



**Investment Opportunity in the
Horticulture and Floriculture Sector in Ethiopia**

Embassy of the Federal Democratic Republic of Ethiopia
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1. Introduction

- Ethiopia has an area of 1.14 million sq. km.
- Out of which 513,000 square kilo meters (45%) are arable land and 34,200 square kilometers (3%) is irrigated land.
- The agriculture sector accounts for 41% of the GDP, provides 85% of employment and 90% of foreign currency earning.
- There are 18 major agro-ecological zones and 32 diversified or sub agro-ecologies.
- Temperature ranges from 20°C to 30°C.
- Altitude ranging from -125 below sea level to 4620 m above sea level.
- Annual rainfall varies from 200 to 2500 mm.
- There are two seasons: the dry season prevails from October through May. The wet season runs from June to September.
- Ground water, rivers and rain are sources of water.
- Labour force is available with reasonable cost.
- Land is on lease for a certain period of years.

2. Five Year Plan

The Government of the Federal Democratic Republic of Ethiopia has set up a five year plan, the Growth and Transformation Plan (2010/11-2014/15). The strategic direction for agriculture and rural development is to increase private investment in the sector. In this connection, the implementation strategies for private sector investment in the horticultural development, includes cluster based development in selected areas around horticulture export ventures; particularly those supported by greenhouse technology will be strengthened. During the five year plan period, smallholder farmers will be encouraged to participate in the out-growers scheme for production of exportable vegetables, fruits, spices and herbs.

The Ethiopian Horticulture Development Agency is established to facilitate investment and to develop the capacity of in the sector.

3. Types of Horticulture and floriculture Products

Ethiopia's diversified agro-climatic condition makes it suitable for the production of a broad range of fruits, vegetables and herbs. This includes various types of fruits, such as, citrus, banana, mango, papaya, avocado, guava, grapes, pineapple, passion fruit, water melon, sweet melon apples and strawberries.

The main vegetables includes, snow peas, broccoli, courgettes, okra, asparagus, cherry, tomatoes, green chilli, fresh chives, parsley, rosemary, dill, basil, Roccolla, potatoes, cabbages, cauliflower, egg plant, celery, cucumber, pepper, onion, carrots and green beans. Ethiopia is also a centre of diversity and origin of various types of flowers. There is a great opportunity to produce the best quality of cut flowers such as roses.

4. Land Coverage

In 2008 the total land coverage was 2,000 hectare (ha). This has reached 8,000 ha in 2012. Out of the total coverage, the share of floriculture is 18% while vegetables and fruit farming take a majority share of 82%. There are 150 companies investing in the sector, out of which 70% has invested in floriculture while 30% in the horticulture sector. The majority of the investors are foreign investors.

The following table shows a growing trend in the sector. In 2012 the first 6 months data shows an encouraging increase in the coverage especially in the horticulture sector.

Year	Floriculture (ha)	Horticulture (ha)	Total (ha)
2007/08	922	1,124	2,046
2008/09	1,240	1,665	2,905
2009/10	1,300	1,841	3,147
2010/11	1,300	4,856	6,156
2011/12 (6 months)	1,500	6,445	7,945

5. Land available for Investors

Due to good infrastructure and logistics facilities, more than 80% of the clusters are situated around the capital city Addis Ababa, Oromia Regional State and around Awassa city in the South of Ethiopia.

In order to gain the maximum benefit from the sector, the Government has formulated horticulture development project. The main objective is to attract more investment in the sector by formulating a development corridor that comprises a comprehensive infrastructure and logistic provision. This will enable the perishable products to reach market in good condition. The scheme has envisages to allocate appropriate land and also to establish a network with small holding out-growers.

No.	Development Corridor	Available Land (Ha)	Cold Storage Facility
1	Addis Ababa and Oromia	10,000	1
2	Arba Minch and Awassa	8,000	1
3	Awash and Dire Dawa	10,000	1
4	Debre Berhan, Bahir Dar and Gondar	2,000	1
5	Mekele, Raya and Mahel, Tigray	3,000	1
	Total	33,000	5

6. **Market opportunity**

Ethiopia is exporting fresh vegetable products to the Middle East and to neighbouring countries. Major export of floriculture goes to Europe and the Middle East. Due to its strategic location there is a vast market opportunity in the Middle East and Europe. In addition the local demand for horticulture products is high.

7. Cost of Land and Utilities

Labour

With a population of over 90 million, Ethiopia has abundant, hard-working, inexpensive and easily trainable labour force. The average monthly wage for labour generally ranges from Birr \$38 - \$50.

Land Lease

In Ethiopia land is public property. Both urban and rural land is available for investment on leasehold basis. Lease right over land can be transferred, mortgaged or sub-leased together with on-build facilities. The period of lease may also be renewed.

The rental value and the lease period of rural land are determined and fixed by land use regulations of each regional state. The costs of rural land in four regional states are shown below.

Regional States

- Oromia: US\$ 4.02 – 7.71 per hectare per year
- Amahra: US\$ 6.34 – 28.45 per hectare per year
- Southern Nation, Nationalities and Peoples’ Region: US\$ 2.17 – 6.68 per hectare per year
- Tigray: US\$ 1.71 – 2.29 per hectare per year

Utilities

The cost structure of utilities is as follows:

a) Electricity

- Low voltage time-of-day industrial:
Equivalent flat rate.....US\$ 0.033 per KWh
- High voltage time-of-day industrial 15kv:
Equivalent flat rateUS\$ 0.023 per KWh
- High voltage time-of-day industrial 132kv:
Equivalent flat rate..... US\$ 0.021 per KWh.

b) Telephone

- Fixed telephone.....US\$ 0.011 per six Minutes
- mobile to mobile.....US\$ 0.041 per minute
- Mobile to fixed.....US\$ 0.041 per minute

Taxation

The principal tax rates of the Country are as follows:

- Corporate income tax.....30%
- Turnover tax
– From goods supplied to the local market and rendering
of construction, grain mill, tractor, combine harvesting
services undertaken in the Country.....2%
- On other sectors.....10%
- Excise tax.....10-100%
- Customs duties.....0-35%
- Export tax.....nil
- Withholding tax.....2%
- Value added tax.....15%
- Dividend tax.....10%
- Royalty tax.....5%
- Capital gains tax
– Shares of companies.....30%
- Building held for business, factory and office.....15%
- Building held for residence... ..nil

- Income tax from employment0-35%

8. Investment Policy and Incentives

- A foreign investor can undertake investment, either as a sole proprietor; or jointly with domestic investors
- Capital requirement for foreign investors (As a sole proprietor)
 - USD 200,000 for a single and wholly foreign owned investment
 - USD 100,000 per project in areas of engineering, architecture, accounting & audit services, project studies, consultancy services
- Capital requirement for investment in partnership with domestic investors:
 - USD 150,000 per project
 - USD 50,000 in areas of engineering, architecture, accounting & audit services, project studies, consultancy services
- No capital requirement for an investor who reinvests his profits or dividends generating from the existing enterprise.
- Land is leased out by the government.
- Repatriation and remittances are granted to foreign investors to be made in convertible foreign currency at the prevailing exchange rate on the date of remittance:

Guarantees

- The Constitution of Ethiopia and the Investment Proclamation and the legal system protect private property
- Ethiopia is a member of Multilateral Investment Guarantee Agency (MIGA) which issues guarantees against risks to entrepreneurs that invest in signatory countries,
- Ethiopia has signed Bilateral Investment Promotion and Protection Agreements as well as Avoidance of Double Taxation with many countries including India.

Incentives

a. Customs Duty Exemption

- A 100 % exemption from the payment of import customs duty and other taxes levied on imports is granted to investment capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion or upgrading of an existing enterprise as well as spare parts worth up to 15 % of the value of the imported capital goods;

- Investment capital goods imported without the payment of import customs duties and other taxes levied on imports may be transferred to investors enjoying similar privileges;
- Exemptions from customs duties or other taxes levied on imports are granted for raw materials and packing materials necessary for the production of export goods. Taxes and duties paid on raw materials and packaging materials are drawn back at the time of exports of finished products. The voucher system and bonded manufacturing warehouse facilities are also in place.
- All goods and services destined for export are exempted from any export and other taxes levied on exports.

b. Remittance of Funds

Foreign investors are entitled to make the following remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange on the date of remittance:

- Profits and dividends accruing from investment;
- Principal and interest payment on external loans;
- Payments related to a technology transfer agreement;
- Proceeds from the sale or liquidation of an enterprise;
- Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic Investor;
- Expatriate employees may remit, in convertible foreign currency, unspent salaries and other payments accruing from their employment in hard currency.

c. One-Stop-Shop Service

Foreign investors obtain pre-and post-approval services from the Ethiopian Investment Agency (EIA). In addition to facilitation and promotional services, the EIA offers the following services under the one-stop shop arrangement: issuance of investment permit, commercial registration certificate, issuance of business license, issuance of work permit, registration of technology transfer agreement, registration of export oriented non-equity based foreign collaboration and facilitation of the acquisition of land and utilities .

7. Why Invest in Ethiopia?

Stable Political and Economic condition

- Mature and stable political environment

- Stable social and economic environment
- Peaceful and friendly people
- Zero-tolerance to corruption
- Fastest growing economy with a double digit GDP growth rate for the last ten years.
- Third largest economy in Sub-Saharan Africa, after South Africa and Nigeria and the third fastest growing economy in the world.

Strategic location and Market Access

- Strategically located in Eastern Africa with easy access to the lucrative markets of the Middle East, Europe and Asia,
- Vast market opportunities to domestic, regional and international markets.
- Second largest domestic market in Africa with 90 million consumers,
- Access to markets of 19 member states of COMESA, Common Market for Eastern and South Africa, with a population of over 400 million with a preferential tariff rates,
- Preferential access to European Market under EU's everything-But-Arms (EBA),
- Preferential access to Austria, Canada, Finland, Japan, Norway, Sweden, USA and most other EU countries under Generalized System of Preference (GSP),
- Under the African Growth and Opportunity Act (AGOA) program, Ethiopia is entitled to duty-free U.S. market access.

Natural Resource

- Exceptional climate due to location on highlands, half the country experiences average annual temperatures of 20°C to 30°C,
- Untapped natural resources and fertile soils,
- Sufficient surface and ground water resource

Investor friendly policies

- Government policies encourages and supports FDI,
- Government invests on infrastructure, telecommunications and other facilities,
- Industrial zones are being prepared with the necessary infrastructure and facilities.
- A one stop shop where all the services including land clearance is given in one window is provided.

Labor

- Ethiopia has abundant, hard working, disciplined and easily trainable workforce,
- Universities, engineering colleges and technical and vocational training schools annually providing trained personnel,
- English is widely spoken and understood by many people.
- Minimum monthly wages is \$38 Average is \$50.

For further information please contact:

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