

Ministry of Industry

Investment Opportunity in Manufacturing Industry



Investment Research, Monitoring and Support Directorate

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Ministry of Industry Promotes Quality Foreign Direct Investment in Manufacturing Industry

Vision

Secure, in 2025 a globally competitive industry sector with a leading role in the economy and that has a rapid and sustainable growth.

Mission

Promote and expand the development of industry by creating conducive enabling environment for the development of investment and technology capacity of the industry sector by rendering efficient support and services to the developmental investor.

Value

- ❖ We strive for the success of the developmental investor,
- ❖ We are always ready to learn,
- ❖ We work for the realization of rapid technological transfer,
- ❖ We stand for environmental wellbeing and protection,
- ❖ We strive for effective and coordinated implementation,
- ❖ We promote fair and just participation and benefit.

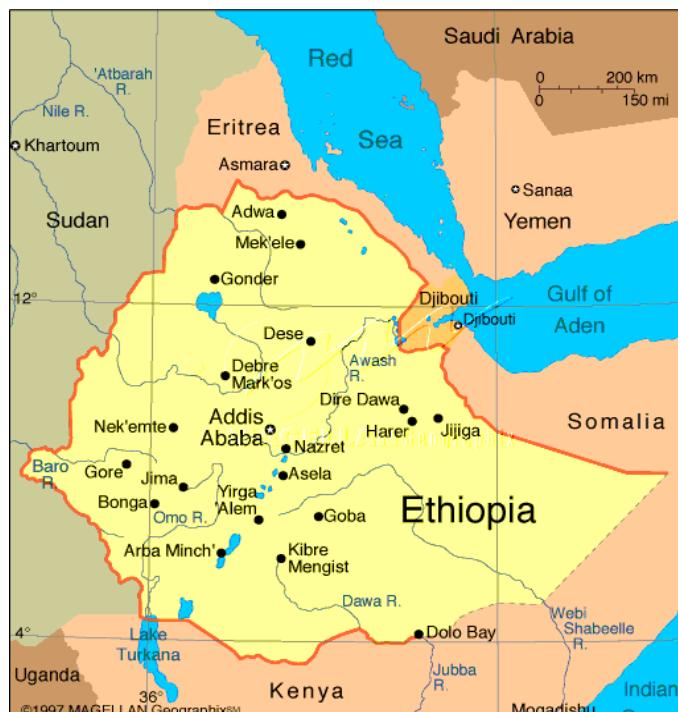


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Ethiopia – A brief outline

Ethiopia is a country with a unique and rich history. Located in the north-eastern part of Africa, Ethiopia is bordered by South Sudan and the Sudan to the west, Eritrea to the north, Djibouti and Somalia to the east, and Kenya to the south. Ethiopia enjoys a unique location at crossroads between Africa, the Middle East and Asia.

After launching a political and economic renewal campaign in the early 1990s, the country began to open its doors to the world economy, heralding a new era of transformation and challenges. Today, Ethiopia is seen as an emerging market and one of the most dynamic economies of the world.

Addis Ababa is the capital city of Ethiopia; which is also the seat of the Africa (AU) and United Nations Economic Commission for Africa (ECA). Mekele, Dire Dawa, Bahir Dar, Gonder, Harar, Adama, Dessie, Jimma and Hawassa are also large commercial cities.

Ethiopia is the tenth largest country in Africa with a land area of approximately 1.14 million square kilometers. Ethiopia's total population is appx. 100 million. It is the second most populous country in sub-Saharan Africa, after Nigeria. Ethiopia has the largest working population in Africa with 41 per cent of the population aged between 15 and 40 (UNDESA, 2015 and Indexmundi).

There are two major seasons in Ethiopia: dry and wet. The dry season prevails from October through May. The wet season runs from June to September. Much of Ethiopia has a surprisingly temperate climate by African Standards, because of its elevation.

Ethiopia is a multi-ethnic state with a great variety of languages spoken. Amharic is the working language of the Federal Government. Oromiffa and Tigrigna are other major languages widely spoken in the country. English is a medium of instruction in junior and secondary schools, and higher educational institutions; and widely spoken, particularly, in business transactions.

Macro Economic performance

The vision of the industrial development plan is stated as " building an industrial sector with the highest manufacturing capability in Africa which is diversified, globally competitive, environmentally-friendly, and capable of significantly improving the living standards of the Ethiopian people by the year 2025"

The overall goal of the industrial development strategy is to bring about structural change in the economy through industrial development. Specifically it is aimed at by increasing the share of the industry sector as % of the GDP from the current 13% to 27% by 2025, and also increasing the share of the manufacturing sector as % of the GDP from the current 4% to 17% by the year 2025.

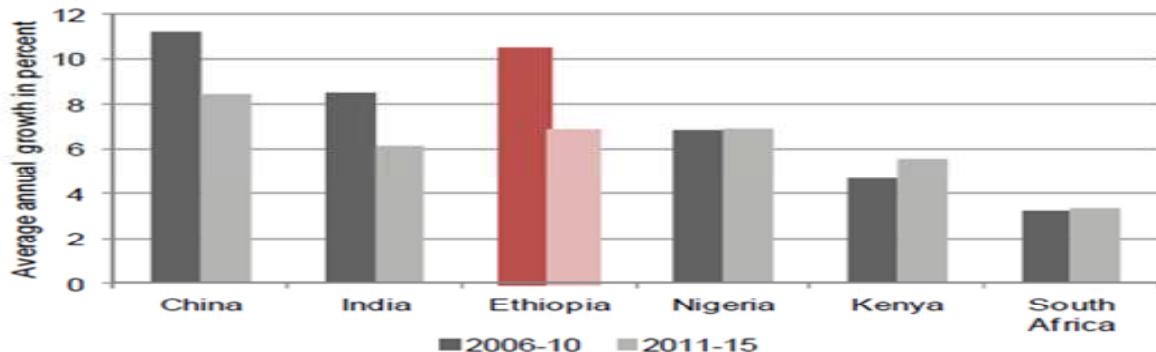
The Rural Development Policy and Strategy, which is under implementation, underlines that agriculture led development will bring about fast economic growth, enable its people become beneficiary of economic growth, and lays solid foundation for industrial development. The Industrial Development Strategy focuses on export manufacturing with priority given to textile and garments, leather and leather products, agro-processing, and small and micro-enterprises.

- **The Gross Domestic product (GDP)** in Ethiopia was worth 72.37 billion USD in 2016.
- **The GDP per capital** also increases from \$162.8 from 2005 to 794.76 USD in 2016.
- **Rate of Investment** has reached **38.5%** of GDP in 2016.
- **Trade Balance**

The trade volume for the country is increasing for last decade; however there is trade imbalance between export and import. The trade balance figure shows import is much greater than export. So the government gives much attention to quality foreign direct investors to improve the export market and strategic import substitution.

II. Macro economic indicators

GDP: Ethiopia's Real GDP has moved to higher trajectory; and it is one of the fastest economic growths in the world.



For the last five years of GTP –I period the GDP of the country on average increased by double digit (10.1 Percent)

Source: Ministry of Industry

Ethiopia's Top 10 Exports

The major manufactured export products comprise clothing and apparel, canned and frozen meat, semi-processed hides and skins, sugar and molasses, footwear, tobacco, beverages, oil cakes, bees wax, and leather and leather products.

The following export product groups represent the highest dollar value in Ethiopian during 2016.

1. Coffee, tea, spices: US\$745.2 million (31.6% of total exports)
2. Oil seeds: \$524.3 million (22.2%)
3. Live trees, plants, cut flowers: \$258.3 million (10.9%)
4. Gems, precious metals: \$179.5 million (7.6%)
5. Machinery including computers: \$171.6 million (7.3%)
6. Vegetables: \$100.9 million (4.3%)
7. Raw hides, skins not furskins, leather: \$88.9 million (3.8%)
8. Knit or crochet clothing, accessories: \$71 million (3%)
9. Footwear: \$43.8 million (1.9%)

10. Meat: \$35.3 million (1.5%)

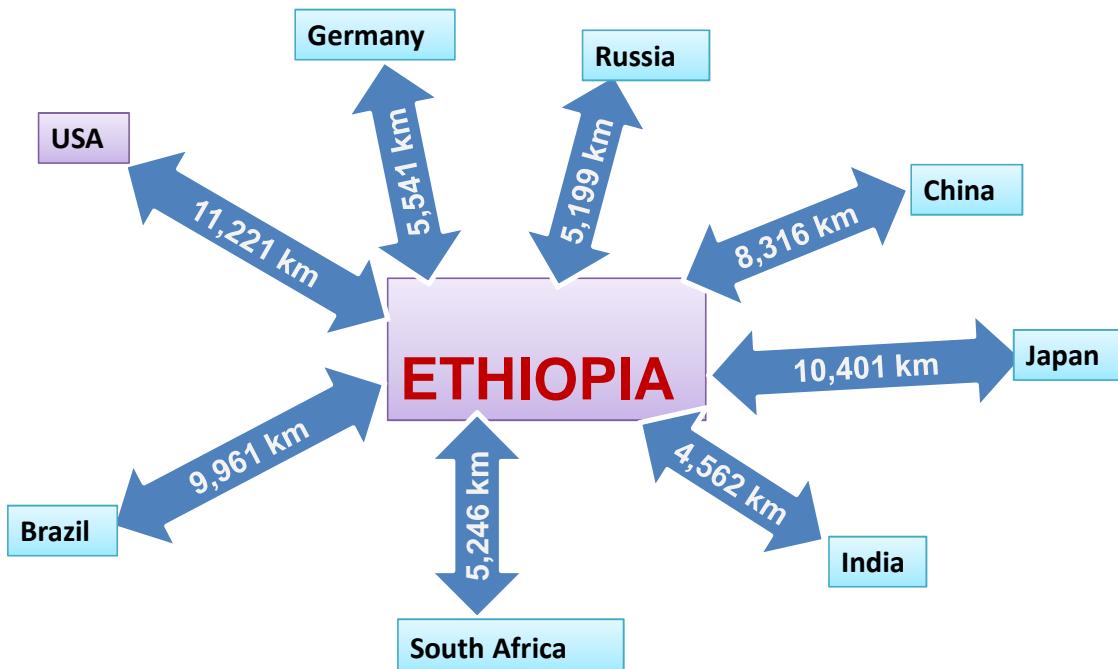
Knit or crochet clothing and accessories were the fastest-growing among the top 10 export categories, up 3,868% over the 7-year period starting in 2009.

In second place for improving export sales was footwear which was appreciated by 562.3%. <http://www.worldstopexports.com/ethiopias-top-10-exports//>

Ethiopia's location in the global economy

- Ethiopia is found in a strategic position in global setting and
- This reflects Ethiopia's central location in the global economy.

Ethiopia's Distances to G7 and BRICSA economies



Ethiopia's Location is in the centre of the Global Economy; and this is another comparative advantages we have

Source: UNCTAD

Foreign Direct Investment

It is an undeniable fact that Ethiopia has made a considerable progress in economic and social development since 1992 as a result of the implementation of favorable policies and strategies that are instrumental in improving the national economy. The Rural Development Policy and Strategy, the Industrial Development Strategy, and other sectoral policies and strategies have initiated a new push towards creating frameworks conducive for economic and social development.

Due to the investment-friendly environment created in the country, the inflow of foreign direct investment (FDI) has been increasing from time to time. FDI inflows to the country have accelerated in recent years, reaching USD 3.1 billion

in 2016, up from USD 1.3 billion just four years ago (UNCTAD, 2017 World Investment Report). Ethiopia remains an untapped and unexploited market for investors. China, Turkey, India, Sudan, Germany, Italy, Saudi Arabia, Yemen, the United Kingdom, Israel, Canada and the United States are the major sources of FDI.

Why invest in Ethiopia?

1. Political and Social stability

- Ethiopia is the oldest independent country in Africa, and is among the most stable countries in the region.
- Ethiopia is most known for its social stability and least crime rate, as well as strong public institutions and reliable police service.
- There is no tolerance to corruption,

2. Growing Economy

- Ethiopia is the fastest-growing economy in 2017, according to the World Bank's latest edition of Global Economic Prospects. Ethiopia's GDP is forecast to grow by 8.3% in 2017. By contrast, global growth is projected to be 2.7%.
- Through a co-ordinated, prudent fiscal policy and a tight monetary policy, combined with a slowdown in global commodity prices, the Government has brought down inflation to single digits.
- Ethiopia is ranked higher than its regional peers (Kenya, Rwanda and South Africa) for its conducive macroeconomic environment (World Economic Forum, Global Competitiveness Report, 2016-2017)
- Growth forecasts of more than 7% from the International Monetary Fund and the African Development Bank place Ethiopia among the world's growth leaders over the medium term.

3. Excellent climate and fertile soils

- Ethiopia is the 27th largest country in the world by land size and given its diverse topography and geographical location, it is suitable for the production of some of the world's most coveted food crops - cereals, pulses, oil seeds, a wide range of fruits and vegetables, coffee, tobacco, sugar cane, tea and spices, among others.
- Much of Ethiopia has a surprisingly temperate climate by African standards due to its elevation. Ethiopia has an elevated central plateau varying in height from 2,000 to 3,000 meters above sea level.
- Thanks to its fertile soils, Ethiopia is among the world's largest producers of coffee, and the 3rd largest producer of Arabica beans in the world (US Department of Agriculture). Ethiopia also is among the top non-EU exporter of cut-flower to the EU market and the 2nd largest flower exporter from Africa.

4. Strong guarantee and protections

- Private property is protected by the Constitution and the investment law.
- A foreign investor has the right to make remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange.
- Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate which issues guarantee against non-commercial risks in signatory countries, and of the World Intellectual Property Organization (WIPO).
- Ethiopia has concluded over 30 bilateral investment promotion and protection agreements, of which 11 are with individual European Union Member States. Significant other partners include China, India, South Africa, and Russia, and a number of regional economic partners (Israel, Egypt, and Sudan, among others).

5. Abundant and affordable labor

- Ethiopia's labor law, which regulates worker-employer relations, is in line with international conventions.
- With over 50 million workers, Ethiopia has the second largest labor force in Africa (World Bank's Doing Business Report, 2014).

- Ethiopia's minimum wage is among the lowest in Africa, with only 5 countries - Burundi, Uganda, Egypt, Gambia and Malawi - having lower minimum wages (International Labor Organization, 2010/11).
- Generally, private sector monthly salaries for university graduates range from USD 150 to USD 200, while construction sector monthly wages range from USD 60 for daily laborers to USD 300 for a foreman (Source: Ethiopia's Ministry of Urban Development and Construction).

6. Regional hub with access to wide market

- With a population of appx. 100 million people and a rapidly growing middle class society, Ethiopia is the second largest market in Africa, and is also part of the Common Market for Eastern and Southern Africa (COMESA) comprising 19 member countries and over 400 million people.
- Addis Ababa has emerged as a regional hub and is home to key international organizations such as the African Union (AU) and the United Nations Economic Commission for Africa.
- Addis Ababa is also the main air hub for Africa and the home of Ethiopian Airlines, which has won repeated recognition as the best airline in Africa. Ethiopian Airlines offers flights to 94 international passenger destinations (52 in Africa, 17 in Europe and America and 25 in the Middle East and Asia), 19 domestic passenger destinations, and 35 cargo destinations (21 in Africa, 11 in the Gulf, Middle East and Asia, and 3 in Europe). It carries two thirds of Africa's air freight.
- Ethiopian products have duty-free, quota-free access to the U.S. and EU markets under the African Growth and Opportunities Act (AGOA) and the Everything But Arms (EBA) initiative, respectively.
- Ethiopia enjoys also preferential access to key markets like Australia, Canada, Japan, New Zealand, Norway, Switzerland, China, India, Russia, the Republic of Korea, and Turkey.

7. Improved Economic Infrastructure

- The country's hydropower potential is estimated at 45,000MW, Ethiopia's potential for generating electricity from geothermal is 5,000 MW. Ethiopia is endowed with enormous potentials of other renewable energy sources like solar and wind energy. Despite such huge resources, the country has so far managed to utilize merely **4138 MW** of its power generating potential. According to GTP-II plan the country's installed electricity generating capacity is expected to reach 17,208 by 2020. Cheapest electricity rate in Africa and the whole world – US\$0.04/kWh.
- Ethio Telecom is currently engaged in a major transformation work of Next Generation Network (NGN) projects to create a world class telecom service provider.
- Strong financial support (Loan) from Government and Private Banks.
- Air transport is an important part of Ethiopia's transport network. Ethiopian Airlines, Africa's World Class Airline, which has gained a very good reputation internationally in its 68 years of active services, provides both domestic and international air transport services. It has an outstanding safety records and is one of the few profitable African airlines. Ethiopian is a Star Alliance member. Gives both passenger and cargo transport in its international flights and domestic routes. Gives preferential price for exporters.
- Ethiopia has a huge run-off and ground water potential. With numerous projects underway, national access to portable water is fully enhanced.
- A 5,000 km-long railway network is currently under construction. While the first priority is to join Addis Ababa to Djibouti's main port, the network is expected to reach every corner of the country. As part of this big project, a 34 km Addis Abeba light rail is fully operational while a new 756 km Addis Abeba-Djibouti electrified railway route is well completed in 2016 - making access to port Djibouti much easier. Other standard gauge networks are in pipeline. As a significant portion of Ethiopia's import/export trade passes through port Djibouti, the rail way construction is a huge efficiency enhancer for producers and traders.

- In order to ensure efficient, cost effective and reliable import and export movement of cargo to and from the seaports of the neighboring countries, the government has established the Ethiopian Shipping and Logistics Enterprise. The Enterprise is currently operating two dry ports, which are located at Modjo and Semera, 73 kms and 588 kms, from Addis Ababa, respectively. The enterprise is operating other four sub-terminals, which are located at Dire Dawa, Mekele, Combolcha and Gelean, 515 kms, 783 kms, 376 kms, and 34 kms, respectively from Addis Ababa. Addis Ababa is linked by road to the Port of Djibouti, 910 kms, at the Gulf of Aden. The ports of Barbara, 964 kms, in Somaliland and Port Sudan, 1881 kms, in Sudan are other external trade routes that provide services for export-import trades between the countries. Another potential port accessible to Ethiopia (in the south) is Port Mombasa, in Kenya, 2077 kms. There is preferential shipment price tariff for manufacturing Industry by the Enterprise.

8. Competitive incentive package

8.1 Fiscal Incentives

A. Customs Duty

Applicable to both domestic and foreign investors engaged in eligible new enterprises or expansion projects in Priority sectors.

- 100% exemption from the payment of customs duties and other taxes levied on imports is granted to all capital goods, such as plant, machinery and equipment and construction materials
- Spare parts worth up to 15% of the total value of the imported investment capital goods, provided that the goods are also exempt from the payment of customs duties

B. Income Tax Exemption

- Investors engaged in manufacturing and other Priority sectors are entitled to income tax exemptions for a period ranging between 1 and 9 years, depending on the specific activity and the location of the investor

8.2 Non-fiscal Incentives

Non-fiscal incentives are given to all investors who produce export products. Such investors will be allowed to import machinery and equipment necessary for their investment projects through suppliers' credit.

8.2.1 Loss carry forward

Business enterprises that suffer losses during the income tax exemption period can carry forward such losses, following the expiration of the income tax exemption period, for half of the tax exemption period. Any loss incurred during income tax exemption period is not allowed to carry forward for more than five income tax periods.

8.3 Export Incentives

Fiscal incentives available to all exporters include:

- With the exception of a few products (e.g. semi-processed hides and skins- 150%), no export tax is levied on Ethiopian export products of the country.
- Any investor who export or supplies to an exporter as production or service input at least 60% of his products or service shall be entitled to income tax exemption for 2 years.
- **Duty Drawback Scheme:** this scheme offers investors an exemption from the payment of customs duties and other taxes levied on imported and locally purchased raw materials used in the production of export goods. Duties and other taxes paid are drawn back 100 percent at the time of the export of the finished goods
- **Voucher Scheme:** a voucher is a printed document having monetary value, which is used in lieu of duties and taxes payable on imported raw materials. The beneficiaries of the voucher scheme are also exporters
- **Bonded Factory and Manufacturing Warehouse Schemes:** producers not eligible for voucher scheme but having licensed for bonded are entitled to operate such factory or warehouse in importing of raw materials duty free

8.4 Non-fiscal export incentive

- Exporters are allowed to retain and deposit in a bank account up to 20 percent of their foreign exchange earnings for future use in the operation of their enterprises and no export price control is imposed by the National Bank of Ethiopia.
- Franco valuta import of raw materials are allowed for enterprises engaged in export processing.
- Exporters can benefit from the export credit guarantee scheme, which is presently in place in order to ensure an exporter receives payment for goods shipped overseas in the event the customer defaults, reducing the risk of exporters' business and allowing it to keep its price competitive

8.5 Remittance of Capital

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:

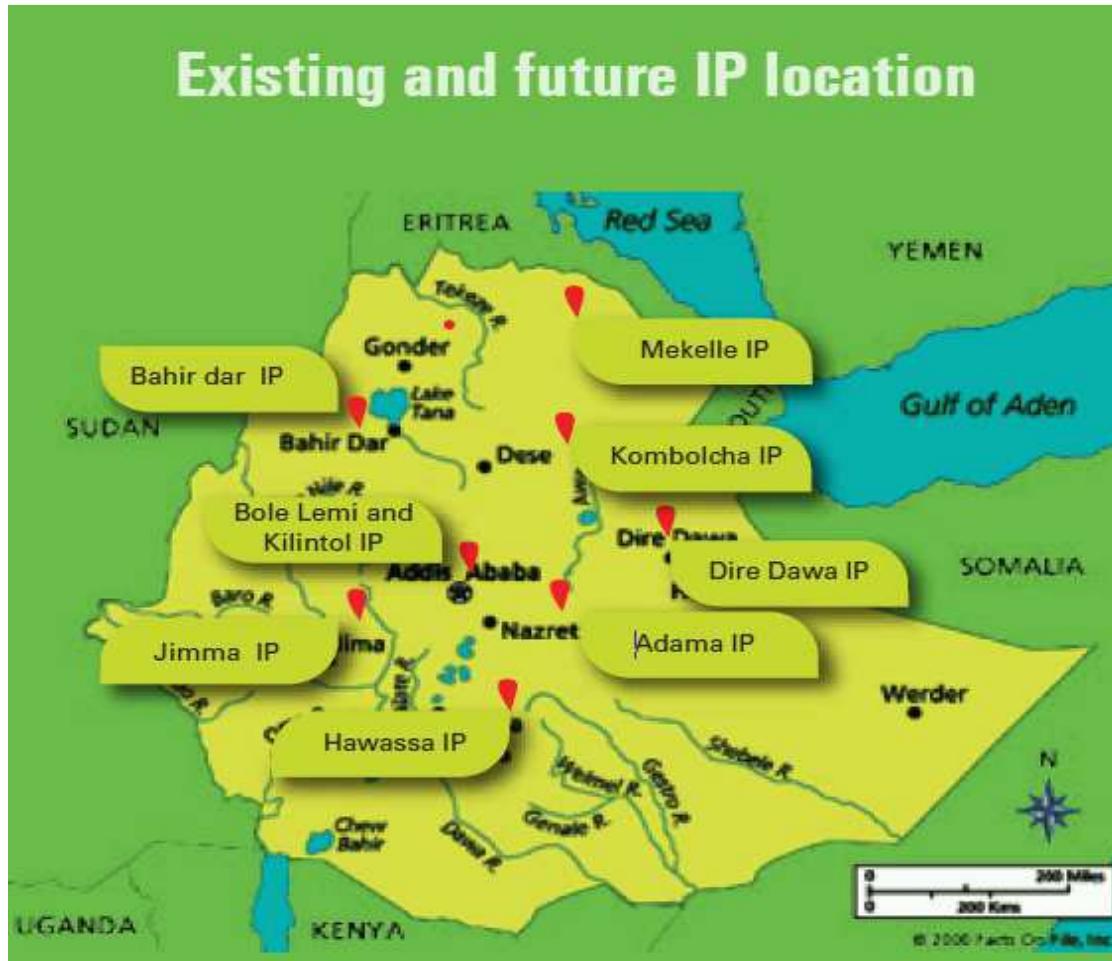
- profits and dividends
- principals and interest payments on external loans
- payments related to technology transfer agreements
- proceeds from the sale or liquidation of an enterprise
- compensation paid to an investor
- proceeds from the sale or transfer of shares or partial ownership of an enterprise to a domestic investor

9. Industrial Park development

Industry Park Development Program is a useful instrument for effective land usage, eliminate the problems in logistics and custom service, expand investments and transform them quickly into production, create linkage among middle and large scale industries as well as for the transfer of technology, production and leadership methodologies, grow job opportunities, use national resource appropriately and strengthen green

industry development trend. The Ethiopian Government plan to establish about 10 industrial parks within the coming five years so as to boost manufacturing industry.

Bole lemi-I and Hawassa Industrial parks are operational, kombolcha and Mekele Industrial parks the construction completed, Adama and Dire Dawa Industrial parks are under construction and completed in 2017.



Industrial park by private developers

Foreign companies have started developing their own industrial parks among which are:

- Eastern Industrial Zone,
- George Shoes cluster Industrial Park,
- Huajian Group Shoes Cluster Industrial Parks,
- CCCC Arerti Industrial park PLC

Integrated Agro Industry Parks

Integrated Agro Industrial Parks (IAIPs)

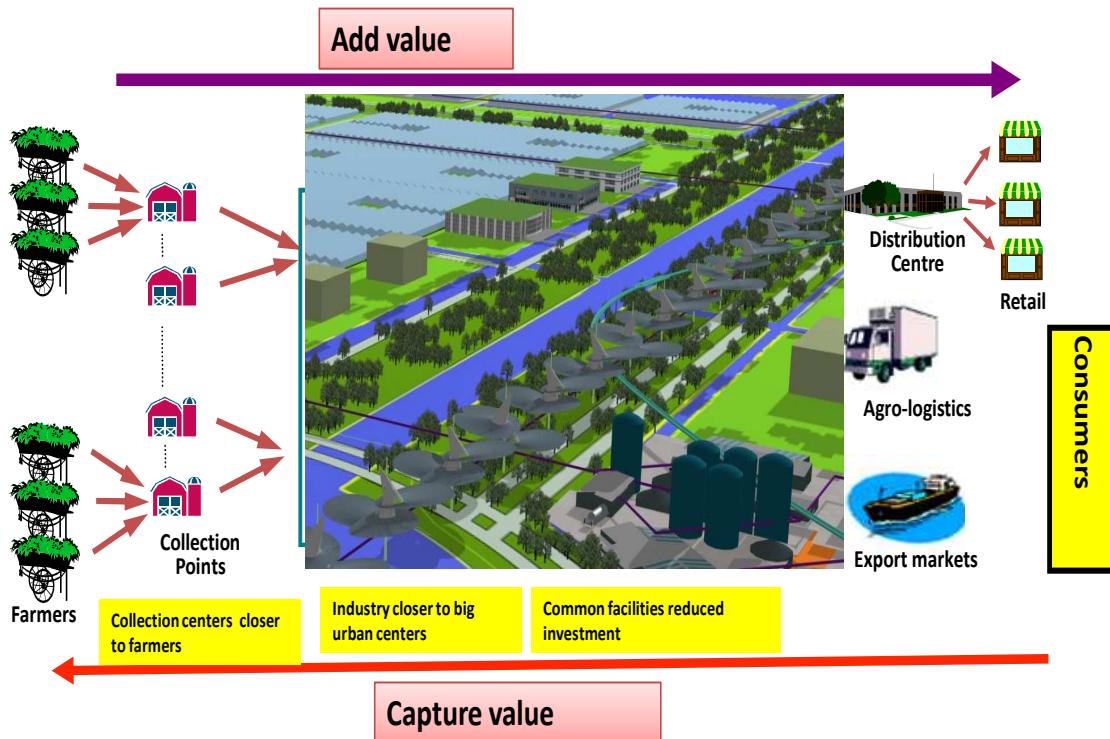
A New Investment Prospect of Ethiopia



The IAIPs aim to coordinate and integrate dispersed value chain components by clustering and creating linkages between farmers, processors and consumers. The IAIPs will be spread across the country and linked to each other through agro-industry growth corridors (AIGCs). A total of 17 AIGCs were selected in different parts of the country, from which four areas were identified for pilot projects.

Integrated Agro Industry Parks

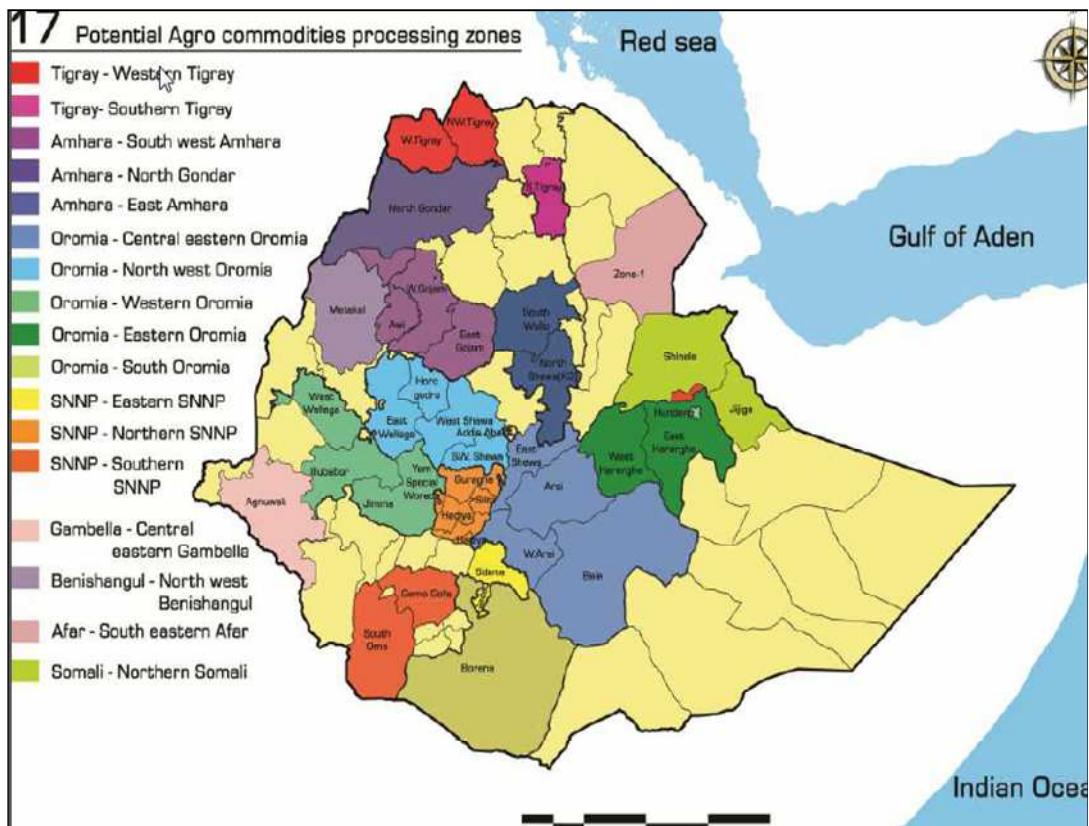
planned for as Agricultural to Industry Transformation strategy
proven driver of agricultural commercialization & rural industrialization



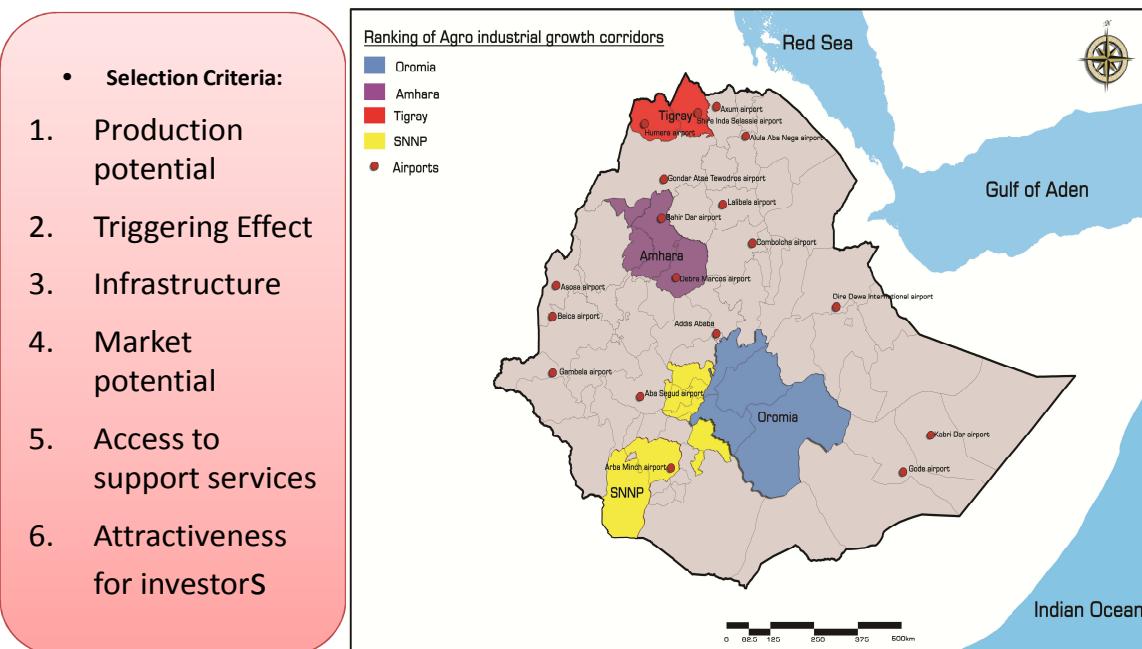
GTP-II 4 Agro Industry Parks will be Established

In the next GTP 2 four Agro industrial parks are constructed by the government in different corridors of Ethiopia. These four Integrated Agro Industry pilot parks that will be realized are located in oromiyaa, Amhara, Tigray and south nation and nationality regional administration.

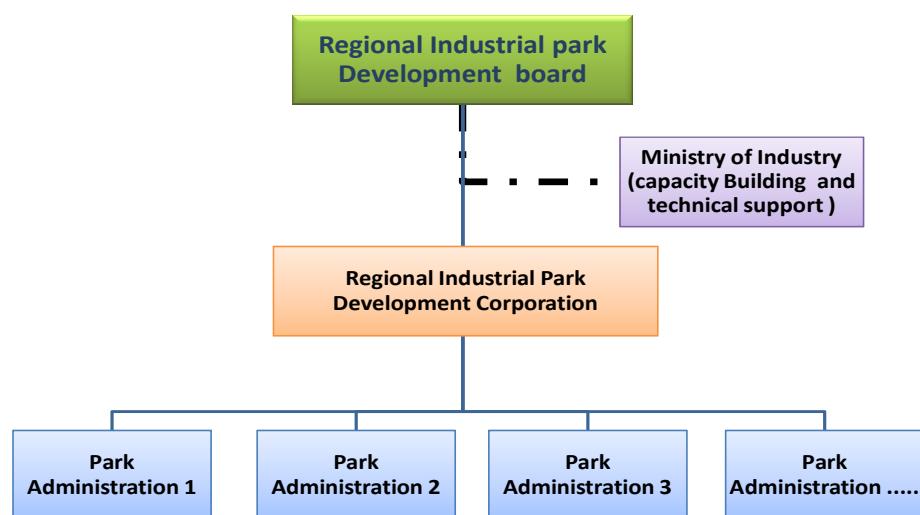
Agro Industry Growth Corridors (17 selected)



Four ACPZs selected for piloting IAIPs



Program 4. Institutional set up & capacity building



Detail Value Chain Analysis conducted for the strategic Commodities

C.E Oromia	S.W Amhara	E. SNNP	W. Tigray	C.E Oromia	S.W Amhara
Livestock	Livestock	Livestock	Livestock	Livestock	Livestock
Wheat	Sorghum	Maize	Sesame	Wheat	Sorghum
Barley	Maize	Barely	Sorghum	Barley	Maize
Potatoes	Barely	Haricot beans		Potatoes	Barely
Tomato	Fava beans	Potatoes		Tomato	Fava beans
F. beans	Chick peas	Banana		F. beans	Chick peas
H. beans	Grass pea	Pineapples		H. beans	Grass pea
	Haricot beans	Coffee			Haricot beans
	Sesame				Sesame
	Potatoes				Potatoes
	Red pepper				Red pepper

Small and Medium Enterprise Cluster Development Program

In accordance with its 2nd Growth and Transformation Plan (GTP-II) (2015-2020), Ethiopia is striving to structurally transform the economy from being agriculture dominated to industry dominated in order to increase worker productivity and achieve middle-income status for the country by 2025. A key strategy outlined in GTP II to achieve this is development of the SME sector across regions with a strong focus on manufacturing through, among others, regional cluster development. The Government has identified 700 potential locations for development of clusters within the GTP II period. The clusters are to be grouped in 3 sizes of 50, 100 and 250 hectares of land depending on the potentials and the stages of development of the locations. They are to be fully integrated with other support programmes such as the SME Finance Programme and national rural industrialization issue. These industry clusters are expected to be constructed and administered through regional Industry Park Corporation through project financing, soft loans and equity financing.



10. Investment opportunities

Major Investment opportunities in manufacturing sector

- Textile and Garments
- Leather and Leather products
- Agro-processing
- Sugar and related industries
- Pharmaceutical products
- Chemical Industry
- Metal and engineering Industry
- Electronic products
- Petro-Chemicals
- Biotechnology
- Packaging

Textile and Garment Industry

The cotton farm is producing about 4200 tons of raw cotton on 1400 hectares of land per annum. The productivity of the farm is assumed to be 3 tons per hectare in each production season. However, only 5% of this potential has been cultivated for cotton industry has show the enormous potential for producing raw cotton.

Ethiopia has a comparative advantage in the production and processing of textile fabrics and garments. This includes the spinning, weaving and finishing of textile fabrics and, with regards to garments, the manufacture of knitted and crocheted fabrics, carpets, sport wears, etc. An abundance of raw materials, low wages and low energy costs give it a comparative advantage over other countries and regions. Ethiopia also grows some of the world's finest cotton and has a rich spinning and weaving history.

Leather and leather products industry

With an annual production of 5 million tons of hides, 8.1 million tons of sheepskins and 7.5 million tons of goatskins, highly disciplined workforce and the cheap cost of doing business; Ethiopia has a comparative advantage in the leather industry (MoFA, 2015). There are ample opportunities for investment in tanning, up to the finishing and manufacturing of luggage items, handbags and gloves, saddle and harness items, leather footwear and garments and other leather goods.

Agro-processing industry

Agro-processing



Coffee



Oil seeds

- Major Ethiopian export products include: coffee, livestock products (skins and hides, leather, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum, spices and mineral products.
- Through the development of agro-processing, Ethiopia's agricultural sector can achieve swift and sustained long-term economic development.

Major Ethiopian export products include: coffee, livestock products (skins and hides, leather, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum, spices and mineral products. Through the development of agro-processing, Ethiopia's agricultural sector can achieve swift and sustained long-term economic development.

Ethiopia is a leading producer of many agricultural products. Ethiopia is home to one of the largest livestock populations in Africa. Ethiopia is one of most important producer of sesame and corn. (Source: Food and Agriculture Organization)

Cereals & pulses processing: The sub sector supply includes the flour and its products like bread bakery, spaghetti and macaroni etc. Though the product diversity of cereals & pulses processing industry are very limited, the sector has relatively large number of companies with limited number of products.

Oilseeds processing: It is one of the agricultural products that are widely produced throughout the country. Sesame, Niger seed, Linseed, Ground Nut, Sunflower, Rape seed, soy bean are major oil seeds produced in the country.



Spices: Among the 22 Ethiopian diverse spices resources. For example, recently 6 of them are used in industrial inputs such as ginger, black spice, white spice, red pepper, and gyros.

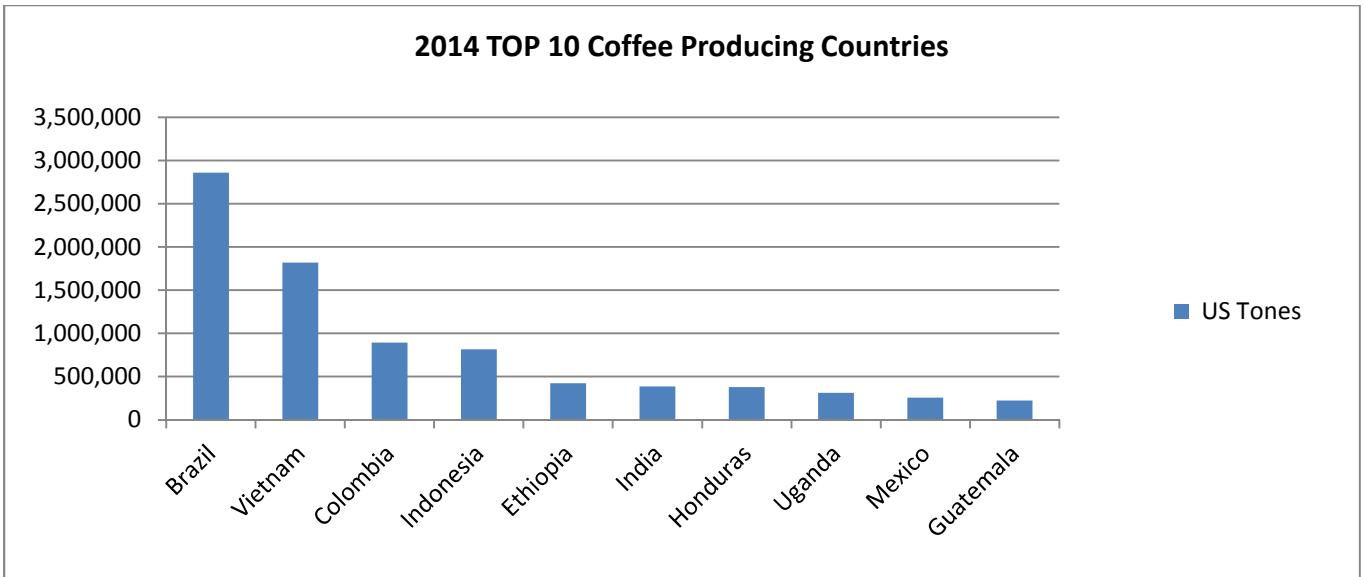


Fruits and Vegetables: vegetables and fruits are found across the nation and yet cultivated in fragmented plots of land by small holder farmers and only supplying the domestic consumption. Recently, the sector is expanding into commercialized agricultural system using irrigation techniques.



Beverage industry: The industry comprises brewery and malt factories, winery, alcoholic drinks, soft drinks and mineral water, coffee roasters and grinders; and processed tea packers. There are 109 beverage industries. Compared to 2010, the sector exhibited a 136% growth rate in new establishments, 31% in annual growth rate. The food and beverage industry has created 52,000 new job opportunities over the last 4 years. According to the CSA, the industry contributes 34% of the gross value of production in manufacturing industry.

Coffee:-



Source: worldAtlas.com

- Ethiopia is the fifth largest producer in the world.
- Ethiopia is famous as the origin of coffee and is the largest producer in Africa.
- Ethiopia is the geographic home of Arabica coffee, the most popular beans worldwide.
- It is no small part of their economy – over half of Ethiopia's foreign income is a result of coffee – and it is estimated that 15 million citizens are employed in coffee production.
- The Harar, Limu, Sidamo, and Yirgacheffe beans are all trademarked varieties of the Arabica bean, with the rights owned and protected by the government of Ethiopia.

The Meat, Dairy and Honey Industry

- Ethiopia is home to abundant livestock resources. According to government statistics, there are approximately 50 million cattle, 50 million goats and sheep, plus an assortment of horses, donkeys, camels and chickens. There are opportunities to manufacture livestock products for both local and export markets. Local demand for meat, milk and eggs is growing as the economy and population grow. This growth is expected to create investment and trade opportunities for certain commodities and open doors for veterinary and other livestock services.

- Among these resources 338,150 cattle, 4,848,894 goats and sheep, 13.53 million hens are slaughtered where 90,260.4 tone of meat is produced annually. Even if the country ranks 1st in Africa, the annual per capita meat consumption remains to 8.4 kilograms. Besides, the current meat product is incapable of satisfying the demand of international hotels both in quality, quantity and product diversification.
- Concerning the honey bee resources, we have 10 million bee colonies and 5.2 billion beehives. Studies show that annually we have the capacity of producing 550,000 tons of honey. Nonetheless, nowadays we are producing only 45,951.2 tones tangibly. Generally although we have a large amount of livestock population, its annual per capita consumption and its productivity is less than our neighboring countries. Great attention has been given so as to increase its productivity and to scale up our benefits from the sector in GTP II.

Investment opportunity in agro-processing sector; Processing of meat and meat products, fish and fish products, and fruits and vegetables; integrated production and processing of dairy products; processing of coffee and tea; manufacture of starch and starch products; processing of animal feed and processing and bottling of mineral water; sugar production; brewing and wine-making, processing of pulses, oil seeds or cereals, manufacture of macaroni/pasta etc.

Modern meat processing industries



Pharmaceutical products

Pharmaceutical products are directly linked with the well-being of the society where its development is highly linked with keeping the society from diseases. The domestic demand for pharmaceutical products has grown by 25% on average and yet the share of the domestic companies does not exceed more than 20-25%. This shows that there is a huge discrepancy between demand and supply in pharmaceutical products. Therefore, in order to fulfill the domestic demand of pharmaceutical and medical equipment in the coming few years, not only it is necessary to upgrade existing companies, but also it is essential to establish new industries in the field.

Manufacture of pharmaceutical, medicinal, chemical and botanical products in the form of tablets, capsules, syrups and injectables are the opportunity.



Chemical and chemical products industry

Chemical products used as inputs to priority sector industries and Agricultural sector. There is raw material availability for processing of chemical products. The local demand for chemical products increased, the market gap is filled only by importing the chemical which shows it has untouched potential opportunity. This sector is an import substitution sector; it's important to establish industries in the field.

Investment opportunity is manufacture of basic chemicals (including ethanol) based on local raw materials, including fertilizer and nitrogen, soda ash, rubber, PVC granules from ethyl alcohol; manufacture of caustic soda and chlorine based chemicals; carbon and activated carbon; precipitated calcium carbonate; ballpoint ink, varnishes; soap and detergent, cleaning and polishing preparations, perfume and toilet preparation and pesticides, herbicides or fungicides.

Metals and engineering

Ethiopia has more than 70 million tons of iron ore deposit in Amhara, Oromia and Tigray states, the Geological Survey of Ethiopia announced. The annual per capital steel consumption in Ethiopia is 12kg, which is very low as compared to African Average. The Government is working to make it better.

The metal industry is found at very low stage of development; but is having a substantial growth. The range of products manufactured in this sector includes galvanized roofing sheets, pipes, reinforcement bars, nails, window and door frames, trusses, hand tools, implements, pumps, and various metal fabrications. In addition to the above products, there also exist a couple of plants assembling automobiles, trucks and tractors. There are also some industries which produce hand tools spare parts and cutleries.

The demand for metal products in Ethiopia has increased significantly due to large government projects as well as an increasing demand of the thriving private sector. Although there are some industries that are involved in the production of steel sections

and profiles, wires and nails, corrugated steel and reinforcement bars, they cover only 15 % of the country's metal needs. Currently the industries use imported raw materials such as iron ore, coiled wire rods and coiled sheet metals and the locally available scrap metals.

Manufacture of Machineries, equipments, tools, accessories, spare parts (engineering and fabrication); Metal and steel manufacturing industries; automotive industries (localization) are some of the areas of opportunity in metal and engineering sector.



New Manufacturing Sector Development Program

There is a need to prepare policies and supporting systems to cope up with the social needs of developing into new industries pursuant of the economic development and its following change in the social sector. Expanding new manufacturing sectors and productions can create industrial linkage which is not exposed to foreign economic crisis, expand local and global market opportunities, increase the capital and labor productivity, and form linkage and coalition in the neighboring countries' economy.

The expansion program of the manufacturing sector focuses on attracting, strengthening and expanding additional and newly selected sectors. From this perspective, global value chain, the country's resource potential, taking into consideration the market demand and the creation of job opportunities, fields of manufacturing sub-sectors are selected for the expansion of the sector namely:

- **Biotechnology Industry,**

- **Petrochemical Industry,**
- **Electrical and Electronics Industry,**
- **Information and Communication Technology Industry.**

Institutional Support

- Government is dedicated to provide hand holding support to the private sector,
- Investment Board of the Investment Commission is under the Chairmanship of H.E. the Prime Minister.

Under the Ministry of industry there are different sectoral supporting Institutions such as:

1. Textile Industry Development Institute;
2. Leather Industry Development Institute;
3. Metal Industry Development Institute;
4. Chemical and Construction Input Industry Development Institute;
5. Meat & Dairy Industry Development Institute;
6. Food Beverage and Pharmaceutical Industry Development Institute;
7. Ethiopian Industrial Inputs Development Enterprise.

Large Multinational Companies operating in Ethiopia



DIAGEO



