

Industrial Parks in Ethiopia

Incentives Package



ETHIOPIAN INVESTMENT COMMISSION

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WHY INVEST IN ETHIOPIA?

Ethiopia has become a preferred destination for foreign direct investment and emerging hub for manufacturing in Africa due to its:

Political stability and committed government

- Stable socio-economic governance with sustained peace and security.
- Ranked 34th /138 economies for impartial public decision making (Global Competitiveness Report, 2016).
- Wide-ranging incentives package for priority sectors and export-oriented investments.
- 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.

Well developed infrastructure

- Newly built Addis-Djibouti electric-powered railway.
- Africa's world-class Ethiopian Airlines flying to 97 international passenger and 36 dedicated cargo destinations; also flies to over 20 domestic passenger destinations.
- Grand Ethiopian Renaissance Dam – the largest hydroelectric power dam in Africa – under construction, expected to generate additional 6,000MW electricity.
- Expanding telecommunication services.
- Two operational and seven upcoming government industrial parks; four privately developed industrial parks.



Population **100 million**

54 million Active labour force

Average annual GDP growth **11%**

Conducive economic factors

- An average of about 11% GDP growth since 2005, one of the fastest growing economies in the world during the same period (World Bank Global Economic Prospects, CIA World Factbook).
- Stable and conducive macroeconomic environment.
- Implements a structural growth and transformation plan which aims to transform Ethiopia from an agriculture-led economy to an industrial one.

Favorable market factors

- Africa's second most populated nation with current size of 100 million.
- 54 million active labour force, available at competitive wage.
- Duty-free, quota-free access to the USA and EU markets through AGOA and EBA.
- Duty-free, quota-free access to Japan, Canada, China, Turkey, Australia and New Zealand – covering substantially all export goods from Ethiopia. Preferential market access to India.
- Member of COMESA with preferential market access to a regional market of 400 million people.
- Strategic location with proximity to the Middle East, Europe, USA and Asia.

INDUSTRIAL PARKS

With the vision to make Ethiopia a **leading manufacturing hub in Africa by 2025**, the government places high focus on industrial park development and expansion.

Industrial park development

- Investment area open for the private sector (domestic and FDI).
- State-of-the art industrial parks under construction.
- Located along key economic corridors, connected to ports by road and electric-powered railway lines with close proximity to high labour force pool.
- Anchored on the principles of:
 - Specialized Parks: enhancing economy of scale and efficiency through the development of specialized/clustered industrial parks;
 - Export Promotion: government provision of industrial park incentives targeted at increased export performance and competitiveness;
 - Sustainability: maintaining high environmental standards through the use of renewable energy and zero liquid discharge (ZLD) technology;
 - Vertical Integration: enhancing forward and backward linkages in the economy; and
 - Skills development and competitiveness: developing workers' skills for enterprise competitiveness.

Hawassa Industrial Park- Eco Industrial Park

Cluster/ Specialization: Textile & apparel
Area: 1.4 million m2 (Phase 1)

Mekelle Industrial Park

Cluster/ Specialization: Textile & apparel, Footwear & Leather products
Area: 10 million m2

Kombolcha Industrial Park

Cluster/ Specialization: Textile & apparel, Footwear & Leather products
Area: 10 million m2

Bole Lemi Industrial Park (I and II)

Cluster/ Specialization: Textile and apparel, leather and leather products
Area: 3.5 million m2



Adama Industrial Park

Cluster/ Specialization: Textile & apparel, Footwear, Machinery fabrication
Area: 10 million m2

Dire Dawa Industrial Park

Cluster/ Specialization: Open for multiple sectors, focused on export as it is the closest to port Djibouti
Area: 10 million m2

Kilinto Industrial Park

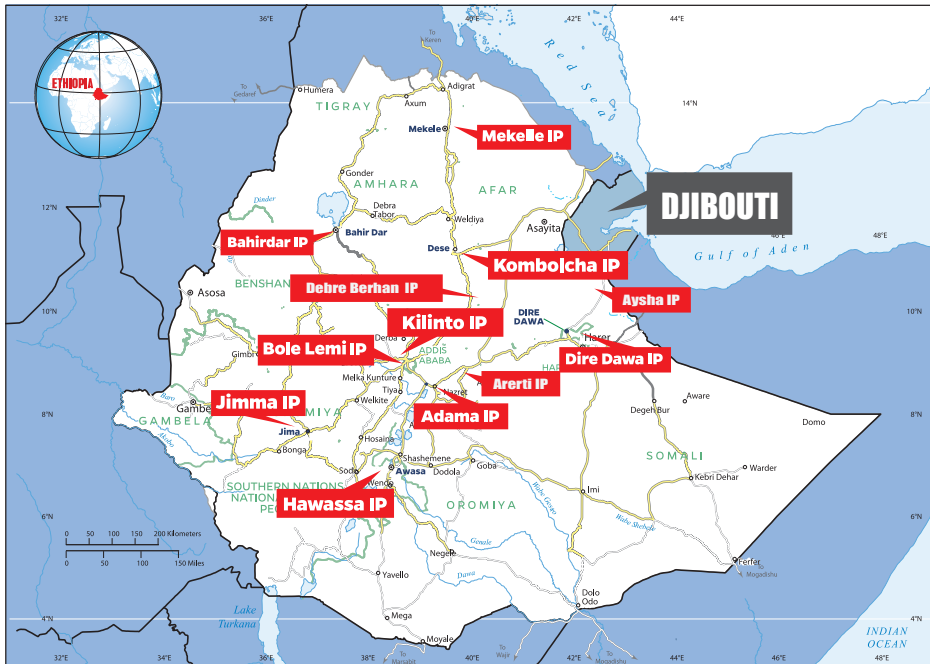
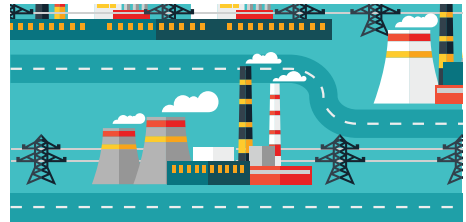
Cluster/ Specialization: Pharmaceuticals
Area: 2.8 million m2

Debre Berhan Industrial Park

Cluster/ Specialization: Agro-processing
Area: 10 million m2

Arerti Industrial Park

Cluster/ Specialization: Building materials & furniture
Area: 1million m2



INDUSTRIAL PARKS INCENTIVES

Investment laws of Ethiopia provide a wide-ranging incentives package for investments in priority sectors of high export potential, especially targeting industrial parks developers and enterprises.

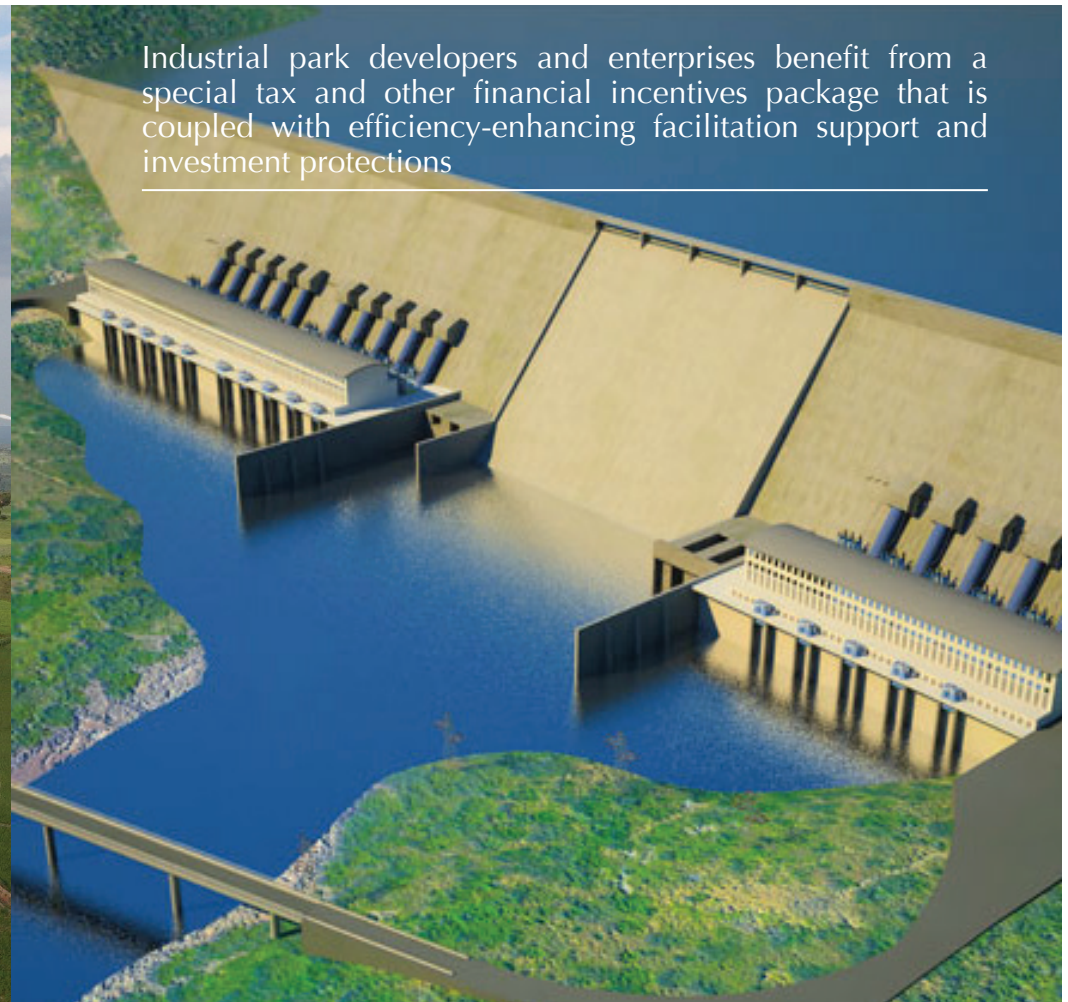
Fiscal Incentives

- Income tax exemption
- Customs duty exemption
- Ease of access to industrial park space at promotional rate

Non - Fiscal Incentives

- One-stop shop service
- Customs facilitation
- Expedited visa procedure
- Guarantee against expropriation
- The right to own immovable property
- Guarantee for remittance of funds
- The right to open and operate foreign currency accounts

Industrial park developers and enterprises benefit from a special tax and other financial incentives package that is coupled with efficiency-enhancing facilitation support and investment protections



INCOME TAX EXEMPTION IN INDUSTRIAL PARKS

Income tax exemption

- Industrial park developer: **10-15 years income tax exemption depending on location of industrial park (10 years if in Addis Ababa or Special Zones of Oromia surrounding Addis Ababa, and 15 years in other areas)**
- Industrial park enterprise: **Up to 10 years income tax exemption**
 - Up to 6 years exemption depending on sector of engagement
 - Additional 2-4 years exemption for industrial park enterprises with at least 80% export
- Expatriate employees of industrial park enterprises: **Up to 5 years personal income tax exemption** after issuance of business license by the investment

Investors can carry forward loss for half of the income tax exemption period (maximum of 5 years)



CUSTOMS DUTY AND OTHER TAX EXEMPTION IN INDUSTRIAL PARKS

Duty and other tax free import

- **Capital goods and accessories:** Can be imported duty free by manufacturing industries.
- **Spare parts:** Upto 15% of the total value of the capital goods can be imported duty free.
- **Machinery spare parts:** Enterprises inside industrial parks with 100% export can enjoy importing 100% of machinery spare parts duty free.
- **Construction materials:** Can be imported duty free based on approved Bill of Quantity (BoQ).
- **Motor vehicles:** During construction, a maximum of 2 pickup trucks can be imported duty free. After getting business licence and commencement of operation or export, a maximum of 3 minibuses, 2 cargo trucks, 2 SUVs, 3 hybrid SUVs and buses required to transport permanent employees can be imported duty free. Also, special purpose trucks such as crane trucks, garbage trucks, ambulances, fire trucks, refrigerated trucks etc can be imported duty free in line with the specific investment needs and for own use.
- **Partial exporters:** Can import duty free a maximum of 2 station wagons upon reaching paid up capital investment of Ethiopian Birr 200 million or above, and over 60% export performance for 3 consecutive years.
- **Industrial Park developers:** Can import duty free a maximum of 2 SUVs and 3 hybrid SUVs after getting business license and become operational.
- **All raw materials** needed for the production of export commodities can be imported duty free.
- **Personal effects** of industrial park residents can be imported duty free.

The government of Ethiopia avails fiscal incentives along the different stages of investment within industrial parks – from construction to operation and marketing

Export tax exemption

- For all export products except semi-processed hides and skins

EASE OF ACCESS TO INDUSTRIAL PARK SPACE

For industrial park developers

- 60-80 years land sub-lease period depending on the location of the land
- Industrial park developers can import construction materials and construction equipment necessary for their industrial park construction as per special agreement

For industrial park enterprises

- Option to rent or buy factory sheds, or sub-lease developed land at promotional rate to construct own production facility.

NON-FISCAL INCENTIVES

Investors are provided with various non-fiscal incentives including simplified and streamlined procedures for investment establishment and operation as well as strong property protection and guarantee.

INCENTIVE/ GUARANTEE	DESCRIPTION
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1 One-stop shop service

The Ethiopian Investment Commission provides the following services in one-stop shop:




One-stop shop services provided at head office: issuance of investment permits, business licenses, commercial registration certificates, and work permit; notarizing memorandum and articles of association, registration of trade or firm name and technology transfer agreements; as well as issuance of tax identification number (TIN).

One-stop shop services provided at industrial parks branch: renewal of all license issued at head office; visa and work permit renewal, duty free grant for capital goods, construction materials, spare parts, accessories and different types of vehicles; customs clearance; and banking services.

Post-establishment investment facilitation (aftercare) service is provided by the Ethiopian Investment Commission.

Government avails fully developed infrastructure up to the perimeter of the park and guarantees access to utilities including a dedicated power station.



INCENTIVE/ GUARANTEE	DESCRIPTION
2 Expedited visa procedure 	Expedited procedure of securing entry, work permit and certificate of residency for expatriate personnel working in industrial parks and their dependents. Better visa terms for investors in industrial parks - multiple entry visa of up to five years.
3 Customs facilitation	Transport of imported raw materials straight from customs post to factory through bonded warehouse or voucher scheme.
4 Guarantee against expropriation 	Guarantee against measures of expropriation or nationalization. Payment of compensation corresponding to the prevailing market value of investment property in case of expropriation or nationalization for public interest.
5 The right to own immovable property	Foreign investors have right to own a dwelling house and other immovable property required for the investment.
6 Subsidized utility rates	Subsidized utility rates for manufacturing industries: <ul style="list-style-type: none"> • Electricity is sold at estimated rate of 3 US cents/kwh • Reliable access to electricity within industrial parks – government avails dedicated power station for parks
7 Guarantee for remittance of funds	A foreign investor can freely repatriate in convertible foreign currency profits and dividends, principals and interest payments on external loans, proceeds from the sale or liquidation of an enterprise as well as compensation paid.
8 The right to open and operate foreign currency accounts	A foreign investor has the right to open and operate foreign currency accounts in authorized local banks. 

ONE-STOP SHOP SERVICE

Issuance of investment permits

Issuance of business licenses

Commercial registration certificates

Issuance of work permits

Registration of trade or firm name

Technology transfer agreements

Notarizing memorandum and articles of association

Issuance of customs duty exemptions

Issuance of tax identification number (TIN)

Customs clearance in industrial parks

Banking services





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