



# Ethiopia Investment Overview

**May 2013**



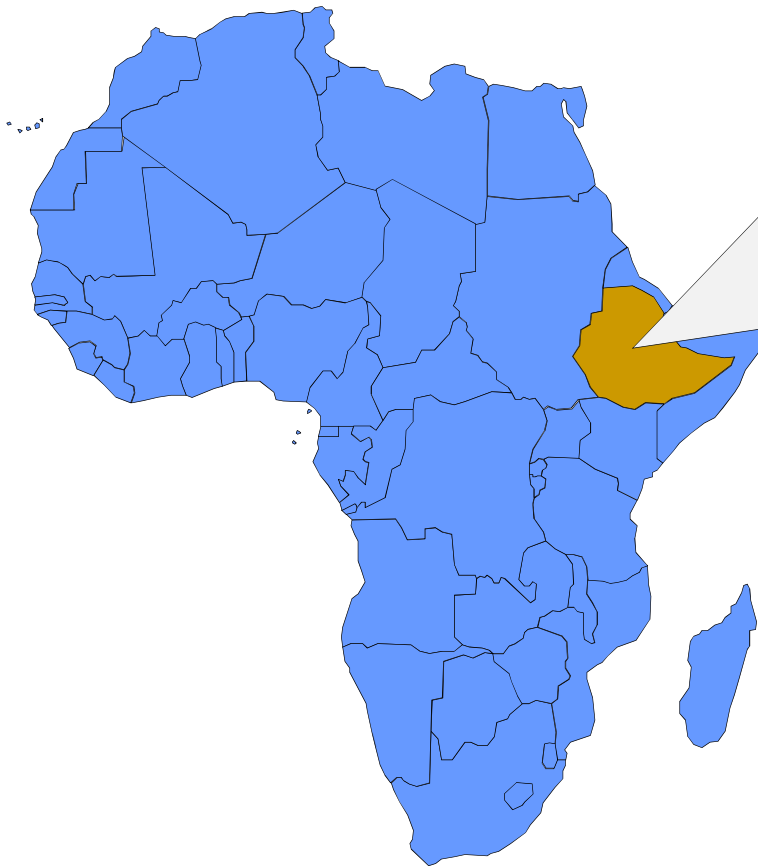


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# Basic facts about Ethiopia



- **Population:** 84.7 Million (UN, 2011)
- **Capital:** Addis Ababa, is also a seat for AU, ECA, etc
- **Main Exports:** Coffee, Flower, Oilseeds & Pulses, Manufactured Textile and Garments, Leather products (Shoes & Garments), etc.,
- **GNI per capita:** US \$400



## Ethiopia has great potential for investment for several reasons

### 1 Rapid Economic Growth

- Among the top performing economies with an average GDP growth of 11% per annum since 2004<sup>1</sup>
- Rapid growth expected to continue.,

### 2 Favorable political Environment

- Stable political environment,
- Government actively promoting private sector investment with attractive incentive packages,

### 3 Low cost & Abundant labor

- Large population of ~85 million, among which 40% is under age 15<sup>2</sup>,
- One of the lowest minimum wages in Africa,

### 4 Large markets

- Large domestic market as it is the 2nd most populous country in Sub-Saharan Africa
- Due to its location, Preferred access to many international markets,

### 5 Massive investments in infrastructure

- Projected national investments of \$73 billion to upgrade hard and soft infrastructure<sup>3</sup>
- Access to low cost electricity due to investments in hydroelectric power, etc.

#### Source:

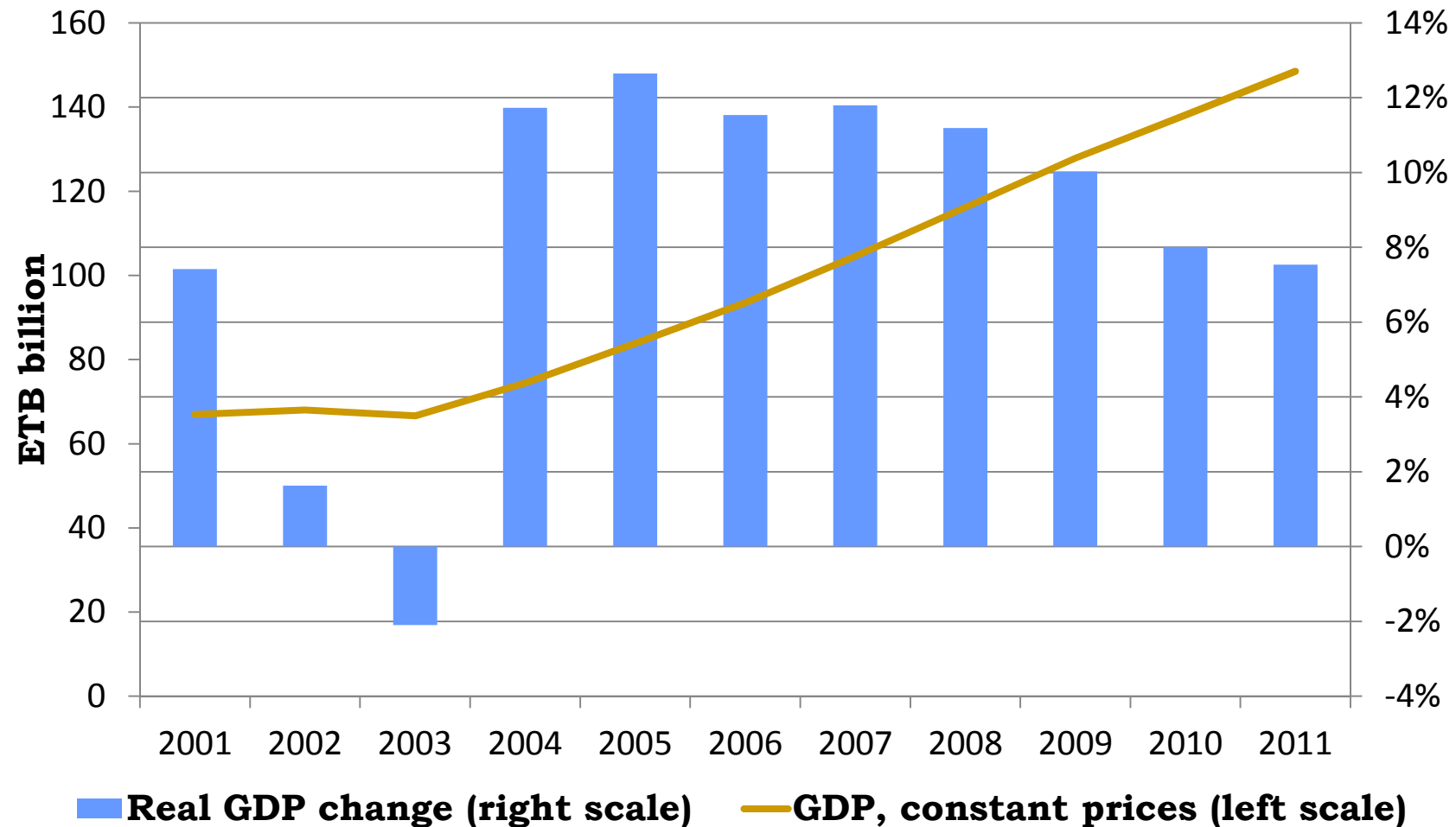
1 Ministry of Finance and Economic Development

2 World Bank

3 Growth and Transformation Plan 2010/11-2014/15



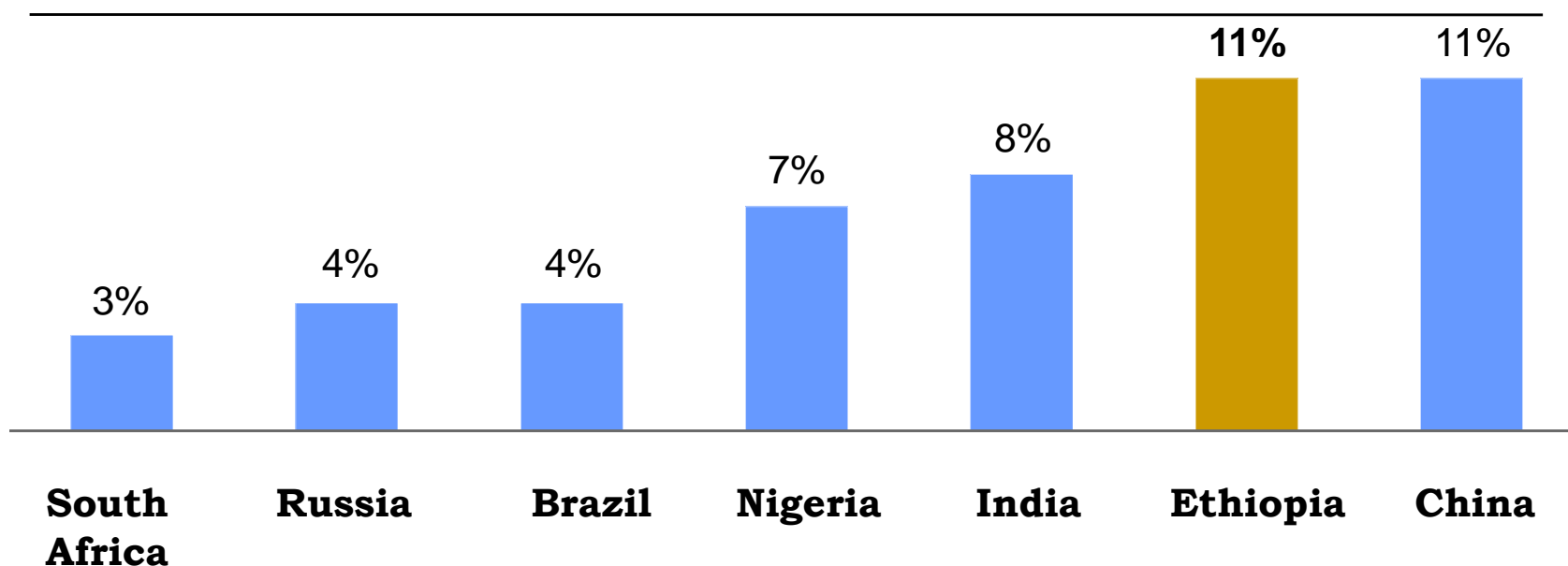
## 1 Ethiopia's real GDP has moved to a higher trajectory





- 1 Ethiopia is one of the fastest growing economies in the world and its rapid growth is expected to continue

**GDP Growth Rates by country, 2005-2010<sup>1</sup>  
(Constant 2000 USD) CAGR**

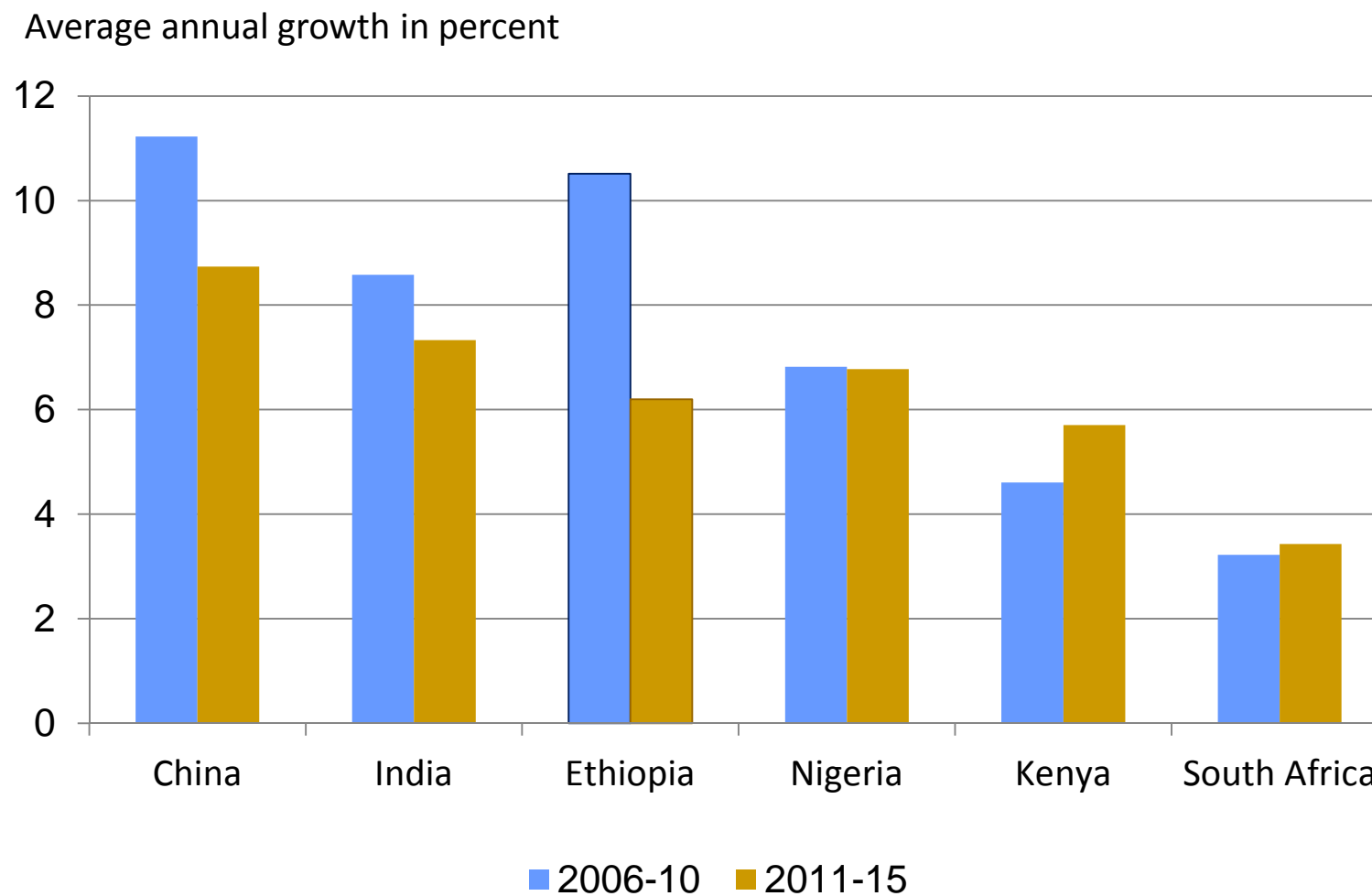


***The Economist* has ranked  
Ethiopia as the 3<sup>rd</sup> fastest  
growing economy in the  
world for the next 4 years**

**1 All data based on the WB except Ethiopia growth figures which is based on the Ministry of Finance and Economic Development  
Source: The World Bank; *The Economist*; The Ministry of Finance and Economic Development**



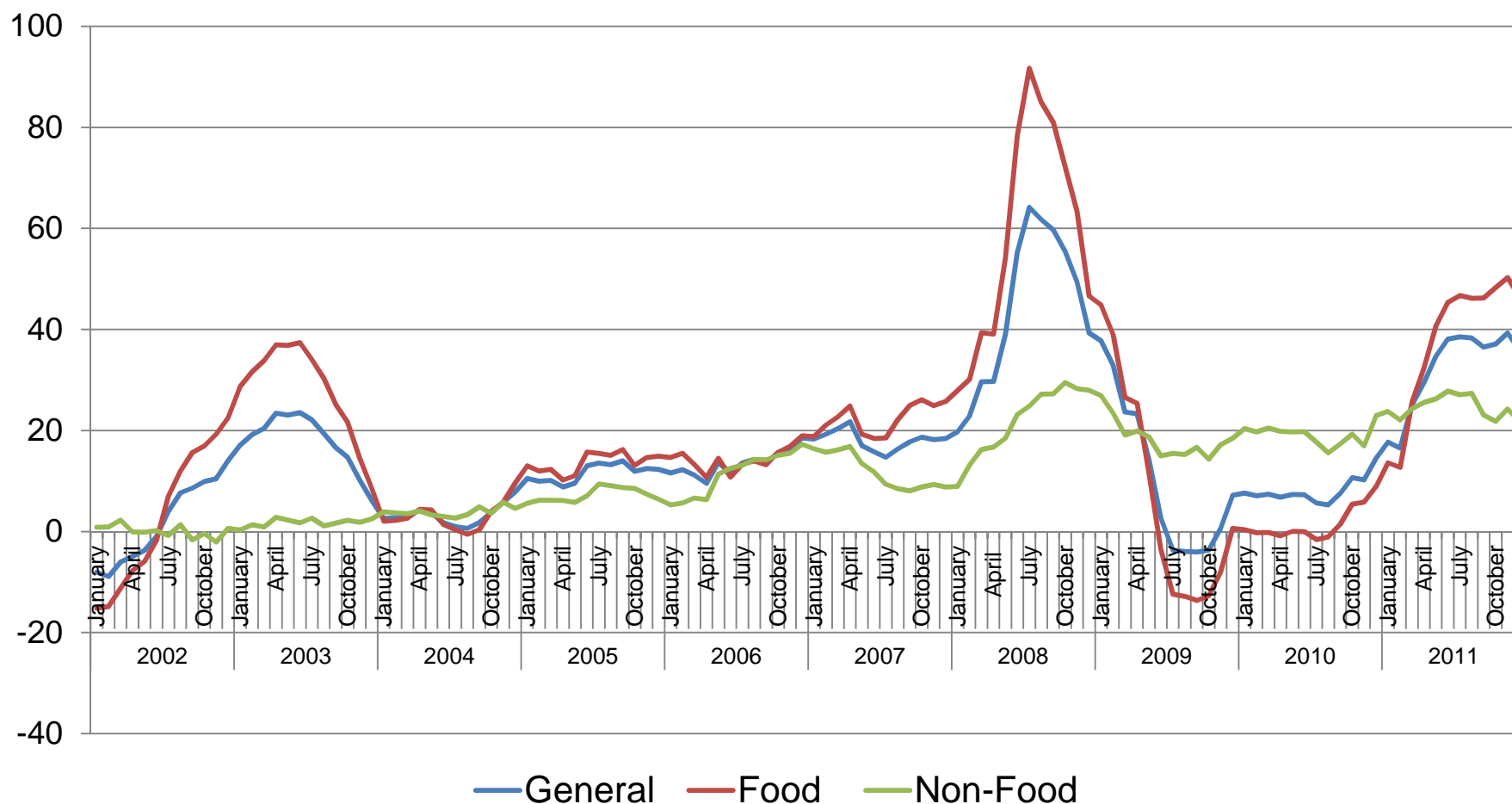
## 1 Ethiopia is setting the pace for Africa





# 1 Core, non-food inflation has been relatively high but stable

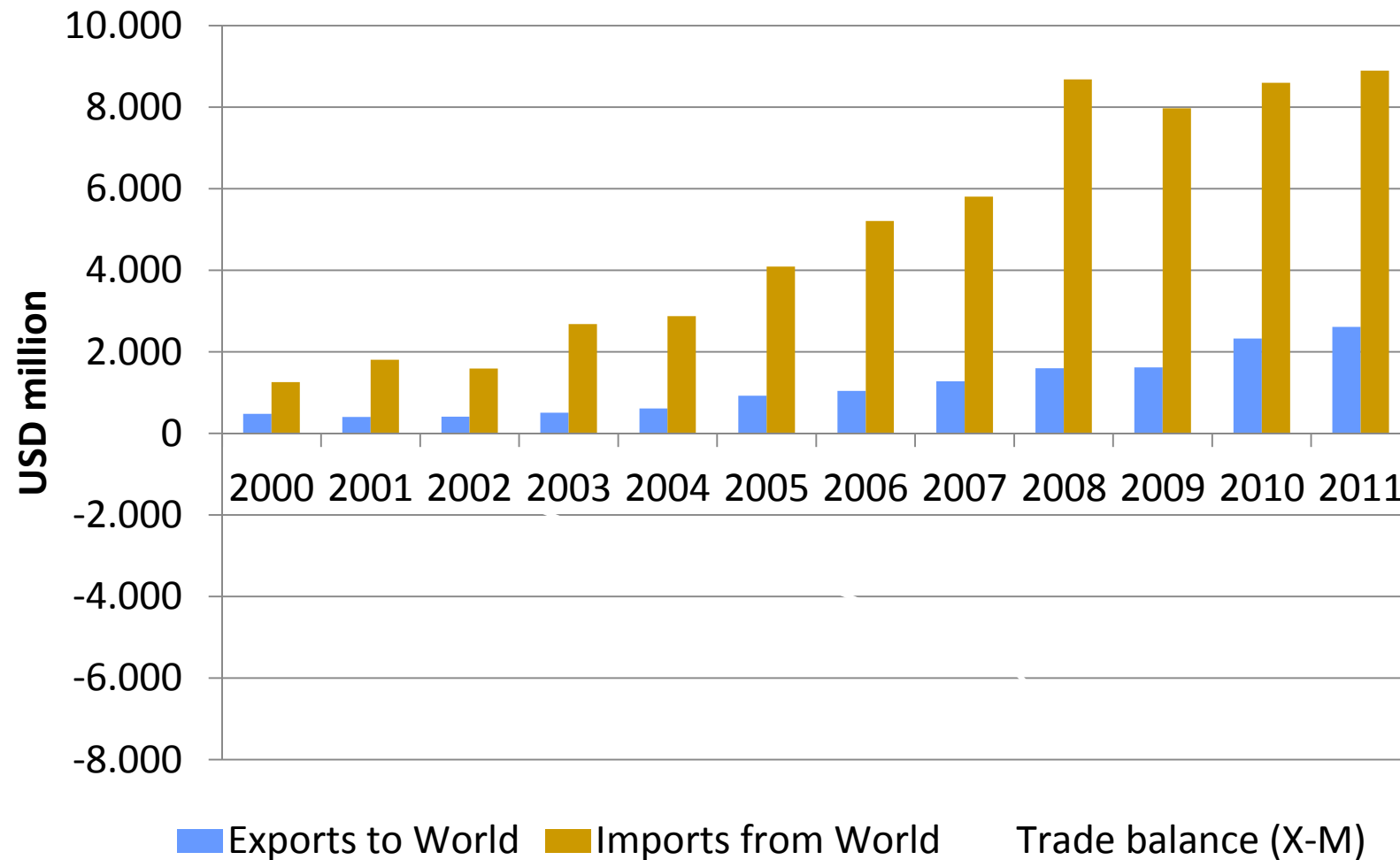
Rolling monthly year-on-year inflation rates in % - 2002-2011





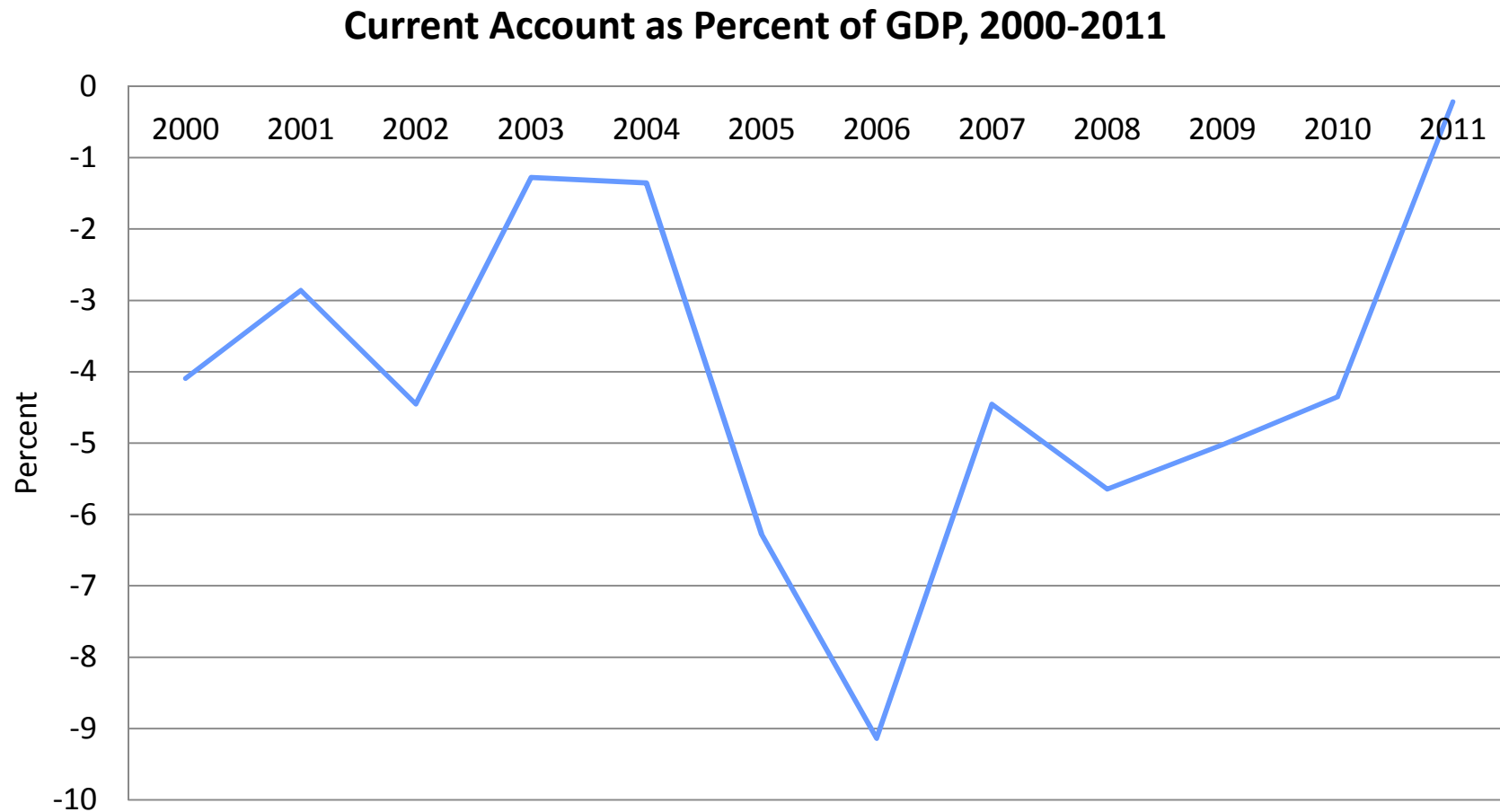


# 1 Trade is growing strongly and the trade deficit is stabilizing



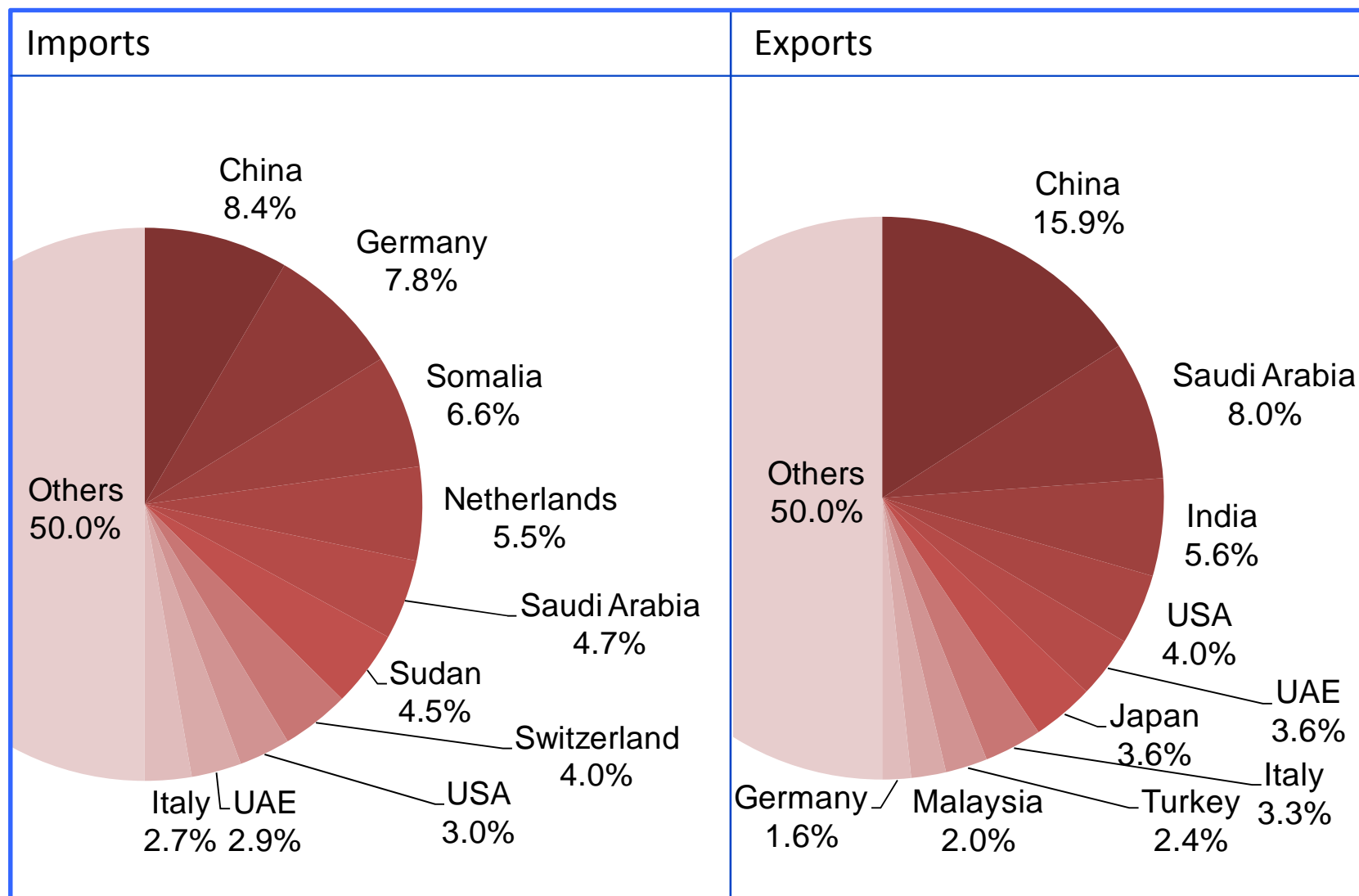


- 1 The current account has improved bringing the balance of payments into a comfortable surplus





## 1 Ethiopia's trade is global





## Ethiopia has great potential for investments for several reasons

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  - Stable political environment
  - Government actively promoting private sector investment with attractive incentive packages
- 3 Low cost and abundant labor**
  - Large population of ~85 million, among which 40% is under age 15<sup>2</sup>
  - One of the lowest minimum wages in Africa
  - Good standards of spoken and written English
- 4 Large domestic and international markets**
  - Large domestic market as the second most populous country in Sub-Saharan Africa
  - Located in the crossroads between Africa, the Middle East and Asia
  - Preferred access to many international markets
- 5 Massive investments in infrastructure**
  - Projected national investments of \$73 billion to upgrade hard and soft infrastructure<sup>3</sup>
  - Access to low cost electricity due to investments in hydroelectric power, etc.

Source:

1 Ministry of Finance and Economic Development

2 World Bank

3 Growth and Transformation Plan 2010/11-2014/15



## 2 Ethiopia is politically stable and the government is actively encouraging private sector investment

- **Stable political environment** fostering a peaceful and secure working environment
- **Strong political and security integration with countries in the region** that fosters mutual economic ties and benefits; host of the African Union
- Robust **policy framework** in the “Growth and Transformation Plan” which also focuses on **private sector investment** promoting growth including...
  - Attractive tax holidays and duty free packages for investors
  - Investments in infrastructure
  - Strong commitment to agriculture and rural development through allocation of more than 10% of total government budget
- **Committed to promoting good governance and tackling corruption;** party to multiple international agreements



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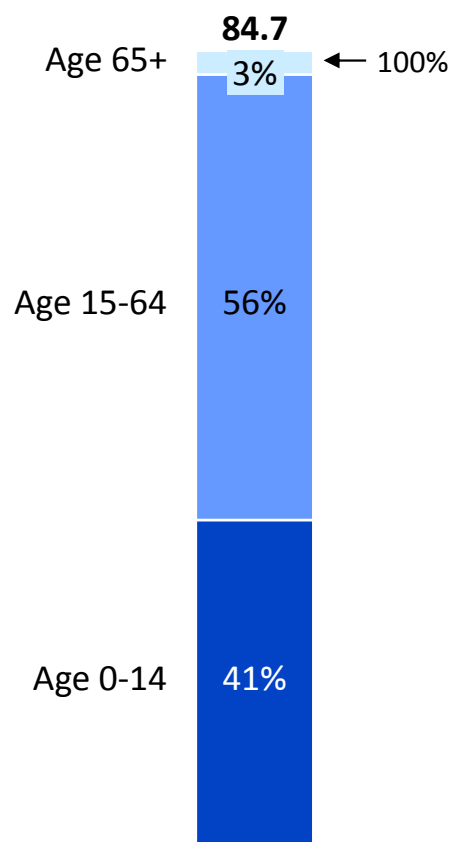
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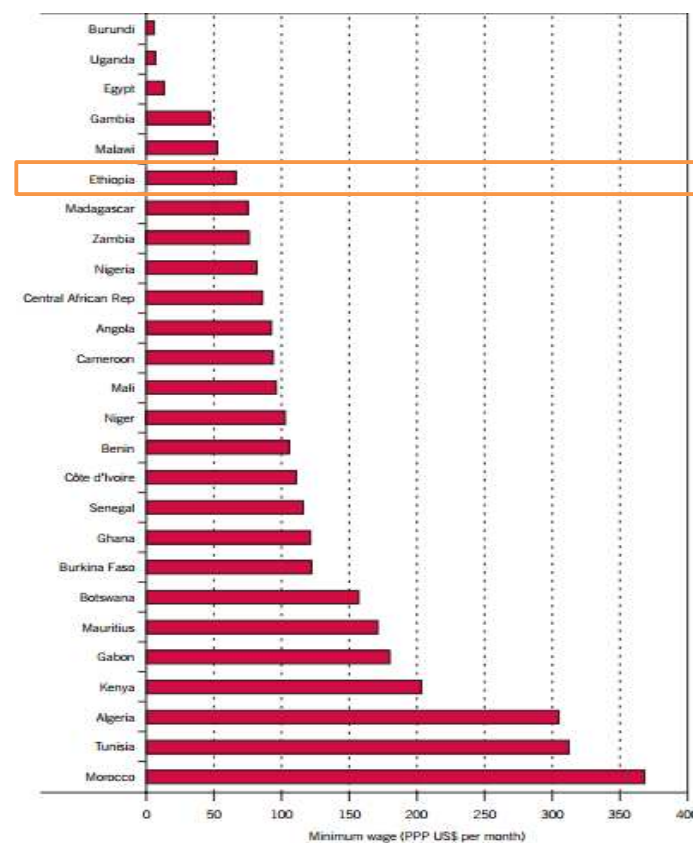


### 3 Ethiopia's population is large and young with relatively low wages

**Ethiopian population breakdown  
by age group, 2011**  
Million, percent



**Monthly minimum wage in select African  
countries<sup>1, 2</sup>**  
PPP USD



1 Latest year available

2 Ethiopia's minimum wage only applies to public sector jobs

Source: World Bank, ILO "Global Wage Report 2010/11 Africa Brief"

- Daily laborer: less than \$3/day
- Salaries of fresh university graduates: \$110 - \$200/month



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## 4 Ethiopia also benefits from access to large domestic, regional, and international markets

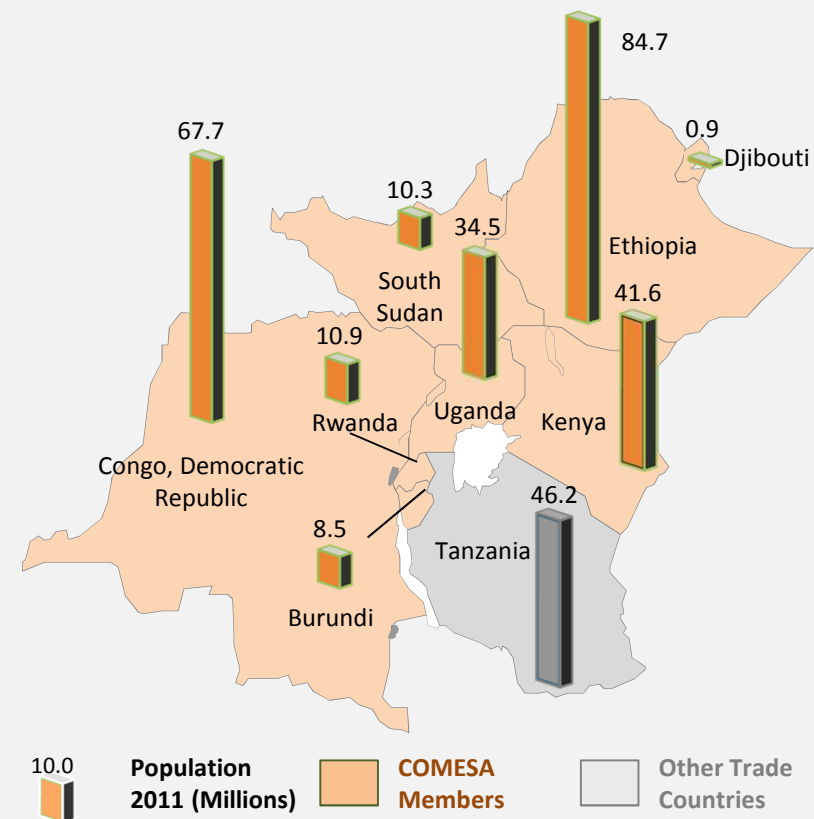
### Great potential for domestic market

- Ethiopia's population of 84.7 mn is the second largest in Sub-Saharan Africa
- ~40% of the population is under age 15 and ~70% is under 30 suggesting great potential for continued growth of the domestic purchasing potential

### Preferred access to international markets

- Located in the “Horn of Africa,” Ethiopia is **geographically well-positioned** to serve several export markets
- Membership in Common Market for Eastern and Southern Africa (**COMESA**) **enhances access to 23 member countries** and their population of more than 420 million
- Ethiopia also enjoys **Duty Free and Quota Free (DFQF) privilege** extended by international markets of USA, European Union, China and India

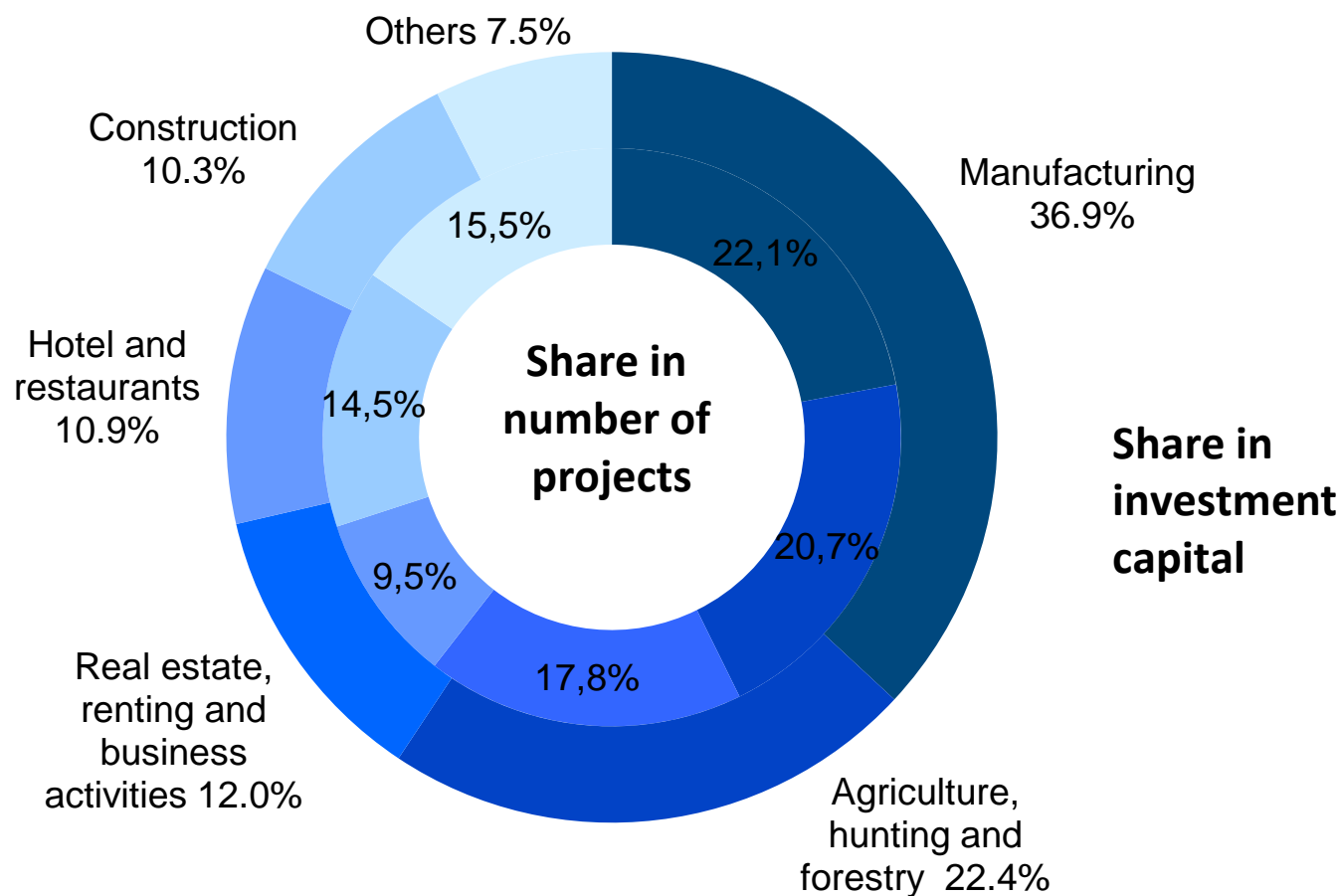
### COMESA Trading Block and Regional Map





#### 4 Investment is taking place in many sectors

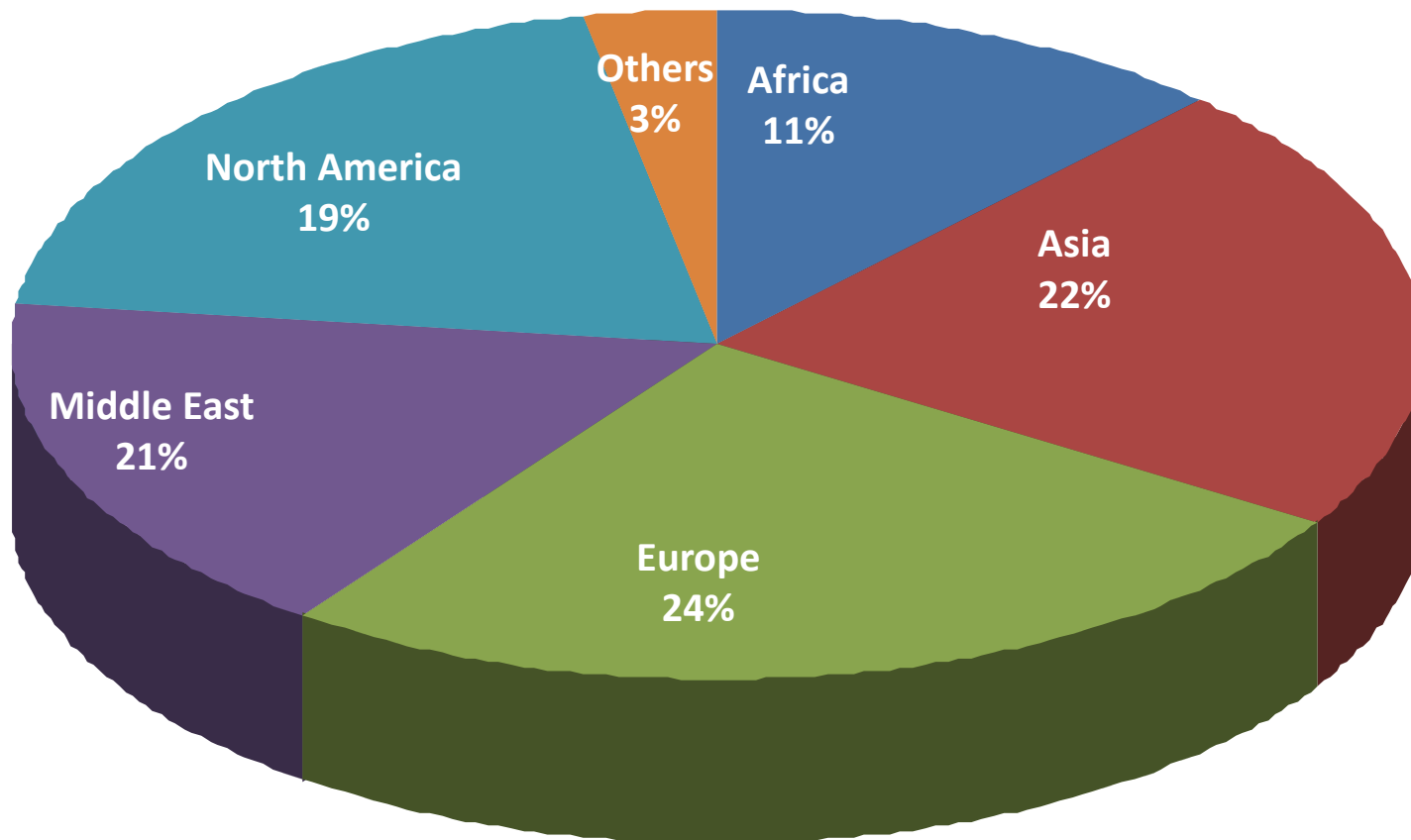
Breakdown of total approved investment projects by sector – 2009/10





#### 4 Investment is also taking place from many countries

Sources of foreign investment





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## 5 The Growth and Transformation Plan represents an ambitious set of national investments that will significantly upgrade both hard and soft infrastructure

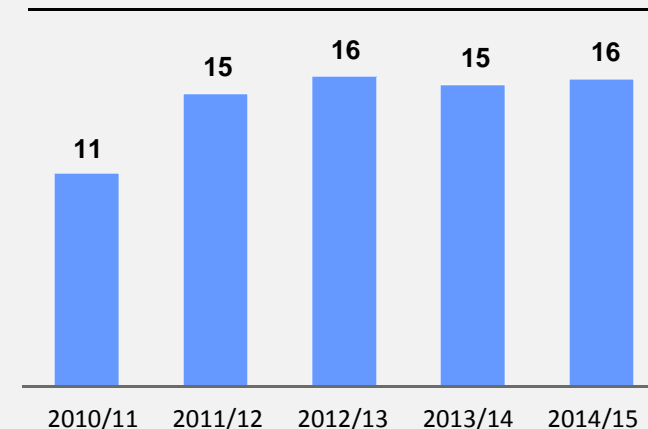
### Key highlights of Growth and Transformation Plan

- Building **71,000 km of new roads**, including all-weather roads to virtually all kebele administrations and an expressway linking Addis Ababa to Adama (a key route to facilitate export and import trade)
- Constructing **2,395 km of new railways** linking Addis Ababa with Djibouti, linking selected domestic cities, and within Addis Ababa itself
- Laying **132,000 km of new electricity distribution** lines and expanding electricity coverage to 75% of the country
- Expanding the **water supply infrastructure to cover 99% of the population** and the drilling of some 3,000 water wells per year



### Massive investments are planned

#### Growth and Transformation Plan – Projected Spending USD Billions



*Total of \$73  
billion planned  
over 5 years*



## Many multinational companies are already investing in Ethiopia

### Examples of multinational companies investing in Ethiopia



SAB Miller is one of the world's leading brewers and bottlers of Coca-Cola products with more than 200 beer brands and some 70,000 employees in over 75 countries.



Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol spirits. In Ethiopia, it is increasing local barley sourcing through contract farming agreements with smallholder farmers and they have also acquired the Ethiopian beverage company Meta Beer.



Allana Potash is a Canadian, publicly traded corporation that focuses on the acquisition and development of potash assets. The company's flagship project is the Dallol Potash Project in Ethiopia's Danakil Depression with 1.298 billion tonnes of measured and indicated potash.



Nyota Minerals Limited is a gold exploration and development company focused on the development of their flagship project Tulu Kapi and also the exploration of Western Ethiopia.



## Many multinational companies are already investing in Ethiopia (continued)

### Examples of multinational companies investing in Ethiopia



Ayka Textile is a vertically integrated textile manufacturer covering spinning, knitting, dyeing and sewing facilities located in Turkey with a subsidiary in Ethiopia (Ayka Addis Group) since 2010.



Stratex is an exploration and development company focused on gold and high-value base metals in Turkey, East & West Africa. It has discovered more than 2.2 million ounces of gold and 7.9 million ounces of silver.



Headquartered in Toronto, Canada, Vale's Base Metals business sets standards of excellence in mining, processing and the marketing of metal products. It employs over 12,000 people all over the world.



HEINEKEN owns and manages one of the world's leading portfolios of beer brands and is one of the world's leading brewers in terms of sales volume and profitability. In Ethiopia, Heineken has signed an MOU to source 20,000 MT of malt barley locally over the next four years and has acquired Harar and Bedele Beer.



## Many multinational companies are already investing in Ethiopia (continued)

### Examples of multinational companies investing in Ethiopia



BHP Billiton is a leading global resources company. Their purpose is to create long-term shareholder value through the discovery & acquisition, development and marketing of natural resources.



Tiger Brands Limited is one of the largest manufacturers and marketers of fast moving consumer goods (FMCG) products in Southern Africa. In Ethiopia it owns 51% of a JV with East Africa Holdings. Their 2,000 employees are engaged in the production of FMCG (flour, biscuits, supplementary food, pasta, soap, detergent, etc.).



Karuturi Global is a world leader in production of cut roses with an area of over 292 hectares and with operations spread across Ethiopia, Kenya and India. In Ethiopia they are engaged in floriculture in the Zuhay and Gambella areas.



Gold is Ethiopia's main mineral export and has been mined there since ancient times, primarily as alluvial or free gold. At present Ethiopia has a single large-scale gold mine, the Midroc Gold Mine at Lega Dembi, which is an operating open pit mine in Ethiopia.





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## Ethiopia's investment laws are favorable

### The Investment Policy - Admission

- Foreign investors can invest alone or in partnership with domestic investors in areas open for FDI
- No restrictions on equity ownership in joint venture (JV) investment
- Required to have investment permit from EIA
- Required to allocate minimum capital
  - USD 200,000 for a single investment project
  - USD 150,000 for joint with a domestic investor
  - USD 100,000 for technical consultancy if wholly owned or
  - USD 50,000 jointly with a domestic investor



## Ethiopia's investment laws are favorable (continued)

### Incentives - Regulatory

- Guarantee against expropriation or nationalization (Constitution & Investment Law, MIGA & BITs)
- 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
- Bilateral Investment Promotion & Protection Treaties with 30 countries
- Double taxation avoidance treaties with 18 countries



## Ethiopia's investment laws are favorable (continued)

### 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 (2 to 9 years)
- Loss carry forward (for half of income tax exemption period)
- The incentive policy does not discriminate between domestic & foreign investors, though there are positive lists for FDI participation



## The Ethiopian Investment Agency (EIA) is a one-stop shop for investors

Services	Delivery Time
<ul style="list-style-type: none"><li>▪ Issuance of new investment permit</li><li>▪ Issuance of permit expansion or upgrading of existing investments</li><li>▪ Renewal of investment permit</li><li>▪ Registration of capital brought in to the country by foreign investors</li><li>▪ Registration of technology transfer agreements</li><li>▪ Registration of export-oriented, non-equity-based collaboration agreement made between domestic investor and foreign enterprise</li><li>▪ Permitting duty free exemptions</li><li>▪ Issuance of G-1 construction contracting permit</li></ul>	<ul style="list-style-type: none"><li>▪ 3 hours</li><li>▪ 18 working days</li><li>▪ 2 hours</li><li>▪ 1 working day</li><li>▪ 3 hours</li><li>▪ 2 hours</li><li>▪ 2 working days</li><li>▪ 10 working days</li></ul>



## The Ethiopian Investment Agency (EIA) is a one-stop shop for investors (continued)

Services	Delivery Time
<ul style="list-style-type: none"><li>▪ Notarization of memorandum and articles of associations and amendments thereto</li></ul>	<ul style="list-style-type: none"><li>▪ 5 hours &amp; 3 hours</li></ul>
<ul style="list-style-type: none"><li>▪ Effecting commercial registration, renewal, amendment, replacement and cancellation of same</li></ul>	<ul style="list-style-type: none"><li>▪ 3 hours, 2 hours, 3 hours, 1 hour, &amp; 5 working days</li></ul>
<ul style="list-style-type: none"><li>▪ Effecting registration of trade or firm name, amendment, replacement, or cancellation of same</li></ul>	<ul style="list-style-type: none"><li>▪ 4 hours, 4 hours, 1 hour, &amp; 2 hours</li></ul>
<ul style="list-style-type: none"><li>▪ Issuance of work permits to expatriate employees, renewal, replacement, suspension or cancellation of same</li></ul>	<ul style="list-style-type: none"><li>▪ 2 hours, 1 hour, 1 hour, &amp; 2 hours</li></ul>
<ul style="list-style-type: none"><li>▪ Issuance of business license</li></ul>	<ul style="list-style-type: none"><li>▪ 10 working days</li></ul>
<ul style="list-style-type: none"><li>▪ Issuance of tax identification number</li></ul>	<ul style="list-style-type: none"><li>▪ 2 hours</li></ul>



## The Ethiopian Investment Agency (EIA) is a one-stop shop for investors (continued)

### Other services provided on behalf of investors

- Execution of investors' requests for land required for their investment projects
- Execution of investors' requests for residence permits
- Execution of investors' requests for approval of environmental impact assessment studies conducted on their investment projects
- Execution of investors' requests to acquire water, electrical power and telecom services
- Provision of other pre- and post-approval services



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## Manufacturing investment opportunities with a backward linkage to agriculture

### Textiles & Garments/Apparel



- Production of textile fabrics
- Production of garments
- Production of other textile products (carpets, curtains, etc.)

### Leather & Leather Products



- Tanning of hides & skins up to finished level
- Leather goods & articles (shoes, garments, etc.)



## Agricultural investment opportunities

### Agro-processing



- Processing of horticulture
- Pulses & edible oil seeds
- Sugar processing incl. ethanol
- Animal feed
- Barley for brewing & grape for wine
- Slaughtering etc.

### Agricultural Opportunities



Maranque PLants  
(Arsl - Mert)

- Rubber Tree Plantation
- Sugarcane Plantation
- Horticulture
- Floriculture
- Fiber Crops: Cotton, jutes, etc.
- Cattle raising & Dairy Development



## Investment opportunities related to water

### Water



- Dams and related hydraulic infrastructure
- Irrigation and associated hydraulic infrastructures
- Water supply schemes including sewerage system
- Drilling of wells for domestic water supply and irrigation



## Investment opportunities related to infrastructure

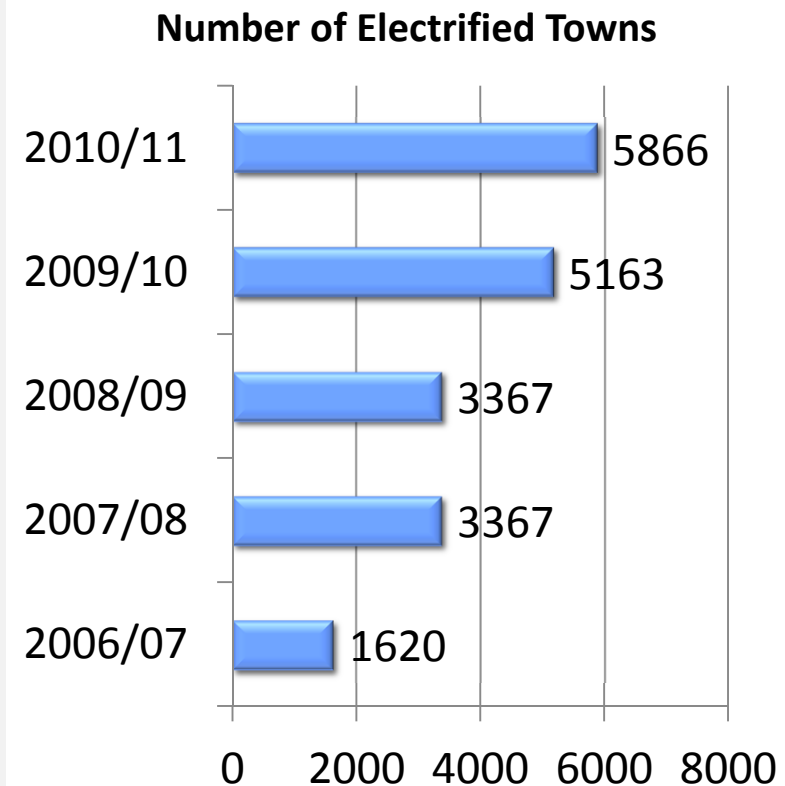
### Power



#### Potential Capacity:

- Hydro: More than 45,000 MW
- Wind: More than 10,000 MW
- Geothermal: More than 5,000 MW
- Supply chain opportunities

- Number of electrified towns has more than doubled since 2006



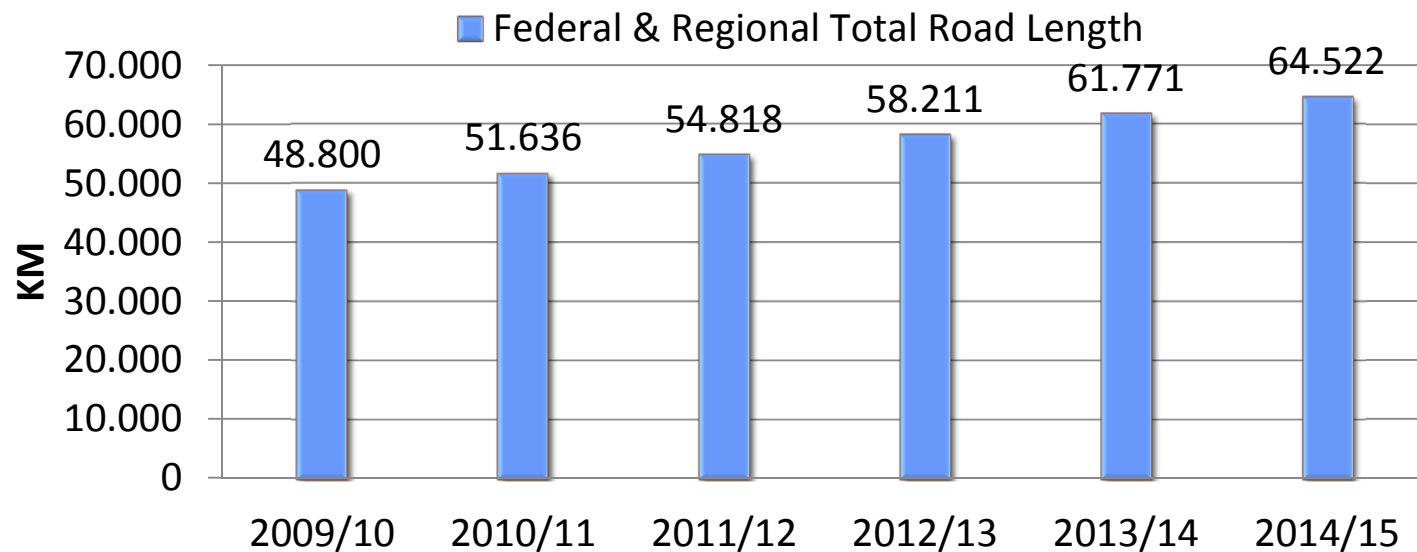




## Investment opportunities related to infrastructure

### Road

- Supply chain opportunities
- Federal and regional road lengths has constantly been increasing





## Investment opportunities related to infrastructure

### Telecommunication



Description of Targets	2009/2010	2014/15
1. Number of fixed line telephone subscribers (mln.)	1	3.05
2. Fixed line telephone density (%)	1.36	3.4
3. Number of mobile telephone subscribers (mln)	6.52	40
4. Mobile telephone coverage (%)	8.7	45
5. Number of internet service subscribers (mln)	0.187	3.69
6. Rural telecom access within 5 km radius of services (%)	62.14	100
7. Wireless telecom service coverage (%)	<50	90
8. Global link capacity (Gb/s)	3.255	20

- Number of fixed line, mobile telephone and internet service subscribers has constantly been rising since 2009
- Rural telecom access and coverage has constantly been improving
- Supply chain opportunities (network infrastructure, billing systems, logistics, human resources, management etc.)

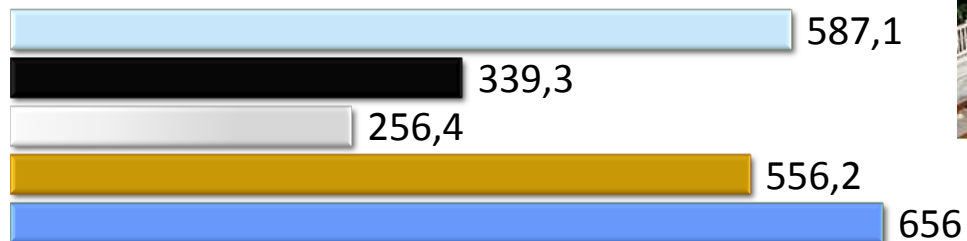


## Investment opportunities related to infrastructure

### Railway construction

#### Railway Construction

- Mojo-Konso-Weyto
- Addis Ababa-Ejaji-Jima-Bedele
- Woldiya- Semera-Galafi
- Awash-Woldiya-Mekele
- Addis Ababa-Diredawa-Dewele



- Five major railway construction projects underway
- Supply chain opportunities (engineering materials, consultancy service etc.)



## Other investment opportunities

### Mining



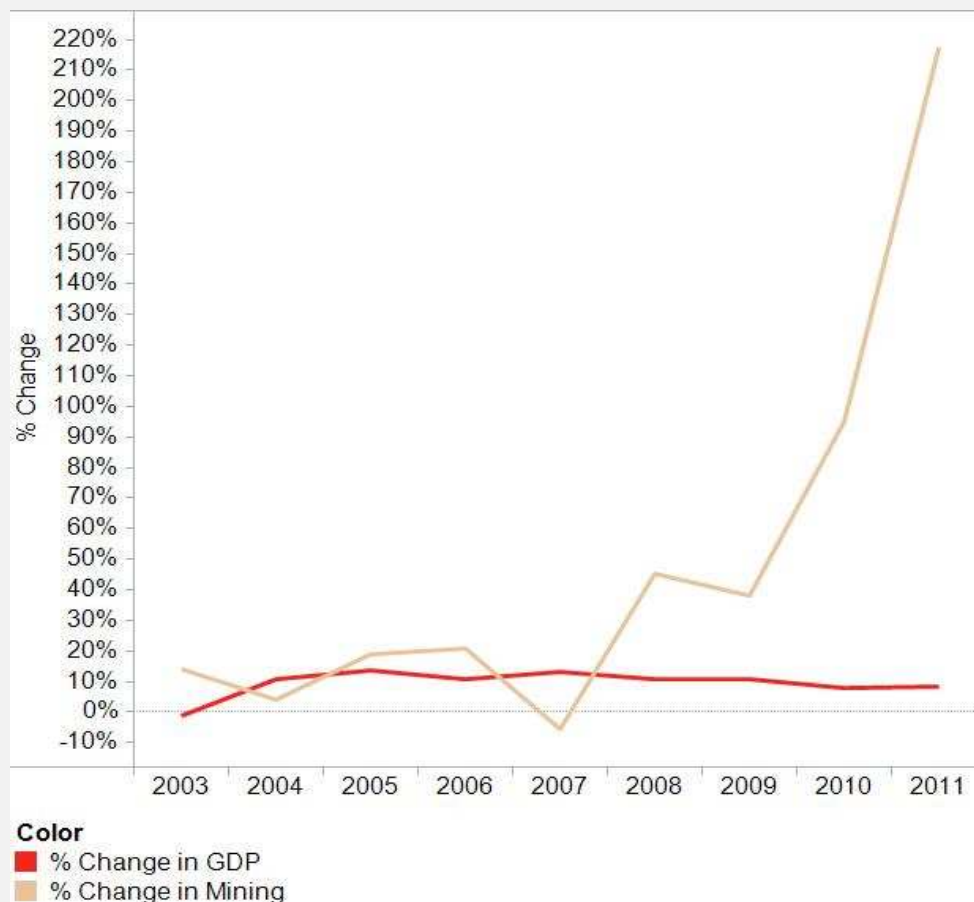
- Underdeveloped sector with huge potential particularly in gold, iron ore, potash, and tantalum
- Significant potential in oil & gas
- 261 licenses have been issued by Ministry of Mines, of which 207 are exploration licenses and 54 mining licenses
- 137 companies are operating in the sector (66 foreign firms, 36 joint venture partnerships and 35 local companies)
- The total number of direct employees in these companies is estimated to be around 6,000.
- Artisanal miners numbers exceed 500,000 according to a recent UN study





## Other investment opportunities (Mining continued)

### Role of the mining sector in the economy



- In 2011, the mining sector grew by more than 200% from the previous year, serving as a major driver of GDP growth





## Other investment opportunities

### Tourism

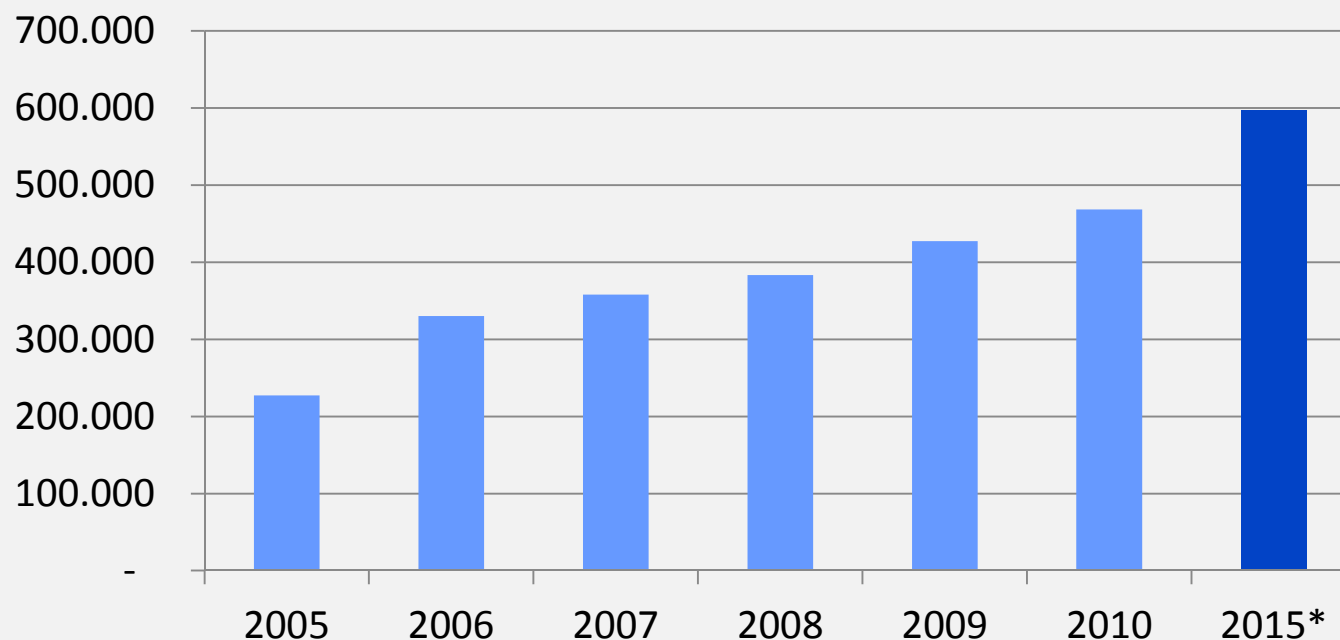


- Ethiopia has historical, natural and cultural key assets to drive tourism (source of Nile river, origin of human kind, birthplace of coffee etc.)
- Addis Ababa is Africa's political capital, the base for many international organizations and NGOs
- Improved connectivity through extensive network of Ethiopian Airlines
- Ethiopia is politically stable and its popular tourist destinations are safe and secure
- Large value chain and investment opportunities (hotels, tour operators, food suppliers, retail services etc.)
- Supportive regulatory environment (tax holidays, licensing etc.)



## Other investment opportunities (Tourism continued)

### Visitors

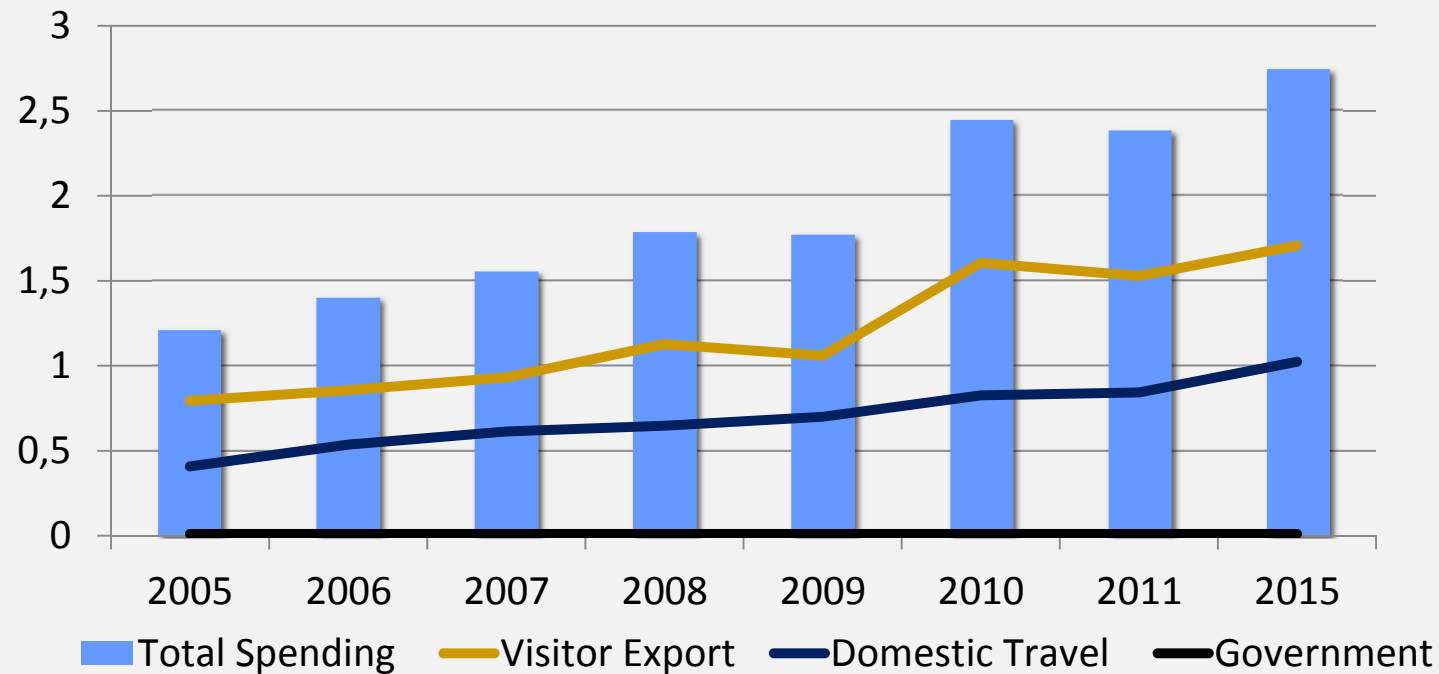


- Number of annual visitors has increased by 106% in the five year period since 2005
- By 2015, the number of visitors is expected to grow to 597,689 or by 28%



## Other investment opportunities (Tourism continued)

### Total spending

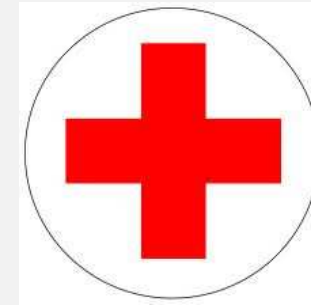


- Total travel and tourism spending reached \$2.38bn in 2011
- 96% growth since 2005 and expected to rise by 4.4% per annum
- Total spending projected to reach \$2.74bn by 2015
- Visitor exports reached \$1.53bn while domestic travel was \$844mm



## Other investment opportunities

### Health sector



- Out of 85 million people approx. 42% use private health care facilities
- USD \$8.6bn budgeted for next five years (health expenditure)
- Increased household income
- Increased educated population = higher demand for healthcare
- Urbanization, which concentrates people in areas with access to medical facilities
- Expected increase in government health expenditure
- Supportive regulatory framework (loans, biomedical instruments, zero tariff on raw materials etc.)
- Diverse investment opportunities (medical center, pharmaceutical manufacturing etc.)



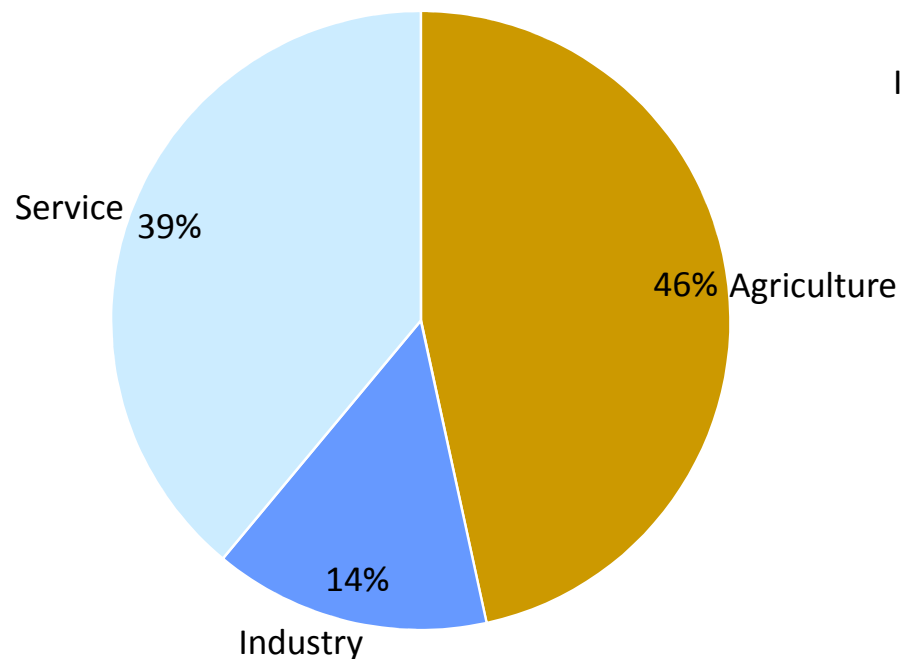
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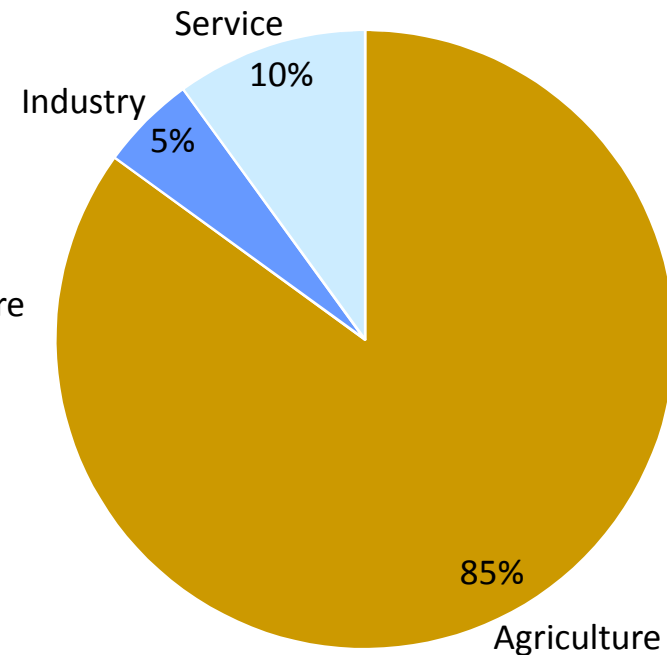


**Agriculture is an important sector for the Ethiopian economy contributing nearly 50% to GDP and 85% to employment**

**Contribution to GDP by sector, 2011**  
Percent



**Employment by sector, 2011**  
Percent





**Ethiopia possesses abundant land for agricultural activities as well as favorable agro-climatic conditions for a wide range of crops**

Land and agro-ecologies	Climate and rainfall	
<b>Key Land Statistics</b> <ul style="list-style-type: none"> <li>▪ <b>Total area:</b> 111.5mn ha</li> <li>▪ <b>Arable land:</b> 74.3mn ha</li> <li>▪ <b>Cultivated land:</b> 15.4mn ha</li> <li>▪ <b>Irrigation potential:</b> 4.3 mn ha</li> </ul> <b>Agro-ecologies</b> <ul style="list-style-type: none"> <li>▪ Ethiopia is home to <b>18 major agro-ecological zones and 49 agro-ecological sub-zones</b></li> <li>▪ The country has the <b>soils and climate suitable for growing over ~150 types of crops</b>, including high value commodities such as coffee, sesame and other oilseeds, cereals, spices, fruits and vegetables</li> </ul>	<b>Climate</b> <ul style="list-style-type: none"> <li>▪ <b>Average temperature:</b> rarely exceeds 20°C</li> <li>▪ <b>Annual Rainfall:</b> 200mm to 2500mm</li> </ul> <b>Primary Harvest Seasons</b> <ul style="list-style-type: none"> <li>▪ Ethiopia has <b>two main harvest seasons</b>, which are heavily reliant on annual rainfall</li> <li>▪ The bulk of harvesting is completed from October to December following the Meher growing season</li> </ul>	
	<i>Belg</i>	<i>Meher</i>
<i>Rainy Season</i>	February – June	June – October
<i>Harvest Season</i>	Jul - Sept	Oct - Dec
<i>% of Crop Production</i>	5-10%	90-95%





## Agricultural investors in Ethiopia benefit from a generous range of investment incentives, including tax holidays and import/export incentives

Favorable tax environment	Import/Export Incentives
<ul style="list-style-type: none"><li>▪ <b>Income tax exemption for two to five years</b> depending on area of investment, volume of export and location in which investment takes place</li><li>▪ <b>Income from expansion</b> or upgrading of existing agricultural enterprise is <b>exempted from income tax for two years</b> if...<ul style="list-style-type: none"><li>– Production is increased by 25% and</li><li>– More than 50% of products are exported</li></ul></li><li>▪ <b>Losses</b> during the tax holiday are <b>carried forward</b> for half the exemption period</li><li>▪ <b>Simplified tax structures</b>, e.g. universal corporate income tax rate of 30%</li></ul>	<ul style="list-style-type: none"><li>▪ <b>100% customs import duty exemption for...</b><ul style="list-style-type: none"><li>– Agricultural and industrial machinery/ equipment imported for investment purposes</li><li>– Raw materials for production of export goods</li><li>– Spare parts worth 15% of total investment capital goods</li></ul></li><li>▪ <b>Export duty exemptions</b> for products and services developed domestically</li><li>▪ <b>Access to 70% of capital investment financing</b> at reasonable rates if<ul style="list-style-type: none"><li>– Investment project is accepted by the Ethiopian Development Bank and</li><li>– Investor deposits 30% of investment</li></ul></li></ul>



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## The Government of Ethiopia (GoE) is committed to promote private investment in commercial farming and there are already on-going activities

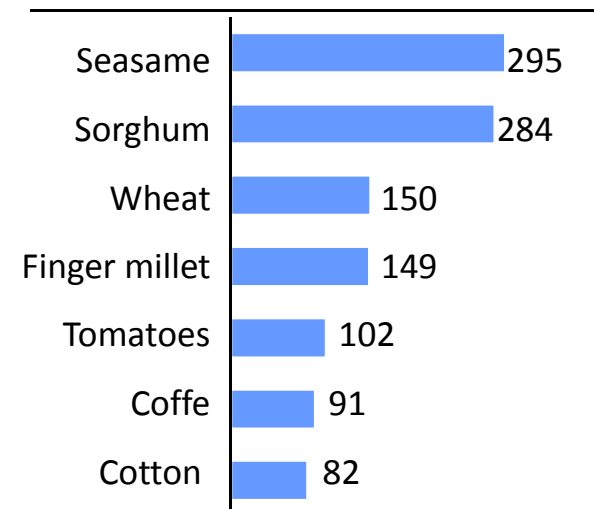
### The GoE has set up several bodies to facilitate private sector investments

- An autonomous Agriculture Land Investment Agency to...
  - Identify and clear lands suitable for agriculture investments
  - Establish and regulate agriculture economic zones where basic infrastructure such as roads, electricity and water will be provided for a total of 283,000 ha of arable land
- An agriculture desk for investors
  - To provide a systematized and consolidated source of information to prospective investors

### There has already been much on-going activity

- ~5,200 committed investment projects over 2.1 mn hectares of land
- Several foreign investors from India, Turkey, Saudi Arabia, China, Pakistan and Israel are currently involved in commercial farming
- Major crops being cultivated include the following:

Commercial farming crop production (FY 2010/11)  
Ton





There are a total of 3.7 million hectares available for commercial farming

## Profiles of select regions

### Benshangul Gumuz

- 700 km from Addis Ababa<sup>1</sup>
- Potential land for investment: 691,984 ha
- Land composition:
  - 75% wet low land
  - 24% mid altitude
  - 1% high land
- Mono modal rainfall from April/May to September/October; average annual rainfall of 1116 mm
- Suitable for:
  - Sesame, soybeans, cotton, etc.
  - Livestock
  - Mango, banana, papaya, citrus fruits in irrigable areas
  - Sugar cane in Beles Water Shed

### Gambela

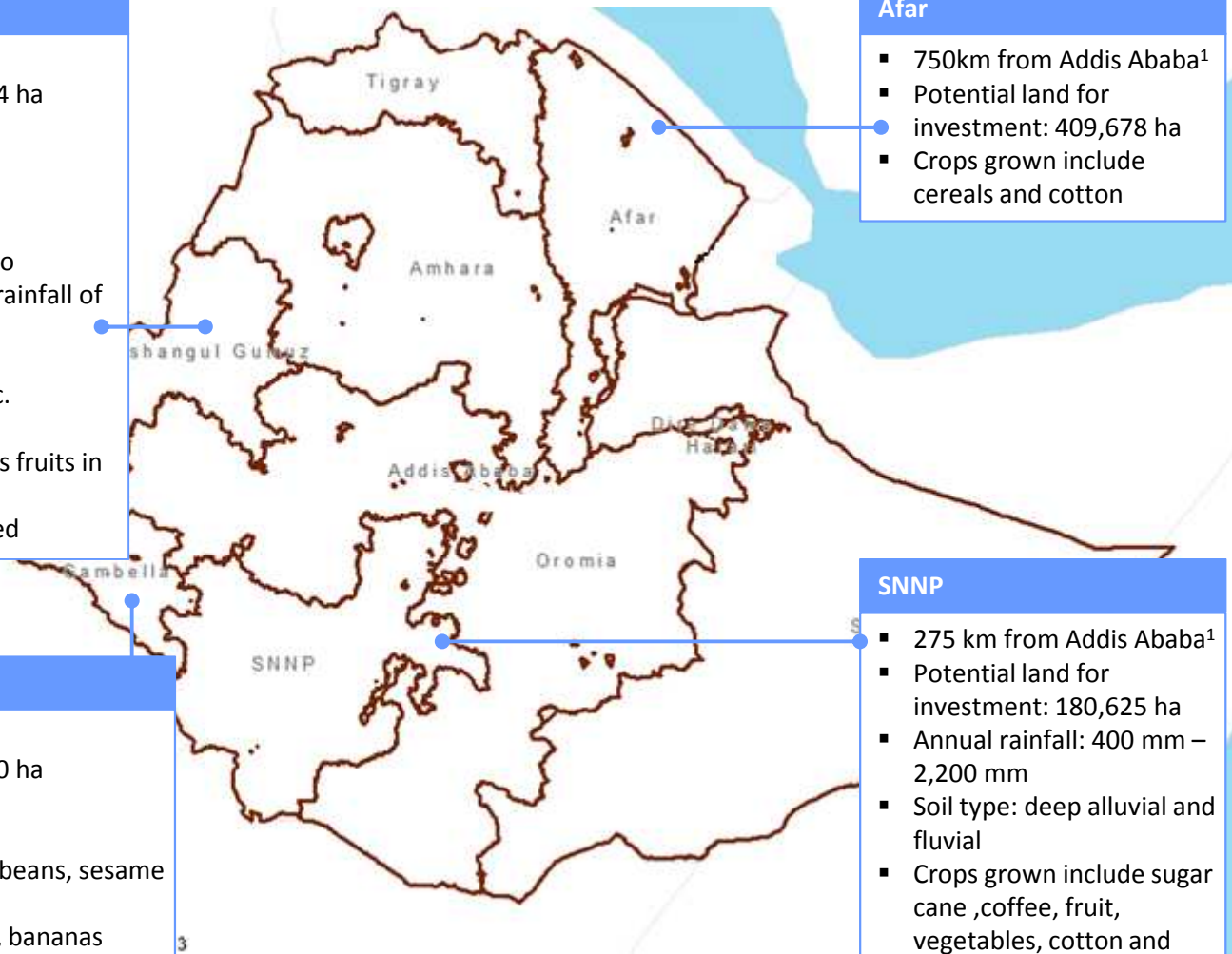
- 800 km from Addis Ababa<sup>1</sup>
- Potential land for investment: 444,150 ha
- Annual rainfall: 463 – 2,500 mm
- Major crops include:
  - Maize, sorghum, rice, haricot beans, sesame
  - Coffee, spices and vegetables
  - Ideal for fruits such as mango, bananas

### Afar

- 750km from Addis Ababa<sup>1</sup>
- Potential land for investment: 409,678 ha
- Crops grown include cereals and cotton

### SNNP

- 275 km from Addis Ababa<sup>1</sup>
- Potential land for investment: 180,625 ha
- Annual rainfall: 400 mm – 2,200 mm
- Soil type: deep alluvial and fluvial
- Crops grown include sugar cane ,coffee, fruit, vegetables, cotton and rubber



<sup>1</sup> Distance to region capital

Source: EHDA; Agricultural Investment Directorate (Ministry of Agriculture)



## The Government of Ethiopia has prioritized the following four sectors for commercial farming

	Cotton <sup>1</sup>	Sugar cane	Palm oil	Rubber
<b>Current production<sup>2</sup></b>	<ul style="list-style-type: none"> <li>82,470 tons</li> </ul>	<ul style="list-style-type: none"> <li>3,045,956 tons</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Regions conducive for production</b>	<ul style="list-style-type: none"> <li>All regions</li> </ul>	<ul style="list-style-type: none"> <li>Benishangul Gumz</li> <li>Tigray</li> <li>Gambela</li> <li>Afar</li> <li>Oromiya</li> </ul>	<ul style="list-style-type: none"> <li>SNNPR</li> <li>Oromiya</li> <li>Gambela</li> </ul>	<ul style="list-style-type: none"> <li>SNNPR</li> <li>Oromiya</li> <li>Gambela</li> </ul>
<b>Rationale for prioritization</b>	<ul style="list-style-type: none"> <li>High demand in international markets</li> <li>Potential for employment creation due to high degree of labor required across value chain</li> </ul>	<ul style="list-style-type: none"> <li>High demand in local and international markets</li> <li>Ethiopia endowed with large areas of suitable low lands and rivers as well as conducive climate</li> <li>Potential for employment creation</li> </ul>	<ul style="list-style-type: none"> <li>High demand in local and international markets</li> </ul>	<ul style="list-style-type: none"> <li>High demand in local and international markets</li> </ul>

**Other sectors also available for investment**

<sup>1</sup> Export restrictions on cotton have recently been lifted

<sup>2</sup> Production in 2011/12

Source: Ministry of Agriculture



## Karuturi case

### Business overview

- **Company overview:**
  - Founded in 1994 in Bangalore, India
  - World's largest cut rose producer with production in Ethiopia, Kenya and India
  - Revenues of USD 115 mn
- **Year of entry in Ethiopia:** 2004
- **Total land leased in Ethiopia:** Nearly 312,000 ha<sup>1</sup>
  - 311,700 ha for agriculture production
  - 100 ha for roses
- **Location of business:** Gambela, Bako, Wollisso, and Holeta areas
- **Main areas of business:** Flower, cotton, sugarcane, soybean, maize and rice
- **Employed:** approximately 5,000 employees among which 99% local Ethiopian; 80% women

### Business in Ethiopia

#### Investment and production

	Investment	Production
<b>Commercial farming</b>	<ul style="list-style-type: none"> <li>▪ \$50 mn invested</li> <li>▪ Additional \$150 mn of investment expected</li> </ul>	<ul style="list-style-type: none"> <li>▪ 21,000 tons of maize (\$6 mn in sales) produced in first year of production</li> <li>▪ Production expected to increase to 500,000 tons (\$150-200 mn in sales)</li> </ul>
<b>Horticulture</b>	<ul style="list-style-type: none"> <li>▪ \$50 mn invested</li> </ul>	<ul style="list-style-type: none"> <li>▪ 95 mn stems of flowers produced (\$20 mn in export sales)</li> </ul>

#### Target Markets

- Most sales occur within the local or neighboring markets with some exports to Europe, the Middle East and Asia
  - Ethiopia is a net importer of many crops and ample opportunity for sales domestically
  - High demand for crops in neighboring countries such as South Sudan or Djibouti due to food scarcity
  - Preferential trade agreement within COMESA

*"I personally believe very strongly in the potential of Ethiopian agriculture and horticulture"*

*"Why Ethiopia?...There is a clean government, clean policies and no rent seeking. You can't say that about many developing countries."*

*"The [Ethiopian] government has a good structure for investment and land acquisition. The Ethiopian model is one of the best in Africa."*

<sup>1</sup> 102,500 ha under lease; remaining land pending

Source: Karuturi Global; interview with Ram Karuturi, Managing Director of Karuturi



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### Ethiopia has many favorable conditions for the horticulture industry

#### Favorable natural environment

- Favorable climate with average temperature around 15-20°C throughout the year that allows for active farming and exports during the European winter season
- Diverse agro-ecologies suitable for a wide range of crops
  - 18 major and 49 sub-agro ecologies with fertile land
- Wide range of average annual rainfall across the country ranging from 200mm to 2,500mm allows for production of a diverse variety of horticulture crops
- Rich water resources for irrigation

#### Proximity to market

- Proximity to international markets due to strategic location in the Horn of Africa
- Currently ~100 export market destinations for horticulture throughout the world
- Government actively investing in building infrastructure to enhance road and storage infrastructure

#### Useful government initiatives

- Soil mapping initiative in progress in 150 *woredas* (districts) to provide detailed soil information and fertilizer needs for investors, policy makers and farmers
- Shallow groundwater mapping in progress in 35 *woredas* to be scaled up to national level to provide information for irrigation

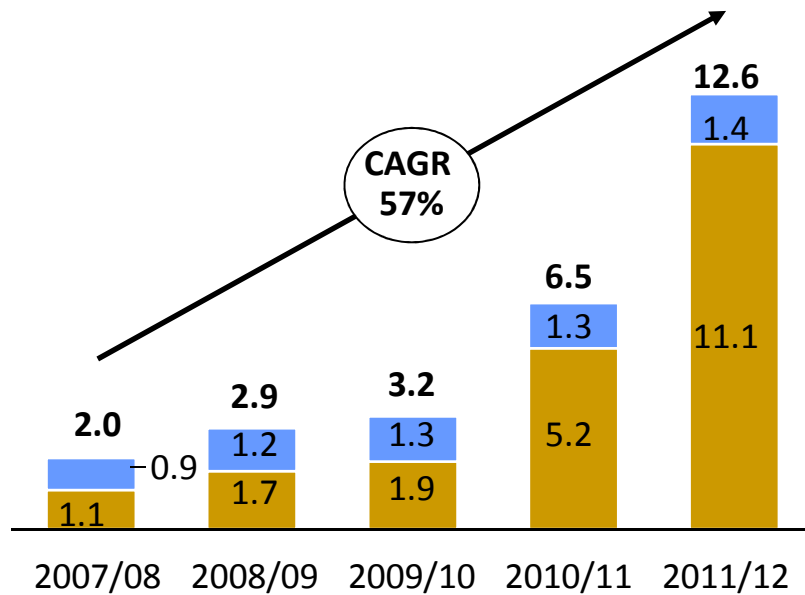




As a result, Ethiopian horticulture has been growing rapidly over the past five years...

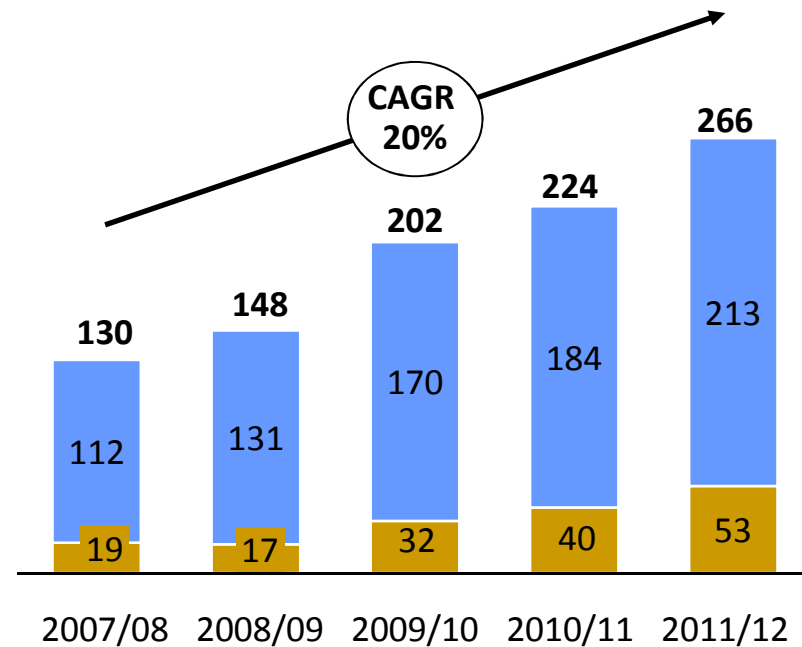
### Land Development Trend

Thousand hectares



### Export value

Million USD



Most of the fruit and vegetable produced today is being consumed locally; however, there are investments being made to expand F&V exports<sup>1</sup>

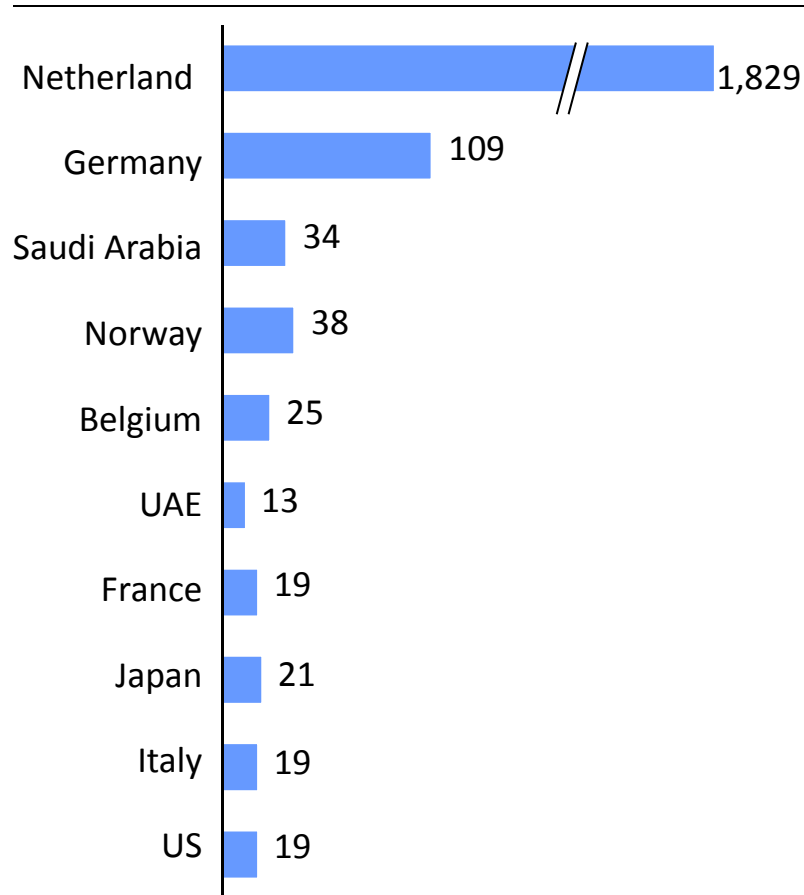
<sup>1</sup> See page 26



**...And is actively exporting to a variety of international markets**

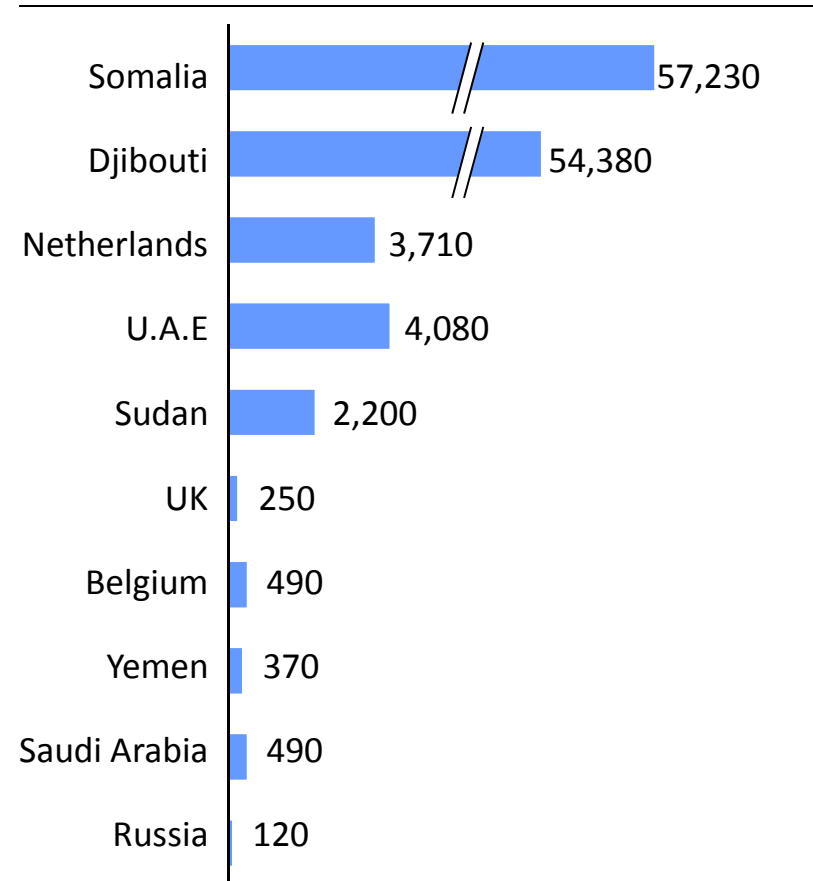
**Flower exports to the top 10 market outlets, 2010-11**

Million stems



**Fruit and vegetable exports to the top 10 market outlets, 2010-11**

Tons

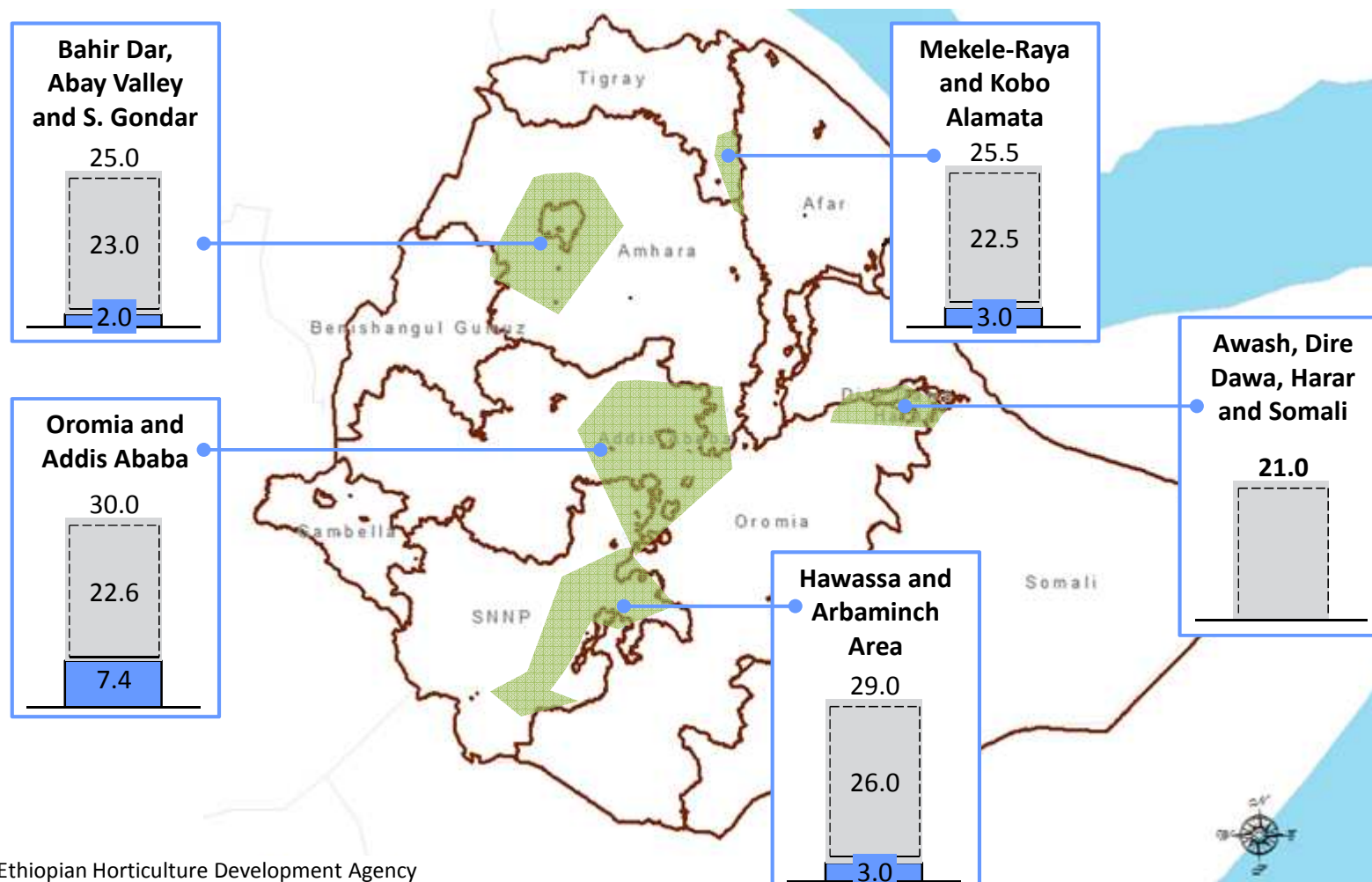




## The Government of Ethiopia has availed 15,000 hectares of land for immediate lease with potential for another 120,000 hectares

Land available and land potential by Development Corridor  
Thousand hectares

Future potential land  
Land registered in land bank



Source: Ethiopian Horticulture Development Agency





**Furthermore, the Ethiopian government is committed to further improving the competitiveness of the horticulture industry**

**Institutional support for investors**

- Establishment of the Ethiopian Horticulture Development Agency (2008) to provide support as a “one-window shop” in a number of areas:
  - Pre-harvest capacity building
  - Support in post-harvest technology and marketing
  - Provision of investment support such as information, land and credit facilities, logistics and security
  - Provision of industrial support services and facilities

**Infrastructure investments**

- Large expansions in hard and soft infrastructure in progress<sup>1</sup>
- Cold storage facilities to be built in six areas, starting with one in Arbaminch, SNNPR by 2014

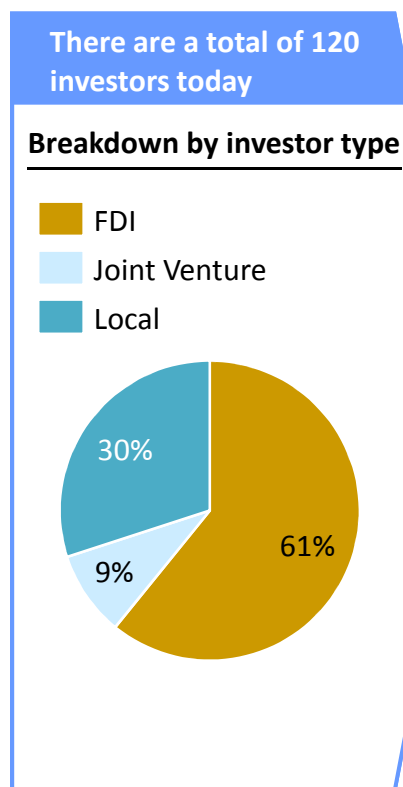
**Transportation subsidies**

- Government of Ethiopia to purchase refrigerated containers for usage at low cost (zero profit margin) to lower transportation costs

<sup>1</sup> Refer to page 8



## Horticulture case study

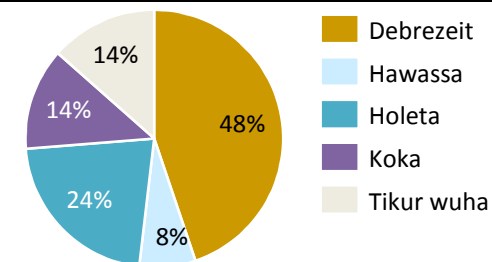


### Jittu Horticulture example

#### Business overview

- **Established:** 2008
- **Owned by:** Sheik Al-Amoudi
- **Total Land leased:** 150 ha
- **Main areas of business:** Fruits, vegetables and roses using drip irrigation
- **Employed:** 2,500-3,000

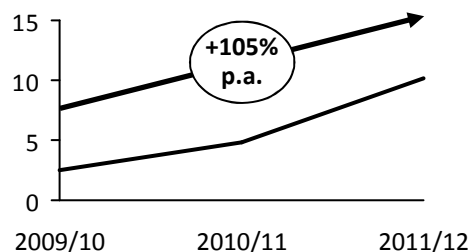
#### Breakdown of locations



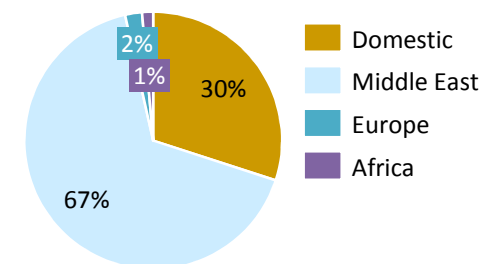
#### Production and markets

- The business has been growing rapidly, increasing export sales four-fold over the past few years

#### Exported value USD millions



#### Breakdown of markets



#### Reasons for doing business in Ethiopia

- Highly diverse and favorable climates that allow for
  - Year-round production
  - Possibility to choose most appropriate climate for production



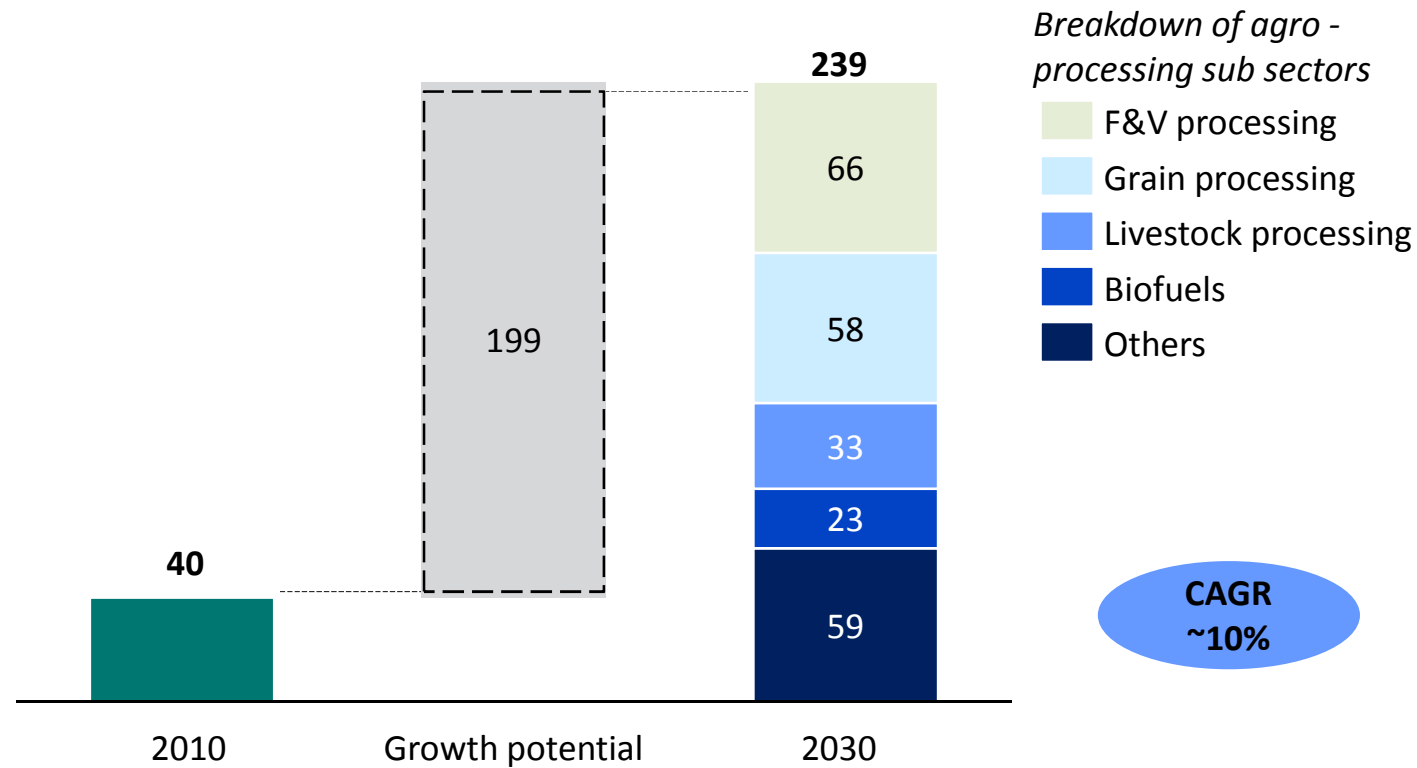
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## There is great potential for agro-processing in Africa

### Africa agriculture revenue potential for 2030<sup>1</sup> USD billion



<sup>1</sup> Potential for growth assuming that Africa (i) increases land area under cultivation; (ii) increase yields on key crops to 80% of world average; and (iii) shift cultivation from lower-value crops to higher-value crops

Source: McKinsey Global Institute *Lions on the move: The progress and potential of African economies*



## Ethiopia has favorable conditions for the agro-processing industry

Key requirements for agro-processing	Ethiopia's advantages
1 Accessibility to agricultural output	<ul style="list-style-type: none"> <li>▪ Ethiopia is the leading producer of many agricultural products such as sesame and livestock</li> </ul>
2 Abundance of water	<ul style="list-style-type: none"> <li>▪ Ethiopia has abundant water resources including 12 rivers and 18 lakes, with an annual runoff from 9 river basins of 122 billion m<sup>3</sup></li> <li>▪ Only 20% of the total arable land of 74.3 million hectares is being cultivated, with great potential for additional cultivation</li> </ul>
3 Proximity to distribution channels	<ul style="list-style-type: none"> <li>▪ Ethiopia is located close to the Middle East as well as Europe</li> <li>▪ There are many investments in infrastructure to improve Ethiopia's inland transport</li> </ul>
4 Donor and government initiatives to facilitate investment	<ul style="list-style-type: none"> <li>▪ Several initiatives from governmental and non-governmental actors to promote agro-processing industry including               <ul style="list-style-type: none"> <li>– Creation of agro-processing roadmap and operational plan</li> <li>– Establishment of industrial zones and agro-food park</li> </ul> </li> </ul>

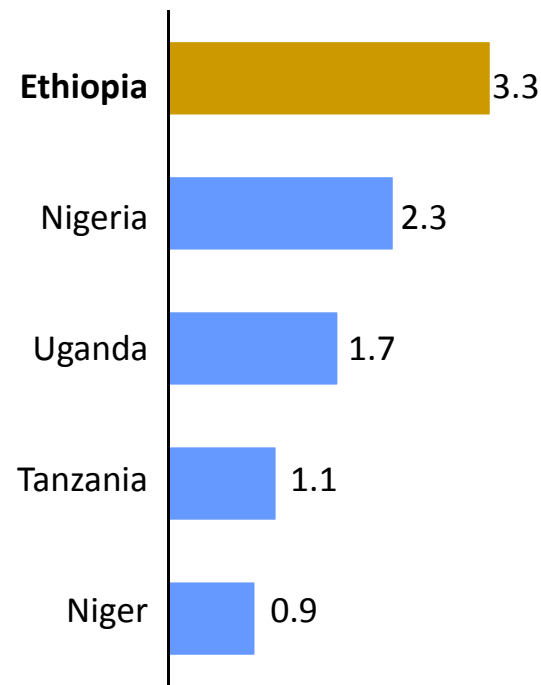




## 1 Ethiopia is a leading producer of many agricultural products

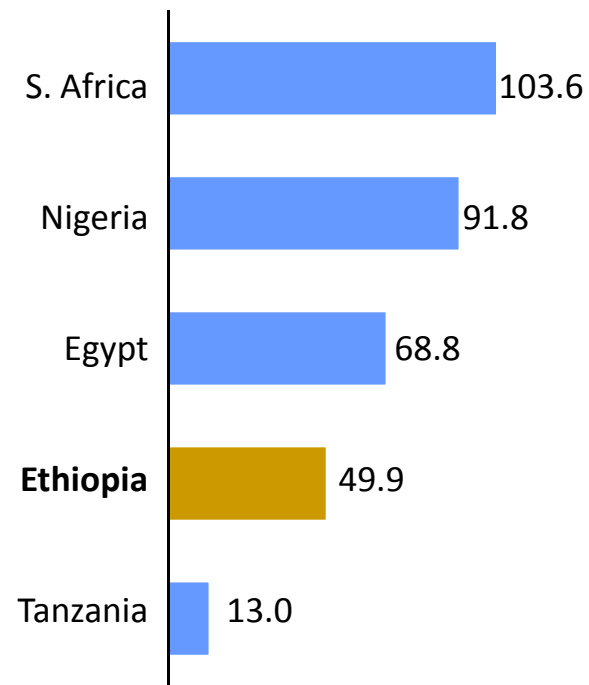
Production level of select agriculture products for the top five producers in Africa

**Sesame seed production, 2011**  
Million quintals



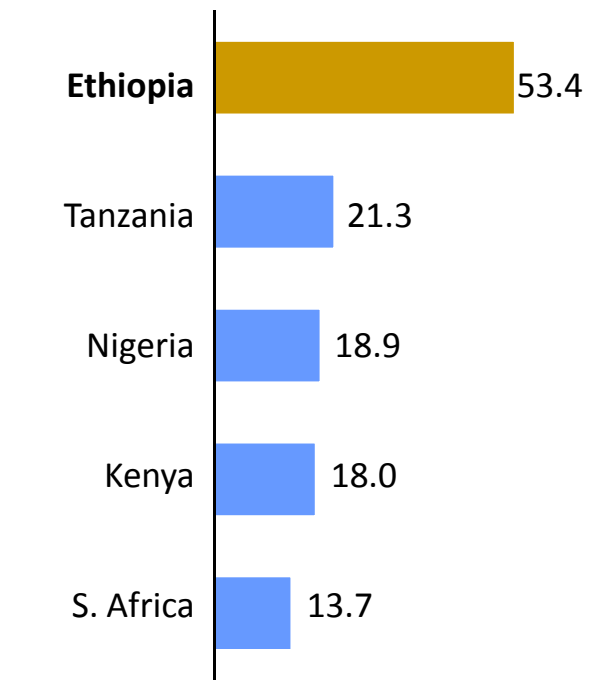
**1<sup>st</sup> in Africa**

**Maize production, 2011**  
Million quintals



**2<sup>nd</sup> in Africa<sup>1</sup>**

**Livestock (Cattle), 2011**  
Millions



**1<sup>st</sup> in Africa**

<sup>1</sup> South Africa and Egypt are 1<sup>st</sup> and 2<sup>nd</sup> but they produce genetically modified maize  
Source: Food and Agriculture Organization



## 2 Ethiopia has abundant water resources

### Ethiopia's water potential

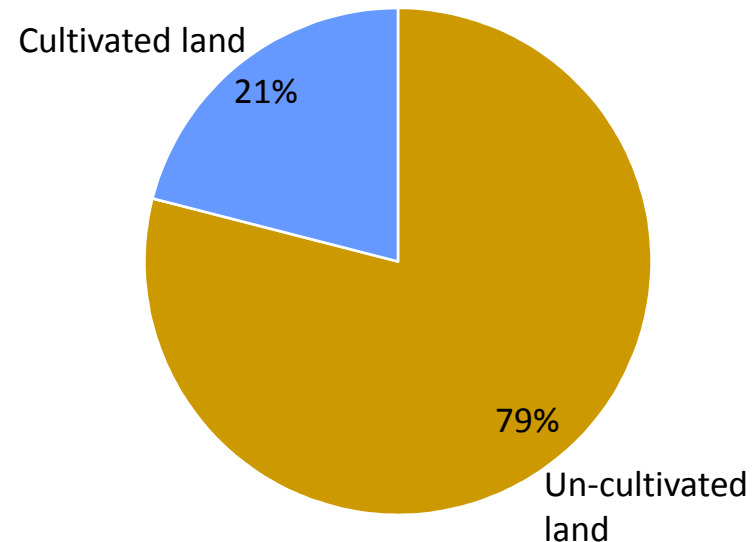
- 12 river basins
- Annual runoff from 9 river basins is 122 billion m<sup>3</sup>
- Ground water potential of the country is estimated around 40 billion m<sup>3</sup>

### Map of Ethiopian water resources



### Land availability

- Of the 111.5 million hectares of land in Ethiopia, 74.3 mn ha are arable
- However, only 15.4 mn or 21% of the land is being cultivated implying great potential for additional cultivation





### 3 Recap: Ethiopia is strategically located in the Horn of Africa and investing heavily in infrastructure

#### Strategic location

- Located in the “Horn of Africa,” Ethiopia is **geographically well-positioned** to serve several export markets

#### Investments in infrastructure

- Building **71,000 km of new roads**, including all-weather roads to virtually all kebele administrations and an expressway linking Addis Ababa to Adama (a key route to facilitate export and import trade)
- Constructing **2,395 km of new railways** linking Addis Ababa with Djibouti, linking selected domestic cities, and within Addis Ababa itself

**Ethiopia is investing to leverage its location more effectively and build faster connections to international markets**



## 4 The Ethiopian government and donor organizations are working together to improve the potential of the agro-processing industry in Ethiopia

	Examples of initiative	Objective
Government	<ul style="list-style-type: none"> <li>Development of an agro-processing roadmap and operational plan</li> </ul>	<ul style="list-style-type: none"> <li>Mobilize actors to bring turnaround in agro-processing sector</li> </ul>
	<ul style="list-style-type: none"> <li>Establishment of the Food, Beverage and Pharmaceutical Industry Development Institute<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Provide oversight and support to the various activities in the sector such as...               <ul style="list-style-type: none"> <li>Technical support</li> <li>Investor relations</li> <li>Design national marketing strategies</li> <li>Etc.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Creation of Industry Zones<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Promote linkage of agriculture and industry and growth of agro-processing sector</li> </ul>
Non-Government organizations	<ul style="list-style-type: none"> <li>Establishment of Integrated Agro Food Parks (IAFP)<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Establish platform to               <ul style="list-style-type: none"> <li>Strengthen linkages throughout value chain (i.e., raw materials and end markets)</li> <li>Provide economies of scale in required infrastructure such as packaging and storage facilities</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>African Alliance for Food Processing (USAID)</li> </ul>	<ul style="list-style-type: none"> <li>Increase the quality and competitiveness of the Ethiopian food processing sector by...               <ul style="list-style-type: none"> <li>Providing technical assistance</li> <li>Assisting in implementing management systems and processes</li> <li>Etc.</li> </ul> </li> </ul>

<sup>1</sup> In progress

<sup>2</sup> Planned

Source: The Daily Monitor, Ethiopian Agricultural Transformation Agency



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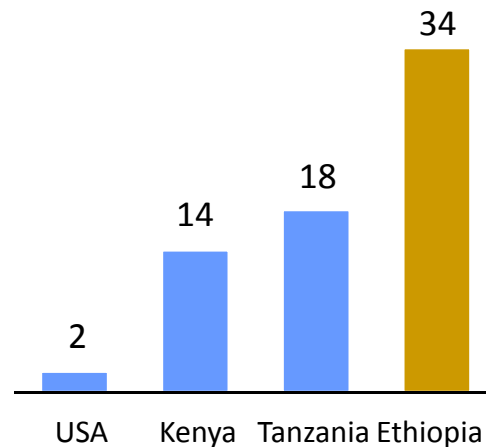
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**There is enormous potential for mechanization in Ethiopian agriculture...**

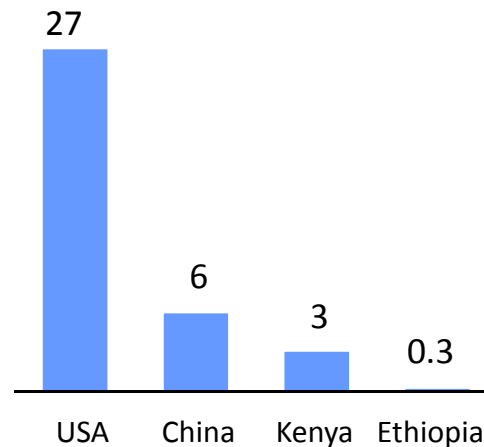
**Ethiopia has the potential to be a huge market for farm equipment due to its large farming population**

**Population economically active in agriculture**  
Millions



**However, Ethiopian agriculture is still highly under-mechanized**

**Tractors per farm area**



**Furthermore, there are no major players in the market as of yet**

- There are currently only a handful of local players, and little presence of international players in the market
- There is great potential for first-mover advantage

**The Ethiopian agriculture mechanization market holds great potential for future growth**



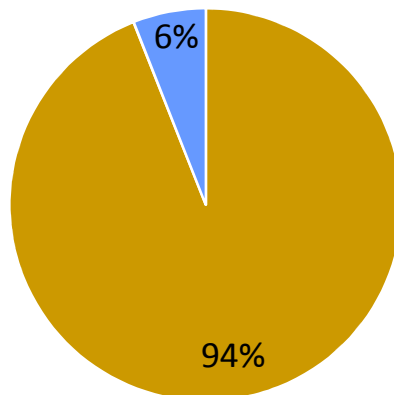
**In order for mechanization to take off in Ethiopia, agricultural equipment needs to be tailored to meet the needs of Ethiopian farmers**

### Most Ethiopian farms are smallholder farms

#### Food crop production

Percent

- Smallholder farmers
- Commercial farmers

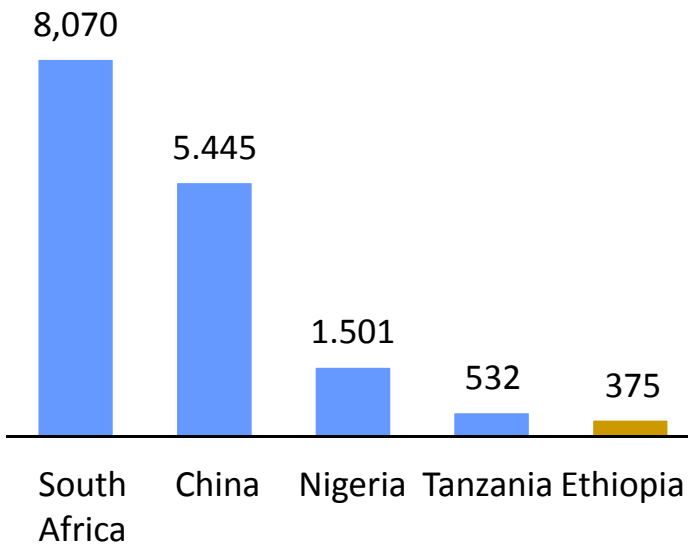


- The average farm size in Ethiopia is 0.5-1.0 hectares

### Average income in Ethiopia is much lower than other countries

#### GDP per capita, 2011

U.S dollars



- **Machinery needs to be tailored for smaller farms**
- **Equipment should be affordable for smallholder farmers**



**The Government of Ethiopia is currently working with various public and private sector partners to develop technologies that are more suited for the needs of Ethiopian small holder farmers(1/2)**

*Thresher example*

#### Ethiopian farmers are facing challenges

- **Post-harvest loss:** occurs during harvesting, gathering, piling and threshing and can cause up to 30% yield loss
- **Labor intensity:** traditional methods can take up to 3 days of human labor and 10 days of oxen labor
- **Quality risk:** manual practices can cause tef to be mixed with soil, sand, and other foreign matter

#### The government is developing solutions to help the farmers

##### Multi-crop thresher



- **Type of crop:** Tef, wheat, barley
- **Price:** \$3000
- **Power:** Engine powered

#### Outcome

- Multi-crop threshers have been deployed in some areas and been shown to **reduce post-harvest losses by 50%, reduce threshing expenses, and increase income**
- Threshers can also serve as additional income source to farmers who provide threshing services
- However, adoption of multi-crop threshers has been low until this point





## The Government of Ethiopia is currently working with various public and private sector partners to develop technologies that are more suited for the needs of Ethiopian small holder farmers(2/2)

### Row planter example

#### Ethiopian farmers are facing challenges

- **Inefficient seed rates:** Traditional broadcast planting uses high seed rates, crowding seedlings that then compete for light, space and nutrients
- **Low rates of seed anchoring:** Seeds are currently broadcasted on top of soil and the weak roots fail to properly anchor, which may cause lodging
- **Labor intensity:** Due to the small size of tef, row planting tef is a highly labor-intensive activity

#### The government is developing solutions to help the farmers

##### Row planter



- **Type of crop:** Tef
- **Price:** \$200 - \$300
- **Power:** Animal drawn

#### Outcome

- Tef row planters are expected to help reduce seed rate from 30-50 kg/ha to the recommended seed rate of 3-5 kg/ha
- By mechanizing row planting, row planters are expected to save labor costs and time
- Effective row planting will also allow for adequate space for seedlings and reduce lodging



## However, many other opportunities exist for further private sector engagement

Non-exhaustive

Farming processes	Current need in Ethiopia	Examples of equipment to meet needs
Soil tilling	<ul style="list-style-type: none"> <li>Capturing additional moisture in soil</li> </ul>	<ul style="list-style-type: none"> <li>Broad bed maker (BBM)</li> <li>2 wheel tractor</li> <li>...</li> </ul>
Sowing	<ul style="list-style-type: none"> <li>Increasing efficiency through row planting techniques (vs. current method of broadcasting)</li> </ul>	<ul style="list-style-type: none"> <li>Mechanical row planter</li> <li>...</li> </ul>
Irrigation	<ul style="list-style-type: none"> <li>Increasing the potential for double cropping through irrigation farming</li> </ul>	<ul style="list-style-type: none"> <li>Irrigation systems such as...               <ul style="list-style-type: none"> <li>Drip irrigation, gravity irrigation or sprinkle irrigation systems</li> </ul> </li> </ul>
Fertilizer application	<ul style="list-style-type: none"> <li>Increasing efficiency in fertilizer application through...               <ul style="list-style-type: none"> <li>Applying concentrated forms of fertilizer</li> <li>Better fixing fertilizer to soil</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Fertilizer pelleting machine</li> <li>...</li> </ul>
Harvesting	<ul style="list-style-type: none"> <li>Increasing labor productivity by mechanization</li> </ul>	<ul style="list-style-type: none"> <li>Multi-harvesters</li> <li>Combine harvester</li> </ul>
Threshing	<ul style="list-style-type: none"> <li>Changing the common practice of trampling with animals that reduces output quality by mixing dirt with grain</li> </ul>	<ul style="list-style-type: none"> <li>Mechanical thresher</li> <li>Sheller</li> </ul>

**Private sector participation is critical in developing cost-effective products**



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## Ethiopia is a rapidly growing economy with great potential for further development

*“Ethiopia...is expected to drive economic integration in the region and growth for its neighbors...Ethiopia has **laid the foundations for sustainable growth** and even emerging economy status.”*

- T. Rowe Price “Five Countries to Watch”,  
Dec 2012

*“The current **political environment is...very hospitable to investors**. Once the world knows that there is untapped investment potential, as well as continuous improvement in incentives and governance, we are bound to see more FDI in this beautiful country.”*

- CEO, MIDROC Ethiopia

*“**[Ethiopia]** is... growing very fast, very much like China looked twenty years ago [and] it seems to be very well managed top-down by a government that has a plan – it’s **essentially probably as good as it gets as an emerging economy.**”*

- BBC interview with foreign investor,  
Nov 2011



**Therefore, we welcome you to  
Ethiopia, which is the land of  
investment opportunities,  
The country very bright  
future in the making,  
let us grow together,  
Thank you very much!**