

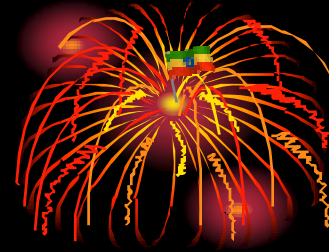


ETHIOPIAN INVESTMENT AGENCY

**Investment Climate in
Ethiopia**

July, 2012

Ethiopia at a Glance



Location:-

Strategically located in the Horn of Africa, at the cross roads between Africa, the Middle East and Asia.

Area:-

1.14 million km²

Population:-

About 83 million

Investment Climate



- A. Existence of peace and political stability
- B. Macro-economic stability and growing economy:
 - Low government budget deficit (less than 2% of GDP)
 - Double digit GDP growth rate (an average of 11.0% per year over the last 8 years)

C. Investment Policy

As part of the Industrial Development Strategy #ID6, the investment policy recognizes :

- investment as one of the pillars of sustainable development ; and
- the private sector as the engine to realize the IDS

1. Admission

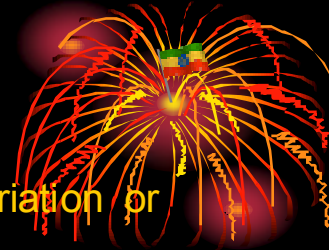
- Foreign investors can invest on their own or in partnership with domestic investors in areas open for FDI
- Required to have investment permit from the Ethiopian Investment Agency
- Required to allocate minimum capital
- No restrictions on equity ownership in joint-venture investment



2. Attractive incentive packages

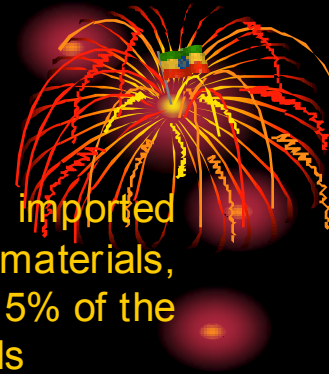
- Regulatory

- Guarantee against expropriation or nationalization
- Full repatriation of profits, dividends, principal and interest payments on external loan, etc. out of Ethiopia in convertible currency
- The right to employ expatriate experts and management staff
- Access to local bank credit
- Double taxation avoidance treaties



- Fiscal

- Customs duty exemption on imported capital goods, construction materials, and spare parts worth up to 15% of the value of imported capital goods
- Income tax exemption
- Loss carry forward
- No discrimination between foreign & local investors

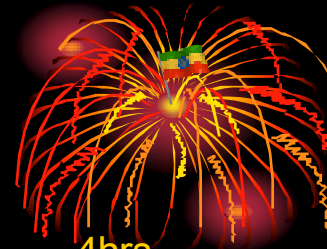


- Financial

- Access to bank credit, at concessionary rate, up to 70% of the investment costs of projects from DBE (for feasible investments in priority sectors of manufacturing, agro-industry and commercial agriculture) (see www.dbe.com.et)
- Subsidy up to 30% of the cost of in-site infrastructure (water and electricity supply, telecommunication connections and in-bound road networks) for industrial zone developers



3. One-stop shop services



- Investment permit.....4hrs
- Commercial registration.....4hrs
- Work permit.....1hr
- Business license.....4hrs
- Technology transfer agreement registration.....4hrs
- Domestic status certificate.....1hr
- Pre-approval and post-approval services.

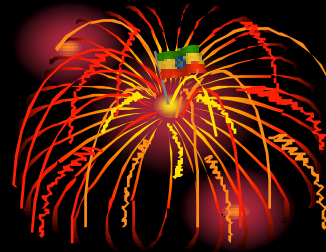
4. Improving and growing infrastructure facilities

- 7% annual growth of all-weather roads (currently over 48,800 kms.)
- Rapidly expanding electricity supply (from about 380MW in 2005 to 2,000MW at present)
- Fixed and mobile telephone services increased respectively by 40% and 62% in the last 6 years
- Access to safe potable water in urban and rural areas reached 91.5% and 65.8% in 2009/10
- Others



5. Market availability

- Domestic (82.1 million)
- COMESA
- AGOA
- EBA
- Middle East



6. Priority Areas

1. Agriculture

- **cotton, sugar cane, rubber and palm plantations**

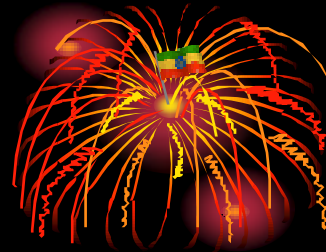
2. Industry

- **agro-processing, textile and garment, leather and leather products and chemical**

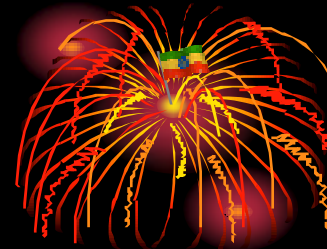


7. Availability of labour

- Abundant & trainable
- Relatively cheap
- English conversant



Why invest in Ethiopia?



- Political and Social stability
- Macro-economic stability and growing economy
- Strategic location
- Transparent investment law and procedures
- Abundant, cheap & trainable labour force
- Wide market opportunities
- Adequate guarantees & protection
- Ample investment opportunities

Principal Taxes Currently In force

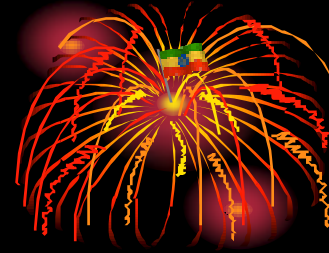


No.	Type of tax	Rate
1	Corporate income tax	30%
2	Custom duties	0% up to 35%
3	Dividend tax	10%
4	Excise tax	10% up to 100%
5	Export tax *	Nil
6	Income tax from employment	0% up to 35%
7	Royalty tax	5%
8	Turn over tax	2% and 10%
9	Value added tax	15%
10	Withholding tax	2%

* Except export of raw hides and skins.



Thank You



Tilahun Gemechu, EIA

**Please visit the Agency's website for further
information: www.ethioinvest.org**