ACE Investment & Impact Advisors PLC.

AEIC ETHIOPIAN INVESTMENT COMMISSION የኢትዮጵያ ኢንቨስትመንት ኮሚሽን

Ethiopia Investment Promotion Strategy Repositioning

Sectoral Prioritization Analysis

June 2025

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Sectoral prioritization, grounded in evidence and competitiveness analysis to guide Ethiopia's FDI strategy toward high-potential sectors

Project Objective

To reposition Ethiopia's investment strategy **by identifying high-potential sectors and enhancing competitiveness** against regional peers, ultimately driving sustainable economic growth **through targeted foreign direct investment.**

Project Scope

Investment and Economic current state Analysis

- Assessment of the current state of the economy and investment climate
- Review of Previous Investment Promotion Strategy

Sectoral Competitiveness assessment

- **Prioritization of high-potential sectors** for investment
- Analysis of Ethiopia's performance in prioritized sectors **compared to regional peers**

Recommendations

- Develop sector-specific recommendations on value chains, infrastructure, and regulations to strengthen competitiveness
- Formulate **cross-cutting strategic initiatives** that benefit multiple sectors

Approach & Methodology

Document Review

Key Informant Interviews

Sectoral and Regional Competitiveness Framework

Data Analysis & Benchmarking

Ethiopia, Africa's second-most populous country, boasts a rapidly growing economy, making it one of the leading investment destination in Africa

Ethiopia: Economic and Investment Landscape

Population (2023/24) [1]

110–126.5 M

Africa's second-most [2] populous country, with a growing market and large demographic dividend

Nominal GDP [3]

$143B

One of largest economies in sub- Saharan Africa

FDI Inflow (2023/24) [5]

$3.9B

Leading investment destination in east Africa

Large market and labor force

- expansive domestic market, paired with a rapidly growing, cost-competitive labor force
- scale in demand and a deep, scalable talent pool to power long-term growth

Rapid Growth and transforming economy

- 8.1% Economic Growth in 2023/24[8]
- Fastest growth rates and bold pro-business reforms, Ethiopia's economy has become diversified, investor-ready economy.

Infrastructure Investment

- Over the past decade, Ethiopia has emerged as a **leading investment destination in Africa**, with FDI peaking at $4.17 billion in 2016/17 [10]
- FDI projects created 121,304 jobs from 2019 to 2023

1: World Bank. (2024)
2: World Bank. (2024)
3: MOPD. (2024)
4: GCA Analysis
5: MOPD. (2024)
6: EIC. (2024)
7: UNDP. (2024)
8: FDRE. (2023).HGER
9: FDRE. (2023).HGER
10: NBE. (n.d.)

Over the past six years, Ethiopia has implemented significant reforms amid various shocks, with expected positive impacts on investment attraction

Resilient Despite Multiple Shocks

COVID-19 Pandemic
Limited economic shock absorption capacity, 42% decline in industrial park sales

Internal Conflicts
Northern Ethiopia war and regional instability impacting investment reputation

Environmental Shocks
Locust infestations, droughts, and floods weakening infrastructure

Russia-Ukraine War
Supply chain disruptions and increased costs for essential imports

Powered by Strong Reform Agenda

HGER 1.0 (2019)
Addressing macroeconomic challenges and improving business environment

Ten-Year Development Plan (2020)
Strategic pillars for sustainable growth and digital economy advancement

HGER 2.0 (2024)
Modern macroeconomic framework for stability and enhanced competitiveness

Private Sector Engagement
Opening doors to greater private sector participation and increased FDI flow

Despite facing multiple shocks, Ethiopia's robust reform agenda and economic resilience make it a strong attractive investment destination poised for sustainable growth

The government has initiated a series of reforms to enhance the investment climate and open the economy for greater investment attraction

Investment & Trade Policy

- Negative-listing investment approach
- Removal of import restrictions
- Franco valuta imports liberalization

Financial Sector Liberalization

- Banking sector opening to foreign institutions
- Capital markets establishment
- Digital financial services expansion

Foreign Exchange & Monetary Policy

- Market-based exchange rate regime (July 2024)
- Removal of surrender requirements to NBE
- Interest rate-based monetary policy framework

Sectoral Liberalization & Privatization

- Telecom privatization (Safaricom license)
- Ethiopian Investment Holdings (EIH) establishment
- Opening of trade & retail sectors to FDI

Legal & Regulatory Framework

- Commercial Code revision (2021)
- Business registration & licensing digitization
- Special Economic Zones regulatory framework

Fiscal & Public Sector Reforms

- Fiscal consolidation and Subsidy reforms (fuel, wheat)
- Sustainable debt management
- State-owned enterprise restructuring (LAMC)

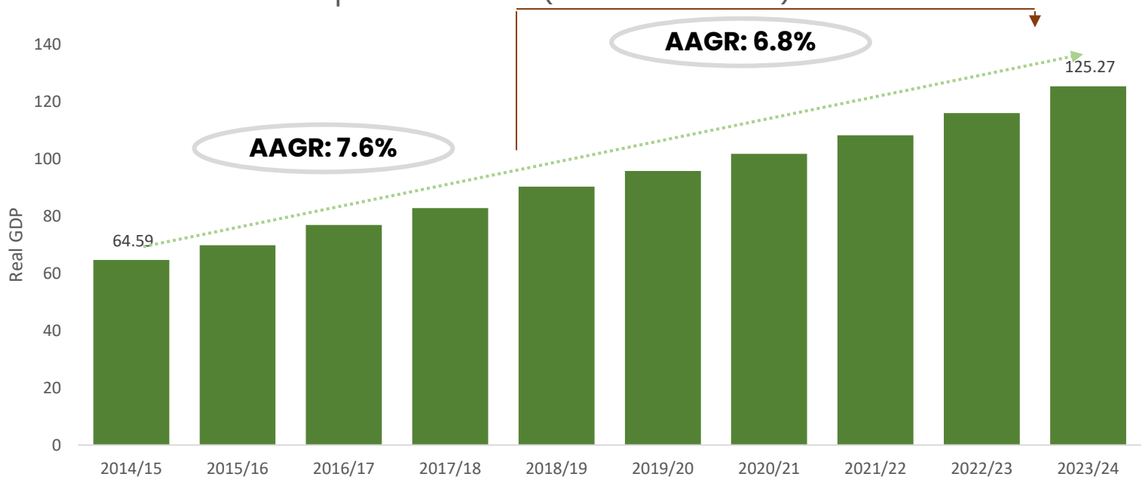
Reforms provides a comprehensive framework to enhance macroeconomic stability, boost private sector growth, and attract sustainable investment through targeted reforms across all economic sectors

Since 2018/19, Ethiopia's economy has grown by 6.8% annually in real terms, with its 2023/24 nominal GDP approximately matching the combined GDP of Kenya, Tanzania, and Rwanda

- Economic growth plays a crucial role in attracting FDI by providing location advantages**, including larger or growing markets,** that appeal to multinational enterprises (MNEs) [25]
- Ethiopia's real GDP has shown a steady upward trend, highlighting its **resilience and capacity** for continued expansion[26]

Between 2014/15 and 2023/24, Ethiopia's real GDP grew at an annual average rate of 7.6%[27]

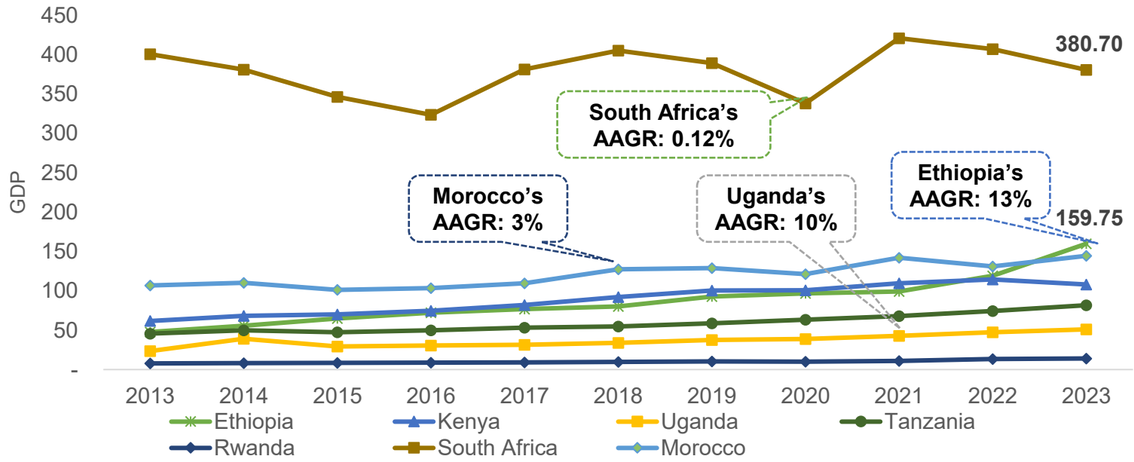
Ethiopia's Real GDP (in Billions of USD) [29 30 31]



- Despite facing various shocks, Ethiopia's real GDP grew by 6.8% following the implementation of several reforms since 2018 [34]

Its consistent growth has resulted in a nominal GDP has been significantly larger than other countries in the region[28]

Comparison of Ethiopia's Nominal GDP vs regional Economies[32 33]



Note: The values for Kenya, Tanzania, and Rwanda are based on IMF's projections.

- This highlights Ethiopia's strong and **improving GDP performance** and its **growing size relative to regional peers**

25: Ghazalian, P. (2023).
26: UNDP. (2024).
27: GCA Analysis
28: GCA Analysis
29: MOPD. (2024)
30: NBE. (n.d.)
31: NBE. (2024)
32: World Bank. (2024)
33: IMF. (2024)
34: GCA Analysis
35: Ibid.

Building on Ethiopia's wide-ranging economic reforms, the EIC has been implementing a targeted investment-promotion strategy to attract and support high-quality investors.

Ten-Year Development Plan (2020-2030)

- Fostering economic growth through sustainable investment
- Creating quality jobs and increasing export income
- Using investment promotion as a key growth tool

Investment Promotion Approach

- Hosting international and local investment events
- Providing facilitation and aftercare services to investors
- Targeted outreach to strategic investors and sectors

EIC's Investment Promotion Strategic Framework

Strategic Sectors

- Textiles and Garments
- Agro-Industry
- Leather Products
- Pharmaceuticals
- Tourism

Strategic Partnerships

- Industrial Parks
- Public-Private Dialogue Forum
- Investment Roadmap Entities
- Foreign Affairs Agents
- Regional Government Entities

Strategic Programs

- Targeted Outreach
- Facilitation
- Full-Service Aftercare
- Sector Specific Advocacy
- Country Branding

Operational Assets

- Sector Specialists
- Information System
- Inquiry Handling System
- Investor Relationship Management
- World Class Website

Also, EIC's strategy aimed to unlocks emerging sectors and dovetails with ongoing reforms, widening priority industries that harmonize Ethiopia's development goals with investor's interest

Strategy Evolution Framework

Priority sectors were selected based on dual analysis criteria:

- **Ethiopia's Development Priorities:**
  Alignment with national development goals and ability to deliver economic transformation
- **Investor Attractiveness:**
  Ethiopia's competitiveness and appeal to potential investors in each sector

Reform-Driven Expansion

- Initially focused on manufacturing and agriculture sectors aligned with GTP II priorities
- Expanded scope as new sectors to open under **Investment Proclamation** revision
- **Telecom liberalization** opened ICT and digital economy opportunities
- **Banking Business Proclamation** enabled inclusion of financial sector
- **Special Economic Zones** created new investment frameworks

Expansion of EIC Priority Sectors

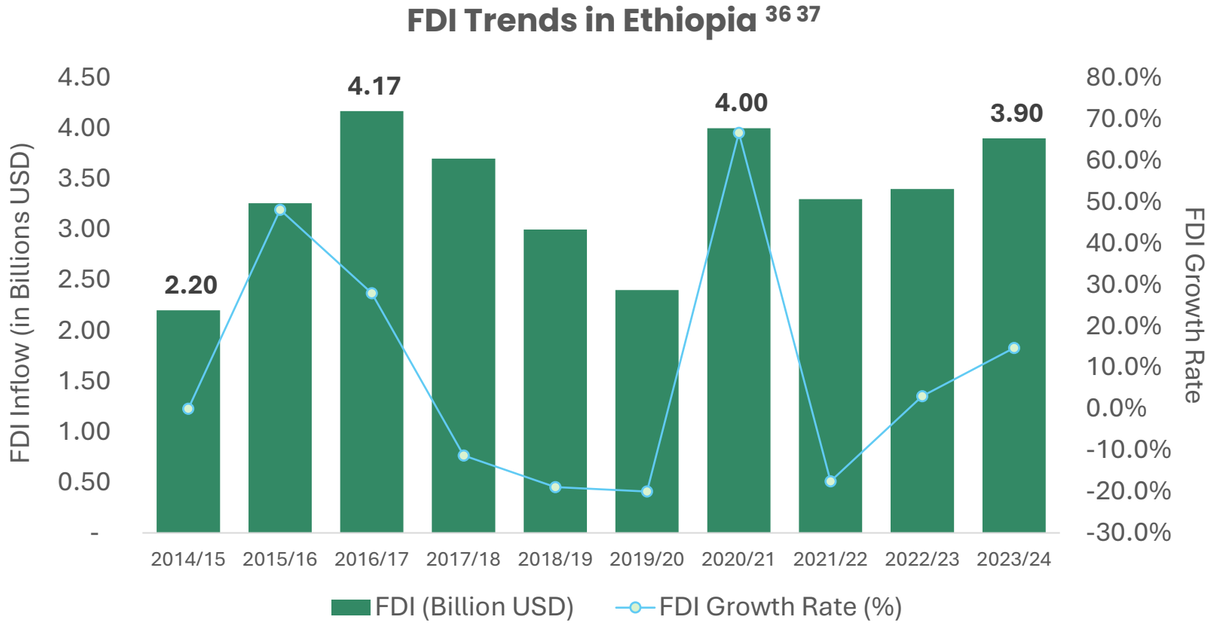
Original Priority Sectors		New Sectors Added	
Textiles & Garments	Agro Industry	Telecom	ICT
Leather Products	Pharmaceut-icals	Financial Sector	Energy
Tourism		Logistics	Trade
		Health	Mining
		SEZs	

Strategic Impact

- Comprehensive sector coverage catering to diverse investor interests
- Alignment with HGER 2.0 reform pillars and liberalization agenda
- Positioned to attract global leaders in newly opened high-value sectors

Despite an overall upward trend and intermittent fluctuations, Ethiopia's FDI has unable to meet its annual targets over the past four years

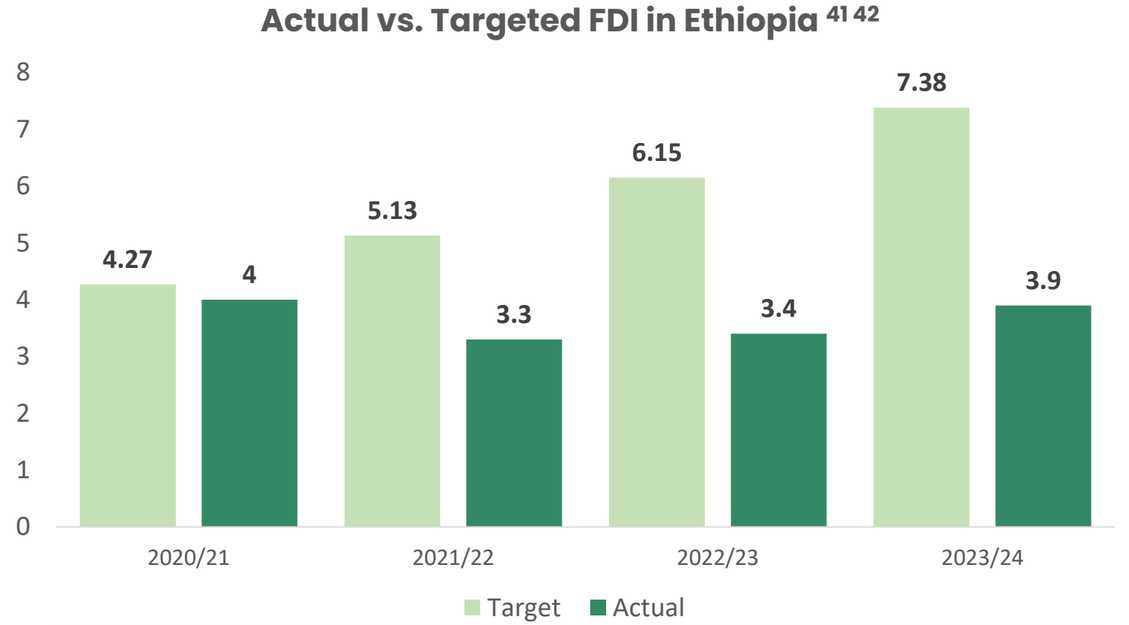
Ethiopia's FDI inflows have grown substantially, albeit with fluctuations



FDI inflows grew significantly over the decade but faced declines due to political unrest, COVID-19, and internal conflict [38 39]

Nevertheless, Ethiopia's FDI surged to about **$4.0 billion in 2020/21**, largely due to transactions such as the telecom license sale, before settling around **$3.9 billion** in 2023/24 [40]

However, it has unable to meet its targets for the past four years



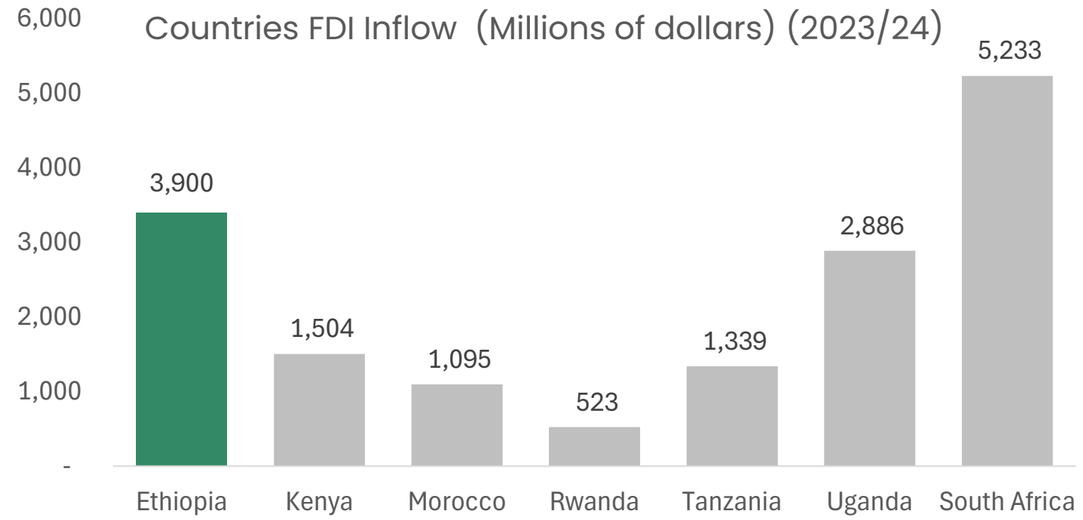
While progress has been made, Ethiopia achieved a **little more than half of its FDI target for 2023/24**, with **$3.9 billion out of the planned $7.38 billion** as part of the 10-year plan [43 44]

Encouraging progress notwithstanding, Ethiopia's Ten-Year Development Plan still requires **substantial private capital to meet its development goals.**

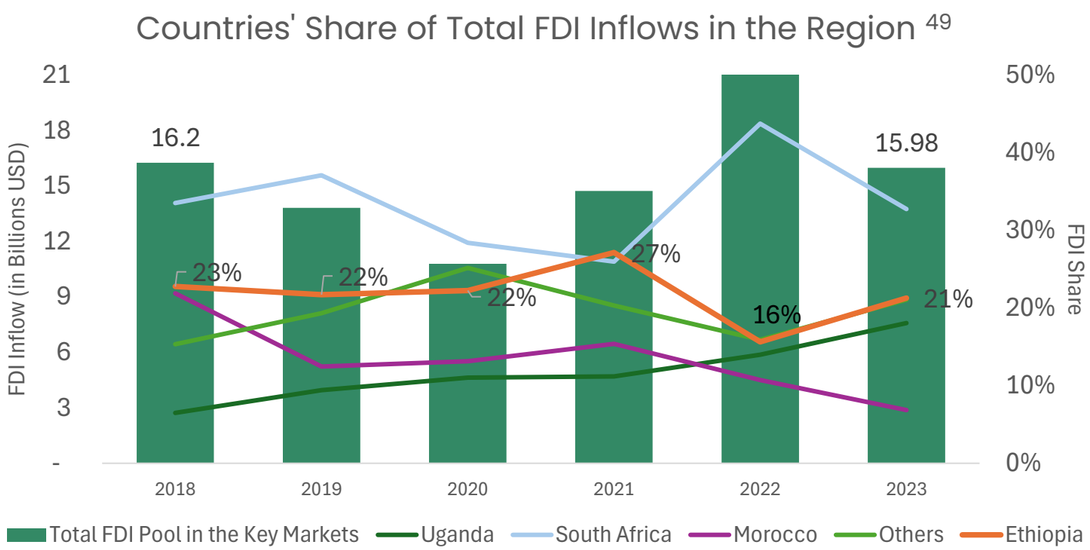
36. MoPD (2024)
37. NBE. (n.d.)
38. Ibid
39. MoPD (2024)
40. Ibid
41. EIC (2024)
42. MoPD (2024)
43. Ibid
44. EIC (2024)

Ethiopia continues to strengthen its appeal as a national investment hub, surpassing almost all regional peers except South Africa, with no signs of FDI being diverted elsewhere

Ethiopia emerges as second-highest FDI recipient in 2023 among its regional peers



While looking at the FDI pool, Ethiopia's share has fluctuated, but has shown no indication of capital flight



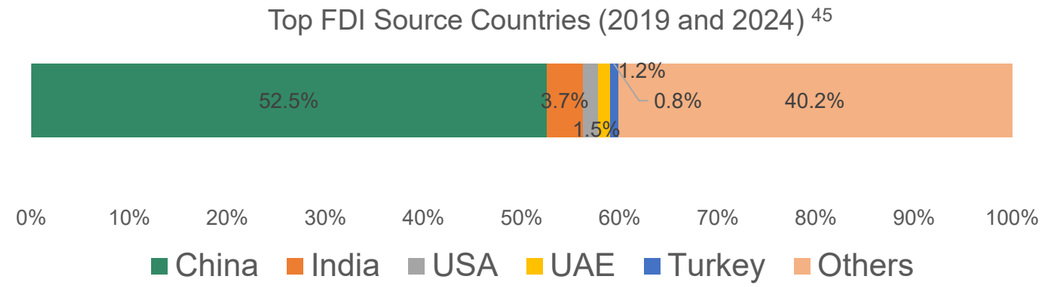
- In 2023, Ethiopia **attracted $3.9 billion in FDI**, outperforming all selected African countries Including, Kenya, Morocco, Rwanda, Tanzania, and Uganda, except South Africa, which led with $5.2 billion
- This strong inflow reflects Ethiopia's growing appeal as a **regional investment hub,** driven by sustained investor interest despite economic and political challenges

- Total FDI across Ethiopia, Kenya, South Africa, Morocco, Tanzania, and Rwanda declined from USD **16.2 billion in 2018** to USD **15.98 billion in 2023**
- Ethiopia's FDI share peaked at 27% in 2021, dropped in 2022, and rebounded in 2023, reflecting **volatility** but **not a shift of capital** to other countries

47. MoPD
48. UNICTAD
49. GCA Analysis using data from UNCTAD (2024) and MOPD (2024).

Notably, while Ethiopia has fallen short of its FDI targets, it has continued to attract a growing share of Chinese investment in the region, underscoring its relative competitiveness

China has long been the dominant force in Ethiopia's FDI landscape, playing a central role in financing major projects



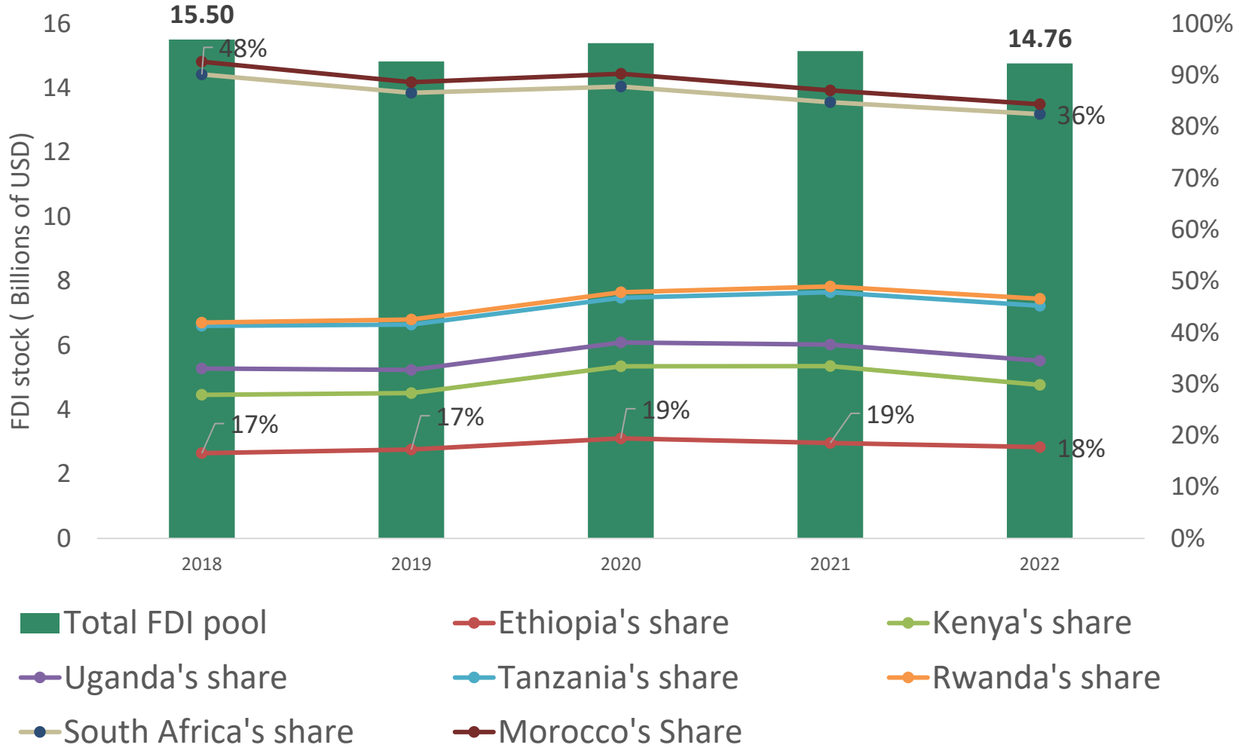
China has been **the largest investor,** accounting for more than 50% of licensed projects

India follows as the **second-largest contributor**, although at a lower share of just under 4%

Other key investors, including **Turkey, the UAE, and the US**, represent a more modest portion

Joint ventures with Ethiopian partners make up **nearly 27 % of licensed projects**, underscoring investors' rising appetite for local expertise.

Although China's overall FDI stock in the region has declined, Ethiopia's share remains stable



- China's overall FDI stock in these seven African countries **slightly declined** from USD 15.5 billion in 2018 to USD 14.7 billion in 2022
- On the other hand, Ethiopia's share rose from **17% to 18%,** highlighting the country's attractiveness

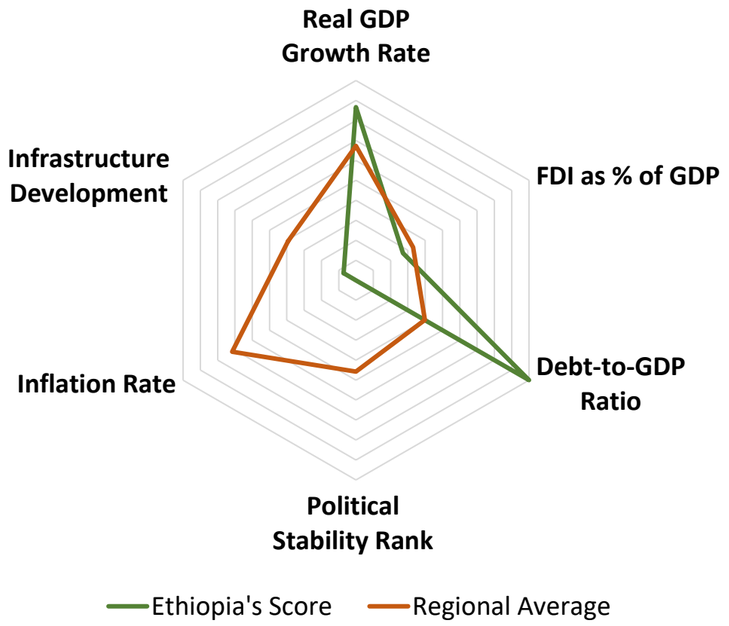
45. EIC. (2024)
46. GCA Analysis based on Johns Hopkins University SAIS China-Africa Research Initiative. (2024)

However, it will need to improve its infrastructure development and address high inflation, where it remains below regional peers

Ethiopia maintains competitive advantages in real GDP growth and deb-to-GDP ratio but lags in key areas including infrastructure, political stability, and inflation compared to regional peers

Indicator	Ethiopia	Kenya	Rwanda	Uganda	Tanzania	Morocco	South Africa
Real GDP Growth Rate (2023) [50] [51]	7.2%	5.6%	8.2%	5.3%	5.1%	3.4%	0.7%
FDI as % of GDP (2023) [52] [53] [54]	2.1%	1.4%	3.7%	5.6%	1.7%	0.8%	1.4%
Debt-to-GDP Ratio (2024) [54]	38.74%	73.10%	64.4%	51.03%	46.87%	69.47%	73.36%
Political Stability Rank (2024) [56]	144	122	92	126	65	79	127
Inflation Rate (2023) [57]	30.2%	7.7%	19.8%	5.4%	3.8%	6.1%	6.1%
Infrastructure Development (2023) [58]	8.8	7	18.3	13.4	21.3	17.1	32.1

High Moderate Low



50. MoPD. (2024)
51. WDI. (2024)
52. MoPD. (2024)
53. UNCTAD. (2024)
54. IMF. (2024)
55. Global Peace Index. (2024)
56. IMF. (2024)
57. World Bank. (2024)
58. Global Innovation Index. (2023)

Despite reforms and progress, investors face significant challenges across multiple dimensions that continue to limit Ethiopia's full potential for FDI attraction

Key Challenges for Investment

Infrastructure & Logistics [67] [68]

- Landlocked status with port congestion and high logistics costs
- Frequent power outages affecting manufacturing operations
- Road density (149.3 km/1,000 km)

Land & Regulatory Hurdles [68]

- Complex land acquisition process with frequent disputes
- Bureaucratic inefficiencies and slow licensing procedures
- Unpredictable regulatory environment with frequent policy shifts

Financing and FX facilitation [69]

- While exchange issue resolved, liquidity challenges
- Limited financial sector capacity and insufficient capital markets
- Capital control

Talent and fair competition [70] [71] [72] [73]

- Skill shortages in manufacturing and service sectors
- In the past, SOE dominance limiting private sector competition
- Policy predictability and consistency

Market & Trade Access [74] [75]

- Slow implementation of AfCFTA benefits
- Complex customs procedures impeding trade efficiency
- Yet to Join WTO

Institutional Challenges [76] [77] [78]

- Horizontal and vertical Coordination limits access to key investor information
- Weak system to track investors weakens the pipeline
- Security risk assessment

Accordingly, we will conduct a sector-by-sector assessment to highlight Ethiopia's existing competitive advantages, while also mapping the specific reforms and investments required

67. U.S. Department of State. (2024)
68. UNDP. (2023).
69. Behailu, D. (2015).
70. U.S. Department of State. (2024)
71. ITA. (2024)
72. Tekleselassie, T.G. (2018)
73. EIC. (2023).
74. Siraye, Z. (2023).
75. Demamu, A.Y. (2024).
76. Nyulaw Global (2024).
77. EIC. (n.d).
78. EIC. (n.d).

Target sectors for investment promotion were identified through a comprehensive methodology combining stakeholder input, policy review, and the Competitiveness analysis

To identify high-potential sectors for targeted investment promotion, we developed a comprehensive analytical methodology combining qualitative research and quantitative frameworks:

Harvard Competitiveness Framework: Four Key Dimensions[79]

Factor Conditions

Natural resources, labor, infrastructure, & specialized skills that provide comparative advantages

Key Indicators: Low-cost labor, skilled workforce, natural resources, infrastructure

Demand Conditions

Size and characteristics of local market demand that drive industry growth and innovation

Key Indicators: Market size, trade volume, living conditions, economic complexity

Related & Supporting Industries

Presence of supplier networks & complementary industries that enhance competitiveness

Key Indicators: R&D capacity, financial markets, clusters, supply chains

Firm Strategy & Rivalry

Competitive environment that shapes how firms are created, organized, and managed

Key Indicators: Property rights, political stability, business policies, regulations

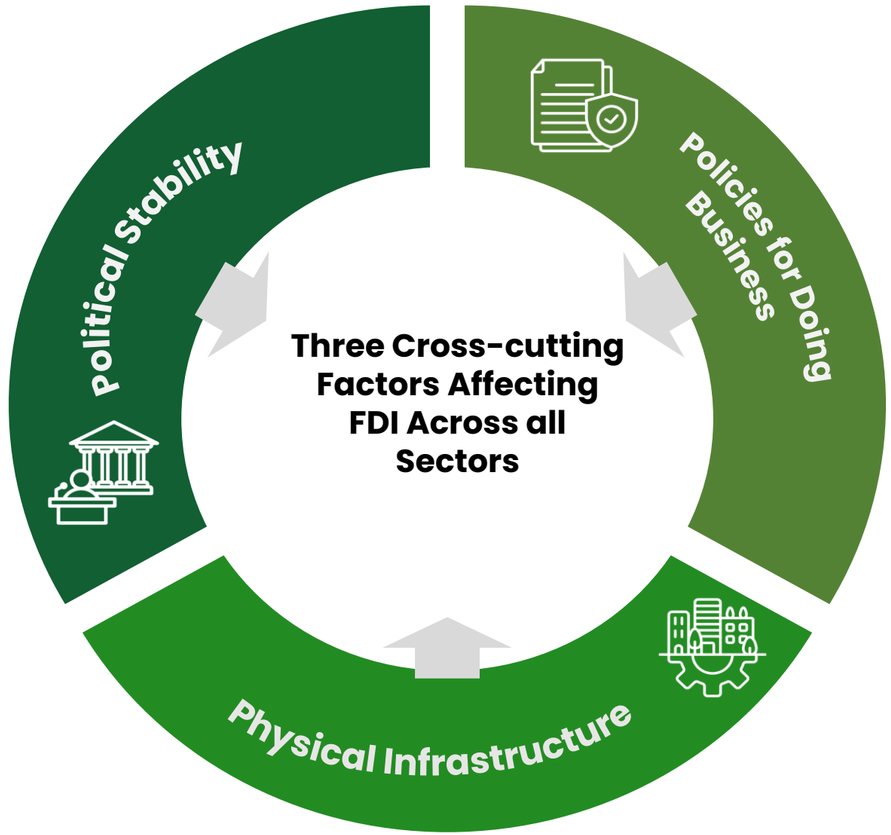
Methodological Approach

Using this comprehensive approach, evaluated 16 sectors across 25 indicators (after isolating 3 cross-cutting factors) to identify the most promising sectors for investment promotion in Ethiopia.

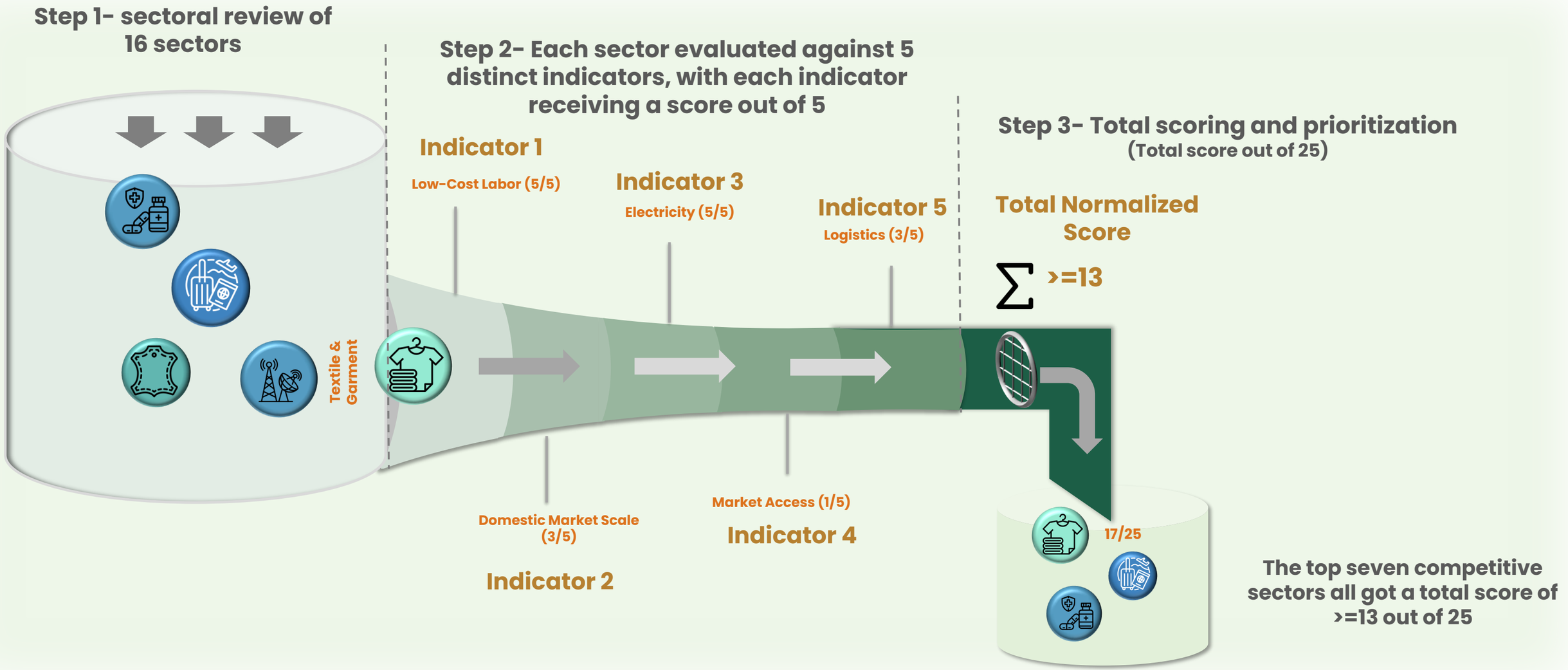
79. Harvard Business School. (n.d.).

Our framework assessed 16 sectors against 25 performance indicators, normalized for three cross-cutting factors, to pinpoint the sectors with the strongest investment potential

- Textile and Garment
- Leather and Leather Products
- Pharmaceuticals
- Agro-Industry
- Tourism
- Mining
- Digital Economy
- Telecom and ICT Sector
- Commercial Agriculture
- Transport and Logistics
- Real Estate
- Financial
- Health Sector
- Wholesale and Retail Sector
- Energy Sector
- Education Sector



The top competitive sectors were assessed using the five investor-priority indicators from the 25 Harvard Indexes for each sector, each scored out of 5, with a total possible score of 25



The top seven competitive sectors all got a total score of >=13 out of 25

Seven competitive sectors scoring ≥13/25 were selected based on favorable investment conditions, while Mining, Renewables, and Agro-Processing also show high potential to attract FDI

Based on the Harvard Competitiveness Framework assessment, these sectors demonstrate Ethiopia's strongest competitive advantages

Textile & Garment

Key Indicators

- Low-cost Labor [80]
- Market Size [81]
- Electricity [82]
- Logistics [83]
- Market Access [84]

17/25

Real Estate

Key Indicators

- Property Rights [85]
- Labor Cost [86]
- Market Size [87]
- Urban Land [88]
- Finance [89]

17/25

Commercial Agriculture

Key Indicators

- Arable Land [90]
- Labor Cost [91]
- Market Access [92]
- Logistics [93]
- Market Size [94]

15/25

Leather Products

Key Indicators

- Clusters [95]
- Livestock [96]
- Transport [97]
- Market Access [98]
- Labor Cost [99]

14/25

Telecom & ICT

Key Indicators

- Market Size [100]
- IP Rights [101]
- ICT Infrastructure [102]
- Skilled Labor [103]
- Electricity [104]

14/25

Pharmaceutical

Key Indicators

- Market Size [105]
- Logistics [106]
- Skilled Labor [107]
- R&D [108]
- Standards [109]

13/25

Tourism

Key Indicators

- Finance [110]
- Sustainability [111]
- Transport [112]
- Skilled Labor [113]
- Market Size [114]

13/25

Three Additional Sectors with a Potential to Attract FDI

Mining (12/25)

High potential with reserves of gold, potash, gemstones

Current State: Ethiopia has rich minerals and rising investor interest [115]

Reform Areas: Improve efficiency, investment, transport, clusters, and skills

Energy (11/25)

Vast renewable resources including hydro, wind, and solar

Current State: Ethiopia has strong renewable potential, [116]

Reform Areas: modernize the grid, diversify sources, and grow regional trade

Agro-Industry (11/25)

Strong potential leveraging agricultural base and IAIPs

Current State: Agro-processing supports industry through agriculture and parks [117]

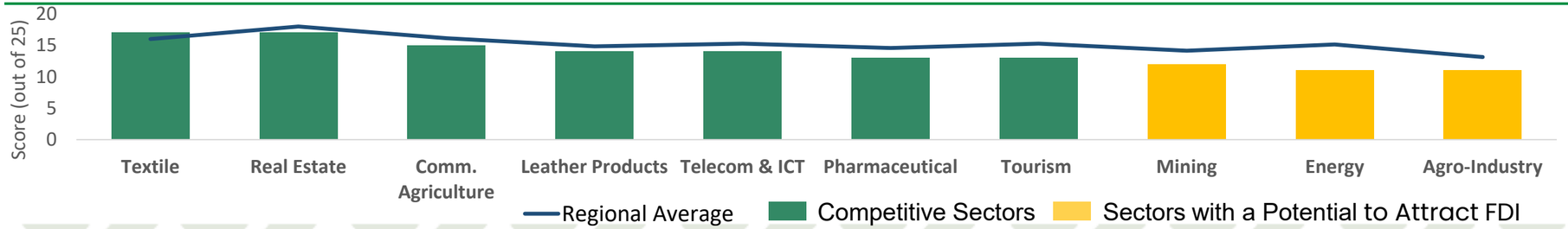
Reform Areas: Strengthen value chains, logistics, exports, and investment

Compared to regional peers using the sectoral prioritization framework, Ethiopia excelled in three sectors but lagged in seven, necessitating targeted improvements

Sectors	Ethiopia's Rank	Ethiopia	Kenya	Rwanda	Uganda	Tanzania	South Africa	Morocco
Highly Competitive Sectors								
Textile and Garment	2nd	17	14	13	16	15	21	16
Real Estate	4th	17	17	16	19	19	21	17
Leather and Leather Products	4th	14	16	13	14	15	18	14
Less competitive but high potential sectors								
Commercial Agriculture	5th	15	17	15	14	16	18	18
Agro-Industry	5th	11	14	10	11	12	19	15
Pharmaceutical	5th	13	16	12	13	15	18	15
Telecom and ICT	6th	14	15	13	15	15	18	17
Mining	6th	12	15	13	15	15	17	12
Tourism	7th	13	16	14	15	14	19	16
Energy	7th	11	17	13	14	14	19	18

Score Legend: 21-20 Excellent | 9-17 Very Good | 16-14 Good | 13-11 Moderate | 10-0 Poor

Based on the sectoral competitiveness analysis, the 10 priority sectors were compared against regional averages to assess relative performance



With the exception of the textile sector, Ethiopia has **consistently scored below** the regional average. Emphasizing targeted intervention needs

To boost competitiveness and attract investors, Ethiopia must upgrade infrastructure, streamline policies and digital land systems, develop industrial clusters, and enhance workforce capabilities

Infrastructure Upgrades

- ✓ Expand **cold storage and cold storage chains**
- ✓ Modernize **power grids and transport infrastructure** to support renewable energy and tourism
- ✓ Accelerate **fiber-optic and 5G rollout** to boost connectivity

Relevant Sectors

Tourism, Energy, Commercial Agriculture, Pharmaceutical, Telecom/ICT

Policy and Digitalization

- ✓ Strengthen **IP laws** to protect tech innovations
- ✓ Simplify **energy licensing and land tenure** to attract investors
- ✓ Streamline reg**ulatory systems via e-gov't and Harmonize investment** codes across regions

Relevant Sectors

Real Estate, Telecom & ICT, Pharmaceutical, Commercial Agriculture

Value Chain Integration

- ✓ Develop **sector-specific industrial clusters**
- ✓ Strengthen **local supplier development** programs
- ✓ **Incentivize vertical integration** in priority sectors

Relevant Sectors

Agro-Industry, Textile & Garment, Leather, Mining, Commercial Agriculture, Tourism

Workforce Development

- ✓ Align **vocational training** with industry needs such as: textile, mining, leather
- ✓ Specialize **hospitality programs** using global best practices
- ✓ Encourage **university-industry** collaboration

Relevant Sectors

Mining, Tourism, Textile & Garment, Telecom & ICT, Leather

FDI Facilitation & Aftercare

- ✓ Implement automated investor tracking system
- ✓ Establish high-level investor issue resolution
- ✓ Create targeted sector-specific promotion
- ✓ **Expand hubs** with incentives to attract investment

Relevant Sectors

Real Estate, Pharmaceutical, Energy, Textile & Garment, Agro-Industry, Mining

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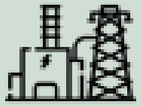
Most sectors open to FDI have begun earning moderate exports, though below their potential. The new reforms aim to maximize their Outputs(1/2)

Sectors	Brief Description	Export	FDI
Textile and Garment[251] 	– Ethiopia's textile and garment industry **has expanded four-fold since 2020,** with **competitive advantages in low-cost labor, renewable energy-powered industrial parks, and preferential trade access** (AGOA, EBA). Major global brands, including Calvin Klein and Tommy Hilfiger, operate in eco-friendly industrial parks like Hawassa.	– Generated over USD 140 million in exports, in 2020	– Attracted significant FDI through tax holidays, duty-free imports of machinery, and the provision of "plug-and-play" industrial parks for foreign investors.
Leather and Leather Products[252] 	– Ethiopia, the **largest livestock producer in Africa,** processes 4 million salted hides and 20 million skins annually. With globally recognized high-quality sheepskins, the sector benefits from low production costs and strong government incentives.	– **Leather exports total USD 69.5 million annually in 2019**, with an additional USD 38.5 million from footwear exports (7.81 million pairs).	– Investment potential is bolstered by 100% duty exemptions, preferential financing, and affordable labor, attracting foreign manufacturers in leather goods and footwear.
Pharmaceutica[253] 	– **Ethiopia's pharmaceutical market, valued at $500 million annually, is growing at 25% per year**. However, local manufacturers supply only 90 out of 380+ essential medicines, **with 96% of medical devices imported to meet $383 million in demand (2020).**	– Limited, **as the sector is largely dependent on imports** for both medicines and medical devices.	– Attracted by investment-friendly policies, including tax exemptions and procurement preferences, but remains underdeveloped due to the heavy reliance on import
Agro-Industry[254] 	– **Four Integrated Agro-Industrial Parks (IAIPs) offer ready-to-use infrastructure and services** to support Ethiopia's agro-industry. However, **Agro-industries only contribute 5% to GDP**.	– Focuses on value-added products like coffee, wheat, sesame, and dairy to enhance export opportunities.	– Targeting $1.5 billion in investments and aiming to generate 400,000 jobs and 400 new businesses.

Sectors
Textile and Garment[251] 
Leather and Leather Products[252] 
Pharmaceutica[253] 
Agro-Industry[254] 

Sectors
Tourism[255] 
Mining[256] 
Digital Economy[257] 
Telecom and ICT Sector[258] 

Sectors
Commercial Agriculture[259] 
Transport and Logistics[260] 
Real Estate[261] 
Financia[262] Sector 

Sectors
Health Sector[263] 
Wholesale and Retail Sector[264] 
Energy Sector[265] 
Education Sector[266] 

Most sectors open to FDI have begun earning moderate exports, though below their potential. The new reforms aim to maximize their Outputs (2/2)

Sectors	Brief Description	Export	FDI
Tourism[255] 	– Ethiopia's tourism industry generated $4.23 billion in 2021, **contributing 5% of GDP and 34.3% of total exports, and supported 1.56 million jobs (2.9% of total employment**). The sector recovered strongly after a 74% drop in tourist arrivals in 2020 due to COVID-19 and political unrest, with a 255% increase in arrivals between July and September 2021.	– Contributed 34.3% ($4.23 billion) to total exports in 2021.	– Investments are being encouraged through initiatives like the National MICE Strategy and urban development projects (e.g., Beautifying Sheger).
Mining[256] 	– Ethiopia's mining sector, with abundant resources like gold, potash, and tantalum, is growing rapidly, contributing to industrial development and exports. **It grew by 115% in 2021, generating $672 million in gold exports, a 25-fold increase in two years, and created 54,000 jobs in 2020.**	– **Gold exports brought in $672 million in 2021**, showcasing significant growth in earnings.	– Attracting international interest due to improved policies, streamlined regulations, and a focus on mining sector under the Home-Grown Economic Reform Agenda
Digital Economy[257] 	– Ethiopia’s digital economy is **in its early stages, contributing 8% of GDP through the telecommunications sector as of 2023**. However, challenges like low venture capital funding, limited ICT services exports, and low broadband subscription rates (7.1%) highlight significant growth potential**. Efforts to expand internet and mobile** penetration have shown promise, **with mobile subscriptions reaching 60% in 2017 and 4G coverage at 33% by 2023.**	– ICT services exports contribute **3% of Ethiopia’s total services exports.**	– Ethiopia lags in attracting FDI for digital startups compared to regional peers, accounting for only 6% of East Africa's venture capital funding.
Telecom and ICT Sector[258] 	– **The telecom and ICT sector contributes about 2% to Ethiopia's GDP, below the regional average of 4%.** Reforms since 2018, including ending the telecom monopoly and granting Safaricom Ethiopia its first private operator license, have attracted FDI		– Attracted FDI from firms like Huawei, ZTE, and Safaricom, with Safaricom contributing significant investments.

Recently liberalized sectors unlike previously opened sectors are characterized by low exports and low FDI except Agriculture. But the reform aims to address these (1/2)

Sectors	Brief Description	Export	FDI
Commercial Agriculture[259] 	– Ethiopia's **agricultural exports contributed $2.6 billion in 2022, representing 59% of total exports**. Coffee alone generated $1.5 billion. Despite having 74.3 million hectares of arable land, agriculture has **attracted only 55 FDI projects (4.89% of the total) between 2019 and December 2023, showing limited foreign investment.**	– **Contributed $2.6 billion** in 2022, **led by coffee, flowers, vegetables, sesame seeds,** and pulses.	– **Agriculture attracted only 4.89% of FDI projects between 2019 and 2023**, lagging behind sectors like manufacturing.
Transport and Logistics[260] 	– Ethiopia's transport and logistics sector**, historically dominated by the public sector,** has recently undergone liberalization, creating new opportunities for private investment. **Ethiopian Airlines plays a pivotal role. Infrastructure projects like logistics cities, dry ports, and the Addis-Djibouti railway further enhance Ethiopia's strategic** logistical position.	– Transport services contributed $7.22 billion in 2023, representing 78.73% of total service exports.	– Despite its potential, **the sector attracted only 10 FDI projects (less than 1% of total FDI** projects) between 2019 and 2023.
Real Estate[261] 	– Ethiopia's real estate sector **has grown significantly, driven by urbanization,** population growth, and economic progress, with a **projected annual growth rate of nearly 10% from 2024 to 2028**. The sector has contributed 12.5% to GDP growth over the past decade, supported by an 8.9% expansion in real estate and construction.		– Reforms enabling foreign ownership are expected to transform the sector, drawing lessons from Mauritius, where real estate dominates FDI.
Financia[262] **Sector** 	– Ethiopia's financial sector, **dominated by banking (96.1% of the financial system),** has seen growth but **remains underdeveloped**, with total assets reaching 3,409.4 billion Birr in 2024. The sector was historically closed to foreign investment, but a significant shift in 2024 introduced reforms under HGER 2.0, allowing foreign banks to enter.		– The recent Banking Business Proclamation opens the sector to foreign investment, drawing parallels to Kenya's success in attracting FDI to its financial sector.

Recently liberalized sectors unlike previously opened sectors are characterized by low exports and low FDI except Agriculture. But the reform aims to address these (2/2)

Sectors	Brief Description	Export	FDI
Health Sector[263] 	– Ethiopia's health sector has made significant progress due to government investments. However, challenges such as uneven access to care, communicable and non-communicable diseases, lack of foreign exchange for importing medical equipment, bureaucratic delays, and skilled manpower shortages persist. **The sector's GDP contribution grew by 11%, from 29.4 billion Birr in 2021/22 to 32.65 billion Birr in 2022/23**.		– Between 2019 and 2023, **only 13 health-related projects were initiated, with five operational**, creating 185 jobs and capital investment totaling 748.4 million Birr.
Wholesale and Retail Sector[264] 	– **The wholesale and retail sector is Ethiopia's largest services sector, contributing 15% to GDP and employing over 42% of the active population**, with high female participation. It remains dual-structured, with traditional wholesalers coexisting alongside modern retail chains. The sector's GDP contribution rose by 7.6%, from 327.26 billion Birr in 2021/22 to 352.24 billion Birr in 2022/23.		– Recent reforms allow foreign investment in previously restricted trade areas, reshaping the sector. These reforms are expected to increase foreign participation.
Energy Sector[265] 	– Ethiopia's energy sector is crucial to economic growth, **with vast renewable energy potential: 45,000 MW in hydropower, 10,000 MW in geothermal, and 1.3 million MW in wind**. However, the sector remains heavily reliant on hydropower (96.7% of generation in 2022/23), which is vulnerable to drought. The government is diversifying into wind, solar, and geothermal energy.	In 2022/23**, electricity exports accounted for 2.7% of total merchandise export** earnings, with 1,750 million KWH exported.	– **FDI is being encouraged through PPPs and incentives** like offshore accounts and forex guarantees. Countries like China, Italy, and India are key partners.
Education Sector[266] 	– Education has been a priority for Ethiopia since the introduction of the Education and Training Policy in 1994**. The government has made progress, achieving an 88.7% net enrolment rate in primary education in 2021/22**. However, challenges persist, including poor learning outcomes—90% of 10-year-olds cannot read or comprehend basic text—alongside rural education disparities.		– Between 2019 and 2023, six education-related FDI projects were initiated, with two operational, contributing 28.3 million Birr in capital investment.