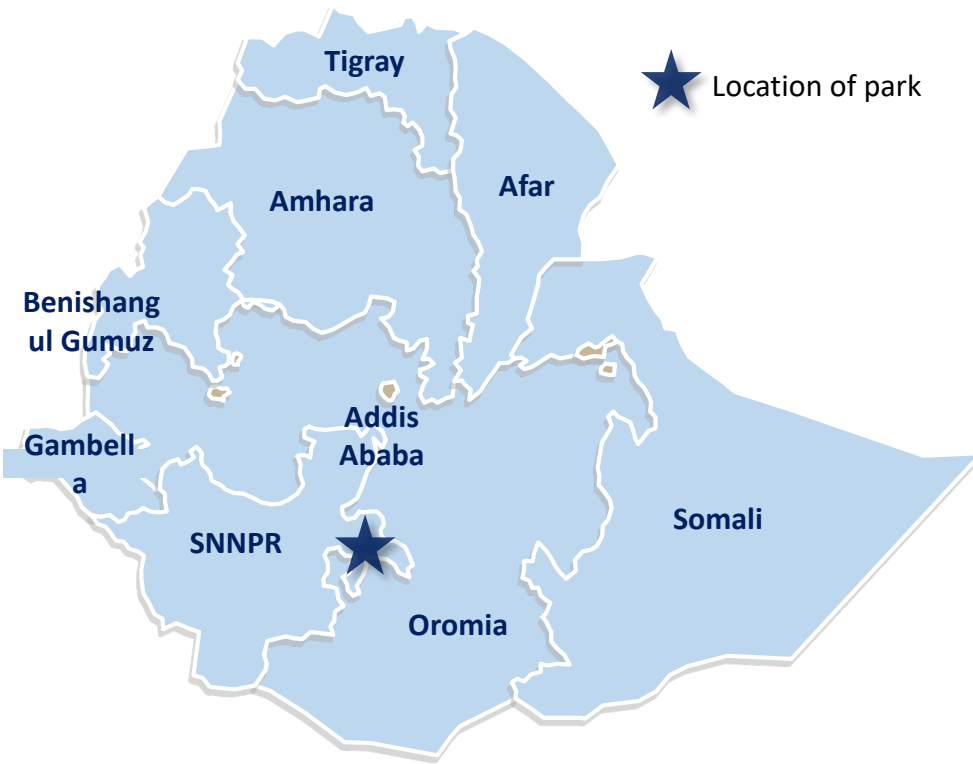
Number of companies: None

Sheds occupied: Three

Sheds available: Available infrastructure



Yirgalem Integrated Agro-Industrial Park Overview



Park infrastructure

Land size

- **Phase I:** 176 hectares

Specialization (crops): Cereals, coffee, fruits and vegetables, dairy, meat and other animal products

Sustainability facilities: TBA

Logistics overview: Located in Sidama. It is located approximately 1.5 km from the federal highway no. 8. The site is situated approximately 318 km from Addis Ababa.

Labor overview

Population: Over 3,700,000 people

Plan for sourcing and training: TBA

Housing: None

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

Electricity cost: 0.045USD/kwh

Park occupancy

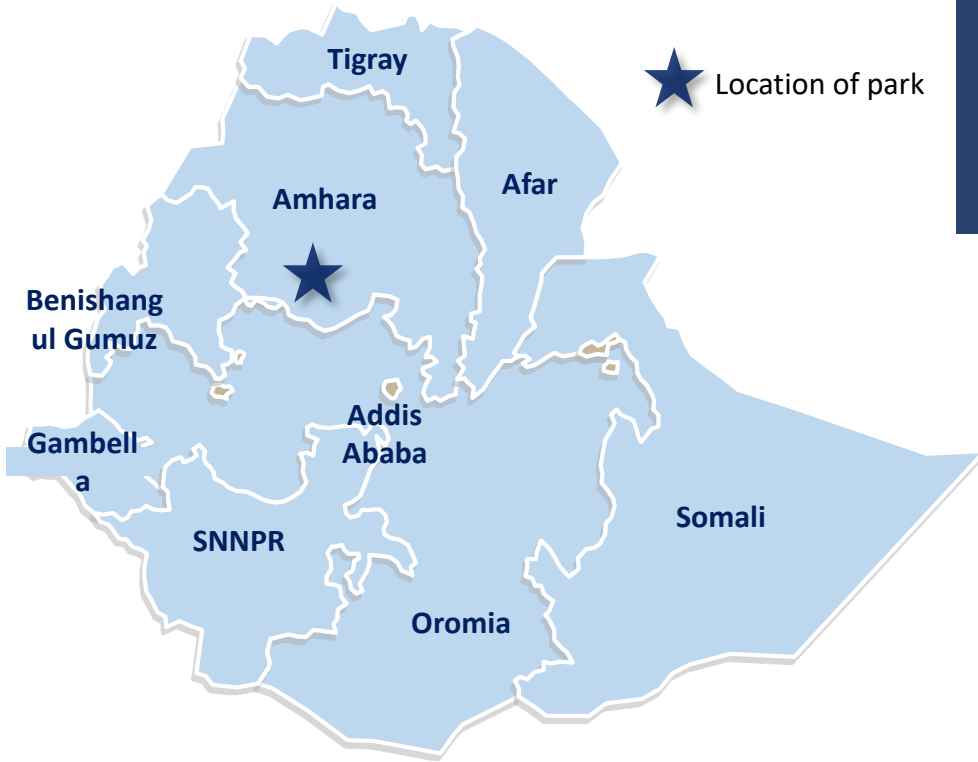
Number of companies: 1

Sheds occupied: TBA

Sheds available: TBA



Bure Agro Industrial Park Overview



Park infrastructure

Land size

- Phase I: 260.35 hectares

Specialization (crops): Maize and sesame, fruits and vegetables, dairy, meat and other animal products

Sustainability facilities: TBA

Logistics overview: Located in East Gojam zone. The site abuts the federal highway no. 3 which is approximately 400 km north of Addis Ababa.

Labor overview

Population: Over 2,600,000 people

Plan for sourcing and training: TBA

Housing: None

Cost overview

Water cost: 1.75 to 11.60 ETB/m³ depending on tariff category

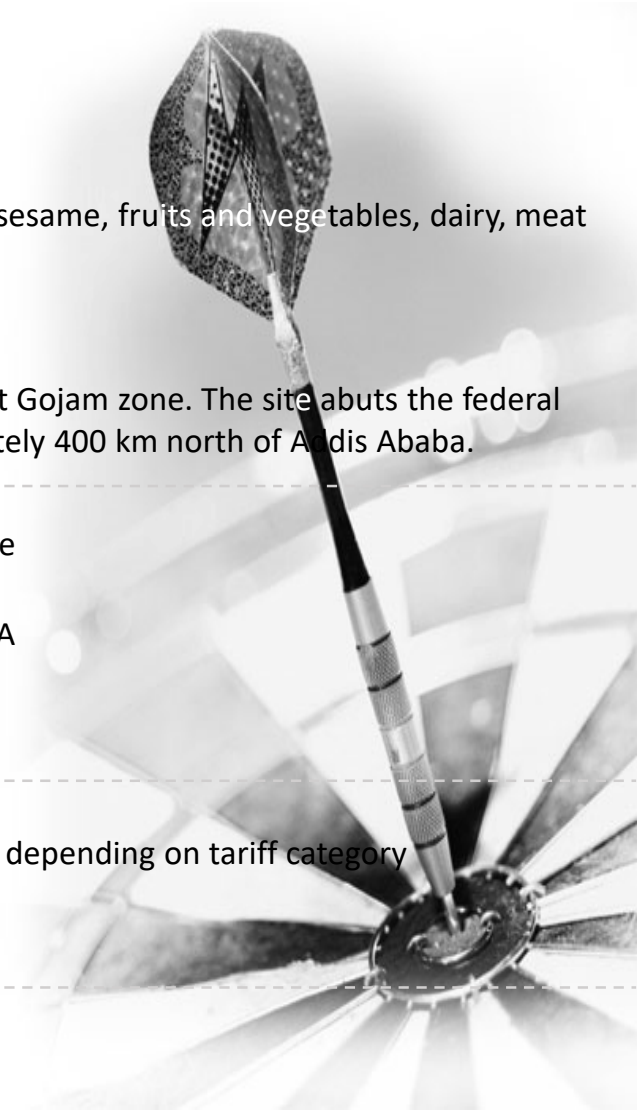
Electricity cost: 0.045USD/kwh

Park occupancy

Number of companies: 2

Sheds occupied: TBA

Sheds available: TBA



Facilities in Industrial Park

- Health Center, Police Station, Fire Brigade, Bank and ATMs
- One-Stop Shop, Commercial Building
- 24/7 Security Services -
 - Gate and compound security (outsourced)
 - Factory compound security (outsourced)
 - Federal Police secure the surrounding area
- 4 boreholes with capacity of 70-80 lit/sec are available with water for staff usage, cleaning and laundry (not potable). 6 more boreholes are planned for the near future.
- Industrial water Treatment Plant - 17,000 cubic meters a day (washing, dying and human sewerage all will be treated)
- Logistics Center
- Affordable housing (under construction), Recreational area (under construction)
- Waste disposal (non liquid)
 - separation recycling area
 - dump trucks for disposal

Ethiopian Investment Commission is the lead government agency responsible for Investment promotion, Registration & Licensing, Incentive and facilitation services

Promotion

Targeted to strategic sectors

- Engaged in targeted investment promotion including:
 - Promoting investment opportunities and conditions to foreign and domestic investors,
 - Responding to investor's inquiries on sector-specific business opportunities, incorporation procedures and related regulations.

One Stop Service

Including licensing, Visa, TIN, and other services

- Provide streamlined one-stop services including:
 - Issuing investment permits, business licenses and construction permits,
 - Notarizing memorandum and articles of association,
 - Facilitating export-oriented non-equity-based foreign enterprise collaborations with domestic investors.

Providing Incentives

With tailored investment incentives

- Approves investment incentives including:
 - Import duty exemption on import of capital goods, construction materials, spare parts, vehicles, raw materials, and personal effects,
 - Export duty exemption,
 - Loss carry forward.

Aftercare Support

Post establishment close support for investments

- Provides post establishment facilitation and follow-up services including:
 - Facilitating acquisition of land and utilities (water, electrical power and telecom services),
 - Processing of loans and residence permits,
 - Facilitating export trade.



ETHIOPIAN INVESTMENT COMMISSION

የኢትዮጵያ ኢንቨስትመንት ኮሚሽን