

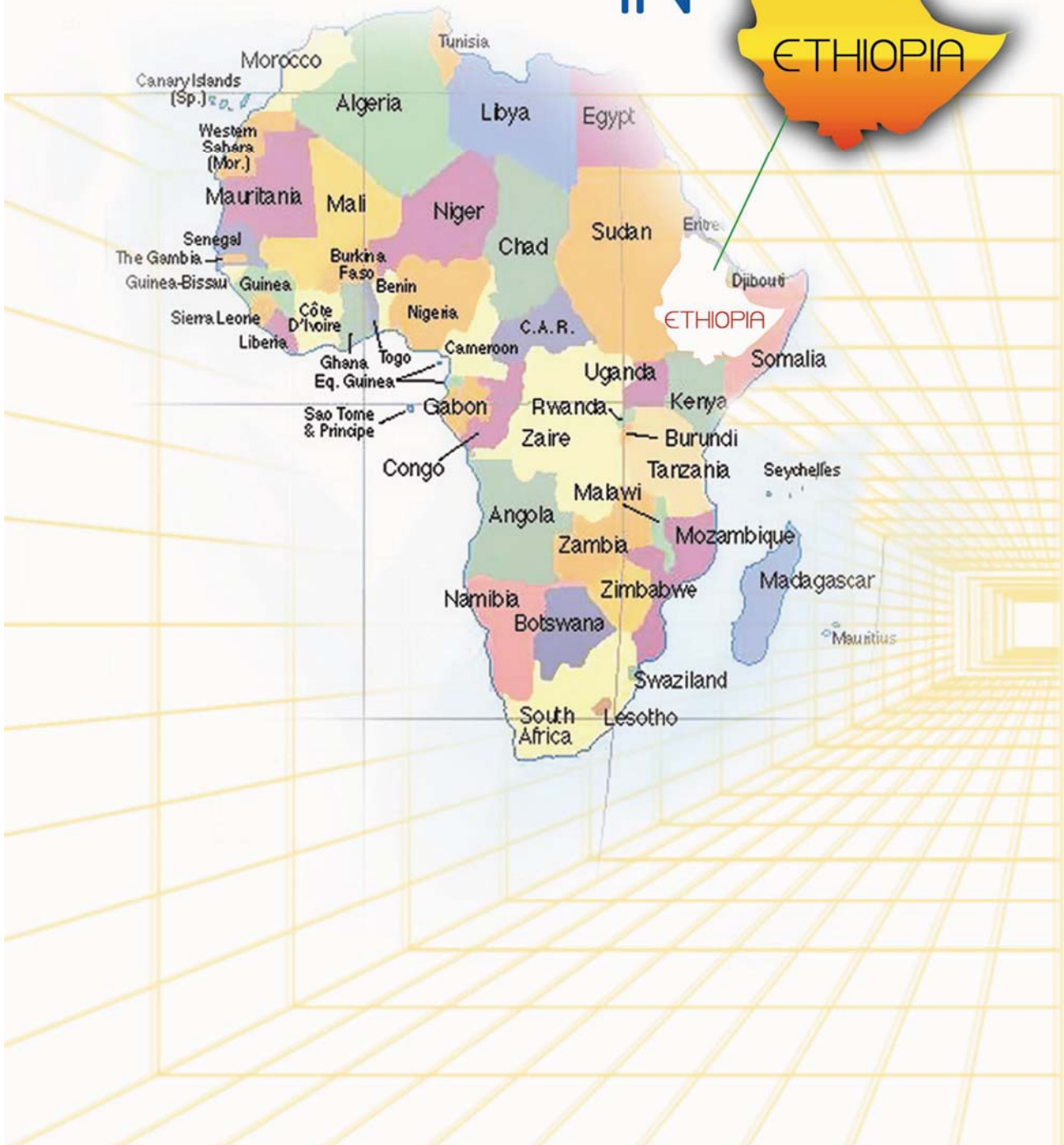


ETHIOPIA

INVESTMENT GUIDE



JUST INVEST IN



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INTRODUCING ETHIOPIA

OFFICIAL NAME	Federal Democratic Republic of Ethiopia (FDRE)
POLITICAL SYSTEM	Federal system with multi-party democracy.
HEAD OF STATE	President Girma Woldegiorgis
HEAD OF GOVERNMENT	Prime Minister Meles Zenawi
CAPITAL CITY	Addis Ababa
LOCATION	Ethiopia is situated in the north-eastern part of Africa. It is bordered by the Sudan to the west, Eritrea to the north, Djibouti and Somalia to the east and Kenya to the south, extending 3° to 15° north of the equator and 33° to 48° east of the Greenwich meridian.
AREA	1.14 million square kilometers.
ARABLE LAND	513,000 square kilometers (45%)
IRRIGATED LAND	34,200 square kilometers (3%)
GOVERNMENT	<p>The Ethiopian Constitution was adopted in 1995. The constitution provides for federal system with nine autonomous regional states and two chartered city administrations.</p> <p>The FDRE has a parliamentary form of government with a bicameral parliament which comprises the House of the Peoples' Representatives and the House of the Federation. The House of the Peoples' Representatives is the highest authority of the Federal Government.</p>

CLIMATE

There are two major seasons encompassing dry and wet seasons. The dry season prevails from October through May. The wet season runs from June to September. Much of Ethiopia has a surprisingly temperate climate by African standards, because of its elevation.

TOPOGRAPHY

Ethiopia has an elevated central plateau varying in height from 2,000 to 3,000 meters above sea level. In the north and centre of the country, there are some 25 mountains whose peaks reach over 4,000 meters.

The most famous Ethiopian river is the Blue Nile or Abbay, which flows a distance of 1,450 kilometers from its source to join the White Nile at Khartoum.

POPULATION

78.2 million (2007/08)

POPULATION DENSITY

68 per sq. km

GDP PER CAPITA

USD 339.9(2007/08)

RELIGION

Major religions in the country are Christianity and Islam. But there are a number of traditional religions as well. One prominent feature of Ethiopia is religious tolerance that exists among different groups.

LANGUAGE

Ethiopia is a multi-ethnic state with a great variety of languages spoken; out of which 83 have over 200 dialects. Amharic is the working language of the Federal Government. English is widely spoken particularly in business transactions.

CALENDAR

Ethiopia uses the Julian calendar which divides the year into 12 months of 30 days each. The remaining five or six days in a leap year constitute the short 13th month of "Pagume". The calendar is seven years behind the Western or Gregorian Calendar, with the Ethiopian New Year falling in the month of September.

WORKING HOURS

Ethiopia is in the GMT+3 time zone. The government office hours are 8:30 am to 12:30 am and 1:30 pm to 5:30 pm from Monday through Thursday. Working hours on Fridays are 8:30 am to 11:30 am and 1:30 pm to 5:30 pm.

REGIONAL STATES/ADM.

Tigray	Afar
Amhara	Oromia
Somale	Benshangul Gumuz
Southern Nations, Nationalities and Peoples Region (SNNPR)	
Harari	Gambella
Addis Ababa city Adm.	Dire Dawa Adm. Council

MAIN CITIES/ TOWNS

Addis Ababa
Dire Dawa
Gonder
Dessie
Jimma

Mekele
Bahir Dar
Harar
Adama
Hawassa

CURRENCY

The currency of Ethiopia is based on the decimal system. The units of currency are the Birr and cents. The Birr is divided into 100 cents.

The OPERATING ENVIRONMENT

1. ECONOMIC ENVIRONMENT

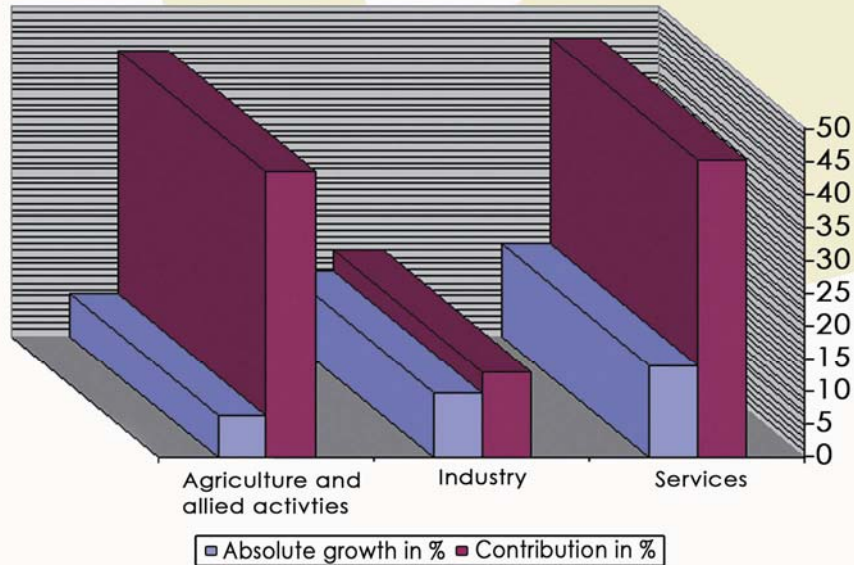
Ethiopia's economy is based on agriculture, which in 2008/09, Contributed about 43 percent of the gross domestic product (GDP), 86 percent of foreign currency earnings, and 85% of rural employment. Generally, the overall economic growth of the country has been highly associated with the performance of the agriculture sector.

Coffee is critical to the Ethiopian economy. Other important export products include oil seeds, pulses, leather and leather products, meat and meat products, fruits and vegetables, live animals, flowers 'chat' and gold.

The industrial sector, which mainly comprises of small and medium enterprises accounts for about 13 percent of GDP. Similarly, the service sector comprised of social services, trade, hotels and restaurants, finance, real estate, and transport and communication, etc. accounts for about 43 percent of GDP.

Real GDP grew by an average of 11.5 percent per year for the last six consecutive years (2003/04-2008/09), which places Ethiopia among the top performing economies in Sub-Saharan Africa. All sectors contributed to this relatively high economic growth. Accordingly, agriculture, industry and services grew by an annual average of 10.8, 10.1 and 13 percents, respectively during the indicated period. The absolute growth and contributions of the three sectors to the GDP in 2008/09 are shown below.

Chart 1: Absolute growth and sectoral contribution to GDP



Source: Ministry of Finance and Economic Development, Annual Report 2008/09

At the end of 2008/09, the official (marginal) exchange rate in the inter-bank foreign exchange market was Birr 10.4 to US\$ 1 as compared to Birr 13.43 to US\$ 1 (as of April 23,2010).

2. TRADE AND INVESTMENT

2.1. TRADE

In order to enhance the export sector, the Government has established the Ethiopia Commodity Exchange (ECX). ECX is a marketplace where buyers and sellers come together to trade, assured of quality, delivery and payment. ECX assures all commodity market players the security they need in the market through providing a secure and reliable end-to-end system for handling, grading, and storing commodities, matching offers and bids for commodity transactions, and a risk-free payment and goods delivery system to settle transactions, while serving all fairly and efficiently

The coffee-dominated export sector of the country has exhibited high price variations from season to season. These variations are a combined effect of the factors affecting domestic supply and the periodic trends of the global coffee demand and supply situations. Also, the variation can be seen between different varieties and grades of coffee. Some varieties like the Yeirgacheffe and Sidama command considerable premium in the international market. Export receipts were US\$ 375.9 million in 2008/09.

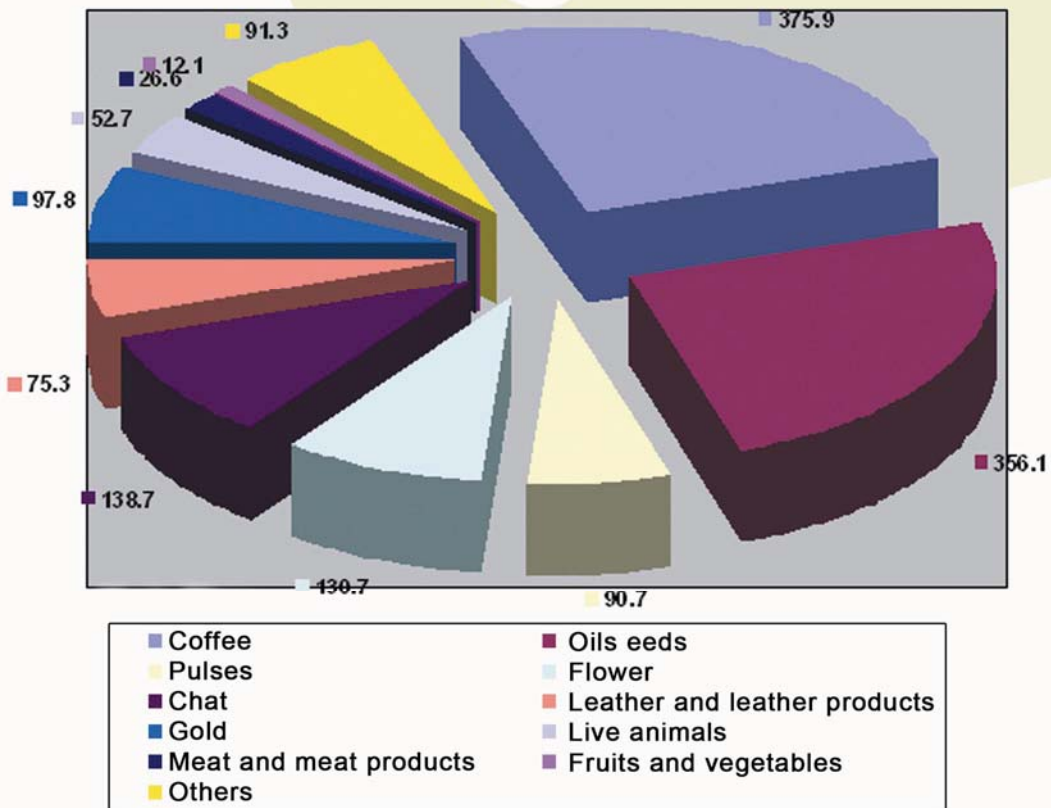
Export earnings from oil seeds, the second largest export commodity went up from US\$ 219 million in 2007/08 to US\$ 356.1 million in 2008/09 due to the increase in the international market prices.

In 2008/09, the receipts from the export of pulses, leather and leather products as well as fruits and vegetables were US\$ 90.7, US\$ 75.3 and US\$ 12.1 millions respectively.

Earnings from meat and meat products exports rose to US\$ 26.6 million in 2008/09 from US\$ 20.9 million in 2007/08 due to higher exports to the Middle East. There was also an increase in earnings from the export of live animals, which reached US\$ 52.7 million in 2008/09 due to better international prices. The receipt obtained from the export of cut flowers was US\$ 130.7 in 2008/09 compared to US\$ 111.8 in 2007/08.

Similarly, the receipt from 'chat' reached US\$ 138.7 million in 2008/09. Gold export also increased from US\$ 78.8 million in the year 2007/08 to US\$ 97.8 million in 2008/09. The value of major exports in 2008/09 is shown in the following chart.

Chart 2: Value of major export items in 2008/09 (million US \$)



Source: Ministry of Finance and Economic Development, Annual Report 2008/09

2.2. FOREIGN DIRECT INVESTMENT

It is an undeniable fact that Ethiopia has made a considerable progress in economic and social development since 1992 as a result of the implementation of favorable policies and strategies that are instrumental in improving the national economy. The Rural Development Policy and Strategy, the Industrial Development Strategy, and other sectoral policies and strategies have initiated a new push towards creating frameworks conducive to economic and social development.

The Rural Development Policy and Strategy, which is under implementation in the country, underlines that agriculture-centered development will bring about fast economic growth, enable its people become beneficiary of economic growth, and lay solid foundation for industrial development.

The Industrial Development Strategy focuses on export manufacturing with priority given to textile and garments, leather and leather products, agro-processing, and small and micro-enterprises.

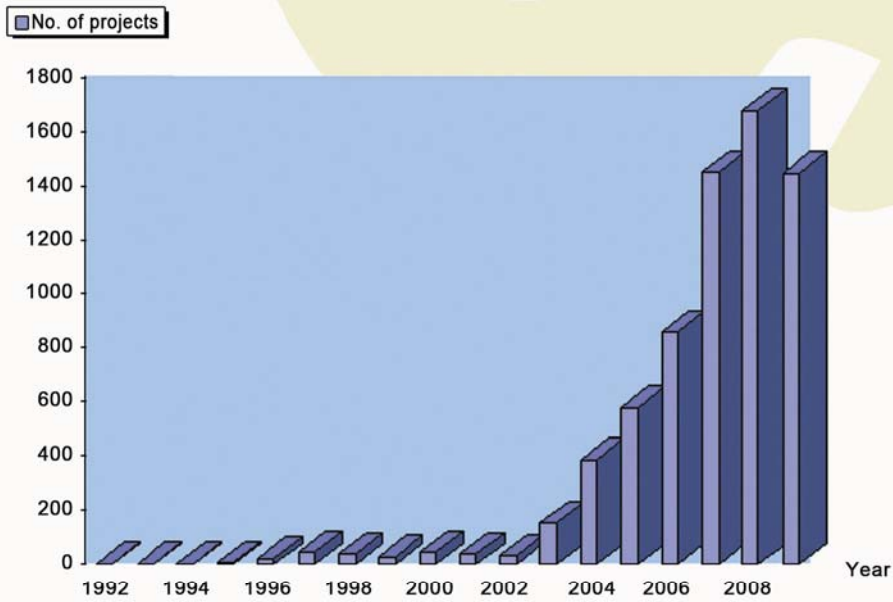
The Government of Ethiopia in recognition of the role of the private sector in the economy has revised over three times the Investment Code over the last eighteen years to make it more transparent, attractive and competitive. Major positive changes regarding foreign investment have been introduced through Investment Proclamation No.280/2002 and Regulations No.84/2003.

As a result of the implementation of the above mentioned policies and strategies, agricultural and industrial production, investment and export trade are growing steadily from year to year both in terms of variety and volume. The World Bank has also witnessed the double-digit economic growth registered in the last several years. This achievement is the highest among the non-oil producing economies of Africa.

Due to the investment-friendly environment created in the country, the inflow of foreign direct investment (FDI) has been increasing over the last eighteen years. Accordingly, out of the total investment projects licensed between 1992- 2009, FDI's share is about 15.2 %.

Ethiopia remains an untapped and unexploited market for investors. China, India, Sudan, Germany, Italy, Turkey, Saudi Arabia, Yemen, the United Kingdom Israel, Canada and the United States are the major sources of FDI. The trend of FDI approval is presented in the following chart.

Chart 3: FDI projects approved in Ethiopia between 1992 - 2009



Source: Ethiopian Investment Agency

3. INFRASTRUCTURE

3.1. ELECTRICITY SUPPLY

Ethiopia has enormous potential for hydropower and geothermal energy generation. Several studies have so far been carried out to identify Ethiopia's energy potential and to develop short, medium and long-term investment plans for the power sector.

The country's hydropower potential is estimated at 45,000 MW and the potential for generating electricity from geothermal is about 5,000 MW. The country is also endowed with enormous potentials of other renewable energy sources like solar and wind, particularly in rural areas. Despite such huge resources, only about 25 percent of the population has access to electricity. Since the formulation of the last comprehensive power system expansion master plan, the fundamental and unprecedented structural change that have taken place in the economy are now finding their driving force in the power sector.

Ethiopia has around 1,562.2 MW of installed power generating capacity, out of which 1,382.6 MW is generated from hydropower plants. The remaining 179.6 MW comes from diesel and thermal power plants. Presently, two huge hydropower plants with generating capacity of over 2000 MW are also under construction.

3.2. TELECOMMUNICATIONS

The Ethiopian Telecommunications Corporation (ETC), which is state owned, is the sole telecom service provider in the country. The Corporation provides national and international telecommunication services using Satellite, Micro-wave Digital Radio Multi Access System (DRMAS), VSAT, UHF, VHF, Long Line and HF Radio.

The number of fixed and mobile telephone subscribers increased by 40 percent and 62 percent, respectively, in the last few years. At present, the provision of SIM cards has been leased to private businesses in order to ease accessibility for subscribers. All regional cities and towns are connected by direct microwave links, and have automatic telephone and cellular phone services. International links are maintained via satellite earth stations and fiber optics, providing telephone, telex, fax, internet, television, digital data transmission, pre-and post-paid cellular phones and coin box services.

Furthermore, the corporation is currently engaged in a major transformation work including utilization of a wireless technology to benefit all rural kebeles (small and lowest administrative units); improvement of public phone services in both urban and rural areas; and establishment of a swift and reliable customer care and billing center as well as a national network operation centre.

3.3. WATER SUPPLY

Ethiopia has huge surface and ground water potential. However, it utilizes a small portion of these resources. Access to safe potable water in urban areas was 86.2 percent in 2007/08. Access to safe potable water in rural areas was about 53.9 percent in the same year. The overall national average of access to potable water supply was to 59.5 percent.

A huge project deemed to satisfy safe water demand in the towns and rural areas was launched by the country's first five year development plan and presently it is in final year of implementation.

3.4. ROAD TRANSPORT

Road plays a vital role in transporting people and goods in Ethiopia. Cognizant of its cardinal role, the Government has identified the road sector as top priority for public investment and remarkable progress has been made in the expansion of the road network in the country.

Addis Ababa, the capital city, is an important regional and international transport hub. The road network radiates from Addis Ababa to regions linking it with important cities, towns, and other economically active centers of the country. International highways also link Addis Ababa and other cities and towns with neighboring countries such as Kenya, Djibouti, Eritrea, Somalia and the Sudan.

In 2007/08, the total road network, excluding community roads, had reached 27,563 miles, out of which 46 percent are track roads and the remaining 54 percent are rural roads with annual growth rate of 5 percent.

Based on the classification of the road network, about 12,694 miles are in the Federal network, asphalt road constituted 30 percent and gravel road 70 percent.

All-weather rural road grew by 7 percent per annum constituting 14,869 miles of the total road network in 2007/08. In the same year, the community road, non-engineered road, was 43,520 miles.

3.5. AIR TRANSPORT

Air transport is an important part of Ethiopia's transport network. *Ethiopian* Airline, Africa's World Class Airline, which has gained a very good reputation internationally in its 66 years of active services, provides both domestic and international air transport services. It has an outstanding safety records and is one of the few profitable African airlines.

Ethiopian services include both passenger and cargo transport in its international flights and domestic routes. It also provides training and maintenance services to more than a dozen other African and Middle Eastern airlines. Domestic flight services are provided through 13 destinations across the country.

Ethiopian links the country with over 50 destinations worldwide including Brussels, Frankfurt, London, Paris, Rome, Stockholm, Washington DC, Bahrain, Bangkok, Beijing, Beirut, Dubai, Guangzhou, Hong Kong, Jeddah, Kuwait, Mumbai, Delhi, Riyadh, Sana'a, Tel Aviv, Johannesburg, Nairobi, Lagos, Lusaka, Accra, Dakar and many more big cities in Africa. It is also expanding its international services.

Regarding *Ethiopian* cargo services, it covers over 40 cargo destinations such as Dubai, Jeddah and Luxembourg. Other cities including Johannesburg, Khartoum, Kinshasa, Hong Kong, and Mumbai are destinations of *Ethiopian* cargo services as well.

In addition to *Ethiopian*, other airlines have flight schedules from and to Addis Ababa and these include such airlines as Emirates, KLM, Lufthansa, Kenyan and others.

The passenger terminal at Bole International Airport in Addis Ababa has new and modern facilities providing efficient services to passengers. Ultra-modern cargo terminal catering to fresh products and a maintenance hangar have also become operational since 2006. This new and modern terminal has the capacity to handle 350,000 tons of cargo per annum. Anticipating the future growth of perishable cargo, *Ethiopian* has proactively launched an expansion project to construct a new perishable cargo terminal that will be operational within the foreseeable future.

The *Ethiopian* Government has taken the policy initiatives for the development of the aviation sector in the country. The most significant initiative undertaken by the government is the opening up of air cargo service to foreign investors without any capacity limit and allowing Ethiopian nationals to provide chartered services using aircrafts with a seating capacity of up to 20 passengers.

3.6. SEA PORT

In order to ensure efficient, cost effective and reliable import and export movement of cargo to and from the sea ports of neighboring countries, the government has established the Dry Port Service Enterprise. The Enterprise is currently operating two dry ports which are located at Modjo, in the Oromiya Regional State, and at Semera, in Afar Reigional State.

Addis Ababa, the capital city, is linked by railway and road to the port of Djibouti, at the Gulf of Aden. The railway stretches over 780 km. The port of Barbara in Somaliland and Port Sudan are other external trade routes that provide services for export-import trades of the country. Another potential port accessible to Ethiopia is Mombassa in Kenya.

4. FINANCIAL SERVICES

The National Bank of Ethiopia (NBE) is the central bank of the country. Commercial banking functions are performed by the state-owned Commercial Bank of Ethiopia (CBE) and a number of private banks. The CBE and private commercial banks offer savings and checking accounts, short-term loans, foreign-exchange transactions and mail and cable money transfer services. They also participate in equity investments, provide guarantees and perform other commercial banking activities.

The number of banks operating in the country reached fourteen (three of them government-owned and the rest private) in 2007/08. These include the two specialized state-owned banks, i.e. the Development Bank of Ethiopia (DBE) and the Construction and Business Bank (CBB). The DBE, with its 32 branches, extends short-, medium- and long-term loans to viable development projects including industrial and agricultural projects.

The CBB, with its 27 branches, provides long-term loans for the construction of plants producing housing construction materials and the construction of private schools, clinics, hospitals, and real estate development. Private banks operating in the capital and other major cities are: Awash, Dashen, Abyssinya, Wegagen, United, Nib, Cooperative Bank of Oromiya, Lion, Buna, Zemen and Birhan.

The number of insurance companies is ten (one is government-owned and the rest private). Private insurance companies existing in the country are Africa, Awash, Nice, United, Global, Nile, Nyala, Nib and Lion.

In addition to banks and insurance companies, micro-finance institutions play an important role in providing credit and saving facilities for micro-enterprises.

5. TAXATION

The Ethiopian tax law outlines regulations for the imposition of direct and indirect taxes. The direct taxes are divided into five categories: personal income tax, rental tax, withholding tax, business profit tax and other taxes. The main types of indirect taxes applicable are VAT, custom duty, excise and turnover taxes.

5.1. DIRECT TAXES

Incomes taxable under Income Tax Proclamation No. 286/2002 (Article 6) include: incomes from employment, business activities, personal activities, entrepreneurial activities by non-residents, movable property, immovable property, alienation property, dividends distributed by resident company, profit shares paid by registered partnerships, interest paid by the national, regional or local governments, and license fees. Personal income tax rates applicable at present are given in Table 1.

TABLE 1. PERSONAL INCOME TAX RATES

No.	Employment Income per month		Tax rate
	Over Birr	To Birr	
1	0	150	Exempt Threshold
2	151	650	10
3	651	1400	15
4	1401	2350	20
5	2351	3550	25
6	3551	5000	30
7	Over 5000		35

Source: Income Tax Proclamation No. 286/2002

Taxable business income of companies is taxed at the rate of 30%. Other business taxpayers with business income ranging from ETB 1,801 to ETB 60,000 pay between 10 and 30%. Business income beyond ETB 60,000 is charged 35 %.(Table.2)

TABLE 2.TAXABLE BUSINESS INCOME TAX RATES

No.	Taxable business income tax rates		Tax rate
	Over Birr	To Birr	
1	0	1,800	Exempt Threshold
2	1,801	7,800	10
3	7,801	16,800	15
4	16,801	28,200	20
5	28,201	42,000	25
6	42,601	60,000	30
7	Over 60,000		35

Source: Income Tax Proclamation No. 286/2002

Capital gains tax under Income Tax Proclamation No. 286/2002 (Article 37) is payable on gains obtained from the transfer of buildings used for business, factory, or office purposes at 15 percent and shares of companies at 30 percent.

An individual foreigner, who lives in Ethiopia for more than 183 days in a period of twelve calendar months, whether continuously or intermittently, is regarded as being resident for the entire tax period and is taxed in accordance with the provisions of Income Tax Proclamation No. 286/2002 (Article 5.2).

However, the following are excluded from the computation of taxable income in accordance with Article 13 of the Income Tax Proclamation No. 286/2002 and Article 13 of the Regulations No. 78/2002:

- medical treatment;
- transportation allowance;
- hardship allowance;
- reimbursement of travelling expenses incurred on duty;

- per diem and travelling expenses on joining and completion of employment, provided that such payments are made pursuant to specific provisions of the contract;
- board members' and board secretaries' allowances; the income of persons employed for domestic duties;
- the contribution of the employer and the employee to the retirement or provident fund and all forms of benefits contributed by employers that do not exceed 15% of monthly salary; and
- payments made to a person as compensation in relation to injuries suffered by that person or the death of another person.

Other direct taxes applicable are royalties (5%), income paid for services rendered outside of Ethiopia (10%), income from games of chance (15%), dividends (10%), income from rental of property (15%), and interest income (5%) and are payable at flat rates in accordance with Article 31-36 of the Income Tax Proclamation.

5.2. INDIRECT TAXES

The value added tax (VAT) system, which came into effect on 4th July 2002, largely replaced the old business tax system of commodity and service taxes including the sales tax and the withholding tax. The VAT rate is 15% of the value of every taxable transaction by a registered person and all imports of goods and services other than those exempted. Taxable transactions which shall be charged with zero percent are: export of goods or services to the extent provided in the regulations, the rendering of transportation or other services directly connected with international transport of goods or passengers as well as the supply of lubricants and other consumable technical supplies taken on board for consumption during international flights.

Excise tax is payable on a range of consumer goods, whether locally produced or imported, e.g., alcohol, tobacco, salt, fuel, television sets, cars, carpets and toys. Its rates vary from 10% on receivers, garments and textiles of any type and fabrics to 100% on perfumes, vehicles above 1,800 cc and alcoholic drinks. It is payable in addition to VAT.

All income from domestic or foreign sources is taxed whether it is obtained as remuneration, profit or gains, from employment, business activities or any activity which brings income to the beneficiary.

For depreciation allowance, assets are categorized into different classes. The categories and rates of depreciation are:

- i. Buildings and structures 5%;
- ii. Intangible assets 10%;

- iii. Computers, information systems, software products and data storage equipment 25%; and
- iv. All other business assets including automobiles, buses and minibuses 20%.

Every investor has a tax obligation and is required to obtain a tax payer identification number ("TIN").

6. HUMAN RESOURCE

In conformity with the international conventions and other legal commitments, Ethiopia has issued its labor law to ensure the worker-employer relations be governed by the basic principles of rights and obligations with a view to enabling workers and employers maintain industrial peace and work in spirit of harmony and cooperation.

The labor law is believed to be consistent with the investment policy of the country. Foreign investors obtain work permits for their expatriate employees directly from the Ethiopian Investment Agency (EIA). The EIA processes applications of work permits in an hour.

The labor law has fixed nominal hours of work as eight hours a day and thirty-nine hours a week. Work done in excess of these hours is deemed to be overtime. Ethiopia has abundant supply of skilled workers in various fields at internationally competitive rates.

Wages and salaries vary depending on the size of enterprise, type of profession and level of skill required. They are determined by agreement between the employer and the employee. Generally, the cost of labor in Ethiopia is low by African standard.

Labor disputes in Ethiopia are resolved through the application of the law, collective agreements, work rules, and employment contracts.

7. MARKET

Ethiopia has a large population and thus potentially one of the largest domestic markets in Africa. Beyond the domestic market, by virtue of its membership of the Common Market for Eastern and Southern Africa (COMESA) embracing 19 countries with a population of over 400 million, Ethiopia enjoys preferential market access to these countries. Ethiopia's proximity to the Middle East also offers potential market opportunities.

The country also qualifies for preferential access to European Union market under the EU's Everything-But-Arms (EBA) initiative and to USA markets under the African Growth and Opportunities Act (AGOA). Thus, most Ethiopian products can enter into these markets quota and duty free. Furthermore, a broad range of manufactured goods from Ethiopia are entitled to preferential access under the Generalized System of Preference (GSP) in USA, most countries of the EU and other developed countries. No quota restrictions are placed on Ethiopian exports falling under the 4800 products currently eligible for GSP treatment.

AREAS OF OPPORTUNITY

Ethiopia's economy is still young with a vast untapped resources and a range of investment opportunities. The country has comparative advantages in agriculture, agro-processing, leather and leather products and textile and garments.

The areas, with most promising potential for investment in the country today are agriculture, agro-processing, textile and garment, leather and leather products, tourism, mining and hydropower. The ongoing privatization program also presents investment opportunities to private investors particularly in the agricultural, manufacturing, hotel and tourism sectors.

Thus, this chapter briefly describes the main areas of investment opportunities in the country.

1. AGRICULTURE

Ethiopia is endowed with abundant agricultural resources. With altitudes ranging from 148 meters below sea level to 4,620 meters above it, the country has 18 major and 49 sub agro-ecological zones, each with its own agricultural and biological potential. Thus the country possesses one of the largest and most diverse genetic resources in the world.

Ethiopia has the soils and climate required for the production of a variety of food crops. The major food crops grown are cereals, pulses and oil seeds. A broad range of fruits and vegetables and cut flowers are fast-growing exports. Coffee, oil seeds, cotton, tobacco, sugar cane, tea and spices are the main commercial cash crops grown in Ethiopia.

1.1. COFFEE FARMING

Ethiopia is one of Africa's leading producers of Coffee Arabica. The word "coffee" is said to come from Kaffa, a region where coffee has long been a wild crop. The country produces some of the best Arabica coffee in the world.

Coffee remains the most important export crop, utilizing over 600,000 hectares under cultivation. The largest of these areas lie in south and south-western highlands of the country. Ethiopia has more genetic diversity among its coffee varieties than any other country.

In Ethiopia, coffee grows in almost all regional states. The suitable climatic condition varies from the semi-savanna climate of the Gambela plain (500 meters above sea level) to the continuously wet highland forest zone of the south west (2200 meters above sea level). Coffee grows in the Ethiopian highlands ranging from 1500 to 2100 meters above sea level. The ideal soil for the crop is slightly acidic with a PH of 4.5-6.5. It requires annual rainfall ranging from 1500-2500mm with balanced distribution.

1.2.TEA FARMING

Ethiopian tea is some of the best quality tea in the world. In fact, tea from Ethiopia has won acclaim for its taste and aroma. The total area covered by tea plantation in Ethiopia is 2700 ha. Ethiopia produces only black tea type. But it has a potential to grow for all types of tea. Currently, it has a capacity to produce 7000 tonnes of black tea per annum. The annual tea consumption of the country is about 5000 tonnes.

The quality of tea mainly depends on climatic conditions, the type of soil upon which the plant grows and the method of processing. In Ethiopia, tea is mostly grown in the highland dense forest regions.

1.3.MAIZE FARMING

Maize is an important crop in Ethiopia. It is grown in the mid highland areas of the country. There are huge tracts of land in all regions suitable for maize farming. Maize is mainly produced in SNNPR and Oromia regions where there are about 1.77 million hectares under cultivation.

1.4.WHEAT AND BARLEY FARMING

Wheat and barley are mostly grown in the highlands and mid highland areas of the country mainly in Oromia (Bale and Arsi Zones) and some parts of Amhara (North Gondar and North Shewa) Regions.

Wheat and barley are the main cereal crops in the country with about 1,095,436 and 1,398,215 hectares under cultivation, respectively. This land is owned by small holder farmers. The potential for the private sector in agro-processing and out growers' scheme of development is significant. It offers excellent opportunities for production of wheat under irrigation in the Afar, Gambella, SNNPR and Somale Regions.

1.5.RICE FARMING

Rice could suitably grow in many parts of the country. The predominant potential areas are:

- West central highlands of Amhara Region (Fogera, Gonder Zuria, Dembia, Takusa and Achefer);

- North-west lowland areas of Amhara and Benshangul Regions (Jawi, Pawi, Metema and Dangur);
- Gameblla regional state (Abobo and Etang Woredas)
- South and south-west lowlands of SNNPR (Beralee, Weyito, Omorate, Gura Ferda and Menit);
- Somale Region (Gode);
- South Western Highlands of Oromia Region (Illuababora, East and West Wellega and Jimma Zones).

1.6. OIL SEEDS FARMING

A variety of oil seeds are grown in Ethiopia. The oil seeds produced are supplied both for the local and international markets. Rapeseed, linseed, groundnut, sunflower, niger seed and cotton seed serve as raw materials for the domestic edible oil industry. Some oil seeds, including peanuts and sesame, are important export crops. Favorable agro-ecological conditions exist for the production and processing of oil seeds in Humera, Metema, Jawi, Chewaqa and Mankush.

1.7. HORTICULTURE FARMING

With diverse agro-climatic zones, the long growing season and the availability of water for irrigation, most fruits and vegetables can grow well in Ethiopia. The Ethiopian Government encourages companies with experience in agro-processing to invest in this sector.

Currently, fruits and vegetables cultivation is carried on about 0.45 million hectares. This is less than 5 percent of the total cultivated land. Among the major fruits mango, banana, papaya, avocado, citrus, grape, and pineapple are the most common tropical and sub-tropical types cultivated. While pear and plum are emerging temperate fruits in the country.

Commercial floriculture is still a relatively new industry in Ethiopia but it has emerged as a major non-traditional export sector. The rose industry has undergone successful development over the period 1998–2009.

Ethiopia is now the second largest flower exporting country in Africa. It is also an ideal location for highland and low land world class flowers. The flower industry is one of the fastest growing sub sectors in the country.

Currently, a total of about 1,200 hectares of land in Ethiopia is covered by more than 80 flower growers who came from the Netherlands, India and Israel as well as domestic investors.

1.8. SPICES FARMING

The major spices cultivated in Ethiopia are ginger, hot pepper, fenugreek, turmeric, coriander, cummins, cardamoms and black pepper. Currently, there are nearly 122,700 ha under spice farming. Spice production reached 244,000 tonnes per year. The potential areas for the cultivation of spice are Amhara and Oromiya, SNNP and Gambella regions. The total potential for low land spice farming is estimated to be 200,000ha.

1.9. COTTON FARMING

Cotton is an important crop in Ethiopia. There is a huge potential for cotton cultivation in the country especially in Awash valley where large-scale cultivation under irrigation is found. Other potential areas for cotton cultivation are found in South Omo (Omorate), north-western part of the country (Humera, Metema, Quara, Belles Valley), Gambella, Tekezze valley, Dabus Valley and Wabeshebele watershed area. Cotton production is well integrated into the rest of the economy with a large number of textile and garment factories relying on domestically produced cotton. Opportunities for the production and processing of cotton in Ethiopia are thus significant.

1.10. PULSES FARMING

Cultivation of pulses like beans, peas, chickpeas, lentils, soybeans, etc. is also common in Ethiopia. Cultivation is carried out in both the highland and lowland areas of the country mainly by peasant farmers. Currently, the country exports a large quantity of pulses to the international market. There are also a number of factories that process pulses in the country.

1.11. RUBBER AND PALM TREE PLANTATION

Ethiopia has the potential for the production of rubber and palm oil.

Rubber tree is grown under large scale commercial production in hot tropical and sub tropical humid climatic zones. Moderate acidic or acidic soil is suitable to grow rubber. Therefore, in south-western part of Ethiopia these agro-climatic conditions exist for the production of rubber at commercial scale.

Palm tree is a perennial tree. It gives a higher yield of oil per unit area than any other oil seed crops. The plant can be grown in tropical and sub-tropical hot and humid climatic conditions. It can also grow in a wide range of tropical soils. But many of the soils used for the crop should have a pH of 4-6.

Cultivation of palm tree can either be carried out under irrigation or using natural rainfall. Many areas in the south-western part of Ethiopia have both the required soil and climatic conditions to grow palm oil in large scale.

1.12. OTHER AGRICULTURAL PRODUCTS

A huge opportunity exists for the production of sugar, jatropha, castor bean for the domestic as well as the export market.

The country has also huge potential for large-scale plantation to produce jatropha and castor bean in marginal soil.

The estimated potential areas for the cultivation of the above mentioned agricultural products in all regional states of the country are presented in the following table.

TABLE 3. POTENTIAL AREAS FOR FARMING

No.	Type of farming	Area (ha)	Region
1	Rice	280,000	SNNP, Oromiya, Amhara, Benshangul Gumuz, and Somali
2	Maize	1,400,000	SNNP, Oromiya, Amhara, Benshangul Gumuz, Gambella and Somali
3	Horticultur	763,300	SNNP, Oromiya, Amhara and Dire Dawa
4	Coffee	426,000	SNNP, Oromiya, Amhara and Gambella
5	Tea	150,000	SNNP, Oromiya, Amhara and Gambella
6	Cotton	3,000,810	Tigray, SNNP, Oromiya, Amhara, Benshangul Gumuz, Gambella, Afar and Somali
7	Oil crops	1,601,323	Tigray, SNNP, Oromiya, Amhara, Benshangul Gumuz, Gambella, Afar and Somali
8	Puls	1,601,323	Tigray, SNNP, Oromiya, Amhara, and Benshangul Gumuz
9	Rubber	3,274,469	SNNP and Gambella
10	Palm oil	200,000	SNNP, Oromiya and Gambella
Total		11,545,902	

SOURCE: MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

1.13. LIVESTOCK FARMING, FISHERY AND APICULTURE

Considerable opportunities exist for investments in rearing, breeding and fattening of livestock as well as in fresh water fishery development and the production of honey and beeswax.

The livestock population of Ethiopia is first in Africa and tenth in the world. The sub-sector has large resources, which include 43 million cattle, 31 million sheep, 27 million goats and 32 million poultry. Opportunities are also available in ostrich, civet cat and crocodile farming.

Ethiopia's potential for fishery development is limited to its freshwaters of most of the lakes that are located close to urban areas. The total fish catch potential from these waters is estimated at 40,000 tonnes per year. However, there is

also an opportunity for investment in the construction of aquaculture to produce fresh water fish for local and international markets.

The current annual production of honey and beeswax of the country is estimated at 43.7 thousand tonnes and 3,600 tonnes, respectively. This provides a high investment opportunity in all aspects of the development of this untapped sub-sector in the production, collection, processing and marketing of honey and beeswax. In relation to this, the demand for the bee queen is growing rapidly providing an additional opportunity for investment.



1.14. FORESTRY AND RELATED ACTIVITIES

Potential activities for private investors in commercial forestry include the production and marketing of gum and incense, large-scale plantations for timber, the establishment of integrated forest-based industries such as pulp paper and chipboard.

2. MANUFACTURING

According to the 2008 Statistical Abstract of the Central Statistical Agency (CSA), the manufacturing sector contributed about 4.5 percent to GDP and 35.2 percent to the total value of the industrial production of the country in 2007/08. The major manufacturing activities are in the production of food, beverages, tobacco, textiles and garments, leather goods, paper, metallic and non-metallic mineral products, cement and chemicals. Under the export-led industrial development strategy of the country, production of textile and garments, leather products, and agro-processing are priority areas for investment. Thus, there are ample manufacturing opportunities for prospective investors in the following areas:

- i. **Textiles and clothing:** Spinning, weaving and finishing of textile fabrics and the production of garments;
- ii. **Food and beverage products:** Processing and preserving of meat products, fish and fish products, and fruits and vegetables; integrated production and processing of dairy products; manufacture of starch and starch products; processing of animal feed and processing and bottling of mineral water; sugar production; brewing and wine-making, etc.;
- iii. **Tannery and leather goods:** Tanning of hides and skins up to finished level; manufacture of luggage items, handbags, saddle and harness items, footwear and garments, and integrated tanning and manufacturing;
- iv. **Glass and ceramics:** Tableware and sanitary ware, sheet glass and containers;
- v. **Chemicals and chemical products:** Manufacture of basic chemicals based on local raw materials, including PVC granules from ethyl alcohol; manufacture of caustic soda and chlorine-based chemicals; carbon and activated carbon; precipitated calcium carbonate; ballpoint ink; and tallow for soap;
- vi. **Drugs and pharmaceuticals:** Manufacture of pharmaceutical, medicinal, chemical and botanical products in the form of tablets, capsules, syrups and injectables;
- vii. **Paper and paper products:** Pulp from indigenous raw materials, paper and paper products;
- viii. **Plastic products:** High-pressure pipes, pipe fittings, shower hoods, wash basins, insulating fittings, light fittings, office and school supplies, and fittings for furniture;
- ix. **Building materials:** Manufacture of cement, lime, gypsum, marble, granite, limestone, ceramics, roofing tiles, corrugated sheets, tubes, pipes and fittings.

3. TOURISM

Ethiopia has much to offer to international tourists. It has a unique historical and cultural heritage, magnificent scenery, a surprisingly cool climate, rich flora and fauna, important archaeological sites and hospitable people. The northern tourist circuit known as the "Historic Route" comprises the most important tourist sites in the country.

Ethiopia's wealth of tourism attractions gives it great potential for cultural and educational tourism, photo safaris, hunting safaris, bird watching, water sports including river rafting, desert trekking, mountain climbing and-ecotourism. Health tourism, on the account of the cool climate and numerous hot springs, is an additional type of tourism with great potential. Tour operators have shown considerable growth in recent years.

Conference tourism, long aided by the presence of a number of international organizations in Addis Ababa including the African Union(AU) and the Economic Commission for Africa(ECA).

The stock of hotel rooms in the country has increased sharply over the last few years. While some tourist accommodation is already available at all the major attractions, improvement as well as new construction is taking place.

The tourism industry is growing as a result of Government commitment to provide an enabling environment. Enormous opportunities exist for tourism investment in eco-tourism, specialized international restaurants and tour operation.

Ethiopia is truly a land of contrasts and extremes; a land of remote and wild places with a wide range of potential tourist attractions, which have not yet been fully exploited.

Potential foreign investors can take full advantage of these opportunities through direct investments or joint-ventures with Ethiopians. Opportunities also exist in this



4. MINING

Ethiopia offers excellent opportunities for mineral prospecting and development. Geological studies have identified a favorable geological environment hosting a wide variety of mineral resources.

According to the Ministry of Mines and Energy, Ethiopia has a substantial deposit of gold, tantalum, platinum, nickel, potash and soda ash. Among construction and industrial minerals are marble, granite, limestone, clay, gypsum, gemstone, iron ore, coal, copper, silica, diatomite, etc. Geothermal energy resource also exists in good quantity. With regard to fossil energy resources, there are significant opportunities for oil and natural gas exploration and development in the major sedimentary basins, namely the Ogden, the Gambella, the Blue Nile and the Southern Rift Valley.

Steps are being taken to improve the situation, including the creation of an environment conducive to private, local and foreign investment. While there is no restriction on private investors in developing any type of mineral resource, the greatest potential is in gold and rare metals, petroleum, precious and base metals, industrial minerals and dimension stones (marble and granite). Prospecting, exploration and mining licenses have been issued to foreign mining companies with an aggregate capital of U\$ 864.2 million in 2007/2008.

The Ministry of Mines and Energy is responsible for the processing of license application, regulation of the mineral operations and the promotion of investment opportunities in the mining sector. The Mineral Operations Department is the focal point in the Ministry for the receipt of mining license application of a foreign investor. The regional governments are authorized to issue mining license for local investors.

5. HYDROPOWER

The potential of Ethiopia's renewable and nonrenewable energy resources is large, with the economically feasible hydropower potential estimated at 45,000 MW. It has large potential for geothermal energy generation. Nine of its major rivers are suitable for hydroelectric power generation.

The private sector can participate in electricity generation from any source and without any capacity limit. Transmission and supply of electrical energy through the Integrated National Grid System is, however, exclusively reserved for the Government. But, private investors, both foreign and domestic, are allowed to operate off-grid transmission and distribution of electricity.

Moreover, private investors are highly encouraged to engage in generating electricity in bulk and reach an agreement of power purchase with the Ethiopian Electric Power Corporation (EEPCO), a public enterprise, for transmission and supply of electricity through the grid system.



6. SOCIAL SERVICES

Social services are other potential areas for FDI in Ethiopia. Potential foreign or local investors can take full advantage of these opportunities through direct investments or joint-ventures with Ethiopians.

6.1. HEALTH SERVICES

Health services are areas where investment opportunities exist. Accordingly, opportunities for investment are in the following areas:

- General and specialized clinics;
- General and specialized hospitals;
- Clinical laboratory; and
- Diagnostic centers;

Health services coverage, which is an indicator of access of the population to health facilities, has increased. However, health service facilities in the country, in general, are not yet adequate.

6.2. EDUCATIONAL SERVICES

Ethiopia aspires to attract internationally reputable educational institutions, universities and training centers. The following areas are some of the opportunities for investors:

- Kindergarten and nursery;
- Primary and secondary schools;
- Science and technology colleges/ universities;
- Colleges for business and marketing;
- Schools for medical science;
- ITC institutions;
- Vocational training centers; and
- Training centre for hospitality industry.

The Government designed quality improvement package and is under the process of implementation with a view to enhancing the quality of education in the country.

7. CONSTRUCTION SERVICES

Ethiopia has extensive opportunities in the construction industry, particularly in the construction of roads, residential, commercial and industrial buildings, including low-cost housing. Aware of the crucial role the road sector plays in the development of the national economy, the Government has given special attention to the development of the country's road network. A wide range of opportunities exist for investors in the following areas:

- General Contractor Grade One (GC1);
- Building Contractor Grade One (BC1);
- Road Contractor Grade One (RC1);
- Specialized Contractor Grade One (GC1) ;
- Water well drilling; and
- Construction machinery and equipment rental services



THE LEGAL FRAMEWORK

1. LEGAL AND JURIDICAL SYSTEM

The constitution is the supreme law, overriding all other legislation in the country. The legal system depends on codified laws, including civil, penal, civil procedure, penal procedure, commercial and maritime codes. All proclaimed laws are published in official gazettes (Negarit Gazeta). In administering justice, courts are directed by internationally accepted principles of justice as well as by the laws of the FDRE. The practice of law is reserved for Ethiopians. However, foreign nationals have the right to appear in courts as witnesses. In such cases, the foreigner is allowed to communicate through a court-appointed translator.

The Commercial Code of 1960 provides the legal framework for undertaking business activities in Ethiopia. The constitution, in accordance with Article 40, ensures the right of every citizen to the ownership of private property, including the right to acquire, use and dispose of such property. The Investment Proclamation (2002) gives also a foreign investor the right to own a dwelling house and other immovable property necessary for his investment.

The government may expropriate property for public interest, strictly according to the law and only after making adequate compensation. The Investment Proclamation (2002) guarantees investors against measures of expropriation or nationalization, and specifies advance payment of compensation "corresponding to the prevailing market value" of a private property earmarked for expropriation or nationalization for public interest.

Ethiopia is a member of the World Intellectual Property Organization (WIPO) and the Multilateral Investment Guarantee Agency (MIGA). Furthermore, Ethiopia has concluded bilateral investment treaties (BITs) and double taxation treaties (DTTs) with a number of countries. (Appendix 2)

2. INSTITUTIONAL FRAMEWORK

The Investment Proclamation of 2002, as amended in 2003, and the Regulations on Investment Incentives and Investment Areas Reserved for Domestic Investors of 2003, as amended in 2008, constitute the main legal framework for both foreign and domestic investment in Ethiopia.

The Ethiopian Investment Agency (EIA) is an autonomous government institution accountable to the Investment Board. The Board is chaired by the Minister of Trade and Industry. The EIA is headed by a director general who is also member of the Board.

The EIA has restructured itself recently with a view to promoting more FDI and improving the services it renders to investors.

The major activities of the EIA and the one-stop shop services it renders to foreign investors are the following:

- promoting the country's investment opportunities and conditions to foreign and domestic investors;
- issuing investment permits, work permits, trade registration certificates and business licenses;
- registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;
- negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries;
- advising the government on policy measures needed to create an attractive investment climate for investors; and
- assisting investors in the acquisition of land, utilities, etc., and providing other pre and post-approval services to investors.

2.1. REGISTRATION

The minimum capital required of a foreign investor is US\$ 100 thousand per project. However, if a foreign investor invests in partnership with domestic investor(s), the minimum capital required of him is US\$ 60 thousand per project.

The minimum capital required of a foreign investor investing in areas of engineering, architectural or other technical consultancy services, accounting and audit services, project studies or business and management consultancy services and publishing is US\$ 50 thousand where the ownership fully foreign owned, and US\$ 25 thousand where the investment is made jointly with domestic partner(s). A foreign investor reinvesting his profits or dividends or exporting of at least 75 percent of his outputs is not required to allocate a minimum capital.

An individual investor may also invest as a sole proprietor, with full equity ownership. Areas open for joint-venture investment with the Government are the manufacture of weapons and ammunition and telecommunication services. Otherwise, the law encourages joint ventures with Ethiopian individuals and companies. Investment can also be effected through business organization incorporated in Ethiopia or locally registered branch companies, public enterprises and cooperatives established in accordance with the relevant laws. (Investment areas reserved for the government and other domestic investors are listed in Appendix I.)

As the requirement, a foreign investor should obtain investment permit first by submitting a properly filled application form with the required documents such as a draft memorandum and articles of associations in case an application is made by a business organization, and a power of attorney in case the application is made through an agent. Where the application is to establish as a branch company in Ethiopia, the applicant is required to submit the following documents.

- legal certificate of incorporation in the country of origin;
- notarized document of the memorandum and article of association;
- a decision stating the organization's intent to invest in Ethiopia, together with the amount of capital allocated for the purpose; and
- power of attorney to the appointed agent in Ethiopia.

Upon receiving in full the authenticated documents listed above together with properly filled investment application form, the investment permit and company registration certificate will be issued within 4 hours.

The Main Department for Immigration and Nationality Affairs issues a residence permit to a foreign investor, upon the submission of his investment permit. A foreign investor, who is a share holder of a company or a branch company and an expatriate staff who has a work permit, are also entitled to a residence permit.

2.2. LAND ALLOCATION

In Ethiopia, land is public property. Individuals, companies and other organizations have only use right of land. There are two broad classifications of land for rent or lease purposes: rural land and urban land.

Rural land is rented mainly for agriculture. Currently, there are nearly 11.55 million ha of land readily available for farming (Table 3). The rental price of rural land is generally low. There is strong commitment from the government to avail the country's fertile land for investment. The Ministry of Agriculture and Rural Development has given the responsibility of providing technical support for private investors investing in agriculture. The support ranges from providing information, technical support, and facilitation of other public services.

Urban land is divided into land for industrial use and land for other activities. Industrial land is given much attention by the government and a number of industrial zones with the necessary infrastructural facilities (roads, electricity, water, telephone) are established in the major cities and towns in order to support the country's drive for rapid industrialization. Industrial land in industrial zones is allocated to investors at fixed prices. Land for export-oriented industries is generally available at concessionary rate.

The Ethiopian Investment Agency (EIA) has the mandate to facilitate the allocation of land for FDI projects throughout the country. Urban land for other activities is available on an auction basis. The auction prices vary, depending on demand.

The lease and rental prices of urban and rural land vary according to location, type of investment and class of land. The land cannot be mortgaged or sold, but the lease or rental value of land and the fixed assets thereon may be mortgaged or transferred to a third party.

3. INVESTMENT INCENTIVES

3.1. FISCAL

The Council of Ministers Regulations No.84/2003, as amended in 2008, specifies the areas of investment eligible for investment incentives.

A) CUSTOMS DUTYS EXEMPTION

To encourage private investment and promote the inflow of foreign capital and technology into Ethiopia, the following customs duty exemptions are provided for investors (both domestic and foreign) engaged in eligible new enterprises or expansion projects such as agriculture, manufacturing, agro-industries, construction contracting, etc.

- 100% exemption from the payment of customs duties and other taxes levied on imports is granted to all capital goods, such as plant, machinery and equipment, and construction materials;
- Spare parts worth up to 15% of the total value of the imported investment capital goods, provided that the goods are also exempt from the payment of customs duties;
- An investor granted with a customs duty exemption will be allowed to import capital goods duty free any time during the operational phase of his enterprise;
- Investment capital goods imported without the payment of custom duties and other taxes levied on imports may be transferred to another investor enjoying similar privileges.

B) INCOME TAX EXEMPTION

If an investor engaged in new manufacturing, agro-processing, the production of agricultural products and investment areas of information and communication technology (ICT) development:

- Exports 50 percent his products or services, or supplies 75 percent of his products or services as production or service input to an exporter will be exempted from income tax for 5 years. Under special circumstances, the Board may grant income tax exemption up to 7 years and the Council of Ministers may pass a decision to grant income tax exemption for more than 7 years;
- Exports less than 50 percent of his products or services, or supplies his products or services only to the domestic market will be exempted from payment of income tax for 2 years;
- Exports, through the expansion or upgrading of his existing enterprise, at least 50 percent of his products or services and increases, in value, his products or services by over 25 percent will be exempted from income tax for 2 years;

For each case mentioned above, the length of the tax exemption period may be extended for one additional year when the investment is made in relatively under-developed regions of the country. However, investors who export hides and skins after processing below crust level are not eligible for income tax exemption.

Investors who invest in priority areas (textile and garments, leather products, agro-processing, etc.) to produce mainly export products will be provided land necessary for their investment at reduced lease rates.

3.2. NON-FISCAL

- Investors who invest to produce export products will be allowed to import machinery and equipment necessary for their investment projects through suppliers credit;
- Investors who invest in areas of agriculture, manufacturing and agro-industry will be eligible to obtain loan up to 70 percent of their investment capital from the Development Bank of Ethiopia (DBE) if their investment is sound to be feasible;
- The Government of Ethiopia will cover up to 30 percent of the cost of infrastructure (access road, water supply, electric and telephone lines) for investors investing in industrial zone development;

3.3. LOSS CARRY FORWARD

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

4. EXPORT INCENTIVES

4.1. FISCAL

The fiscal incentives given to all exporters are the following:

- With the exception of few products (e.g. Semi-processed hides and skins), no export tax is levied on export products of Ethiopia;
- Duty Drawback Scheme: It offers investors an exemption from the payment of customs duties and other taxes levied on imported and locally purchased raw materials used in the production of export goods. Duties and other taxes paid are drawn back 100 percent at the time of the export of the finished goods.
- Voucher Scheme: A voucher is a printed document having monetary value which is used in lieu of duties and taxes payable on imported raw materials. The beneficiaries of the voucher scheme are also exporters.
- Bonded Manufacturing Warehouse Scheme: Producers not eligible for voucher scheme but having licensed for bonded manufacturing warehouse are entitled to operate such warehouse in importing of raw materials duty free.

4.2. NON-FISCAL

- Exporters are allowed to retain and deposit in a bank account up to 20 percent of their foreign exchange export earnings for future use in the operation of their enterprises and no export price control is imposed by the National Bank of Ethiopia;
- Franco valuta import of raw materials are allowed for enterprises engaged in export processing;
- Exporters can benefit from the export credit guarantee scheme which is presently in place in order to ensure an exporter receives payment for goods shipped overseas in the event the customer defaults, reducing the risk of exporters' business and allowing it to keep its price competitive.

5. REMITTANCE OF CAPITAL

A foreign investor has the right to make the following remittances out of Ethiopia in convertible foreign currency:

- profits and dividends;
- principals and interest payments on external loans;
- payments related to technology transfer agreements;
- proceeds from the sale or liquidation of an enterprise; and
- proceeds from the sale or transfer of shares or partial ownership of an enterprise to a domestic investor.

6. PRIVATIZATION

The privatization program offers opportunities to both private foreign and domestic investors particularly in the agriculture, manufacturing and hotel and tourism sectors. State-owned enterprises are privatized through competitive bidding. The Ethiopian Privatization and Public Enterprises Supervising Agency (EPESA) is the responsible organ for executing the privatization program of the country. Currently, the Agency applies different modalities such as equity, joint venture, lease and management contract to privatize state-owned enterprises. All interested investors are invited to participate in a bid through official announcement on radio, television and in newspapers when transferring public enterprises to the private sector. Eligible buyers are required to fill out and submit a tender document to the Agency. The Agency will notify a winner and handover an enterprise to the buyer after signing a sale agreement. With regard to minimum capital requirement and incentives in case of expansion or upgrading, the investment law also applies to enterprises to be privatized.

APPENDIX

CLIENT CHARTER

No.	Type of Service	Delivery time	Cost/fee (Birr)
1.	Issuance of investment permit		
	New investment	4 hours	600
	Expansion investment	4 hours	300
2.	Renewal of investment permit		
	New investment	1 hour	200
	Expansion investment	1 hour	100
3.	Substitution of lost or damaged investment permit	1 hour	100
4.	Issuance of trade registration certificate		
	Principal registration	4 hours	80
	Summary registration	4 hours	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	600
8.	Investment permit amendment/change	3 hours	100
9.	Construction contractor grading	2 hours	-
10.	Investment permits 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

APPENDIX

RESTRICTIONS

The following areas are reserved for domestic investors:

1. Areas exclusively reserved for the Government:

- Postal services except courier services;
- Transmission and supply of electrical energy through the Integrated National Grid System; and
- Passenger air transport services using aircraft with a capacity of more than 20 passengers.

2. Areas reserved for joint-venture investment with the government:

- Production of weapons and ammunition;
- Telecommunication services.

3. Areas exclusively reserved for domestic investors:

A. TRADE

- Export of raw coffee, chat, oil seeds, pulses, hides and skins bought from the market, and live sheep, goats and cattle not raised or fattened by the investor;
- Import trade (excluding LPG, bitumen and, upon approval from the Council of Ministers, material inputs for export products);
- Retail trade and brokerage; and
- Wholesale trade (excluding supply of petroleum and its by-products as well as wholesale trade by foreign investors of their locally produced products).

B. OTHERS

- Bakery products and pastries for the domestic market;
- Barber shops, beauty saloons, and provision of smith, workshops and tailoring services except by garment factories;
- Building maintenance and repair and maintenance of vehicles;
- Car-hire and taxi-cab transport services;
- Commercial road transport and inland water transport services;
- Construction companies excluding those designated as Grade 1;
- Customs clearance service;
- Grinding mills;
- Hotels (excluding star-designated hotels), motels, pensions, tea rooms, coffee shops, bars, night clubs and restaurants (excluding international and specialized restaurants);
- Museums, theatres and cinema hall operations;
- Printing industries;
- Saw milling and timber-making;
- Tanning of hides and skins up to crust level; and
- Travel agency, trade auxiliary and ticket selling services.

4. Areas exclusively reserved for Ethiopian nationals:

- Banking, insurance, micro-credit and saving services;
- Broadcasting services;
- Air transport services using aircraft with a seating capacity of up to 20 passengers; and
- Forwarding and shipping agency services.

APPENDIX III

CONCLUDED TREATIES

Ethiopia has concluded bilateral investment and double taxation avoidance treaties with the following countries:

28 Bilateral Investment Treaties (BITs)

September 1996 – November 2009

BITs

Algeria
Austria
Belgium and Luxemburg
China
Denmark
Egypt
Equatorial Guinea
Finland
France
Germany
India
Iran
Israel
Italy

BITs

Kuwait
Libya
Malaysia
Netherlands
Russia
South Africa
Spain
Sudan
Sweden
Switzerland
Tunisia
Turkey
United Kingdom
Yemen

6 Double Taxation Avoidance Treaties (DTTs)

1992– 2010

DTTs

Algeria
Czeck Republic
France
Israel
Italy
Kuwait

DTTs

Romania
Russia
South Africa
Tunisia
Turkey
Yemen

APPENDIX IV

TIPS FOR FOREIGN INVESTORS

HEALTH REQUIREMENTS

Prior to entry, all foreign visitors should be in possession of valid health certificate for yellow fever. Vaccination against cholera is also required for any person who has visited or a cholera-infected area within 6 days prior to arrival in Ethiopia.

VISA AND IMMIGRATION REQUIREMENTS

Visas are required for all foreign visitors to Ethiopia, with the exception of nationals of Kenya and the Sudan. Visas may be obtained at Ethiopia's diplomatic missions overseas. However, nationals of 33 countries are now allowed to receive their tourist visas on arrival in Ethiopia. The list includes Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Republic of Korea, Kuwait, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, South Africa, Spain, Sweden, Switzerland, Taiwan, United Kingdom and United States.

PUBLIC HOLIDAYS

Public holidays are celebrated according to the Ethiopian (Julian) Calendar which consists of the following:

September 2009– September 2010

DATE	PUBLIC HOLIDAYS	DAYS	REMARKS
September 11	Ethiopian New Year	1	National holiday
September 20	Id Al Fater (Ramadan)	1	Muslim holiday
September 27	The Finding of the True Cross (Meskel)	1	Christian holiday
November 27	Id Al Adaha (Arafa)	1	Muslim holiday
January 7	Ethiopian Christmas	1	Christian holiday
January 19	Ethiopian Epiphany	1	Christian holiday
February 26	Prophet Mohamed's Birthday(Maulid)	1	Muslim holiday
March 2	Victory of Adwa	1	National holiday
April 2	Ethiopian Good Friday	1	Christian holiday
April 4	Ethiopian Easter	1	Christian holiday
May 1	International Labor Day	1	National holiday
May 5	Patriots' Victory Day	1	National holiday
May 28	Downfall of the Derg	1	National holiday

The maximum number of office closure days in a year is 12 instead of 13, since Easter always falls on Sunday.

NORMAL BUSINESS HOURS

GOVERNMENT

Government offices work 39 hours in a week. Office hours extend from 8.30 a.m. to 5.30 p.m. (lunch break from 12.30 p.m. to 1.30 p.m.) Monday through Thursday and from 11.30 a.m. to 1.30 p.m. on Friday.

BANKS

Most banks are open from 8 a.m. to 4 p.m., including lunch hours, Monday through Friday. Most banks are also open on Saturday from 8 a.m. to 12 noon.

SHOPS

Most shops are open up to 6 p.m., Monday through Saturday. Some shops, particularly supermarkets, are open on Sundays and public holidays.

APPENDIX V

IMPORTANT ADDRESSES

A. PUBLIC OFFICES

ETHIOPIAN INVESTMENT AGENCY
ADDIS ABABA
P.O. BOX 2313
TEL: +251-11-551 0033
FAX: +251-11-551 4396
E-mail: ethiopian.invest@ethionet.et
www.ethioinvest.org

Ministry of Trade & Industry
Addis Ababa
P.O. Box 704
Tel: +251-11-551 8025
Fax: +251-11-551 4288

Ministry of Foreign Affairs
Addis Ababa
P.O. Box 393
Tel: +251-11-551 7345
Fax: +251-11-551 4300/ 551 1244
E-mail: mfa.addis@telecom.net.et

Ministry of Agriculture and Rural Development
Addis Ababa
P.O. Box 62347
Tel: +251-11-551 8040/ 551 7354
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Addis Ababa Chamber of Commerce
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ETHIOPIAN INVESTMENT

Agency

VISION

- ❖ To be a strong institution which will make Ethiopia one of the leading investment destinations in Africa.

MISSION

- ❖ To enhance investment, both foreign and local, in the country by promoting its resource potentials and investment opportunities, initiating policy and implementation measures to create conducive investment climate and providing efficient services to investors so as to bring fast and sustainable economic development in the country.

CORE VALUES

- ❖ Provision of efficient, effective and fair services which are tailored to the best satisfaction of our customers.
- ❖ Efficient and effective utilization of our resources.



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