



# ETHIOPIAN INVESTMENT COMMISSION

ETHIOPIA: A Preferred Location for Foreign Direct Investment in Africa



Invest in Ethiopia

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An Investment Guide to Ethiopia 2015

# ETHIOPIA: A Preferred Location for Foreign Direct Investment in Africa

## An Investment Guide to Ethiopia 2015

### **Vision**

‘To see Ethiopia as one of the leading investment destination countries in Africa in 2023’

### **Mission**

‘To enhance investment in the country by promoting investment opportunities through creating conducive investment climate and providing efficient services to investors so as to bring rapid and sustainable economic development in the country.

### **Values**

- We strive for the success of the development of investors;
- We are ready at all times to learn and change;
- We are implement efficient and coordinated management;
- We stand for environmental safety and care;



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# 1. INTRODUCING ETHIOPIA

Official name	Federal Democratic Republic of Ethiopia (FDRE)
Political system	Federal with multi-party system
Head of state	President: Dr. Mulatu Teshome
Head of government	Prime Minister: Hailemariam Dessalegn
Capital city	Addis Ababa; which is also the seat of the African Union (AU) and United Nations Economic Commission for Africa (ECA), among others.
Location	<p>Ethiopia is located at the northeastern part of Africa extending 3° to 15° north of the equator and 33° to 48° east of the Greenwich Meridian.</p> <p>Ethiopia enjoys a unique location at crossroads between Africa, the Middle East and Asia.</p>
Area	1.14 million square kilometers.
Arable land	513,000 square kilometers (45%)
Irrigated land	34,200 square kilometers (3%)
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	<p>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.</p> <p>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.</p>
Population	Over 90 million
Population density	74.4 per sq. km



GDP per capita	US\$ 632 (2013/14)	
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 religious 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. Oromiffa, Somali and Tigrigna are other major languages widely spoken in the country.	
	English is a medium of instruction in junior and secondary schools, and higher educational institutions; and 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 13 <sup>th</sup> month known as “Pagume”. The calendar is seven years behind the Western or Gregorian Calendar, with the Ethiopian New Year falling on 11 <sup>th</sup> of September.	
Working hours	Ethiopia is in the GMT+3 time zones. The government office hours are 8:30 am - 12:30 pm and 1:30 pm - 5:30 pm from Monday through Thursday; and 8:30 am to 11:30 and 1:30 pm to 5:30 pm on Fridays.	
Administrative division.	There are nine regional states, and two city adminstratioins, including Addis Ababa in the country.	
Main cities/ towns	Addis Ababa Adama Bahir Dar Dessie Gondar	Harar Hawassa Jimma Mekele Dire Dawa
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.	

# 11 - The Operating Environment



## 1. Political Environment

- Ethiopia is considered as one of the most stable countries in Africa.
- The Constitution of the country, adopted in 1995, provides for a multi-party political system.
- Elections are held by universal adult suffrage every five years
- The FDRE has a parliamentary form of government with a bicameral parliament, which comprises the House of the Peoples' Representatives (HPR) and the House of the Federation (HoF). The House of the Peoples' Representatives is the highest authority of the Federal Government.
- Power of government is assumed by the political party or a coalition of political parties that constitutes a majority in the House of the Peoples' Representatives (HPR);
- Executive power is vested in the Prime Minister, elected from among the members of the HPR for a five-year term;
- Ethiopia may well be considered as a country with the lowest levels of crime and corruption among least developed countries.



## 2. Economic Environment

The Ethiopian government has formulated the five year Growth and Transformation Plan (GTP) to carry forward the important strategic directions in maintaining a fast growing economy in all sectors. Accordingly, Ethiopia's economy is projected to grow at an average rate of 11.2 percent annually.



Enormous efforts have been made in major key sectors to achieve the Millennium Development Goals (MDGs). As a result, the Ethiopian economy witnessed sustainable double digit and broad-based growth. In 2013/14, real GDP grew by 10.3 percent, moderately higher than the previous year. In the first three years of Growth and Transformation Plan (GTP) implementation, the GDP had grown on average by about 10.1 percent per annum. This achievement is slightly lower than the 11.1 percent annual average growth rate target set for the first two years of the GTP period and the 11.2 percent annual average growth rate target set for the entire GTP period. This marginal difference can, however, be compensated in the remaining two years of GTP period through accelerated growths of the agricultural and industrial sectors.

Ethiopia's economy is based on agriculture, which accounts, in 2013/14, for about 39.9 percent of the gross domestic product (GDP), 90 percent of foreign currency earnings, and 85% of employment. Generally, the overall economic growth of the country has been highly associated with the performance of the agriculture sector.

Coffee is a critical commodity to the Ethiopian economy. It earned US\$ 714.4 million in exports in 2013/14. Other important export products include gold (US\$456.2 million), oil seeds (US\$651.9 million), chat (US\$297.6 millions), flowers (US\$199.0 million), pulses (US\$250.4 million), live animals (US\$186.7 million), leather and leather products (US\$129.9 million), meat and meat products (US\$74.6 million), fruits and vegetables (US\$45.9 million).

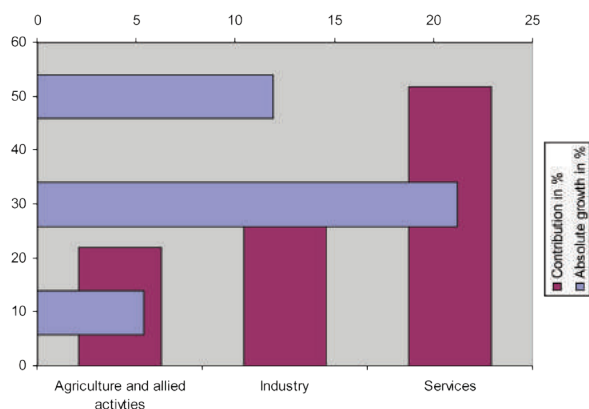
The industrial sector, which mainly comprises small and medium enterprise, accounts for about 14.2 percent of GDP in 2013/14. Similarly, the service sector comprised of social services, trade, hotels and restaurants, finance, real estate, etc. accounts for about 45.9 percent of GDP in the same year.



Ethiopian Investment Guide 2015



Figure II.1 Absolute Growth and Sectorial Contribution (2013/14)



Source: NBE, Annual Progress Report for Growth and Transformation Plan 2013/

## 1. Trade and Investment

### 1.1. Trade

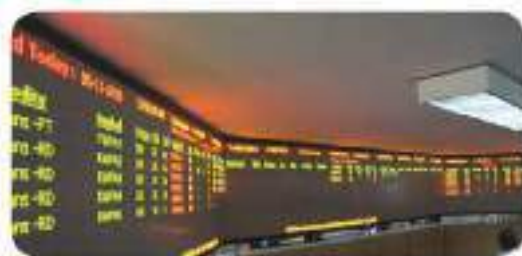
In order to enhance the export sector, the Government has established the Ethiopia Commodity Exchange (ECX). ECX is a marketplace where buyers and sellers come together to trade, assured of quality, delivery and payment. ECX assures all commodity market players the security they need in the market through 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

During 2013/14, total export earnings amounted US\$ 3.3 billion. The coffee-dominated export sector of the country has



During 2011/12, 2012/13 and 2013/14 the general annual inflation was 34.1, 13.5 and 8.1 percents respectively. It was predominantly due to the hike in price of food items and non-alcoholic beverages.

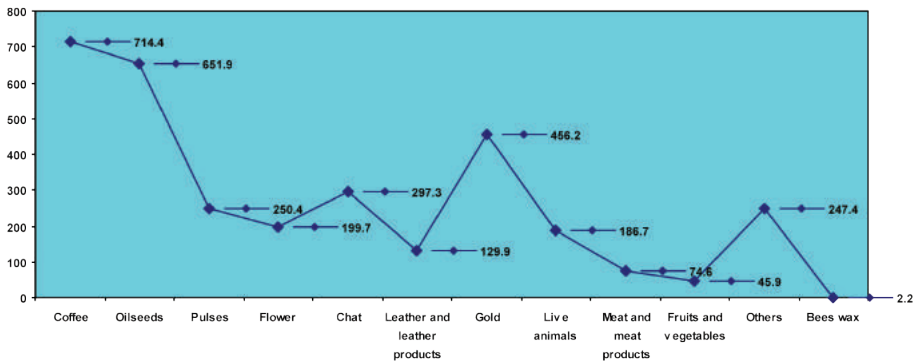
The weighted average exchange rate of the Birr in the inter-bank foreign exchange market, depreciated by 4.8 percent in 2013/14 to Birr 19.0748/USD compared to Birr 18.1947/USD last year.



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. In addition, 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\$714.4 million in 2013/14. The reason for the export growth was through increased earning of oil oilseeds (47.0 percent), chat (9.6 percent), pulses (7.4 percent), flower (7.0 percent), live-animals (12.2 percent), leather & leather products (7.2 percent), meat & meat products (0.5 percent), fruits & vegetables (4.7 percent) and bees' wax (3.7 percent) owing to higher global commodity prices and/or increased in volume of exports.



Figure II.2 Value of major export items in 2013/14 (million USD)



Source: NBE, Annual Report 2013/14

## 1.2. Foreign Direct Investment

It is an undeniable fact that Ethiopia has made a considerable progress in economic and social development since 1992 because 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 for economic and social development.

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

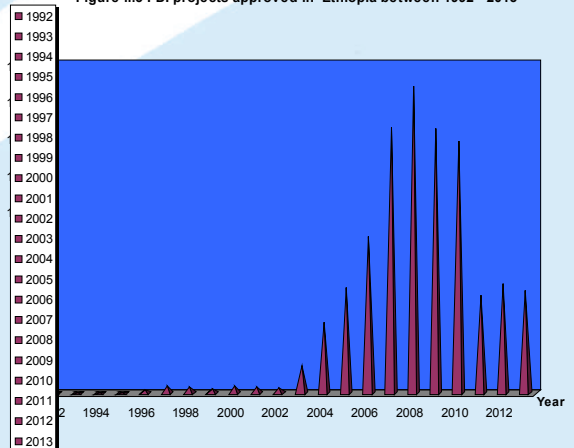
The Industrial Development Strategy focuses on export manufacturing with priority given to textile and garments, leather and leather products, agro-processing, and small and micro-enterprises.

Due to the investment-friendly

environment created in the country, the inflow of foreign direct investment (FDI) has been increasing over the last twenty-one years. Accordingly, out of the total investment projects licensed between 1992- 2013, FDI's share is about 15.80 percent. However, the overall trend of investment in 2012 both the total number of projects and capital invested have shown slight increase.

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.

Figure II.3 FDI projects approved in Ethiopia between 1992 - 2013



Source: Ethiopian Investment Commission  
Ethiopian Investment Guide 2015

## Major International Companies Operating in Ethiopia in the Target Sectors:

### Ayka Addis [Garment]:

- 100% FDI (Turkish investor);
- Location: Addis Ababa (own compound);
- 7500 employees;
- \$300 million investment
- Management from around the world (Turkey, Pakistan, Sri Lanka)
- Started 8 years ago;
- Operating at full capacity; planning to open adjacent compound but waiting for land
- Market: Export
- Product: garments (lady/men/children and babies) and fabric; Doesn't produce under own brand;
- Market share: 60% of Ethiopia exports in Textile

### SHINTZ Garments:

- 100% FDI (Korean);
- Location: Bole Lemi I;
- Employees: in training, planning to scale to 5000-6000 by end of 2015
- Investment: N/A
- Management: N/A
- Start in 2014;
- Market: Export
- Products: outdoor wear (fleece jackets); (do not produce under own brand yet but plan to do so)
- Market share: N/A

### George Shoes:

- 100% FDI (China);
- Location: Bole Lemi I;
- Employees: 950 in Ethiopia
- Investment: N/A
- Management: Chinese
- Started in Feb. 2014;
- Market: Export to China and USA
- Products; leather shoes and synthetic shoes
- Market share: N/A

### Huajian Shoe Factory:

- 100% FDI (China);
- Location: Easter Industrial Zone;
- Employees: 3000 in Ethiopia (1000-1500 birr/person)
- Investment: N/A
- Management: Chinese (150 people)
- Started in: N/A;
- Market: Export to China and USA
- Products; ladies leather shoes , “fast fashion segment,” mid-market
- Market share: N/A

### Lifan (Car Manufacturing):

- 100% FDI (China);
- Location: Eastern Industrial Zone
- Employees: 60 in Ethiopia (salary: 2,000 to 10,000 birr)
  - Investment: \$10m
  - Management: Chinese
  - Started in: N/A
  - Market: Ethiopia
  - Products; car “assembling”
  - Market share: N/A

## 2. Infrastructure and utilities

### 2.1. Electricity

Ethiopia has enormous potential for hydropower and geothermal energy generation. Several studies have so far been carried out to estimate 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, the country has so far

managed to utilize merely 2000 MW of its power generating potential and only about 33 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.

Currently, Ethiopia has around 2000 MW of installed power generating capacity, out of which 1,980 MW (99%) is generated from hydropower plants. The remaining 12 MW (0.6%) and 8 MW (0.4%) comes from thermal and geothermal sources respectively. According to the five year Growth and Transformation Plan (GTP), the country's installed electricity generating capacity is expected to reach 10,000 MW by the end of 2014/15 from the current level of 2000 MW. In the same year, the electricity coverage of the country will be 75 percent.



## 2.2. Telecommunications

Ethio Telecom, which is state-owned, is the sole telecom service provider in the country. It provides national and international telecommunications services using Satellite, Micro-wave Digital Radio Multi Access System (DRMAS), VSAT, UHF, VHF, Long Line and HF Radio.

In 2013/14, mobile subscribers reach 28.3 million making the national coverage 27.6

percent. Similarly, the number of fixed line subscribers slightly increased by 2.9 percent to 813,410 from 790,168 in 2012/2013. In the same year internet subscribers reached 6.2 million.

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, Ethio Telecom is currently engaged in a major transformation work of Next Generation Network (NGN) projects to create a world class telecom service provider.

According to the Growth and Transformation Plan (GTP), the country's subscribers for fixed line, mobile telephone and internet users will be 3.05 million, 40 million and 3.69 million respectively by the end of 2014/15.

## 2.3. Water supply

Ethiopia has huge run-off and ground water potential. However, it utilizes a small portion of these resources. Access to safe potable water in urban areas was 81.3 percent in 2012/13. Access to safe potable water in rural areas was about 66.5 percent in the same year. The overall national average of access to potable water supply was to 68.45 percent in 2012/13.

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. Accordingly, the national access to potable water supply is expected to be 98.5 percent by the end of 2014/15.



All-weather rural road grew by 3.2 percent per annum constituting 33,609 km of the total road network in 2013/14.

Similarly, in 2013/14 the community road, included under the total road network, has remarkably increased to 39,056 km from 27,628 km in 2012/13. Totally the length of all types of road reached to 99,522km.

## 2.4. Roads

### 2.4.1 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, South Sudan and Sudan.

In 2013/14, the total road network, excluding community roads, reached 60,466 km, out of which 37.3 percent are Federal roads and the remaining 62.7 percent are rural roads with annual growth rate of 11.8 percent. Based on the classification of the road network, about 26,857kms are in the Federal network, asphalt road constituted 37 percent and gravel road 63 percent. The Federal road includes 12,640 Km (47.1 percent) asphalt and 14,217 Km (52.9 percent) gravel road.

In line with the five year Growth and Transformation Plan (GTP), the Government has targeted to increase the total road network to 64,500 km in 2014/15.



### 2.4.2 Railway transport

The rapid and sustainable economic growth in the country requires availability of a national railway network. Therefore, the Ethiopian government has formulated a strategic plan to construct a total of 2,395 km of national railway network. One of the rail corridors, creating a crucial trade route, is to neighboring Red Sea Port of Djibouti and, the old railway that connects Addis Ababa, the capital, to such port is now being replaced by an electrified railway, a project expected to boost Ethiopia's import-export trade. Currently, construction of this vital railway line is in good progress.





### 2.4.3 Seaport

In order to ensure efficient, cost effective and reliable import and export movement of cargo to and from the seaports of the neighboring countries, the government has established the Ethiopian Shipping and Logistics Enterprise. The Enterprise is currently operating two dry ports, which are located at Modjo and Semera, 73 kms and 588 kms, from Addis Ababa, respectively. The enterprise is operating other four sub-terminals, which are located at Dire Dawa, Mekele, Combolcha and Gelean, 515 kms, 783 kms, 376 kms, and 34 kms, respectively from Addis Ababa.

Addis Ababa is linked by road to the Port of Djibouti, 910 kms, at the Gulf of Aden. The ports of Barbara, 964 kms, in Somaliland and Port Sudan, 1881 kms, in Sudan are other external trade routes that provide services for export-import trades between the countries. Another potential port accessible to Ethiopia (in the south) is Port Mombasa, in Kenya, 2077 kms.



### 2.4.4. Air Transport

Air transport is an important part of Ethiopia's transport network. Ethiopian Airlines, Africa's World Class Airline, which has gained a very good reputation internationally in its 68 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 is a Star Alliance member.

Ethiopian services include both passenger and cargo transport in its international flights and domestic routes. It also offers training, maintenance, repair and overhaul services to more than a dozen other African and Middle Eastern airlines. Domestic flight services are provided through 17 destinations across the country.

Ethiopian links the country with over 63 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 other big cities in Africa. It is also expanding its international services.

Regarding Ethiopian cargo services, it operates over 40 cargo destinations spread across Africa, Europe, Asia and the Middle East via its hub – Addis Ababa, and another cargo hub at Liege.

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



### 3. 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 has reached nineteen (three of them government-owned) in 2013. These include the two specialized state-owned banks, 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 34 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 in other major cities are Awash (80 branches), Dashen (55 branches), Abyssinya (47 branches), Wegagen (50 branches), United (41 branches), Nib (45 branches), Cooperative Bank of Oromiya (38 branches), Lion (20 branches), Oromiya International (25 branches), Buna (8 branches), Zemen (1 branch), Birhan, Abay, Addis, Debut Global and Enat.

The number of insurance companies is fifteen, Ethiopian Insurance Corporation is government-owned and the rest are private. Private insurance companies include Africa, Awash, United, Global, Nile, Nyala, Nib, Lion, National, Ethio-Life, Oromiya, Abay, Berhan and Tsehay.

### 4. Taxation

The Ethiopian tax law provides for the direct and indirect taxes. The direct taxes are divided into five categories: personal income tax, rental tax, withholding tax, corporation tax, etc. The main types of indirect taxes applicable are VAT, customs duty, excise and turn over taxes.

#### 4.1. 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 II.1.

Box II.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 above ETB 60,000 is charged 35 %.( Table II.2)

Table II.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	42,600	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 N°. 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.

## 4.2. Indirect Taxes

The value added tax (VAT) system, which came into effect on 4<sup>th</sup> 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.

Turn over tax, under the total value of 500,000 Birr, is applicable to pay 2 or 10 percent from annual taxable transactions on goods sold or service rendered locally.

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”) from the Federal Customs and Revenue Authority. An investor that will involve in taxable activity has also an obligation to register for VAT.

## 5. Human Resource and Education

In conformity with the international conventions and other legal commitments, Ethiopia has issued a labor law to ensure that 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 shall obtain work permits for their expatriate employees directly from the Ethiopian Investment Commission (EIC) during the implementation phase of the project. During the operational phase, the Ministry of Labor and Social Affairs will issue the work permit. The EIC processes applications of work permits in two hours. (Appendix 8)

The Labor Law has fixed nominal hours of work as eight hours a day and thirty-eight hours a week. Work done in excess of these hours is deemed to be overtime. The maximum number of office closure days in a year is 12. (Appendix 6)

The government has strategic intervention to ensure linkage between economic growth and employment. Accordingly, most of the urban dwellers benefitted from the



economic growth achieved in the past years. 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.

The total number of educational establishments has been increasing at an increasing rate. In 2005/06, the number of schools was 17,692 to go up to 31,783 in 2011/12.

To increase the skilled labor force, the government of Ethiopia has undertaken a rapid expansion of the university system in the last 8 years, increasing the number of higher education institution from one to 33. It has also adopted an education policy that 70% of the annual student intake in public universities must focus on science, engineering, technology and other social science fields.

Currently, there are 34 public and 4 private universities in Ethiopia in addition to Addis Ababa University is the oldest and most important university in Ethiopia followed by Jimma, Haramaya, Gonder, Mekele, Bahr Dar and Adama Science & Technology universities. The main programs of most universities include engineering, medical sciences, agriculture, information technology, business education, humanities and law. These major programs of the universities are relevant to the development of the strategic economic sectors of the country such as manufacturing, agriculture, infrastructure, etc.



## 6. 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 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) and the Generalized System of Preference (GSP). 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.

# III. 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 Council of Ministers Regulations No.270/2012 specifies the areas of investment open for foreign investors. (Appendix 2)

The areas, with most promising potential for investment in the country today are agriculture, agro-processing, textile and garment, leather and leather products, sugar, chemical and pharmaceutical products, tourism, mining and hydropower.

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

## 1. Agriculture

Ethiopia has suitable climate and types of soil 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 among fast-growing export agro-products. Organic coffee, cotton, tobacco, sugar cane, tea and spices are the main commercial cash crops grown in Ethiopia.





### 1.1. Coffee Farming

Ethiopia is 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. In 2010, the country could produce 341,000 tons of coffee which was 81.3 percent of the target. The largest of these areas lie in south and 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 m.a.s.l) to the continuously wet highland forest zone of the south west (2200 m.a.s.l). 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 tons of black tea per annum. The annual tea consumption of the country is about 5000 tones.

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. Sugar Cane Plantation

In Ethiopia, sugar cane plantation started in 1954/55. Sugar has become one of the essential food consumption items in the country especially in urban areas. Though per capita sugar consumption in Ethiopia is one of the lowest in the world, the volume of consumption has been growing steadily since the establishment of the first sugar cane plantations-cum-sugar mills in the

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early 1950's. As a sweetening food item, sugar is used in preparing all types of drinks (coffee, tea, soft drinks, juices, etc) and foods (pastries, bread of special types, etc). White sugar is mainly exported to the neighboring countries such as Djibouti, Kenya and Yemen in quantities ranging between 30,000 to 50,000 tons per annum.

The gap between demand and supply required the importation of substantial amount of sugar from abroad. In view of the increasing demand, the government has plans to increase its annual sugar production. Thus, new sugar projects are under construction.



## 1.4. Horticulture Farming

With diverse agro-climatic zones, the long growing season and the availability of water for irrigation, most fruits and vegetables can be grown well in Ethiopia. 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 and the fourth in the world. 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, Ethiopia exports its cut flower to the Netherlands, France, Germany, Italy, Canada, Norway, Sweden, UK, Middle East, and other EU countries.





## 1.5. Spices Herbs Farming

The major spices cultivated in Ethiopia are ginger, hot pepper, fenugreek, turmeric, coriander, Cummins, cardamoms, corianders 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.

## 1.6. 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, and Belles Valley), Gambella, Tekeze 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.



## 1.7. Rubber and Palm Tree Plantation

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

Rubber 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.

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.

## 1.10. Agricultural Products

A huge opportunity exists for the production of jatropha, castor bean and similar agricultural products for the domestic as well as the export market.

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

Table III.1. Potential Areas for Farming

No.	Type of farming	Area (ha)	Region
1	Rice	280,000	SNNP, Oromiya, Amhara, Benshangul Gumuz, and Somali
3	Horti culture	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
9	Rubber	200,000	SNNP and Gambella
10	Palm oil	450,000	SNNP, Oromiya and Gambella
<b>Total</b>		<b>5,207,110</b>	

Source: Ministry of Agriculture

### 1.13 Livestock farming, fishery and apiculture

Considerable opportunities exist for investments in rearing and breeding 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 50.88 million cattle, 25.98 million sheep, 21.80 million goats and 42.05 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

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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, and paper and chipboard.

## 2. Manufacturing

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 Growth and Transformation Plan (2010/11-2014/15) of the country, production of textile and garments, leather products, cement industry, metal and engineering, chemical, pharmaceuticals 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 from the beginning and the production of garments; manufacture of knitted and crocheted fabrics, carpets, sport wears, etc.



- ii. Food and beverage products: Processing of meat and 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, processing of pulses, oil seeds or cereals, manufacture of macaroni/pasta 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 ceramic: Tableware and sanitary ware, sheet glass and containers;
- v. Chemicals and chemical products: Manufacture of basic chemicals( including ethanol) based on local raw materials, including fertilizer and nitrogen, soda ash, rubber, PVC granules from ethyl alcohol; manufacture of caustic soda and chlorine-based chemicals; carbon and activated carbon; precipitated calcium carbonate; ballpoint ink, varnishes; soap and detergent, cleaning and polishing preparations, perfume and toilet preparation and pesticides, herbicides or fungicides;
- 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 lime, gypsum, marble, granite, limestone, ceramics, tubes, pipes



and fittings.

### 3. *Tourism*

Ethiopia has much to offer to international tourists. It has a unique historical and cultural heritage, natural attraction; it is a possessor of eight world heritage sites, magnificent scenery, a surprisingly cool climate, rich flora and fauna, important archaeological sites and hospitable people and their cultures diversified a combination, which makes it suitable for tourism development. The northern tourist circuit known as the “Historic Route” comprises the most important tourist sites in 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) is also an attractive investment opportunity.

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 because of Government commitment to provide an enabling environment. Enormous opportunities exist for tourism investment in star-designated eco-tourism, specialized international restaurants and tour operation grade one.

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Potential foreign investors can take full advantage of these opportunities through direct investments or joint ventures with Ethiopians. Opportunities also exist in this sector in the construction of star-designated hotels and resort hotels all over the country.

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.



### 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.

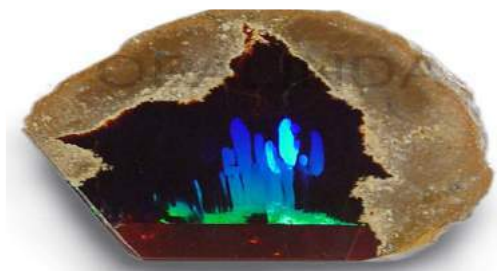
According to the Ministry of Mines, Ethiopia has a substantial deposit of gold, tantalum, platinum, nickel, potash and soda ash. Among construction and industrial



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 ETB 11.7 billion in 2008/09. Of the total capital, Birr 509.6 million was injected into the petroleum project alone. In 2012/13, the proceeds from the export of gold alone was US\$ 430.6 million.

The Ministry of Mines 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.



## 4. 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 an 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 Service, a public enterprise, for transmission and supply of electricity through the grid system.



## 5. 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.

### 5.1. Health

Health services are areas where investment opportunities exist for foreign investors. Accordingly, opportunities for investment are in the following areas by constructing own building:

- General hospitals and
- Specialized hospitals.

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 as compared to an international standard.

### 5.2. Education

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

- Science and technology colleges/universities;
- Colleges for business and marketing;
- Schools for medical science;
- ICT colleges
- Vocational training centers; and

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.



### 6.3. Information and communication technology

Investors are also encouraged to invest in lucrative information and communication technology development (ITC) that can deliver great returns.

Opportunities exist for foreign investors in the following areas:

- Software, content, Application and database development
- System Integration and data Center Services
- Information Technology Services
- Manufacturing of ICT equipment's

### 6.4. 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 foreign investors in the following areas:

- General Contractor Grade One (GCG1);
- Building Contractor Grade One (BCG1);
- Road Contractor Grade One (RCG1);
- Water well drilling (Grade One); and
- Mineral exploration drilling (Grade One).

# IV 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, and 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 (769/2012) gives also a foreign investor the right to own a dwelling house and other immovable property necessary for his investment.

The Investment Proclamation (769/2012) 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 5)

## 2. Institutional Framework

The Investment Proclamation of 2012 and the Regulations on Investment Incentives and Investment Areas Reserved for Domestic Investors of 2012 are the main legal framework for both foreign and domestic investment in Ethiopia.

The Ethiopian Investment Commission (EIC) is an autonomous government institution accountable to the Investment Board. The Prime Minister chairs the Board. A Commissioner who is also member of the Board heads the EIC.

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

The major activities of the EIC 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, business licenses and construction permits;
- notarizing memorandum and articles of association and amendment;
- issuing commercial registration certificates and effecting renewal, amendment, replacement or cancellation;
- effecting registration of trade or firm name and amendment,

replacement or cancellation;

- issuing work permit, renewal, replacement, suspension or cancellation;
- grading first grade construction contractors;
- 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; and
- advising the Government on policy measures needed to create an attractive investment climate for investors.

The EIC also provides additional services on behalf of investors' request to facilitate the acquisition of land and utilities (water, electrical power and telecom services), to process loan and residence permit applications, to get approval of environmental impact assessment (EIA) studies for their investment projects as well as for the issuance of tax identification number (TIN).

### 2.1. Registration Requirements

- The minimum capital required of a foreign investor is US\$ 200,000 per project.
- If a foreign investor invests in partnership with domestic investor(s), the minimum capital required of him is US\$ 150,000 per project.
- The minimum entry capital required of a foreign investor investing in areas of architectural,

engineering works or related technical consultancy services, technical testing and analysis and publishing work is US\$ 100,000 where the ownership is fully foreign owned. Where the investment is to be made jointly with domestic partner(s) the minimum capital required for the foreign investor is US\$ 50,000.

- A foreign investor reinvesting his profits or dividends generated from existing enterprise 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 abroad (locally registered branch companies)

As the requirement, a foreign investor should obtain investment permit first by submitting a properly filled application form with the required documents. (All services of EIC, delivery time and required fee for each service are listed in Appendix 8)

### *Commercial Registration of company*

Where the application is to establish as a new local viable venture in Ethiopia, the foreign investor applicant is required to submit the following documents.

- an application form signed by an agent of the company;
- name clearance from the EIC in the case of creating a new company
- a photocopy of agent's power of attorney;
- a copy memorandum and articles of associations;
- copy of each share holders valid passport or identity card or photocopy of a certificate

evidencing a domestic investor status;

- Tax identification number (TIN);
- An authenticated office lease agreement or title deed;
- in case of non share company, a bank statement showing that the company's capital to be contributed in cash is deposited in a bank account and proper documents related to contribution in kind; and
- in case of share Company, a bank statement showing that at least one fourth of par value of the subscribed shares of the company is deposited in a bank account

### *Commercial Registration of a branch company*

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
- a power of attorney to the appointed agent in Ethiopia and his two passport size photographs;
- Tax identification number (TIN);
- An authenticated office lease agreement or title deed; and

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 3 hours.

### *Investment to be made by business organization incorporated in Ethiopia*

Where the application is to be made by a business organization incorporated in Ethiopia, the foreign investor applicant is required to submit the following documents.

- an application form signed by an agent of the company;
- a photocopy of agent's power of attorney;
- name clearance from EIC in the case of establishing new company
- a photocopy of its memorandum and articles of associations;
- copy of each share holders valid passport or identity card or a photocopy of the certificate evidencing a domestic investor status;
- in case there is a business organization in the company, a photocopy of its memorandum and articles of associations or similar documents of the parent company, legal certificate of incorporation in the country and an authenticated minute stating the organization's intent to invest in Ethiopia.

### *Application for expansion or upgrading of an existing enterprise*

Where an applicant to expand or upgrade an existing enterprise, a foreign investor is required to submit the following documents;

- an application form signed by an agent;
- photocopy the agent's power of attorney;
- where the applicant is sole proprietor, a photocopy of his valid passport or identity card or a certificate evidencing a domestic investor status and his two recent passport size photographs;
- where the applicant is a business company, a photocopy of its memorandum and articles of associations and his two recent passport size photographs of the general manager;

- a photocopy of each share holders valid passport or identity card or a photocopy of the certificate evidencing a domestic investor status;
- in case there is a business organization in the company, a photocopy of its memorandum and articles of associations or similar documents of the parent company, a legal certificate of incorporation in the country and an authenticated minute stating the organization's intent to invest in Ethiopia;
- a photocopy of a valid business license of the existing enterprise; and
- a photocopy of project feasibility study.

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

### *Note;*

All documents whose sources are outside of Ethiopia should be authenticated by foreign public notary, the Ethiopian Embassy, the Ministry of Foreign Affairs of Ethiopia and domestic public notary.

## *2.2. Land Allocation*

In Ethiopia, land is public property. Individuals, companies and other organizations have only the right to use 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 potential land for farming (Box III.1). 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 has been given the responsibility of providing technical support for private investors investing in agriculture. The support ranges from providing land above 5000 ha, provision of information, technical support, and facilitation for other public services.

Urban land is divided into two categories. These are 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 Commission (EIC) 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.

The Ministry of Industry is there to avail sheds or plots of land for manufacturing investment in public industrial zones on rental basis. Private industry zones are also present.

### 3. Investment Incentives

#### 3.1. Fiscal

The Council of Ministers Regulations No.270/2012 specifies the areas of investment eligible for investment incentives.

##### *a. Customs Duty*

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 manufacturing, agriculture, agro-industries, generation, transmission and supply of electrical energy, Information and Communication Technology Development (ICT) tourism, construction contracting, education and training, star designated hotel, specialized restaurant, architectural and engineering consultancy works, technical testing and analysis, capital goods leasing and importation of LPG and bitumen. (Appendix 3)

- 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 indefinitely if his investment is in manufacturing and agriculture, and for five years if his investment is in other eligible areas
- An investor entitled to a duty-free privilege buys capital goods or construction materials from local manufacturing industries shall be refunded the customs duty paid for raw materials or components used as inputs for the production of such goods; and

- 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.

### *Income Tax Exemption*

If an investor engaged in new manufacturing, agro-processing; the production of agricultural products; generation, transmission and supply of electrical energy; and Information and Communication Technology Development he shall be entitled to income tax exemption as specified in Appendix 4;

- Any investor who establishes a new enterprise in Gambella; Benshangul/ Gumuz; Afar (except in areas within 15 kilo meters right and left of the Awash River); Somali; Guji and Borena Zones (in Oromia); or South Omo Zone, Segen (Derashe, Amaro, Konso and Burji) Area Peoples Zone, Bench-Maji Zone, Sheka Zone, Dawro Zone, Keffa Zone, Konta and Basketo Special Woredas (in Southern Nations, Nationalities and Peoples Region) shall be entitled to an income tax deduction of 30% for three consecutive years after the expiry of the income tax exemption period specified in the in Appendix 4;
- An investor who expands or upgrades his existing enterprise and increases in volume at least by 50 percent of its attainable production or service rendering capacity or introducing a new production or service rendering line at least by 100 percent of an existing enterprise is entitled to the income tax exemption period specified in the in Appendix 4; and
- Exports at least 60 percent his products or services, or supplies the same to an exporter as production of service input will be exempted

from the payment of income tax for additional 2 years.

## *3.2. Non-fiscal*

The non- fiscal incentives given to all exporters' investors who invest to produce export products will be allowed to import machinery and equipment necessary for their investment projects through suppliers credit.

## *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 income tax exemption period, for half of the tax exemption period. For the purpose of calculating a period of loss incurred carry forward, a half year period shall be considered as a full income tax period. Any loss incurred during income tax exemption period is not allowed to carry forward such loss for more than five income tax 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-150%), no export tax is levied on export products of Ethiopia;
- Duty Drawback Scheme: this scheme 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; and

- Bonded Factory and Manufacturing Warehouse Schemes: producers not eligible for voucher scheme but having licensed for bonded are entitled to operate such factory or warehouse in importing of raw materials duty free.

## 4.2. *Non-fiscal*

The non- fiscal incentives given to all exporters are the following:

- Exporters are allowed to retain and deposit in a bank account up to 20 percent of their foreign exchange 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; and
- 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;
- compensation paid to an investor; and
- proceeds from the sale or transfer of shares or partial ownership of an enterprise to a domestic investor.



# 1. 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 50 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, precious minerals, natural forestry products, hides and skins bought from the market, and live sheep, goats, camel, equines and cattle not raised by the investor;
- Import trade (excluding LPG and bitumen); 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*

- Manufacturing of ice crème and cakes;
  - Finishing of fabrics, yarn, warp and weft, apparel and other textile products by bleaching, dyeing, shrinking, sanforizing, mercerizing or dressing;
  - Tanning of hides and skins below finished level;
  - Manufacture of cement;
  - Manufacture of clay and cement products;
  - Tour operation below grade 1;
  - Construction, water well and mining exploration drilling companies below Grade 1;
  - Kindergarten, elementary and junior secondary education by constructing own building;
  - Diagnostic center service by constructing own building;
  - Clinical service by constructing own building;
  - Capital goods leasing (this does not include leasing of motor vehicles); and
  - Printing industries.
  - Manufacturing of plastic shopping bags
  - Manufacturing of corrugated metal sheet for roofing and nails
4. Areas exclusively reserved for Ethiopian nationals:
- Banking, insurance, micro-credit and saving services;
  - Broadcasting and mass media services;
  - Attorney and legal consultancy services;
  - Preparation of indigenous traditional medicines;
  - Advertisement, promotion and translation works;
  - Domestic air transport services using aircraft with a seating capacity of up to 50 passengers; and
  - Packaging, forwarding and shipping agency services.

# 11. Appendix

## INVESTMENT AREAS OPEN FOR FOREIGN INVESTORS

The following areas are open for foreign investors.

### ***Manufacturing***

- 1.1. Food industry
- 1.2. Beverage industry
- 1.3. Textiles and textiles products industry
- 1.4. Leather and leather products industry
- 1.5. Wood products industry
- 1.6. Paper and paper products industry
- 1.7. Chemical and chemical products industry
- 1.8. Basic pharmaceutical products and pharmaceutical preparations industry
- 1.9. Rubber and plastics products industry
- 1.10. Other non-metallic mineral products industry
- 1.11. Basic metal industry
- 1.12. Fabricated metal products industry
- 1.13. Computer, electronic and optical products industry
- 1.14. Electrical products industry
- 1.15. Machinery and equipment industry
- 1.16. Integrated manufacturing with agriculture
- 1.17. Vehicles, trailers, and semi trailer industry
- 1.18. Manufacturing of office and household furniture
- 1.19. Manufacturing of other equipment (jewelers and related articles, musical instruments, sports equipment, games and toys and similar products)

### ***1. Agriculture***

- 1.1. Crop production
- 1.2. Animal production
- 1.3. Mixed (crop and animal) farming
- 1.4. Forestry

### ***2. ICT***

### ***3. Generation, transmission and supply of electrical energy***

### ***4. Hotel and tourism***

- 4.1. Star designated hotels /including resort hotels/ , motel, lodges and restaurant
- 4.2. Grade one tour operation

### ***5. Grade I Construction contracting(including water well drilling and drilling for mineral exploration)***

### ***6. Real estate development***

### ***7. Education and training***

- 7.1. Secondary and higher education by constructing own building
- 7.2. Technical and vocational training service including sport

### ***8. Health services***

- 8.1. Hospital service by constructing own building

### ***9. Architectural and engineering works and related technical services, technical testing and analysis***

### ***10. Publishing***

### ***11. Import trade***

- 11.1. Importation of LPG and bitumen

### ***12. Export trade***

- 12.1. Export trade excluding raw coffee, chat, oil seeds, pulses, precious minerals, natural forestry products, hides and skins bought from the market, and live sheep, goats, camel, equines and cattle not raised by the investor.

### ***13. Whole sale trade***

- 13.1. Supply of petroleum and its by-products as well as whole sale of own products

# III Appendix

## AREAS OF INVESTMENT ELIGIBLE FOR EXEMPTION OF CUSTOMS DUTY (APPLICABLE FOR FOREIGN INVESTORS)

The following areas of investment are eligible for exemption of capital goods and construction materials from customs duty.

1. **Manufacturing**
  - a. Food industry
  - b. Beverage industry
  - c. Textiles and textiles products industry
  - d. Leather and leather products industry
  - e. Wood products industry
  - f. Paper and paper products industry
  - g. Chemical and chemical products industry
  - h. Basic pharmaceutical products and pharmaceutical preparations industry
  - i. Rubber and plastics products industry
  - j. Other non-metallic mineral products industry
  - k. Basic metal industry
  - l. Fabricated metal products industry
  - m. Computer, electronic and optical products industry
  - n. Electrical products industry
  - o. Machinery and equipment industry
  - p. Integrated manufacturing with agriculture
  - q. Vehicles, trailers, and semi trailer industry
  - r. Manufacturing of office and household furniture
  - s. Manufacturing of other equipment
2. **Agriculture**
  - a. Crop production
  - b. Animal production
  - c. Mixed (crop and animal) farming
  - d. Forestry
3. **ICT**
4. **Generation, transmission and supply of electrical energy**
5. **Hotel and tourism**
  - a. Star designated hotel and resort, motel, lodges and restaurant
  - b. Tour operation grade one
6. **Construction contracting**

Construction contracting, water well and mineral exploration drilling grade one
7. **Education and training**
  - a. Secondary and higher education by constructing own building
  - b. Technical and vocational training service including sport
8. **Health services**
  - a. Hospital service by constructing own building
9. **Architectural and engineering works and related technical services, technical testing and analysis**
10. **Import trade**
  - a. Importation of LPG and bitumen



## IV Appendix

### AREAS OF INVESTMENT ELIGIBLE FOR EXEMPTION OF INCOME TAX

The following areas of investment are eligible for exemption of income tax.

<i>Areas of Investment</i>	<i>Addis Ababa and Special Zone of Oromia Surrounding Addis Ababa</i>	<i>Other Areas</i>
<b>1. Manufacturing</b>		
i. Food industry	1 up to 5 years	2 up to 6 years
ii. Beverage industry	1 up to 3 years	2 up to 4 years
iii. Textiles and textiles products industry	2 up to 5 years	3 up to 6 years
iv. Leather and leather products industry (Except tanning of hides and skins below finished level)	2 up to 5 years	3 upto 6 years
v. Wood products industry	2 years	3 years
vi. Paper and paper products industry	1 up to 5 years	2 up to 6 years
vii. Chemical and chemical products industry	2 up to 5 years	3 up to 6 years
viii. Basic pharmaceutical products and pharmaceutical preparations industry	4 and 5 years	5 and 6 years
ix. Rubber and plastics products industry	1 and 4 years	2 and 5 years
x. Other non-metallic mineral products industry)	1 and 4 years	2 up to 5 years
xi. Basic metal industry (excluding mining of minerals)	3 up to 5 years	4 up to 6 years
xii. Fabricated metal products industry (excluding machinery and equipment)	1 and 3 years	2 and 4 years
xiii. Computer, electronic and optical products industry	2 up to 4 years	3 up to 5 years
xiv. Electrical products industry	2 and 4 years	4 and 5 years
xv. Machinery and equipment industry	5 years	6 years
xvi. Vehicles, trailers, and semi trailer industry	2 up to 5 years	3 up to 6 years
xvii. Manufacturing of office and household furniture (excluding those made of ceramic)	1 and 4 years	2 and 5 years
xviii. Manufacturing of other equipment (jewelers and related articles, musical instruments, sports equipment, games and toys and similar products)	1 year	2 years
xix. Integrated manufacturing with agriculture	4 years	5 years
<b>2. Agriculture</b>		
i. Crop production (Except growing of fiber crops, medium-term spices, aromatic or medicinal crops, perennial fruits, beverage crops and other perennial crops in Addis Ababa and its surroundings)	2 and 3 years	3 up to 6 years
ii. Animal production ( Except farming of wild animals and production of milk, eggs and similar products in Addis Ababa and its surroundings)	2 and 3 years	3 and 4 years
iii. Mixed (crop and animal) farming	3 years	4 years
iv. Forestry	8 years	9 years
<b>3. ICT</b>	4 years	5 years
<b>4. Generation, transmission and supply of electrical energy</b>	4 years	5 years
<b>5. Industry Zone Development</b>	10 years	15 years

## V . Appendix

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

### 30 Bilateral Investment Treaties (BITs)

1994 – 2009

#### **BITs**

Algeria  
Austria  
Belgium and Luxembourg  
China  
Denmark  
Djibouti  
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  
USA  
Yemen

### 12 Double Taxation Avoidance Treaties (DTTs)

1996– 2008

#### **DTTs**

Algeria  
Check Republic  
France  
Israel  
Italy  
Kuwait

#### **DTTs**

Romania  
Russia  
South African  
Tunisia  
Turkey  
Yemen  
India

# VI Appendix

## 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 2013– September 2014

Date	Public holidays	Days	Remarks
September 11	Ethiopian New Year	1	National holiday
September 27	The Finding of the True Cross (Meskel)	1	Christian holiday
October 26	Id Al Adaha (Arafa)	1	Muslim holiday
January 7	Ethiopian Christmas	1	Christian holiday
January 19	Ethiopian Epiphany	1	Christian holiday
January 24	Prophet Mohamed's Birthday(Maulid)	1	Muslim holiday
March 2	Victory of Adwa	1	National holiday
May 1	International Labor Day	1	National holiday
May 3	Ethiopian Good Friday	1	Christian holiday
May 5	Ethiopian Patriots day	1	National holiday
May 5	Easter	1	Christian holiday
May 28	Downfall of the Derg	1	National holiday
August 8	Id Al Fater (Ramadan)	1	Muslim 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 Fridays.

#### **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.

## *VII Appendix*

### Sources of further information

Ethiopian Investment Commission

Addis Ababa

P.O. Box 2313

Tel: +251-11-551 0033

Fax: +251-11-551 4396

E-mail: [ethioinvest@eia.gov.et](mailto:ethioinvest@eia.gov.et)

Website: [investethiopia@gov.et](mailto:investethiopia@gov.et)

#### **Public sector**

Ministry of Industry

Addis Ababa

P.O. Box 5641

Tel: +251-11-551 8025-29

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](mailto:mfa.addis@telecom.net.et)

Ministry of Agriculture

Addis Ababa

P.O. Box 62347

Tel: +251-11-551 8040/ 551 7354

Fax: +251-11-551 1543

E-mail: [vmoasc@ethionet.et](mailto:vmoasc@ethionet.et)

Ministry of Trade

Addis Ababa

P.O. Box 704

Tel: +251-11-551 8025

Fax: +251-11-551 5411

Ministry of Culture and Tourism

Addis Ababa

P.O. Box 1907

Tel: +251-11-515 6711

Fax: +251-11-551 2889

E-mail: [tour-com@ethionet.et](mailto:tour-com@ethionet.et)

Ministry of Finance & Economic Development

Addis Ababa

P.O. Box 1905

Tel: +251-11-155 2400

Fax: +251-11-156 0124

Ministry of Mines  
Addis Ababa  
P.O. Box 486  
Tel: +251-11-646 3166  
Fax: +251-11-646 3364  
E-mail: [information@mom.gov.et](mailto:information@mom.gov.et)

Ethiopian Revenue and Customs Authority  
Addis Ababa  
P.O. Box 2559  
Tel: +251-11-466 7666  
Fax: +251-11-466 8244  
E-mail: [erca@ethionet.et](mailto:erca@ethionet.et)

National Bank of Ethiopia  
Addis Ababa  
P.O. Box 5550  
Tel: +251-11-551 7430  
Fax: +251-11-551 4588  
E-mail: [nbe.excd@ethionet.et](mailto:nbe.excd@ethionet.et)

Ethiopian Privatization and Public Enterprise  
Supervising Agency  
Addis Ababa  
P.O. Box: 517  
Tel: +251-11-552 1834  
Fax: +251-11-551 3955  
E-mail: [pesa.et@ethionet.et](mailto:pesa.et@ethionet.et)

Ministry of Environmental Protection & Forestry  
Addis Ababa  
P.O. Box 12760  
Tel: +251-11-646 5007  
Fax: +251-11-646 4882  
E-mail: [esid@ethionet.et](mailto:esid@ethionet.et)

#### **Private sector**

Ethiopian Chamber of Commerce and Sectoral  
Associations  
Addis Ababa  
P.O. Box 517  
Tel: 251-11-551 8240  
Fax: 251-11-551 7699  
E-mail: [etchamb@ethionet.et](mailto:etchamb@ethionet.et)

Addis Ababa Chamber of Commerce and Sectoral  
Associations  
P.O. Box 2458  
Tel: 251-11-552 8120  
Fax: 251-11-551 1479  
E-mail: [aachamber1@ethionet.et](mailto:aachamber1@ethionet.et)

Ministry of Labor & Social Affairs  
Addis Ababa  
P.O. Box 2056  
Tel: +251-11-551 7080  
Fax: +251-11-551 8396  
E-mail: [molsa.comt@ethionet.et](mailto:molsa.comt@ethionet.et)

Ethio-telecom  
Addis Ababa  
P.O. Box 1047  
Tel: 251-11-551 0500  
Fax: 251-11-551 5777  
E-mail: [etc.commun@ethionet.et](mailto:etc.commun@ethionet.et)

Ethiopian Electric Service  
Addis Ababa  
P.O. Box 1233  
Tel: 251-11-155 0811  
Fax: 251-11-155 2345  
E-mail: [eelpa@ethionet.et](mailto:eelpa@ethionet.et)

Central Statistical Agency  
Addis Ababa  
P.O. Box 1143  
Tel: 251-11-155 3011  
Fax: 251-11-155 0334  
E-mail: [csa@ethionet.et](mailto:csa@ethionet.et)

Development Bank of Ethiopia  
Addis Ababa  
P.O. Box 1900  
Tel:  
Fax:  
E-mail:  
Website: [www.dbe.com.et](http://www.dbe.com.et)

Ethiopian Horticulture Producers & Exporters  
Association (EHPEA)  
P.O. Box  
Tel: 251-11-663 6750/663 6751  
Fax: 251-11-663 6753  
E-mail: [ehpea@ethionet.et](mailto:ehpea@ethionet.et)

Ethiopian Leather Industries Association (ELIA)  
P.O. Box 12898  
Tel: +251-11-515 6144  
Fax: +251-11-550 8935  
E-mail: [elia@elia.org.et](mailto:elia@elia.org.et)

# VIII Appendix

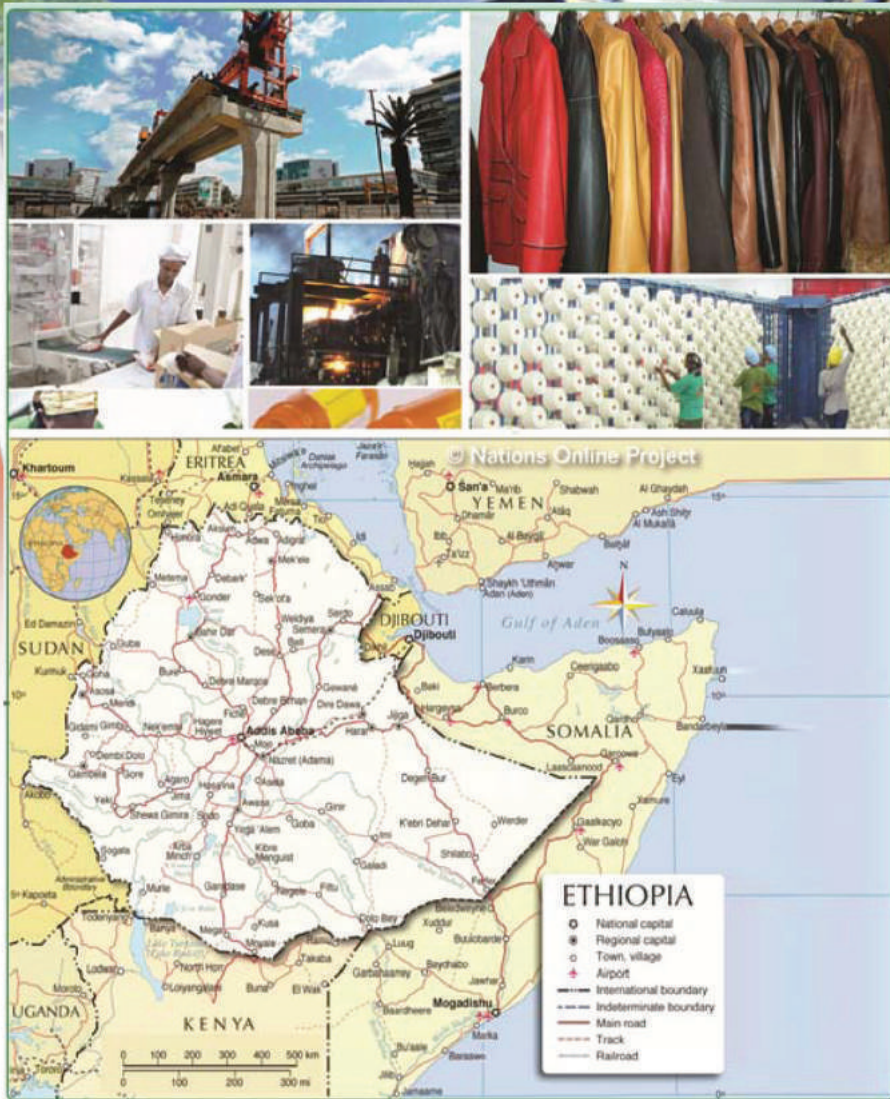
## Client Charter of EIC

No.	Type of Services	Delivery Time	Fee/Birr
<b>Trade or Firm Name</b>			
	Registration of trade or firm name	1 hours	25
	Amendment/ change of trade or firm name	1 hours	80
	Replacement or substitution of trade or firm name	1 hour	50
<b>Tax Identification Number (TIN)</b>			
	Issuance of tax identification number	2 hours	Free of charge
<b>Memorandum and Articles of association</b>			
	Notarization of memorandum and Articles of association	5 hours	652
	Amendment/ change of memorandum and articles of association	3 hours	160
<b>Commercial Registration</b>			
	Issuance of commercial registration	3 hours	100
	Renewal of commercial registration	2 hours	100
	Amendment/ change of commercial registration	3 hours	80
	Replacement or substitution of commercial registration	1 hour	50
	Cancellation of commercial registration	5 working days	50
<b>Investment Permit</b>			
	Issuance of investment permit		
	New investment	3 hours	600
	Expansion investment	18 working days	300
	Renewal of investment permit		
	New investment	2 working days	200
	Expansion investment	18 days	100
	Amendment/ change of investment permit	3 hours	100
	Replacement or substitution of investment permit	1 hour	100
	Cancellation of investment permit	5 working days	Free of charge
<b>Business License</b>			
	Issuance of business license	10 working days	100
<b>Work Permit</b>			
	Issuance of work permit	2 hours	1700
	Renewal of work permit	1 hour	1300
	Replacement or substitution of work permit	1 hour	1000
	Cancellation of work permit	2 hours	Free of charge
<b>Others</b>			
	Registration of technology transfer agreement	3 hours	200
	Registration of domestic investor and foreign investor	2 hours	100
	export-oriented non- equity based collaboration agreements		
	Registration of capital investment brought in to the country by foreign investors	1 day	Free of charge
	Grading of construction contractors	3 working days	5000
	Allowing exemption of capital goods and construction materials from customs duty	2 working days	Free of charge

1USD=21.0383 ETB (July, 2015)



# ETHIOPIA



ETHIOPIA: A Preferred Location for  
Foreign Direct Investment in Africa  
An Investment Guide to Ethiopia 2015



Ethiopian Investment Commission

P.O. Box 2313

Tel: +251-11-551 00 33

Fax: +251-11-551 43 96

E-mail: [ethioinvest@eia.gov.et](mailto:ethioinvest@eia.gov.et)

[www.investethiopia.gov.et](http://www.investethiopia.gov.et)

Addis Ababa, Ethiopia