

ETHIOPIA

A NEW INVESTMENT FRONTIER IN AFRICA



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1. Introduction

Ethiopia is strategically located in Northeast Africa, approximately between latitude 43°N and 15° N and longitude 33° N and 48°E. The territory of Ethiopia covers about 1,133,700 (1.14millions) square kilometers. Ethiopia shares border with five East African countries - a long borderline in the West and Northwest with the Sudan, in the North with Eritrea and in the South with Kenya, in the East and Southeast with Somalia and in the East with Djibouti.

Ethiopia is a country enjoying great geographical features ranging from highest peak at Ras Dashen (4,550 meters above sea level), to the Afar Depression (125 meters below sea level). There are broadly three climatic zones; the 'kola' or hot lowlands (below approximately 1,500 meters), 'weyna Dega' (1,500-2,400 meters) mean annual temperatures range from 10-16°c in the 'Dega', 16-29°c in the 'Weyna Dega' and 29-33°c in the 'Kolla'. In general, the highlands receive more rain than the lowlands.



Ras Dashen – the highest peak in Ethiopia



Map of Ethiopia

The capital city of Ethiopia, Addis Ababa is located at 9°03' latitude and 38°42'E longitude, situated roughly in the center of the country. Addis Ababa is recognized as the diplomatic capital of Africa. It was made the headquarter of United Nations Economic Commission for the Africa (ECA) in

1958 and later 1963, chosen to be the seat of the organization of African Unity, now officially transformed into African Union (AU). This was made possible due to Ethiopia's position as a symbol of independence and freedom in the African continent and its efforts

over the years to bring about unity among Africans.



The Headquarters of the African Union in Addis Ababa

According to Population and Housing Census conducted by the Central Statistical Authority (CSA) of Ethiopia in 2007, the total population of Ethiopia was 76.9 million which makes it the Second largest population in Africa next to Nigeria. Of the total number of population, 49.5% and 50.5% are female and male respectively. In Ethiopia 45.0% of the population is under the age of 15 years, 51.9% between the ages of 15 and 59 years and

only 3.2% of the whole population are aged 60 years and above. Therefore, the youth account for a large percentage of the Ethiopian population.



The Headquarter of the United Nations Economic Commission for Africa (UNECA)

The population comprises more than 80 nationalities speaking about 83 languages and several dialects. Amharic is the official language of the Federal Democratic Republic of Ethiopia. English is the medium of instruction in secondary schools, colleges and universities and is widely used in business, particularly in banking and insurance.



Panoramic View of the Capital City Addis Ababa (which means New Flower)

2. The Ethiopian Economy

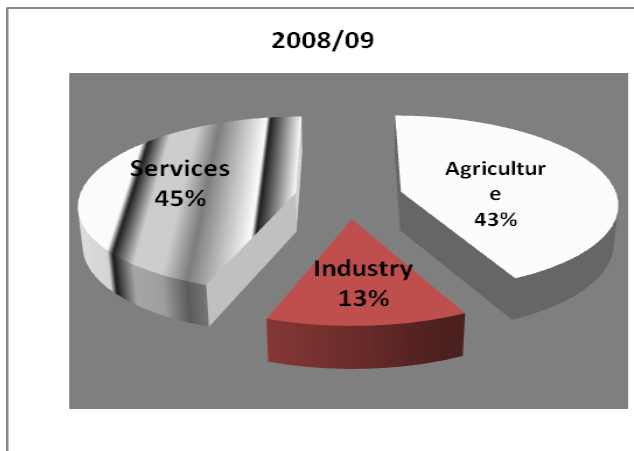
The mainstay of the Ethiopian economy is the agricultural sector, which accounts for about 43% of the GDP. An estimated 85% of the population gains its livelihood directly or indirectly from agricultural production. The agricultural sector is also the main source of Ethiopia's export commodities. Coffee is Ethiopia's major export commodity accounting for 26% of the

country's foreign exchange earnings, while oilseeds accounted for 24% in 2008/2009. Other Ethiopian export items include, among others, leather and leather products, meat (Canned and frozen), flowers, fruits and vegetables, pulses and gold.

The share of the agricultural sector in the overall Ethiopian economy has

shown decline over the last couple of years. While the share of the Industrial sector remains more or less stable accounting on average for 13.4% of the total GDP in the last six years, the share of the service sector has significantly increased accounting for 45.1% of the GDP in 2008/2009.

Sectoral Distribution of GDP



Source: MOFED

Some of the industries in Ethiopia are food processing and beverages, automotive industries which include production of components and parts, textile and textile products and garments, leather and leather products, fertilizers (mini-Plant) and chemicals, drugs and pharmaceuticals among

others. On the other hand, the "service" sector consists of trade, transport and communications, banking, insurance and real state, health, domestic and other personal services.

The Ethiopian government has adopted an Agricultural Development Led Industrialization (ADLI) policy and strategy which aims to extricate the Ethiopian people from poverty and ensure rapid economic growth and development in the country. The government's vision is for Ethiopia to achieve the Millennium Development Goals (MDGs) in 2015 and join the ranks of middle income countries in the next two decades. In this respect, enormous progress has been achieved in terms of reducing poverty and improving the people's livelihood. In the last six consecutive years, the Ethiopian economy has registered on average 11.5% growth which indicates that the country is indeed on the right development trajectory. During the same period, the agriculture, Industry

and service sectors grew on average by 10.8%, 10.1% and 13%, respectively.

Sector of the Economy	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	Average
Real Growth Rates							
Real GDP Growth	11.7	12.6	11.5	11.8	11.2	9.9	11.5
Agriculture	16.9	13.5	10.9	9.4	7.5	6.4	10.8
Industry	11.6	9.4	10.2	9.5	10.0	9.9	10.1
Services	6.3	12.8	13.3	15.3	16.0	14.0	13.0
Percentage Shares							
Agriculture	47.0	47.4	47.1	46.1	44.6	43.2	45.9
Industry	14.0	13.6	13.4	13.2	13.0	13.0	13.4
Services	39.7	39.7	40.4	41.7	43.5	45.1	41.7
GDP at Current Market Prices (Growth Rate)	18.0	22.9	23.6	30.6	44.5	35.2	29.1

Source: MOFED

As can be seen from the above table, Ethiopia's total GDP has doubled compared to 2003/2004 as a result of the country's fast economic growth in the last six years. Although the global economic crisis had negatively impacted upon the Ethiopian economy particularly affecting export, remittances and capital flows, the country has managed to register 9.9% economic growth in 2008/2009. As the

global economy has started signs of recovery, the Ethiopian economy is expected to register robust growth this year. In its statement issued on the 24th of March 2010, the International Monetary Fund (IMF) reaffirmed that "good progress was made in the first half of 2009/2010 in macroeconomic stabilization" and that "the economic outlook remains generally favorable with continued strong growth expected". According to the Economist magazine,

Ethiopia is also forecast to be one of the five fastest growing economies in the

world in 2010.

3. Governance in Ethiopia

The Federal Democratic Republic of Ethiopia was established in 1995 as a result of the adoption of a new constitution which introduced a Federal System in the country composed of the Federal Government, Nine National Regional States and two chartered cities.

and the House of Federation. The Federal Government is composed of the Legislative, the Executive and the Judiciary. The House of People's Representatives is the highest authority of the federal government.



Ethiopian Prime Minister H.E. Mr. Meles Zenawi addressing the Parliament

Ethiopia has also instituted a parliamentary form of government with a bicameral parliament comprising of the House of People's Representatives



Members of the Ethiopian Parliament exercising their vote

Since the EPRDF assumed power in 1991, Ethiopia has enjoyed peace and stability over the last two decades. This has also ushered in a new era of democratic dispensation. In this regard, the country has conducted three national and regional elections in a

successful manner. At this juncture, the country is preparing to hold the fourth

national and regional elections in May 2010.

4. Investment Opportunities

Ethiopia is endowed with immense natural resources. Geographical studies have proven that the country has not only a significant amount of rare and precious minerals but also possesses vast deposits of construction minerals.



Tantalite belt in southern Ethiopia

Due to its enormous water resources, Ethiopia is referred to as the “Water Tower of Africa”. The existence of vast and potentially irrigable land coupled with wide-ranging agro-climatic zones and rich fertile soil also makes the country suitable to grow all types of

cereals. Moreover, the country has the largest number of heads of cattle in Africa. All these resources no doubt offer huge potential for investment in the country.



Block of gray limestone in Harar

It has been a while since Ethiopia has opened its door for business. The downfall of the Derg regime has ushered in a new era in terms of the country’s economic development. Ethiopia has adopted market oriented economic policy in order to bolster its economic

growth. Particularly, efforts have been made to create a conducive climate for investment with a view to stimulating rapid economic growth and development in the country. In this respect, a liberal investment code has been enacted to promote both domestic and foreign investment, which provides a number of incentives including tax holidays, duty exemption and free remittance of funds as well as retention of foreign exchange earnings. Accordingly, foreign investors are allowed to invest in a broad range

of economic activities. They can have up to 100% equity ownership of new investments or invest jointly with domestic entrepreneurs. Ethiopia has ratified the convention establishing the Multilateral Investment Guarantee Agency (MIGA) and investors are legally protected against expropriation and nationalization. Moreover, Ethiopia has signed bilateral investment promotion and protection agreement with a number of countries.



Blue Nile Falls



Television Assembly Plant

The availability of cheap and easily trainable labor force in the country gives investors comparative advantage in labor intensive industries such as textile, garment, leather and leather products. The country's geographical proximity to the Middle East and European markets provides ample opportunities for its exports. Ethiopia is a member of COMESA, a regional economic grouping of Eastern and Southern African countries with a total population of around 430 million, also offers substantial market opportunities.



Corrugated Iron Sheet manufacturing plant

Moreover, the country is benefiting from new market access opportunities given to Least Developed Countries by the United States (Africa Growth Opportunity Act (AGOA)) and the European Union (Everything but Arms (EBA)), among others. With about 56 destinations in different parts of the world, Ethiopian Airlines offers excellent passenger and cargo air transport services. 90% of Ethiopia's import and export is handled by marine transport and Ethiopian shipping lines provides efficient import- export and coastal carrier services.



19 African countries which are Member of the Common Market for Eastern and Southern Africa (COMESA)

Note: COMESA has a total population of 430 million with overall GDP of US \$472 billion (at 2008 prices). Exports to and imports from COMESA member states enjoy preferential tariff rates (with 10% reduction on import duties)



Ethiopian Airlines

Cognizant of the need to put adequate infrastructure to bring about rapid economic growth and development, the government has been undertaking a number of infrastructure development projects thereby creating an enabling environment for investment in the country.



Ethiopian Shipping Lines, SC.



New road constructed recently

The government has also been implementing a series of reform measures in order to improve the efficiency and effectiveness of the bureaucracy. In line with this reform measures, the Ethiopian Investment Agency provides services under one-stop shop arrangement and investors can get investment permits in a matter of few hours.

As a result of all these measures, many foreign investors are entering the country and the flow of both domestic and foreign investment has shown dramatic increase in recent years. According to statistics from the

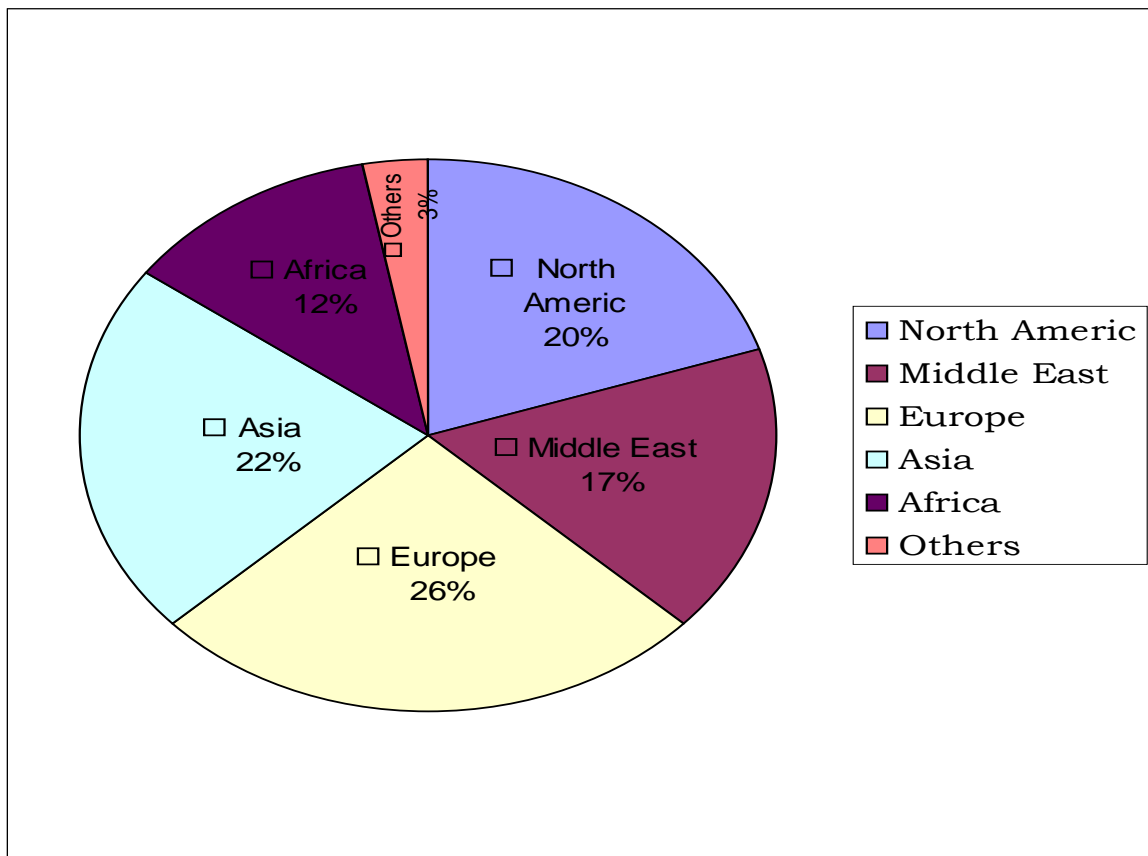


The Addis Ababa-Goha Tsion-Dejen Road Rehabilitation Project which includes the “Renaissance Bridge” over the Abay Gorge constructed with Japanese grant assistance

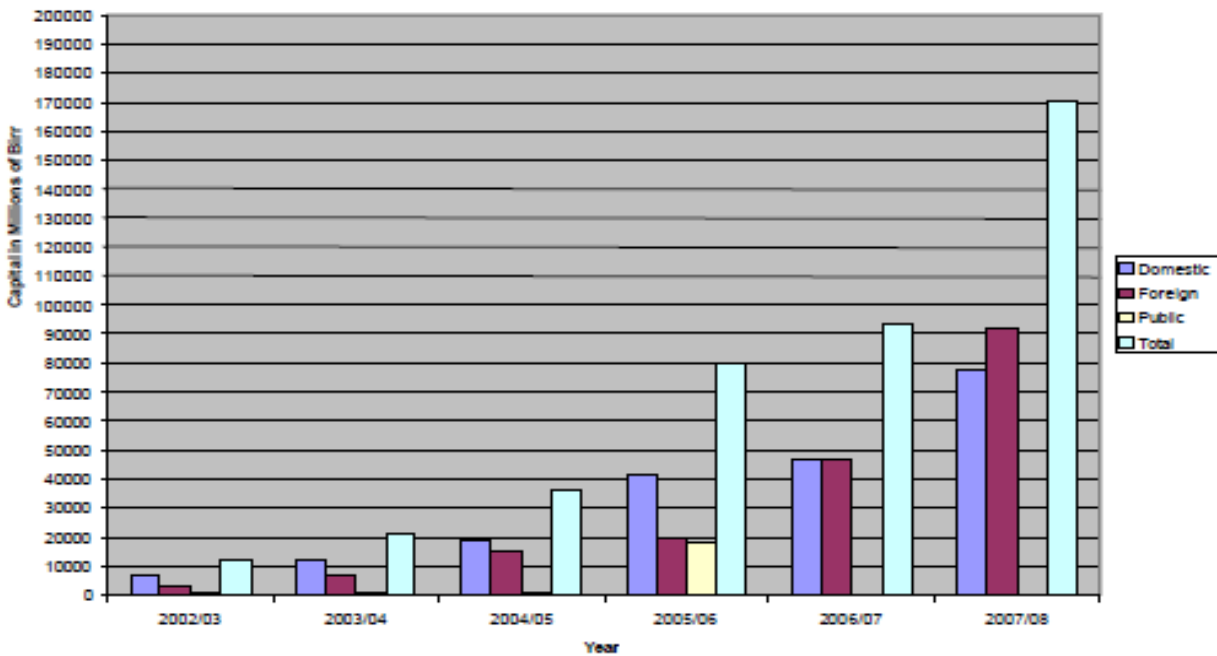
National Bank of Ethiopia, 4918 foreign investment projects with a cumulative investment capital worth 200,545.34 million Birr (the national currency) have been approved by the Ethiopian Investment Agency from 1992/93 up to 2007/2008. (One US dollar is equivalent to 13.4 Ethiopian birr at the current exchange rate).

It can be understood from the aforementioned facts that there are ample opportunities for investment as well as an enabling investment environment in Ethiopia which has made the country the premium investment destination in Africa.

Sources of Foreign Investment in Ethiopia From July 1992 up to December 2007



Capital Outlay of Approved Investment Projects by source



Source: National Bank of Ethiopia

Major Reasons to invest in Ethiopia

- ❖ *Political and macro-economic Stability*
- ❖ *Strategically located at the cross roads between Africa, Asia and the Middle East;*
- ❖ *Untapped natural resources, excellent climate and fertile soil;*
- ❖ *Abundant, inexpensive, competitive and easily trainable labor force;*
- ❖ *Almost no bureaucratic maze;*
- ❖ *Zero tolerance to corruption;*
- ❖ *Very nearly free of crime, and high level of security of person and property;*
- ❖ *Ample opportunities in privatization program;*
- ❖ *Alluring incentive packages such as customs duty exemptions, Export incentives, income tax holidays, loss carry forward, etc.*



One of the executive model cars rolled out by Holland Car Plc, a car assembling company established in Ethiopia recently. The Car is named after one of the longest rivers in Ethiopia – Abay.



The first electric car, Solaris Elettra, assembled in Ethiopia by Freestyle PLC.

5. Major Investment Areas

I. Agriculture

Ethiopia has wide-ranging agro-climatic zones which makes it suitable to grow all kinds of crops. The main food crops grown in Ethiopia are cereals ("Teff", barley, maize, wheat, sorghum, millet, etc), pulses (horse beans, peanuts, peas, chick peas, rough peas, fenugreek, soybeans, vetch and lentils) and oilseeds

(sesame, ginger seed, flax, rape, linseed, groundnut, castor beans and Soya beans). The main cash and industrial crops are coffee, tea, cotton, oilseeds, flower, pulses, fruits and vegetables, sisal, tobacco, sugar cane, spices, etc. While 66% of the total area of land in Ethiopia is suitable for agriculture, only 15% of the total arable land has so far been utilized for the production of crops.



Large scale commercial farm by Karuturi Global Ltd.

In Ethiopia land is a public property. Thus, it is neither sold nor exchanged for any other property. However, both rural and urban land is available and can be obtained for investment on lease basis, rental or freely depending on the type of investment.

With regard to urban land, the period of lease shall range from 50-90 years depending on the level of urban development as well as the sector or type of development activity for which the land is leased. Likewise, rental value and the lease period of rural land are fixed by land use regulation of each region.

Coffee and Tea

Coffee is Ethiopia's gift to the world. The Country is Africa's leading producer of Coffee Arabica. While Ethiopia has vast land suitable for coffee cultivation, currently only 560 thousand hectares of the land is estimated to have been covered by trees.



Coffee Farmer picking coffee cherry

Ethiopian coffee is aromatic and sweet flavored, with a winy, spicy, creamy, flora and mocha taste. Because of its unique quality, it is largely used for blending coffees produced in other countries. Ethiopian coffee, thus offers a wide choice to the world coffee roasters.

In 2007/2008 Ethiopia has supplied 170, 888 tons of coffee to the international market earning US \$525 million. During the same period of time, coffee accounted for 35.8% of the total foreign currency earned from the

country's export. There are ample investment opportunities for large-scale commercial coffee production as well as coffee roasting and packing, particularly destined for the international market.



Women working on tea farm

Similarly, Ethiopia's agro-climatic condition gives the country comparative advantage in the production of tea. Therefore, there is a huge potential for investment in large scale commercial production of tea as well as investment in modern tea blending and packaging industries.

Cotton

Ethiopia is believed to be one of the origins of cotton and cotton production is deep-rooted in the history of the country's agriculture. Annual production of cotton is estimated to be 110,000 tons; overall average yield is 1.22 ton per hectare.



Cotton spinning plant in Adama

Cotton is grown in a warmer climate and the soil typical for cotton production is heavy, dark and cracking soil. The potential cotton growing areas of Ethiopia fulfill the warm temperature and soil requirement for cotton production. Africa, Asia and

Europe are major markets for Ethiopian cotton.

Oilseeds

Rapeseed, linseed, groundnut, sunflower, niger seed and cotton seed serve as raw materials for the domestic edible oil industry. Some oilseeds such as sesame and peanuts are important export crops. The volume of oilseeds exported by Ethiopia in 2007/2008 was 160,955 tons.

Horticulture

The existence of a variety of altitudes and different agro-climatic conditions, long growing season and the abundance of water resources for irrigation in Ethiopia allows fruits and vegetables to grow well. The major horticultural products grown in Ethiopia are citrus, banana, mango, papaya, avocado, guava, grapes, pineapple passion fruit, apple, potato, cabbage cauliflower, okra, egg plant, tomato, celery, cucumber,

pepper, onion, asparagus, water melon, sweet melon, carrots, green beans and cut flowers.



Women workers preparing strawberry destined for export

Major fruits and vegetables destined for export are mainly grown in state plantations. Recently some private companies have started to be engaged in the production and export of fruits and vegetables. The main destinations for export are Europe and the Middle East. Ethiopia's export of fruits and vegetables in 2007/2008 was worth US \$12 million.

Floriculture

Ethiopia is an ideal location for the cultivation of both highland and lowland world class cut-flowers. The optimum altitude for cut-flower production is between 1500 to 2300 meters above sea level, while the best ranges of temperature are from 20 to 30 degree centigrade. Large areas of the country satisfy such the requirements of altitude and temperature.



Woman worker harvesting flower



Ethiopian Cut-flower displayed at the annual IFEX Flower Expo in Japan

A wide variety of flower types including roses, carnations, gypsophila, etc are grown in Ethiopia, although roses take the lion's share in the export trade. The Ethiopian flower industry is relatively new but it has become the fastest growing industries in Ethiopia as a result of the surge of both foreign and domestic investment in the sector in recent years.

Some of the major destinations for the export of Ethiopian cut-flower are the Netherlands, Germany, UK, Italy, France, Sweden, Russia, USA, Japan,

Australia and the Middle Eastern countries. In 2007/2008 Ethiopia exported 1015 million stems worth US \$111 million.

Livestock

Ethiopia has the largest livestock resource in Africa and it is also ranked among the top ten countries in the world in terms of its cattle population. Therefore, there are vast opportunities for investment in modern commercial livestock breeding, processing of meat, milk and egg and animal feed processing.



Modern slaughtering facility

Fishery

Ethiopia's extensive inland rivers, lakes, reservoirs and other small water bodies contain substantial reserves of fish and other aquatic resources. The potential annual freshwater fish production is estimated at about 45,000-50,000 tones, of which only 15% is currently exploited.



A Fisherman fishing in Lake Chamo believed to be rich in fish diversity

There are 10 major lakes in Ethiopia 7 of which lie in the Ethiopia Rift Valley. So far over 100 indigenous species of fish have been identified. However, the fish diversity is not believed to have

been studied exhaustively and more species could be found in the future.

Forestry

Out of the total land area of Ethiopia, 51% is suitable for pasture, 14.8% to annual and perennial crop production, 3.6% to forestry, 8.1% to bush. 3.8% is uncultivated and the remaining 18.7% is unutilized so far.

Therefore, there are potential areas for investment in the forestry industry which include, among others, the production and marketing of gum and incense, large scale plantation of timber, establishment of forest based industries such as pulp and paper and chipboard as well as the establishment of rubber plantation. Investors are also welcome to engage in the integrated commercial production of structural timber, pulpwood, matchwood and even fuel wood.

Apiculture

Ethiopia is the largest honey producing country in Africa and the fourth largest beeswax producing country in the world. Its favorable agro-climatic condition, diverse botanical base of multifarious plants flowering over different seasons coupled with large population of honey bee colonies and other environmental factors have created optimum conditions for the production of honey and beeswax.



Local Honey Extractor

There are around 10 million bee colonies and over 800 honey source plants in the country. The annual honey and beeswax production is estimated at 24,700 tons and 3200 tons, respectively. Compared to the apiculture resource potential existing in Ethiopia, the quantity of honey and beeswax exported to the world market is negligible. Therefore, there is a huge opportunity for investment in this area.

Agro-processing

Ethiopia has a vast landmass conducive for growing various forms of crops which could serve as an input for agro-processing. There are vast opportunities for agro-processing including processing of fruits, processing and preserving of meat products, integrated production and processing and preserving of fish and fish products, processing and preserving of fruits and vegetables, integrated production and processing of dairy products, processing of edible oil from oil seeds, processing of starch, corn



Canned meat and dairy products

flakes and edible oil from maize and processing of spices, among others.

II. Manufacturing Food and Beverage



Sparkling water

This includes the manufacture of sugar, brewery, soft drinks, processing and bottling of mineral water, etc.

Leather Industry

The fact that Ethiopia has a large number of livestock populations gives the country a resource base for its thriving leather industry. Ethiopian highland sheep skins (Bati and Selallie types) are well known worldwide for their distinct characteristics: fine quality, thickness, flexibility, strength and compact texture. Similarly, Ethiopian goat skins known internationally as Bati Genuine and Bati Type have a distinct feature of thickness, high flexibility and clean inner surface.

More than 20 tanneries in operation in Ethiopia are believed to have the capacity to process 352, 000 pieces of hides and 32 million pieces of skins and the majority of them produce semi-processed and finished leather mainly for export.



Ethiopian finished leather

The Leather products industry in Ethiopia includes the manufacture of shoes, shoe uppers, leather garments, bags and stitched upholstery. The footwear industry is composed of large mechanized industries and SMEs.



Ethiopia Tannery producing semi-finished and finished leather for both domestic and international market

The leather garment industry is mainly supplying its products for the domestic market. Made in Ethiopia bags and other accessories are being promoted under a special brand named called TAYTU which is getting recognition in the international fashion industry.



Ethiopian leather shoe destined for export

The Ethiopian leather industry has shown tremendous progress in supplying its products to the international market. In 2007/2008 Ethiopia has exported US\$100 million worth of leather and leather products.

Textile

The textile sector has been accorded top priority by the Ethiopian government based on its potential for employment generation, prospect for export and strengthening the agro-industry linkage and broader based development.



Textile manufacturing plant

The availability of a large pool of cheap labor force along with the highest input and the highest market demand makes the sector attractive for investment. There are a limited number of public and private large-scale garment factories that produce for export to the American and European markets.

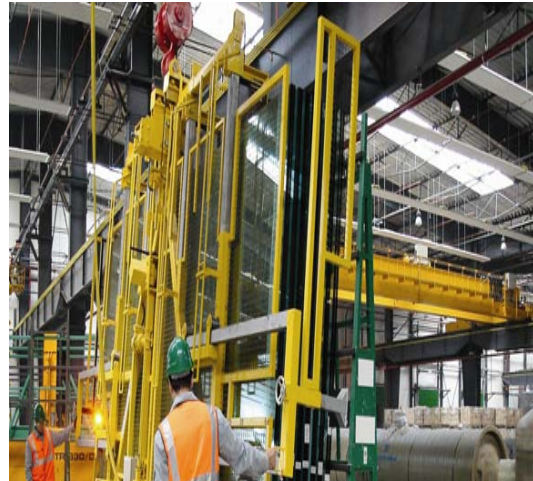
The revenue generated from the Textile sector has registered 27.4% growth on average over the last five years owing to the maximum attention given by Ethiopian government to the sector.

Others



Cement manufacturing plant

Other manufacturing sectors with possibility for investment include glass and ceramics, chemical and chemical products, paper and paper products, building materials and metallurgy.



The first ever glass factory in Ethiopia established by a foreign company

It is worthy to mention that in recent years the cement industry has attracted a lot of attention as a result of the construction boom in Ethiopia and there is a surge in the demand for cement.



Metal manufacturing plant

III. Mining



A large exposure of Dolomite Marble in Kenticha, Sidamo area of Ethiopia

Ethiopia offer excellent opportunities for mineral prospecting and development. There is favorable geological environment hosting a wide variety of mineral resources. Ethiopia's green stone belts offer one of the finest areas for gold mineralization anywhere in the world.

In addition to gold Ethiopia is blessed with large deposits of precious and metallic minerals such as tantalum, iron ore and platinum. Industrial and

construction minerals such as kaolin, diatomite, feldspar, quartz, silica sand, potash, phosphate, soda ash, slat, rock salt, limestone, marble and granite as well as energy minerals including coal, oil shale, natural gas and hot spring have also been identified in various parts of the country.



Marble from Awash area, Central Ethiopia

With regard to fossil energy resources, there are significant opportunities for extracting oil and natural gas in the four major sedimentary basins namely Ogaden, Gambella, Blue Nile and the Southern Rift Valley.



Rock Salt from the Denakil Depression, northern Ethiopia

Iv. Service

Hydropower



Gilgel Gibe I Hydro Electric Power Dam

Ethiopia has enormous potential for hydropower and geothermal energy generation. Among its major rivers, nine are suitable for hydropower generation with a total capacity of more than 30 thousand MW.



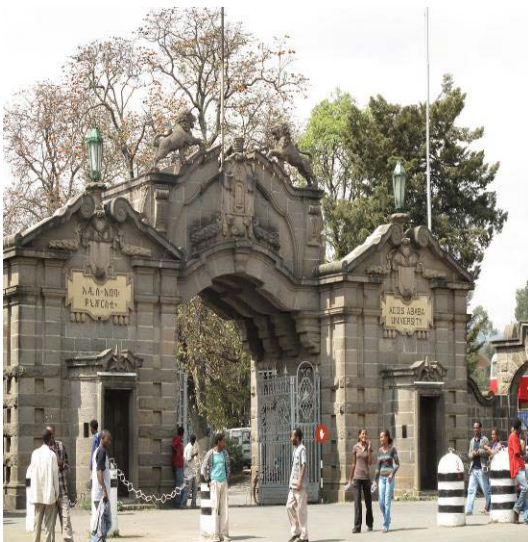
Prime Minister Meles Zenawi Inaugurating Gilgel Gibe II Hydro Electric Power Dam together with Foreign Minister Fratini of Italy

The private sector is encouraged to participate in electricity generation from any source. The transmission and supply of electrical energy through Integrated National Grid System is exclusively reserved for the government. But private sectors both foreign and

domestic are allowed off-grid transmission and distribution of electricity. Moreover, private investors can generate electricity in bulk and reach an agreement of power purchase with the Ethiopian Electric Power Corporation (EETPCo) for transmission and distribution.

Education

Education has shown the highest growth rate in the service sector by significantly increasing primary school enrollment ratio to 95% in 2007/2008.



Addis Ababa University which is the oldest University in Ethiopia

Currently, there are 21 government universities and many other affiliated colleges and university colleges in the country. Private higher learning institutions have significantly increased over the last couple of years offering training programs both in diploma and undergraduate degree levels.

Both public and private higher learning institutions produce skilled personnel in business, economics, management, accounting, engineering, law, medicine and other science and technical disciplines. The participation of both foreign and domestic investors in the education sector is encouraged.

Health

Ethiopia has a number of medical facilities. Major medical services are performed by medical personnel trained both nationally and internationally. Most medical facilities are publicly owned and managed. But the number of private clinics and hospitals has grown

over time. There is still high demand for medical facilities to meet the needs of the Ethiopian public. Therefore, the government offers a package of incentives to encourage the private sector to actively participate in the health sector.

Others



Condominium houses being built by the government

Other attractive opportunities for investment in the service sector include exporting Ethiopia's various products (except traditional export products like

raw coffee beans, oilseeds, pulses etc) through market promotion, quality



Real Estate Development by the Private Sector

improvement by value addition and packaging; construction comprising of first grade contracting and rental of construction materials as well as real estate development; air cargo service; participation in telephone network in joint venture with the government.

V. Tourism

Ethiopia has a lot to offer to international tourists. It has unique

historical and cultural heritages (8 UNESCO Registered Cultural Heritage sites), magnificent scenery, a surprising climate, rich flora and fauna, important archeological sites and hospitable people.



Sheraton Addis – a luxury collection hotel

The northern Tourist circuit known as the historic route comprises the most important tourist sites in Ethiopia which include the ancient city of Axum, the medieval city of Lalibela, Al-Negashi Mosque in wukro, the medieval city of Gondar and the island monastries of Lake Tana. The Walled city of Harar located in the eastern part of Ethiopia with its numerous mosques and shrines of venerable age is also

another important historical and cultural attraction.



Kuriftu Lodge

The oldest human fossils known as Lucy and Selam are some of the archeological discoveries which made Ethiopia the cradle of all mankind. The high plateaus, long mountain ranges, lofty peaks, deep gorges, the largest cave in Africa (Sof Omar), one of the lowest depression on earth (Dallol), the great rift valley, savannah land, tropical forest, deserts and lakes, spectacular water falls and volcanic hot springs are awe-inspiring.

All these tourist attractions offer great potential for cultural and educational tourism, photo safaris, hunting safaris, bird watching, river rafting, desert trekking, mountain camping and eco-tourism.



Intercontinental Hotel recently inaugurated in Addis Ababa

Great opportunities for private investment in the tourism sector include the construction and operation of star-designated hotel, international and

specialized restaurants, lodges in tourist and holiday hubs.

Privatization Program

As part of its macro-economic reform, the Ethiopian government has launched a program for privatization of state-owned enterprises. Pursuant to the launch of these programs, a number of enterprises have been transferred to the private sector. There are still many state owned enterprises ready to be sold wholly or on joint venture basis with private investors.

Most of these enterprises fall under manufacturing, construction, agriculture and agro-industry, hotels, transport, trade and mining sectors. Among these enterprises, garment and leather manufacturing factories are given the priority by the government.

6. AREAS OF INVESTMENT RESERVED FOR DOMESTIC INVESTOR

I. The following Areas are exclusively reserved for domestic investors:

1. retail trade and brokerage;
2. wholesale trade (excluding supply of petroleum and its by-products as well as whole sale by foreign investors of their products locally produced);
3. Import trade (excluding LPG, bitumen and upon arrival the arrival of the Council of ministers, materials used as inputs for export products);
4. Export trade of raw coffee, chat, oilseeds, pulses, hides and skins bought from the market and live sheep, goats and cattle not raised or fattened by the investor;
5. Construction companies excluding those designated as grade 1.
6. Tanning of hides and skins up to crust level;
7. Hotels other than those star designated, motels, pensions, tea rooms, coffee, shops, bars, night clubs and restaurants excluding international and specialized restaurants;
8. Travel agency, trade auxiliary and ticket selling services;

9. Car-hire and taxi-cab hire services;

10. Commercial road transport and inland water transport services;

11. Bakery products and pastries for the domestic market;

12. grinding mill;

13. Barber shops, beauty salons, and provisions of smith workshops and tailoring services except garment factories;

14. Building maintenance and repair and maintenance of vehicles;

15. Saw milling and timber making products;

16. Customs clearance services;

17. Museums, theaters and cinema hall operations;

18. Printing industries.

II. Notwithstanding the provisions of Paragraph One of this section, the following areas of investment are exclusively reserved for Ethiopian nationals

1. Banking , insurance and micro-credit and saving services;

2. Travel and shipping agency services;

3. broadcasting services; and

4. Air transport services using aircraft with a seating capacity of up to 20 passengers.

7. INVESTMENT POLICY AND ADMINISTRATION

Wholly Foreign Owned and Joint Investment

- A foreign investor can undertake investment as a sole proprietor or jointly with domestic investors, or with the government.

Minimum capital Requirements for wholly owned foreign investment

- USD 100,000 for a single investment project in cash and/or in kind;
- USD 50,000 in cash and/or in kind per project in areas of engineering, architecture, accounting and audit services, project studies or business management consultancy services or publishing.

Minimum capital Requirements for investment in partnership with domestic investors

- USD 60,000 in cash and/or in kind per each project; USD 25,000 in cash and /or in kind if the investment is made in the areas of engineering, architecture, accounting and audit services, project studies or business management consultancy services or publishing.
- No capital requirement for an investor who exports at least 75% of his output; reinvests his profits or dividend.

Investment guarantees and protections

- Ethiopia is a member of the Multilateral Investment

Guarantee Agency (MIGA) which issues guarantees against non-commercial risks to enterprises that invest in signatory countries; International Center for settlement of Investment Disputes between States and Nationals of Other States (ICSID); and World Intellectual Property Organization (WIPO).

- Ethiopia has concluded bilateral investment promotion and protection agreements with many Africa, Asian, and European countries. In additions, Ethiopia has signed agreement on avoidance of double taxation with several countries.

Repatriation of Capital and Profits

- The following capital repatriation and remittances are granted to foreign investors to be made in convertible currency

at the prevailing exchange rate on the date of remittance:

- Profits and dividends accruing from an investment;
- Payments related to technology transfer or management agreements;
- Proceeds from sales or liquidation of an enterprise;
- Proceeds from the sale or transfer of shares or of partial ownership of an enterprise to a domestic investor;
- Expatriates employed in an enterprise may remit, in convertible foreign currency, salaries and other payments accruing from their employment;
- Repayment of foreign loans.

8. MAJOR INVESTMENT INCENTIVES

- 100% exemption from the payment of import customs duties and other taxes levied on imports is granted to an investor to import all investment capital goods, such as plant machinery and equipment, construction materials, as well as spare parts worth up to 15% of the value of the imported investment capital goods;
- Exemption from the sales and excise taxes for all export commodities;
- Investors engaged in new manufacturing, agro-processing activities and the production of agricultural products are exempted from paying income tax for the period ranging from 2-7 years depending on the type of the investment, volume of export, and the region in which the investment is undertaken;

- Business enterprises that incur losses during the tax holiday period can carry forward such losses for half of the income tax exemption period following the expiry of the exemption period.

EXPORT INCENTIVE SCHEMES

- Duty drawback scheme;
- Voucher scheme;
- Bonded manufacturing warehouse scheme;

Taxation

- The principal taxes currently in place are profit tax, value added tax (VAT), excise tax, customs duty tax, and income tax from employment.

- ✚ Other taxes include dividend income tax, royalties and stamp duties.

Corporate income tax

- ✚ The corporate income tax (tax on profit) is 30%.

Turnover tax (TOT)

- ✚ A 2% tax is payable for goods sold and services rendered locally. The services rendered include contractors, grain mills, tractors and combine-harvesters.
- ✚ A 10% tax is levied on other services. Base of computation of the turnover tax is the gross receipts in respect of goods supplied or services rendered.

Excise tax

- ✚ Excise tax is charged on selected and locally produced goods or imported goods. Base of the computation is the cost of production in respect of goods

produced locally and cost, insurance and freight values (C.I.F) in respect of goods imported. Depending on the type of goods locally produced or imported the rate of tax ranges from 10% to 100%.

Value added tax

- ✚ Value added tax is charged on those businesses whose total value exceeds 500,000 Birr per year and tax is levied at the rate of 15% of the value of every taxable transaction by a registered person, and every import goods, other than an exempt import or an import of services.

Customs duties

- ✚ Customs duties are payable on imports by all persons and entities which have no duty privileges. The rate of customs duty ranges from 0% to 35%.

Withholding tax

- ✚ Withholding tax is payable on import of goods and is set at 3% of the same cost, insurance and freight. In case of organizations, having legal personality, government agencies, private non-profit institutions, and non-governmental organizations (NGOs), the amount withheld is 2% of the gross amount of payment.

Income tax from Employment

- ✚ Every person deriving income from employment is liable to pay tax on that income at the range specified hereunder. The marginal tax range from 10% to 35%.

Income Tax from Employment

Monthly employment income (Birr)	Income tax payable (%)
Up to 150	Exempt threshold
151-650	10
651-1400	15
1401-2350	20
2351-3550	25
3551-5000	30
Above 5000	35

Income tax applicable to foreign Employees

- ✚ A foreigner, who lives in Ethiopia for more than 183 days in a period of 12 months, whether continuously or intermittently, is regarded as being resident for the entire tax period and taxed in accordance with the provisions of Income tax proclamation No. 286/2002.

Taxable Business Income other than that of Juridical Persons

Taxable Business Income (per year)	Income Tax payable (%)
Up to 1,800	Exempt threshold
1,801-7,800	10
7,801-16,800	15
16,801-28,200	20
28,201-42,600	25
42,601-60,000	30
Above 60,000	35

One-Stop-Shop Service

The Ethiopian Investment Agency is the government organ responsible for promoting, coordinating and facilitating foreign investment in the country. It is a one-stop-shop for all investors in Ethiopia and renders the following services:

- ❖ Provides the necessary services required by investors;

- ❖ Approves and issues investment permits to foreign investors;
- ❖ Provides trade registration services to foreign investors;
- ❖ Issues operating licenses for approved foreign investments;
- ❖ Notarizes Memorandum of Association and Articles of Association;
- ❖ Grades construction contractors;
- ❖ Approves and registers technology transfer agreements;
- ❖ Registers export-oriented non-equity based foreign enterprise collaborations;
- ❖ Provides advisory and after care services to investors;
- ❖ Approves expatriate posts and issues work permits to foreign employees; and
- ❖ Facilitates the acquisition of land and utilities by investors.

ETHIOPIAN INVESTMENT AGENCY

CLIENT CHART

NO	TYPE OF SERVICE	DELIVERY TIME	COST/FEE (BIRR)
1.	Issuance of Investment Permit		
	<ul style="list-style-type: none"> • New Investment • Expansion of Investment 	4 hours 4 hours	600 300
2.	Renewal of Investment Permit		
	<ul style="list-style-type: none"> • New Investment • Expansion of Investment 	1 hour 1 hour	200 100
3.	Substitution of Lost or Damaged Investment Permit	1 hour	100
4.	Issuance of Trade Registration Certificate		
	<ul style="list-style-type: none"> • Principal Registration • Summary Registration 	4 hours 4 hours	80 10
5.	Issuance of Business License	4 hours	80
6.	Issuance of Work Permit	1 hour	600
7.	Notarization of Memorandum of Association and Articles of Association	4 hours	400
8.	Investment Permit Amendment/ change	3 hours	100
9.	Construction Contractor grading	2 hours	-
10.	Investment Permit Revocation	2 hours	-
11.	Registration of Technology Transfer Agreement	2 hours	200
12.	Issuance of domestic status certificate to a foreign national permanently residing in Ethiopia taken for domestic investor	1 hour	100

9. AREAS OF INVESTMENT NOT ELIGIBLE FOR EXEMPTION FROM PAYMENT OF CUSTOMS DUTY

1. Hotels, other than those star designated, motels, tearooms, coffee shops, bars, night clubs and restaurants, which do not have international standards;
2. wholesale, retail and import trade;
3. maintenance services;
4. commercial road transport and hire services;
5. postal and courier services;
6. real estate development;
7. Business and management consultancy service;
8. advertisement services;
9. cinematography and similar activities;
10. radio and television broadcasting services;
11. Theater and cinema hall operations;
12. customs clearance services;
13. laundry services;
14. travel agency, trade auxiliary and ticket-selling services;
15. Lottery and games of a similar nature.

When it finds it appropriate, the Investment Board may issue directives providing for additional areas of investment, which may not be eligible for exemption from the payment of customs duty.

10. AREAS OF INVESTMENT RESERVED FOR THE GOVERNMENT OR JOINT INVESTMENT WITH THE GOVERNMENT

The following investment areas are exclusively reserved for the government;

1. Transmission and supply of electrical energy through the integrated national grid system;
2. Postal services with the exception of courier services;

Investors shall be allowed to invest in the following areas only in joint venture with the government;

1. Manufacturing of weapons and ammunitions;
2. Telecommunication services.



Tekeze hydroelectric power Dam



**Ethiopian
Corporation**

**Telecommunication
Satellite**

11. REQUIREMENTS TO OBTAIN INVESTMENT PERMITS

A properly filled application form should be submitted to the Ethiopian Investment Agency together with the following documents:

- ❖ Where the application is signed by an agent, a photocopy of his power of Attorney;
- ❖ Where the investment is to be made by an individual person, a photocopy of the pages of a valid passport showing his identity and his recent two passport size photographs;
- ❖ Where the investment is to be made by a business organization incorporated in Ethiopia, photocopies of its Memorandum of Association and Articles of Association;
- ❖ Where the investment is to be made by an newly established business organization, in addition to the above said documents, photocopies of the pages of valid passport of each shareholder and photocopies of certificates evidencing the status of the domestic investors, if any;
- ❖ Where the investment is to be made by a branch of a foreign business organization in Ethiopia, photocopies of its Memorandum of Association and Articles of Association or a similar document of the parent company;
- ❖ Where it is a joint investment by domestic and foreign investors, photocopies of Memorandum of Association and Articles of Association, pages of valid passport, certificates evidencing the status of the domestic investors and photocopies of

identity cards, as the case may be; and

- ❖ Where an investor has concluded a technology transfer agreement related to his investment, he is required to submit the same for registration and approval.

Requirements for Principal Registration

Registration of Sole Proprietorship

- ❖ An application form signed by the investor or agent;
- ❖ Where the application is made by an agent, photocopy of his power of Attorney; and
- ❖ Three recent passport size photographs.

Company Registration

Companies are required to submit:

- ❖ An application form signed by the agent of the company;
- ❖ Where the application form is signed by an agent (other than authorized in the Memorandum and Articles of Association) a photocopy of his power of attorney;
- ❖ Memorandum of Association and Articles of Association for notarization and issuance of a certificate;
- ❖ A photocopy of the pages of each individual shareholder's valid passport, or identity card or photocopy of a certificate evidencing a domestic investor status;
- ❖ A Bank statement showing that one quarter of a company's capital is deposited in the Banks account (for share companies only);
- ❖ Minutes and related documents of the meetings of the persons committed to buy shares (for share companies only);

- ❖ A report of contributions made in kind, if any, prepared and authenticated by a professional or institution designated by the Ministry of Trade and Industry (for share companies only).

Registration of a Branch Office of an Overseas Company

An overseas company wishing to invest through a branch office is required to submit the following documents to the Ethiopian Investment Agency:

- ❖ An application form filled by an agent of the business organization;
- ❖ A photocopy of a document that justifies judicial personality of

the business organization (i.e., registration certificate)

- ❖ Minutes of the parent company's authorized body for the establishment of a branch company in Ethiopia and authenticated by a Public Notary, or a letter written by the owner in case of a one-man company;
- ❖ A photocopy of power of attorney of the representative of the company and copy of the pages of his passport or identity card;
- ❖ A copy of the Memorandum of Association or similar documents of the parent company.

Foreign companies wishing to open liaison offices must submit their application to the Ministry of Trade and Industry.

USEFUL CONTACT ADDRESSES IN ETHIOPIA

❖ Ministry of Trade and Industry

P. O. Box. 704
Tel. 251-11-5528579/5154035
Fax. 251-11-5514288
Email: moti@telecom.net.et

❖ National Bank of Ethiopia

P.O.Box:5558
Tel: 251-11 551 7438
Fax: 251-11 551 4588
Email nbe.edpc@ethionet.et
Homepage: <http://www.nbe.gov.et>

❖ Ministry of Agriculture and Rural Development

P. O. Box. 62347
Tel. 251-01-518040
Fax. 251-01-528298
Email. minagri3@ethionet.et
Homepage: <http://www.morad.gov.et>

❖ Ethiopian Investment Agency

P. O. Box. 2313
Tel. 251-11-5539474
Fax. 251-11-5514396
Email: ethiopianinvest@ethionet.et
Homepage:
<http://www.ethiomarket.com/eic/>

❖ Ministry of Mines and Energy

P. O. Box. 486
Tel. 251-11-6461208/6463166
Fax. 251-11- 6463364/ 6463426
Email: mmeia@ethionet.et
Homepage: <http://www.mome.gov.et>

❖ Ministry of Culture and Tourism

P. O. Box. 1907
Tel. 251-11-5517020
Fax. 251-11-551-28-89
Email: info@tourismethiopia.org
Homepage:
<http://www.tourismethiopia.org>

❖ **Ethiopian Revenue and Customs Authority**

P. O. Box. 2559
Tel. 251-11-4667466/4667326
Fax. 251-11-4662628/4668244
Email: min.of.rev@ethionet.et
Homepage: <http://www.erca.gov.et>

❖ **Ethiopian Chamber of Commerce and Sectoral Association**

P. O. Box. 517
Tel. 251-11-5518240
Fax. 251-11-5517699
Email: ethiochamb@ethionet.et
Homepage: <http://www.ethiopianchamber.com>

❖ **Addis Ababa Chamber of Commerce and Sectoral Association**

P. O. Box. 2458
Tel. 251-11-5500934/5518055
Fax. 251-11-5511479
Email: aachamber1@telecom.net.et
Homepage: <http://www.addischamber.com>

❖ **Ethiopian electric Power Corporation**

P. O. Box. 1233
Tel. 251-11-1559567/1560254
Fax. 251-11-5560028
Email: eelpa@ethionet.et
Homepage: <http://www.eepco.gov.et>

❖ **Privatization and Public Enterprises Supervising Agency**

P. O. Box. 11835
Tel. 251-11-5530343/5510014
Fax. 251-11-5513955
Email: epa.etw@telecom.net.et
Homepage: <http://www.ppesa.gov.et>

❖ **Ethiopian Civil Aviation Authority**

P. O. Box. 978
Tel. 251-11-6610277
Fax. 251-11-6612533
Email: civilaviation@telecom.net.et

❖ **Ethiopian Telecommunication Corporation**

P. O. Box. 1047
Tel. 251-11-5510500
Fax. 251-11-5515777
Email: etcweb@ethionet.et
Homepage: <http://www.ethionet.et>