

## Overview - Investment

Written by EED Admin

Wednesday, 22 December 2010 18:38 - Last Updated Thursday, 10 February 2011 00:37

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### Investors are Welcome

The Ethiopian Economy is predominantly agrarian, with agricultural produce contributing 45% of gross domestic product (GDP), 62% of the total export and 85% employment. Manufacturing, mining, trade, tourism construction, services, etc. make up the remaining 55% of the GDP. Industry contributes only 11% of the GDP, and 16% total export of the country. According to the Economic Freedom index, published annually by the Heritage Foundation in the United States, noted in 2004 that Ethiopia offered the second-most-improved business environment in the world. The ranking was based on improvement in four areas: trade policy, foreign investment, fiscal burden and government intervention. With its market oriented economic policy, a liberal investment law, fast service delivery by the Ethiopian Investment Commission (the responsible body dealing with foreign investors) and with the number of opportunities stated below, it is the right time to invest in Ethiopia. The Embassy of the Federal Democratic Republic of Ethiopia in Dublin is always ready to cooperate with those who have interest to invest in Ethiopia

### Why Invest in Ethiopia

There are a number of reasons why potential investors would find it well worth their while to consider Ethiopia as a location for investment:

- Stable political Climate
- Free market economy
- Conductive macro economic policies and stable foreign exchange
- Excellent climate and fertile soils
- Huge local market of 70 million people
- Access to 23 African countries through the Common Market for Eastern and Southern Africa (COMESA)
- Preferential treatment to the European market under the ACP-EU Convention
- Beneficiary of market access to the USA through the African Growth and Opportunity Act (AGOA)
- Favorable export market status under the US Generalized System Preference (GSP)
- Huge domestic raw material base Abundant, easily trainable and inexpensive labour force

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- Strategic location with proximity to the lucrative markets of the Middle East, Europe and Asia
- Attractive incentive packages
- Participation in the privatization opportunities

## Good Reasons to Invest In Ethiopia

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Due to diverse weather conditions, a wide variety of crops are grown in different parts of Ethiopia. But Coffee Arabica, sold in Japan, as mocha is the main cash crop bringing the largest portion of the country's foreign currency. Other cash crops include oil seeds (i.e. sesame, Soya beans), pulses (horse beans, lentils), cotton, fruits and sugarcane, to mention only a few. However agriculture remains largely in the hand of small holders who use less technology, making the sector more receptive to technological adaptations and attractive to investment.

Manufacturing is currently at its lowest level, only contributing 11% to National income. But it's a sector, which is fast growing and presents an attractive opportunity for investors. Currently Ethiopia exports clothing and apparel, canned and frozen meat, semi-processed hides and skins, sugar and molasses, footwear and gloves, tobacco, beverages, oil cakes and bees wax to the world market.

Although only 3% GDP comes from mining sector at the moment, there are proven reserves of minerals like gold, tantalum, nickel, iron-ore, coal, marble, potash, copper, silica, etc, as well as oil and natural gas awaiting exploitation, making the Country very attractive to both foreign and domestic investors.

Following the fall of the military regime and the abolishing of the centrally command economy in 1991, the Government has embarked upon radical reforms to transform the economy to free market, speed up integration to the world economy and encourage wider participation of the private sector. The reforms include devaluation of local currency and introduction of inter-bank

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foreign currency market based on World market forces, deregulation of domestic prices, abolishing of all export taxes and subsidies, liberalization of foreign trade, reduction of taxes, privatisation of public enterprises, promulgation of a highly competitive investment code, etc. As the result the reforms, the economy has shown a marked improvement with growth rate averaging 6.3% in the last several years. Inflation rate was brought down from 20% in 1992 to an average of 4% in the last ten years. The country's foreign exchange has also stabilized and the budget deficit has declined to acceptable level. But above all private investment activities have flourished.

In the last nine months alone new investment amount to 10 billion Birr (roughly US\$ 1.16), more than half of which belongs to foreign investors. Compared to previous years foreign investment has shown a capital increase of 28%. This is very significant and a clear indication of how fast Ethiopia is becoming one of the major investment destinations in Africa.

Out of several factors that can be sighted as good reasons for investors to consider investing in Ethiopia, four stand out as indicated by recent revised draft issued jointly by the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO).

Perhaps the most important of these is the security and stability of the Country. Though the Country is very much diverse in many aspects, it offers a very stable political and economic environment with very little crime and disorder. Secondly, the market is one of the largest domestic markets in Africa with 72 million consumers. Though currently limited by low purchasing power, it's growing steadily with GDP growth rate averaging 6.3 in the last ten years.

The third reason is the Country's exceptional climate. Forty Five percent of the landscape consists of highlands with pleasant temperature averaging between 15 and 20 degree Celsius. The climate offers an excellent opportunity for various agricultural activities. Anything can grow in Ethiopia. Lastly Ethiopia is exceptional among the least developed countries, in its virtual absence of routine corruption. This is true for both public sector and the broader society, making the cost of doing business cheaper. The moral value is being strengthened further by the on going civil service reform.

Ethiopia represents a unique business and Investment opportunity not found anywhere. We therefore hope the Irish business community take this opportunity to go and invest in Ethiopia. The Country, the Government and the people are ready to receive them with the legendary hospitality.

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