

# I

## PROFILE OF ETHIOPIA

### Geography

Ethiopia is strategically located in the northern part of Africa known as the 'Horn of Africa', at crossroads between Africa, the Middle East, and Asia. It covers an area of 1.14 million km<sup>2</sup> (445,000 square miles). Ethiopia is bordered by Djibouti and Somalia to the east, Eritrea to the north, the Sudan to the west and Kenya to the south.

Its altitude ranges from 148 meters below sea level at the Dallol Depression to 4620 meters above sea level on the Seimen Mountains in the northwest.

Ethiopia is a country of immense contrasts. It has high and rugged mountains, flat-topped plateaus, deep gorges, incised river valleys and vast rolling plains

Besides the aforementioned diverse physical features, Ethiopia is also endowed with canyons, gorges and rivers. The major river basins include the Abay (Blue Nile), Awash, Baro, Genale, Omo, Tekeze and Wabi Shebele.

### People

Ethiopia has a total population of about 75.1 million (July 2006 projection) growing at a rate of 2.9% per annum.

The people are ethnically, culturally and linguistically diverse. There are about 80 ethnic groups speaking a variety of languages consisting of Cushitic,

Omotic, Nilo-Saharan and Semitic languages. Amharic is the official language of the Federal Government. English is the medium of instruction in secondary schools and higher education institutions. It is also widely used in business transactions, particularly in banking and insurance firms.

Christianity and Islam are the major religions.

### Climate

Ethiopia lies within 15<sup>0</sup> north of the equator. The mean minimum and the mean maximum temperatures vary from 0<sup>0</sup>c in the highlands to 45<sup>0</sup>c in the lowlands. The lowlands typically have sub-tropical and tropical climates. The annual rainfall ranges from 100mm to 2800mm.

### *Political System*

The Federal Democratic Republic of Ethiopia (FDRE) was established under the new Constitution of 21 August 1995. The Constitution provides for a federal system of the State, which is structurally based on the Federal Government, nine autonomous States and two Chartered Cities (Addis Ababa and Dire Dawa).

The country has a parliamentary form of government with a bicameral parliament, which comprises the House of Peoples' Representatives and the House of the Federation. The House of

Peoples' Representatives is the highest authority of the Federal Government.

## **Cities and Towns**

Addis Ababa, the capital city, was founded in 1886, and has a population of over 3 million. It is the seat of the Federal Government, the African Union (AU), the United Nations Economic Commission for Africa (UNECA) and more than 90 embassies and consulates. Several other international organizations have their head quarters and branch offices in the capital.

It is also the center of commerce and industry. Mercato, the largest open-air market in Africa, is also found in Addis Ababa.

Other major cities and towns include Awassa, Bahir Dar, Debre Markos, Dessie, Dire Dawa, Gonder, Harar, Jimma, Kombolcha, Mekele, and Nazareth, just to mention a few. They are connected to Addis Ababa by asphalt and gravel roads.

## **General Information**

### **Visas**

Except nationals of Kenya and Djibouti, foreign nationals may obtain entry visas from the Ethiopian Diplomatic or Consular missions abroad.

However, the nationals of the following countries may also obtain visas upon their arrival at Bole International Airport, Addis Ababa: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, 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 the U.S.A.

Visas are not required for transit passengers. This stands for **72** hours, but may be extended for seven days.

### **Duty Free Items**

The following are some of duty-free items allowed to visitors:

- Items amounting to 500cc (half liter) of perfume,
- 2 liters of alcoholic drinks,
- 250 grams of tobacco,
- 200 cigarettes or 50 cigars,
- Personal effects,
- Unexposed film,
- Cameras,
- Photographic equipment,
- Radio equipment and sound recording apparatus, etc.

### **Accommodation**

Arriving at the Airport, one may take a taxi, which is preferable, or a mini-bus on rent to one of the hotels in the capital. Addis Ababa has several international standard and classified hotels.

### **Residence Permit**

The Main Department for Immigration and Refugee Affairs issues a residence permit to a foreign investor, upon submission of an Investment Permit issued in his name. A foreign investor, who is a shareholder of a company or Branch Company, and an expatriate staff

who has a work permit, is also entitled to a residence permit.

### **Currency**

- The monetary unit of Ethiopian currency is the "Birr", with a par value of 8.86=USD1.00 (May 2006), subject to be determined by market value.
- Currency notes are issued in denominations of 1,5,10,50, and 100 Birr.

Copper coins are circulated in value of 1, 5, 10, 25 and 50 cents.

Foreign currency can be exchanged at the Airport on arrival, at the public and private banks, or licensed hotels.

### **Time and Working Hours**

Time: GMT +3 hours,  
Government working days: Monday - Friday,  
Government office hours: 8 a.m.-12:30 p.m. and 1:30-5:30 p.m. from Monday-Thursday, and  
8-11:30 a.m. and 1:30- 5:30 p.m. on Fridays.  
Private and public businesses are usually open on Saturdays.

## II ECONOMIC ENVIRONMENT

### Economic Indicators

	2002/03	2003/04	2004/05
Real GDP growth rate (%)	-3.9	11.3	8.9
Inflation (%)	15.1	8.6	6.8

### Sectoral Share in GDP

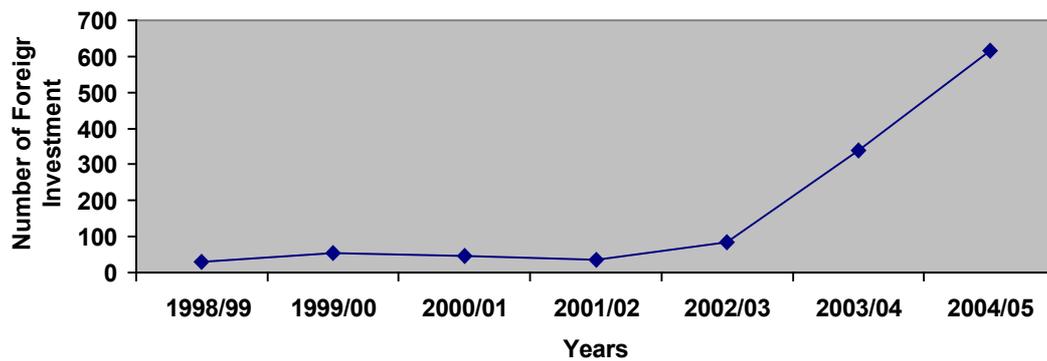
Agriculture (% GDP)	40	42
Manufacturing (% GDP)	12	11.4
Services (% GDP)	49	46.6

### Major Export Items (share in value %)

	2003/04	2004/05
Coffee.....	34.9	42.6
Oil seeds .....	15.3	13
Chat.....	14.8	10.4
Hides and Skins....	7.1	7.9
Gold.....	9.2	5.6
Pulses.....	4.2	4.5
Fruits and Vegetables	1.2	2.02
Meat and Meat Products	1.1	2.0
Cereals	1.53	1.07

### Foreign Investment Trend

The country's enormous untapped and unexploited resources along with investment friendly environment have played a prominent role in attracting foreign direct investment (FDI). As a result, foreign direct investment has increased significantly over the last decade as shown herein under.



# Why Invest in Ethiopia?

## Major Reasons:

- ❖ Political and economic stability;
- ❖ Untapped natural resources, excellent climate and fertile soils;
- ❖ Abundant, inexpensive and trainable labor force;
- ❖ Almost non-existence of routine bureaucratic corruption;
- ❖ Very nearly free of crime; and high level of security of person and property;
- ❖ Ample opportunities in privatization program;
- ❖ Attractive incentive packages such as:
  - Customs duty exemption,
  - Export incentives,
  - Income tax holiday for a period of time ranging from 2-7 years,
  - Loss carried forward, etc.
- ❖ Market access:
  - A population of 75.1 million,
  - Exports to, and imports from, member countries of the **Common Market for Eastern and Southern Africa (COMESA)** enjoy preferential tariff rates (Subject to 10% reduction in import duties),
  - Under the **African Growth and Opportunity Act (AGOA)**, Ethiopian manufactured export products are entitled to duty-free and quota-free access to the USA market,
  - Under the **Generalized System of Preference (GSP)**, a wide range of Ethiopia's manufactured products are entitled to preferential duty treatment in the USA, Canada, Switzerland, Norway, Sweden, Finland, Austria and Japan as well as most European Union countries,
  - **The European Union's Everything But Arms (EBA)** initiative offers privileged access to Ethiopian export goods except arms, etc.

# III

## INVESTMENT REGIME

### ***Wholly Foreign Owned and Joint Investments***

A foreign investor can undertake investment:

- As a sole proprietor; or
- Jointly with domestic investor(s), or with the Government.

### **Minimum Capital requirements for wholly owned foreign investment:**

- USD100, 000 for a single investment project in cash and/ or in kind;
- USD 50,000 in cash and/ or in kind per project in areas of engineering, architecture accounting and audit services, project studies or business management consultancy services; or publishing.

### **Minimum capital requirement for investment in partnership with domestic investors:**

- USD 60,000 in cash and/or in kind per project; USD 25,000 in cash and/ or in kind if the investment is made in areas of engineering, architecture, accounting and audit services, project studies or business management consultancy services; or publishing.

No capital requirement for an investor who:

- exports at least 75% of his outputs;
- reinvests his profit or dividend.

### **Investment Guarantees and Protections**

Ethiopia is a member of the:

- Multilateral Investment Guarantee Agency (MIGA), which issues guarantees against

non-commercial risks to enterprises that invest in signatory countries;

- International Center for Settlement of Investment Disputes between States and Nationals of other States (ICSID);
- World Intellectual Property Organization (WIPO); and

Ethiopia has also concluded bilateral investment promotion and protection agreements and double taxation treaties with a number of countries.

### **Repatriation of Capital and Profits**

The following capital repatriation and remittances are granted to foreign investors to be made in convertible currency at the prevailing exchange rate on the date of remittance:

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

## ***Major Investment Incentives***

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

## **Export Incentive Scheme**

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

## **Taxation**

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

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

## **Corporate Income Tax**

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

## **Turnover Tax (TOT)**

A **2%** tax is payable for goods sold locally and for services rendered locally. The services rendered include contractors, grain mills, tractors and combine-harvesters.

A **10%** tax is levied on other services. Base of computation of the Turnover Tax is the gross receipts in respect of goods supplied or services rendered.

## **Excise Tax**

The excise tax is charged on selected and locally produced goods or imported goods. Base of computation is the cost of production in respect of goods produced locally, and cost, insurance and freight value (C.I.F.) in respect of goods imported. Depending on the type of goods produced or imported, the rate of tax ranges from **10% to 100%**.

## **Value Added Tax**

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

## **Customs Duties**

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

## ***Withholding Tax***

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

## **Income Tax from Employment**

Every person deriving income from employment is liable to pay tax on that income at the rate specified hereunder.

The marginal tax rates range from **10% to 35%**.

**Table 1: Income Tax from Employment**

<b>Monthly Employment Income (Birr)</b>	<b>Income Tax Payable (%)</b>
Up to 150	Exempt threshold
151 - 650	10
651 - 1400	15
1401 - 2350	20
2351 - 3550	25
3551 - 5000	30
Above 5000	35

## **Income Tax Applicable to Foreign Employees**

A foreigner, who lives in Ethiopia for more than **183 days** in a period of **twelve months**, whether continuously or intermittently, is regarded as being resident for the entire tax period and taxed in accordance with the provision of **Income Tax Proclamation No.286/2002**.

**Table 2: Taxable Business Income other than that of Juridical Persons**

<b>Taxable Business Income (Per year)</b>	<b>Income Tax Payable (%)</b>
Up to 1,800	Exempt threshold
1,801 -- 7,800	10
7,801 -- 16,800	15
16,801 -- 28,200	20
28,201 -- 42,600	25
42,601 -- 60,000	30
Over 60,000	35

## ***One-stop-Shop Service***

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

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

## **Requirements to Obtain Investment Permit**

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

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

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

## **Requirements for Principal Registration**

### **Registration of Sole Proprietorship**

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

### **Company Registration**

Companies are required to submit:

- ❖ An application form signed by the agent of the company;
- ❖ Where the application is made by an agent (other than that is authorized in the Memorandum and Articles of Association) a photocopy of his power of attorney;
- ❖ Memorandum of Association and Articles of Association to the Agency for notarization and issuance of a certificate;
- ❖ A photocopy of the pages of each individual shareholder's valid passport or identity card or photocopy of a certificate evidencing a domestic investor status;
- ❖ A bank statement showing that one quarter of the company's capital is deposited in blocked account (for share companies only);
- ❖ Minutes and related documents of the meetings of the persons committed to buy shares (for share companies only);
- ❖ A report on contribution made in kind, if any, prepared and authenticated by a professional or institution designated by the Ministry of Trade and Industry (for share companies only).

## **Registration of a Branch Office of an Overseas Company**

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

- An application form filled in by an agent of the business organization;
- A photocopy of a document that justifies the judicial personality of the business organization (i.e. registration certificate);
- Minutes of the parent company's authorized body for the establishment of a branch

company in Ethiopia and authenticated by the Public Notary, or a letter written by the owner in case of a one-man company;

- A photocopy of the power of attorney of the representative of the company and copy of the pages of his passport or identity card;
- A copy of the Memorandum of Association or similar documents of the parent company.

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

# IV

## MAJOR INVESTMENT OPPORTUNITIES

Ethiopia is a country endowed with abundant and diversified natural resources and diverse climate. It has also several agro-ecological zones and sub-zones, each with its own physical and biological potential. These and other factors make the country conducive for undertaking investment in various areas.

The priority areas of investment opportunity that the Government most wants to attract foreign direct investment /FDI/ as well as domestic investment include:

- ❖ **Agriculture and allied activities** (floriculture, horticulture, livestock, fishery, forestry, etc.),
- ❖ **Agro-processing,**
- ❖ **Textiles and garment,**
- ❖ **Leather and leather products,**
- ❖ **Tourism,**
- ❖ **Cement,**
- ❖ **Grade I construction**

Other areas of investment opportunity include mining, services such as health and education, hydropower, etc.

### PRIORITY AREAS

#### AGRICULTURE AND ALLIED ACTIVITIES

Agriculture is the leading sector in the Ethiopian economy. The country has the soil and climate suitable for growing over 100 types of crops.

The main food crops grown are:

- **Cereals:** 'teff', barely, maize, wheat, sorghum, millet, etc;
- **Pulses:** horse beans, peanuts, peas, chick-peas, rough peas, fenugreek, soybeans, vetch and lentils; and
- **Oil seeds:** sesame, niger seed, flax, rape, linseed, groundnut, castor beans and soybeans.

The main cash and industrial crops are: coffee, tea, cotton, oil seeds, flower, pulses, fruits and vegetables, sisal, tobacco, sugar cane, spices, etc.

While the total land area of the country is 111.5 million hectares, 66% (i.e. 73.6 million hectares) is suitable for agriculture. Nevertheless, only 22% (i.e. 16.5 million hectares) of the total arable land is so far utilized in the production of crops.

**Coffee and Tea:** Coffee is Ethiopia's gift to the world. The country is Africa's leading producer of Coffee Arabica. While the country has a vast land suitable for coffee cultivation, currently, only 560,000 hectares of land are estimated to have been covered by coffee trees.

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

The total amount of coffee production in the year 2005 was 308,571 tones. Out of it, 166,000 tones were exported. The value of export of coffee has contributed to 65.6% of the total increase in the export proceeds of the country in 2004/05.

In spite of all the resources and reputation, little has been invested in coffee production and processing operations. Investment opportunities in coffee are:

- Large-scale commercial coffee production;
- Coffee roasting and packing, particularly for international markets.

The agro-climatic conditions in the country give Ethiopia a comparative advantage in the production of tea.

The production and processing reached 4,977 tons in 2004 of which exports were more than 1700 tons.

Investment opportunities in tea include:

- Large-scale commercial production of tea;
- Investment in modern tea blending and packing industries.

**Cotton:** Ethiopia is believed to be one of the origins of cotton, and cotton cultivation is deep-rooted in the history of the country's agriculture.

Annual production of cotton is approximately 110,000 tons; and an overall average yield is 1.22-ton/hectare.

The volume of export for fiscal years 2003/04 and 2004/05 was 8,191.0 metric tons and 1,228.0 metric tons, respectively.

Cotton is basically a crop of warmer climates; and typical cotton soils are heavy, dark, often cracking soils. The potential cotton growing areas of the country satisfy these temperature and soil requirements for cotton cultivation.

Major markets for Ethiopian cotton:

- Africa,
- Asia and
- Europe.

Asia accounts for 67% of the total export.

**Oil Seeds:** 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 introducing coconut for the production and processing of palm oil.

**Horticulture:** With its variety of altitude and microclimates, the long growing season and accessible irrigation sources, most fruits and vegetables can grow well in Ethiopia.

The major horticultural crops grown include: citrus, banana, mango, papaya, avocado, guava, grapes, pineapple, passion fruit, apples, potatoes, cabbages cauliflower, okra, egg plant, tomato, celery, cucumber, pepper, onion, asparagus, water melon, sweet melon, carrots, green beans and cut flowers.

Major markets for some Ethiopian processed fruits and vegetables are Yemen, Saudi Arabia, and other Middle Eastern countries.

The most important export fruits and vegetables from Ethiopia are grown mainly on State plantations and sold

primarily to Europe and the Middle East. The major exports are green beans, tomatoes, mangoes, and papayas.

The volume and value of exports of fruit and vegetable in 2004/05 fiscal year were 37573.1 metric tons and 138.3 million Birr, respectively.

**Floriculture:** Ethiopia is believed to be an ideal location for the cultivation of both highland and lowland world-class flowers.

Optimum altitude for cut flower production is between 1500 and 2300 meters above sea level while the best ranges of temperature are between 10°C and 30°C. Large areas of the country satisfy such requirements of altitude and temperature.

Although commercial floriculture is relatively a new industry in Ethiopia, owing to the country's agro-climatic conditions for the production of a variety of cut flowers, it has become one of the very fast growing sub-sectors in the country attracting renowned flower growing foreign companies in the world in a very short period of time.

The main destinations of Ethiopian cut flowers are the Netherlands, France, Germany, Italy, Canada, Norway, Sweden, UK, USA, Middle East, etc.

**Livestock:** Ethiopia is one of the top ranking countries in Africa and among the first ten in the world in terms of livestock resource. As data indicate, livestock resource is estimated to stand at:

- 42 million heads of cattle;
- 25.5 million heads of sheep;

- 24.4 million heads of goats;
- 7 million equine;
- 53 million chickens; and
- 2.3 million camels.

Ethiopia produces about 2.4 million pieces of hides, 8.3 million pieces of sheepskins and 7 million pieces of goatskins annually from its cattle resource.

Investment opportunities are potentially attractive for:

- modern commercial livestock breeding, production;
- processing of meat, milk and eggs; and
- animal feed processing.

Ostrich, civet cat and crocodile farming are also another potential.

**Fishery:** Ethiopia's extensive inland rivers, lakes, reservoirs and other small water bodies contain substantial proven reserves of fish and other aquatic resources.

The potential annual freshwater fish production is estimated at about 45,000- 50,000 tones, of which only 15 per cent is exploited at present.

The capture fishery potential is mainly consisted in 7400 km. of major lakes and 7000 km. of major rivers. There are 10 major lakes 7 of which (Lakes Ziway, Langano, Abiata, Shalla, Awassa, Abaya and Chamo) lie in the Ethiopian Rift Valley, which is part of the East African Rift Valley Lakes System.

So far, over 100 indigenous species of fish have been identified. However, the fish diversity is not believed to have been studied exhaustively and hence

more species could be found in the future.

Compared with the Eastern Rift Valley lakes, the Ethiopian Rift Valley lakes have rich fish diversity. Lakes Chamo and Abaya have over 20 species of fish.

Of all the aquatic systems, the Baro-Akobo system is the richest in fish diversity. It has 97 species of fish.

**Forestry:** Out of the total land area of Ethiopia, 51% is devoted to pasture; 14.8% to annual and perennial crop production; 3.6% to forestry; 8.1% to bush. The remaining 3.8% is uncultivated and 18.7% is completely unutilized so far.

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; and
- The establishment of rubber plantations.

Investors are welcome to invest in integrated commercial production of structural timber, pulpwood, matchwood and even fuel wood.

**Apiculture:** Ethiopia's favorable agro-climatic conditions, diverse botanical base of multifarious plants flowering over different seasons coupled with large population of honeybee colonies and other environmental factors have created

optimum conditions for honey and beeswax production.

Ethiopia is the largest honey-producing country in Africa and the fourth largest beeswax-producing country in the world.

There are around 10 million bee colonies and over 800 honey source plants in the country. The annual honey and beeswax production is estimated at 24,700 tons and 3,200 tons, respectively.

Although no market study has been conducted, an estimate of 80% of the annual honey production is marketed.

Compared to the apiculture resource potential and the amount of honey and beeswax production per annum, the quantity of honey and beeswax exported to the world market is insignificant.

## AGRO-PROCESSING

Ethiopia has a vast landmass conducive for growing crops necessary for agro-processing. Agro-processing investment can be undertaken in one of the following forms:

- Processing of fruits;
- Processing and preserving of meat products;
- Integrated production and processing and preserving of fish and fish products;
- Processing and preserving of fruits and vegetables;
- Integrated production and processing of dairy products;
- Processing of edible oil from oil seeds;
- Processing of starch, corn flex and edible oil from maize;

- Processing of spices, etc.

## MANUFACTURING

Manufacturing is now at an early stage of development.

Major manufacturing opportunities offering attractive potential benefits to prospective investors include:

**Food and Beverages:** This sub-sector includes manufacture of sugar, brewery, winery, soft drinks, processing and bottling of mineral water, etc.

**The Leather Industry**  
Ethiopia has the largest livestock population in the continent.

Ethiopian hides and skins are highly regarded for their natural qualities of clarity, flexibility, strength, thickness and compact texture. The Ethiopian highland sheepskins have an international reputation for their unique natural substance of finesses, thickness, flexibility, strength and compactness of texture. They are suitable for the production of high quality dress-gloves, sports' gloves and garment and are greatly demanded in the world market.

Likewise, Ethiopian goatskins are well recognized in the international market for making high quality suede for fashion products.

Ethiopia offers a wide range of processed and semi-processed hides and skins to the world market. The country's hide and skin exports include:

- Pickled sheepskin;
- Crust sheepskin;

- Wet blue goatskin and crust goatskin;
- Crust cow hides finished garment leather;
- Finished glove leather;
- Lining/upper leather;
- Sued leather;
- Full grain leather; and
- Embossed leather and patent leather.

Given the abundant livestock resource, investment opportunities are available in:

- Tanning up to finishing;
- Manufacture of luggage items;
- Handbags, saddler and harness items;
- Footwear, garment and integrated tanning and leather goods.

**Textile:** The textile sub-sector has been singled out as a top priority area based on the potential it has in terms of employment generation, prospect for export and strengthening the agro-industry linkage and broader base development.

Therefore, the availability of a large pool of inexpensive workforce along with the highest input and the highest market demand makes the sector attractive for investing in.

**Garment:** While the country has a vast potential for the development of garment industry, the sub-sector has little developed. Currently, there are very few large-scale garment factories that produce for export market.

Both the public and private players are currently exporting some amount of finished goods to the American and European markets.

Given the huge resource available for garment sub-sector, the country needs a number of potential foreign and domestic investors to engage in this unexploited investment area.

Other investment opportunities in manufacturing sector include:

- **Glass and Ceramics**
  - Tableware and sanitary ware;
  - Sheet glass and manufacturing of containers

- **Chemicals, and Chemical Products**

Manufacture of basic chemicals based on local raw materials, including:

- ✓ PVC granules from ethyl alcohol;
- ✓ Formal-dehyde from methanol;
- ✓ Manufacture of caustic soda and chlorine-based chemicals;
- ✓ Activated carbon;
- ✓ Precipitated calcium carbonate and ballpoint ink.

- **Paper and Paper Products**
  - Pulp from indigenous raw materials, paper and paper products.

- **Building Materials**

Manufacture of:

- Cement, lime;
- Gypsum, marble;
- Granite, limestone, ceramics;
- Roofing tiles, corrugated sheets;
- Tubes, pipes and fittings.

- **Metallurgy**

- Manufacture of basic iron and steel, operation of blast furnaces, steel converters, rolling and finishing mills;
- Recycling of metal waste and scrap;

- Manufacture of basic precious and non-ferrous metal;
- Mechanical working, heat treatment, plating of ferrous and non-ferrous metals.

- **Structural Products**

Manufacture of:

- structural metal products,
- reservoirs and steam generators.

## MINING

Ethiopia offers excellent opportunities for mineral prospecting and development. There is favorable geological environment hosting a wide variety of mineral resources.

Ethiopia's green stone belts offer one of the finest areas for gold mineralization any where in the world, and more than 500 metric tons of gold deposits have already been identified by exploration.

In addition to gold, Ethiopia is blessed with a large deposit of:

- Precious and metallic minerals such as tantalum, iron ore, and platinum;
- Industrial and construction minerals such as caolin, diatomite, feldspar, quartz, silicasand, potash, phosphate, soda ash, salt, roacksalt, limestone, marble and granite.
- Energy minerals including coal, oil shale, natural gas and hot spring have also been identified in various parts of the country.

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

## **SERVICES**

Opportunities exist for private investment in the following areas of services.

### **Hydropower**

Ethiopia has enormous potential for hydropower and geothermal energy generation. Its hydropower potential is estimated at 30,000MW. The geothermal potential is said to be so huge that it can even be exported to neighboring countries.

The private sector can participate in electricity generation from any source. The transmission and supply of electrical energy through Integrated National Grid System is, however, exclusively reserved for the government. But, private investors, both foreign and domestic, are allowed off-grid transmission and distribution of electricity. Moreover, private investors can generate electricity in bulk and reach an agreement of power purchase with the Ethiopian Electric Power Corporation (EEPC) for transmission and distribution.

### **Education**

The education sub-sector has shown the highest growth rate in the services sector, which stood at 11% during 2004/05 fiscal year.

Currently, there are 8 government universities and many other affiliated colleges and university colleges in the country. Private higher institutions are also highly increasing. The latter institutions alike the government institutions offer programs that lead to diploma and degree.

The country's public and private higher education institutions produce skilled personnel in business, economics, management, accounting, engineering, law, medicine, technical disciplines, etc, in fairly large number.

The participation of both foreign and domestic investors in education is highly encouraged.

### **Health**

Ethiopia has a number of medical facilities. Major medical services are performed by foreign and local trained personnel. Even though most medical facilities are still owned by government, private clinics and hospitals with fair modern health care facilities are being established at a fast rate.

However, there is still high demand of medical facilities to meet the needs of the public in the country. Therefore, the government highly encourages, offering a package of incentives, the private sector to actively participate in the sub-sector.

Other attractive opportunities in the services sector include:

- ❖ Exporting the country's various products (except traditional export products like raw coffee, oil seeds, pulses, etc.) by way of undertaking market promotion, quality improvement or packaging;
- ❖ Construction, comprising first grade contracting, and rental of construction machinery as well as real estate development;
- ❖ Air cargo service;
- ❖ Participation in telecommunications

network in joint venture with the government.

## TOURISM

Ethiopia has much to offer 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 Ethiopia. The main attractions include:

**The ancient city of Axum:** It was once the centre of a powerful empire and the most important spiritual centre of Orthodox Christianity in Ethiopia. It is said to be the last repository of the biblical Ark of the Covenant;

**The medieval city of Lalibela:** It is known for its rockhewn churches;

**Al Negashi mosque at Wukro:** A reminder of the presence of Islam and religious tolerance in Ethiopia;

**The medieval city of Gonder:** Ethiopia's 17<sup>th</sup> century capital city, with impressive castles;

**The island monasteries of Lake Tana**  
**The walled city of Harar:** An old historical city located in the east with its numerous mosques and shrines of venerable age;

**Anthropological findings:** The 3.5 million-year-old skeleton of "Lucy" or Australopithecus at Hadar, the 4.4 million-year-old remains of Australopithecus Ramides which is considered to be man's anthropoid ancestor;

The physical features of the country include:

- High plateaus, long mountain ranges, lofty peaks, deep gorges;
- The largest cave in Africa (**Sof Omar**);
- One of the lowest depressions on earth (Dallol);
- The Great Rift valley, savannah land, tropical forests, deserts and lakes (including Lake Tana, the source of the blue Nile), spectacular waterfalls and volcanic hot springs.

Ethiopia's wealth of attractions gives it great potential for cultural and educational tourism, photo safaris, hunting safaris, bird watching, water sports including river rafting, desert trekking, mountain camping and eco-tourism.

Great opportunities for private investment include, among others, construction and operation of:

- Star-designated hotels;
- International and specialized restaurants;
- Lodges in tourist and holiday hubs.

## PRIVATIZATION PROGRAM

As a part of macro-economic reform, the Government has launched a program for privatization of the state-owned enterprises.

To this end, the Privatization and Public Enterprises Supervising Agency (PPESA) has floated tenders of 308 enterprises to transfer them to the

private sector for the last ten years. Among these enterprises 214 (69.5%) of them have been transferred to the private sector. Currently, there are over 90 state-owned enterprises to be privatized. Most of these enterprises fall under manufacturing, construction, agriculture and agro-industry, hotels, transport, trade, and mining sectors.

There are also about 114 enterprises in search of strategic partners.

# ANNEX I

## ETHIOPIAN INVESTMENT AGENCY CLIENT CHARTER

No.	Type of Services	Delivery time	Cost/fee (Birr)
1	<b>Issuance of investment permit</b>		
	• New investment	4 hours	600
	• Expansion investment	4 hours	300
2	<b>Renewal of investment permit</b>		
	• New investment	1 hour	200
	• Expansion investment	1 hour	100
3	<b>Substitution of lost or damaged investment permit</b>	1 hour	100
4	<b>Issuance of trade registration certificate</b>		
	• Principal registration	4 hours	80
	• Summary registration	4 hours	10
5	<b>Issuance of business license`</b>	4 hours	80
6	<b>Issuance of work permit</b>	1 hour	600
7	<b>Registration of technology transfer agreement</b>	2 hours	200
8	<b>Renewal of technology transfer agreement</b>	1 hour	50
9	<b>Registration of export-oriented non-equity based foreign enterprise collaboration</b>	1 hour	100
10	<b>Renewal of export-oriented non-equity based foreign enterprise collaboration</b>	1 hour	50
11	<b>Issuance of domestic status certificate to a foreign national permanently residing in Ethiopia taken for domestic investor</b>	1 hour	100

## ANNEX II

### AREAS OF INVESTMENT RESERVED FOR DOMESTIC INVESTORS

- I.** The following areas are exclusively reserved for domestic investors:
1. Retail trade and brokerage;
  2. Wholesale trade (excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their products locally produced);
  3. Import trade (excluding LPG, bitumen and upon the approval of the Council of Ministers; materials used as inputs for export products);
  4. Export trade 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;
  5. Construction companies excluding those designated as grade 1;
  6. Tanning of hides and skins up to crust level;
  7. Hotels other than those star-designated, motels, pensions, tea rooms, coffee shops, bars, night clubs and restaurants excluding international and specialized restaurants;
  8. Travel agency, trade auxiliary and ticket selling services;
  9. Car-hire and taxi-cabs transport services;
  10. Commercial road transport and inland water transport services;
  11. Bakery products and pastries for the domestic market;
  12. Grinding mills;
  13. Barber shops, beauty saloons, and provision of smith workshops and tailoring services except garment factories;
  14. Building maintenance and repair and maintenance of vehicles;
  15. Saw milling and timber making products;
  16. Customs clearance services;
  17. Museums, theaters and cinema hall operations;
  18. Printing industries.
- II.** Notwithstanding the provision of paragraph 1 of this annex, the following areas of investment are exclusively reserved for Ethiopian nationals:
1. Banking, insurance and micro credit and saving services;
  2. Travel and shipping agency services;
  3. Broadcasting services; and
  4. Air transport services using aircraft with a seating capacity of up to 20 passengers.

## **ANNEX III**

### **AREAS OF INVESTMENT NOT ELIGIBLE FOR EXEMPTION FROM THE PAYMENT OF CUSTOMS DUTY**

1. Hotels, other than those star-designated, motels, tearooms, coffee shops, bars, night club and restaurants, which do not have international standards;
2. Wholesale, retail and import trade;
3. Maintenance services;
4. Commercial road transport and car- hire services;
5. Postal and courier services;
6. Real estate development;
7. Business and management consultancy services;
8. Advertisement services;
9. Cinematography and similar activities;
10. Radio and television broadcasting services;
11. Theatre and cinema hall operations;
12. Customs clearance services;
13. Laundry services;
14. Travel agency, trade auxiliary and ticket-selling services; and
15. Lottery and games of a similar nature

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

## ANNEX IV

### Useful Contact Addresses

- ◆ **Ministry of Trade and Industry**  
P.O.Box 704  
Tel. 251-11-5528579/ 251-11-5154035  
Fax: 251-11-5514288  
E-mail- [moti@telecom.net.et](mailto:moti@telecom.net.et)
- ◆ **Ministry of Agriculture and Rural Development**  
P.O.Box 62347  
Tel. 251-11-515 6242/515 6289  
Fax: 251-11-553 0776
- ◆ **Ministry of Mines and Energy**  
P.O.Box 486  
Tel. 251-11-6463364  
Fax: 251-11-6463454  
[e-mail-mme@telecom.net.et](mailto:e-mail-mme@telecom.net.et)
- ◆ **Ministry of Capacity Building**  
P.O.Box 1082  
Tel. 251-11-123 99 11  
Fax: 251-11-123 98 89/12398 93  
E-mail [mocb\\_15@telcom.net.et](mailto:mocb_15@telcom.net.et)
- ◆ **National Bank of Ethiopia**  
P.O.Box 5550  
Tel. 251-11-5517430/5510060  
Fax: 251-11-5514588  
[E-mail-nbe.excd@telecom.net.et](mailto:E-mail-nbe.excd@telecom.net.et)
- ◆ **Ethiopian Electric Agency**  
P.O.Box 2554  
Tel. 251-11-5507734/5507735  
Fax: 251-11-5507734  
E-mail: [electric.agency@telecom.net.et](mailto:electric.agency@telecom.net.et)
- ◆ **Ethiopian Chamber of Commerce**  
P.O.Box 517  
Tel. 251-11-5518240/514005  
Fax: 251-11-5517699  
E-mail: [etchamb@telecom.net.et](mailto:etchamb@telecom.net.et)
- ◆ **Ethiopian Electric Power Corporation**  
P.O.Box 1233  
Tel.251-11-1559567/1550811  
Fax 251-11-1560289  
E-mail [eeip@telecom.net.et](mailto:eeip@telecom.net.et)
- ◆ **Ethiopian Investment Agency**  
P.O.Box 2313  
Tel. 251-11-5539474/ 251-11-5510033  
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[website-www.investethiopia.org](http://website-www.investethiopia.org)
- ◆ **Privatization and Public Enterprises Supervising Agency**  
P.O.Box 11835  
Tel. 251-11-5530343/5510014  
Fax: 251-11-5513955  
[e-mail-epa.etw@telecom.net.et](mailto:e-mail-epa.etw@telecom.net.et)
- ◆ **Ministry of Culture and Tourism**  
P.O.Box 1907  
Tel. 251-11-557020  
Fax: 251-11-5512889  
E-mail: [MYSC@telcom.net.et](mailto:MYSC@telcom.net.et)
- ◆ **Ministry of Revenue**  
P.O.Box 2559  
Tel.251-11- 4667466/4667326  
Fax: 251-11-4662628/4668244  
E-mail:[mor@telecom.net.et](mailto:mor@telecom.net.et)
- ◆ **Ethiopian Civil Aviation Authority**  
P.O.Box 978  
Tel. 251-11-6610277  
Fax: 251-11-6612533  
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- ◆ **Addis Ababa Chamber of Commerce and Sectoral Associations**  
P.O.Box 2458  
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Fax: 251-11-5511479  
E-mail [aachamber1@telecom.net.et](mailto:aachamber1@telecom.net.et)
- ◆ **Ethiopian Telecommunications Corporation**  
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## Ethiopia's Diplomatic Missions Abroad

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Zaunergasse 1-3/1/H1  
A-1030 Vienna, Austria  
Tel.(00431)7102168  
Fax:(00431)7102171  
E-mail:[Ethiopia@EUNET.at](mailto:Ethiopia@EUNET.at)
-  **Canada**  
Embassy of Ethiopia  
151 Slater St. Suite 210,  
Ottawa, ont.  
K1P 5H3, Canada  
Tel.(613) 235-6637  
Fax:(613) 235-4638  
E-mail: [infoeth:@magi.com](mailto:infoeth:@magi.com)
-  **Cote D'Ivoire**  
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Mesaha Square, Villa  
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E-mail: [ethio@ethioembassy.org.eg](mailto:ethio@ethioembassy.org.eg)
-  **France**  
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35, Avenue Charles Floquet 75007 Paris  
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E-mail: [ethembis@netvision.net.il](mailto:ethembis@netvision.net.il)
-  **Japan**  
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-  **Belgium**  
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-  **China**  
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-  **Ghana**  
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 Kuwait, Jabriya, Block 10, St.No. 107,  
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 Fax: 00965- 5331179  
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-  **Nigeria**  
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 No. 19 Ona Crescent Off Lake Chad  
 Crescent Maitama, Abuja  
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 Fax: 00256-41-341885  
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 Fax: 011(202) 986-3500  
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 State House Avenue  
 Tel.254-2-2732050-53  
 Fax:254-2-2732054  
 E-mail: [ethioemb@kenyaweb.com](mailto:ethioemb@kenyaweb.com)
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 Tel:7- 095-2801616/ 2801676  
 Fax:7- 095-2806608  
 E-mail: [eth.emb@col.ru](mailto:eth.emb@col.ru)
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 Tel: (221) 821-98-96  
 Fax: (221) 821-98-95  
 E-mail: [ethembas@sentoo.sn](mailto:ethembas@sentoo.sn)
-  **Sudan**  
 Embassy of Ethiopia  
 Near Farouq Cemetry, Plot No. 04  
 Block 384BC, Khartoum South  
 Tel: (00249-11) 47-11-56/ 47-13-79  
 Fax: (00249-11) 47-11-41  
 E-mail: [eeprt@hotmail.com](mailto:eeprt@hotmail.com)
-  **Sweden**  
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 Lojtnantsgatan 17  
 Tel: 0046-8-6656030  
 Fax: 0046-8-6608177  
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