

**THE PROBLEMS OF INCENTIVE REGIMES OF PRIVATE
FOREIGN INVESTMENTS IN ETHIOPIA: THE
LAW AND THE PRACTICE**

BY
ASSEFA ALI BESHIR



file

A thesis submitted to the School of Graduate
Studies of Addis Ababa University in partial fulfillment
of the requirements for the Degree of LL. M. in the Faculty of Law

*Addis Ababa University
May, 2005*

20/05

ACKNOWLEDGEMENTS

My gratitude and appreciation goes to my advisor Asst. Prof. Harold Dorsey (*J.D*) for his unfailing assistance and invaluable suggestions.

I am also grateful to all the instructors in the Faculty of Law (Graduate Studies LL.M. Program), who contributed to my success. My special gratitude goes to Ato Bezawork Shimelash, whose incisive and scholarly comments on my preliminary works and proposals of the study count much.

I am deeply indebted to the various people, including the librarians, in the Ethiopian Investment Commission who have kindly allowed me access to materials and information, which were often classified or difficult to obtain.

My gratitude also goes to my wife Almaz Kebede, and my children Yeabsra, Melat and B'Emnet, who sacrificed their leisure time to make it possible for me to complete my study.

Last but not least, thanks are due to my Lord who rescued me from a car accident amidst my study, and without whose help my successes were not possible.

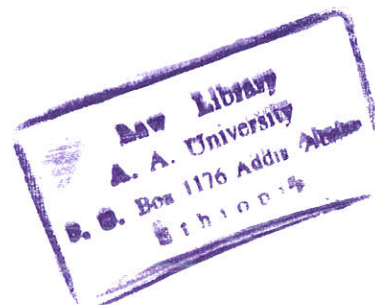


TABLE OF CONTENTS

	PAGE
Tables of law	i
List of Appendices	ii
Cases	Vi
Abbreviations	Vii
Abstract	viii
Introduction	1
Chapter One—Theoretical Framework Of Private Foreign Investment	5
1.1 Introduction	5
1.2 Theories Of The Determinants Of Private Foreign Investment	7
1.3 The Centrality Of Private Foreign Investment in Contemporary Development Theory	14
1.4 The Subject Matter Of Private Foreign Investment	16
Chapter Two—Legal Framework For Incentive Regimes Of Foreign Investment	20
2.1 Forms Of Private Foreign Investments	20
2.2 Major Incentive Schemes Of Private Foreign Investment	21
2.3 Guarantees And Protections Of Private Foreign Investment	22
2.4 Facilitating Private Foreign Investment	23
Chapter Three--Private Foreign Investment And The Problems Of Incentive Regimes In Ethiopia: The Law And The Practice	26
3.1 National Determinations Of Foreign Investment Flows Into Ethiopia	26
3.2 Private Foreign Investment In Ethiopia In Brief	27
3.2.1 The Pre – 1991 Investment Policies And Laws	27
3.2.2 Policies And Laws On Private Foreign Investment In Ethiopia Since 1991	29
3.2.3 Private Foreign Investment In Below To Ethiopia Since 1991	31

3.2.4 The Private Foreign Investment Regulatory Framework	34
3.3 Encouragements And Protections Of Private Foreign Investment	40
3.4 Incentive Regimes Of Private Foreign Investment In Ethiopia	43
3.4.1 Objectives Of Foreign Investment Incentives	43
3.4.2 Types Of Major Foreign Investment Incentives	44
3.4.3 Eligibility For Exemption Incentives Schemes	48
3.5. The Problems Of Incentive Regimes Of Foreign Investment In Ethiopia	62
3.5.1. Major Limitations Related To Private Foreign Investment	62
3.5.2. The Value Of Fiscal Exemption In Attracting Private Foreign Investment	70
3.6. Prospects For Private Foreign Investment	73
Chapter Four --Conclusions And Recommendations	77

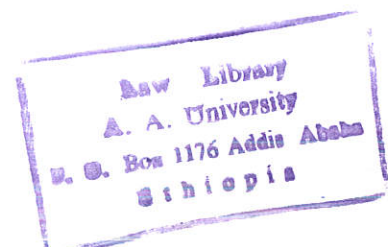
END NOTES

Bibliography

Appendices

TABLE OF LAWS

- Notice No. 10 of 1950 Statement of Policy for the Encouragement of Foreign Capital Investment in Ethiopia, Negarit Gazeta, Year 9 No. 6, 28th Feb. 1950.
- The Revised Constitution of Ethiopia, Proclamation No. 149 of 1955 Negarit Gazeta, 5th Year No. 1, 30th October 1955.
- Commercial Code of the Empire of Ethiopia Proclamation No. 166 of 1960, Negarit Gazeta, 19th No. 3, 5th May 1960.
- The Investment Decree No. 51 of 1963, Negarit Gazeta, 23rd Year No. 1 16th, September 1963.
- Investment Proclamation No. 242 of 1966, Negarit Gazeta, 28th year, No. 2, 7th November 1966.
- Council of State Special Decree on Investment No. 17 of 1990, Negarit gazeta, 49th Year, No. 12, 19th May 1990.
- Participation of Foreign Investors Council of Ministers Regulations No. 10 of 1990, Negarit gazeta, 49th Year No 23, 4th September 1990.
- Encouragement, Expansion and Coordination of Investment Proclamation No.15 of 1992, Negarit Gazeta, 51st year No. 11, 25th May 1992
- Political Parties Registration Proclamation No. 46 of 1993, Negarit Gazeta, 52nd year, No. 35, 15th April 1993.
- Lease Holding of Urban Lands Proclamation No. 80 of 1993, Negarit Gazeta, 53rd Year, No. 40, 23rd December 1993
- Properties taken in Violation of the Relevant Proclamation No. 110 of 1995 Negarit Gazeta, 54th Year, No. 8, 1995
- Investment Proclamation. No. 37 of 1996, Negarit Gazeta, 2nd year, No. 25, 18th June 1996
- Council of Ministers Investment Incentives Regulations No. 7 of 1996, Negarit Gazeta, 2nd year, No. 29, 4th July 1996.
- Commercial Registration and Business Licensing Proclamation No. 67 of 1997, Negarit Gazeta, 3rd year, No. 25, 6th March 1997
- Council of Ministries regulation No 13 of 1997, Negarit Gazeta, 3rd year, No. 28, 8th March 1997



Council of Ministries regulation No 14 of 1997, Negarit Gazeta, 3rd year, No. 29, 10th March 1997

The Re-Establishment and Modernization of Customs Authority Proclamation, No. 60/19 Negarit Gazeta, 3rd year, No. 26 1997

Re-enactment of the investment proclamation, Proclamation No. 280 of 2002, Negarit Gazeta, 8th year, No. 27, 2nd July 2002.

Council of Ministers Regulations No. 84 of 2003, Negarit Gazeta, 9th year, No. 34, 7th Feb 2003.

Investment (Amendment) Proclamation No. 375 of 2003 Negarit Gazeta, 10th year, No. 8, 28th October, 2003.

Proclamation No. 377 of 2003. Negarit Gazeta, 10th Year No. 10, Feb. 2003.

LIST OF APPENDICES

- I. Regulations No.84 of 2003
- II. AGREEMENT Between the Government of the Italian republic and the transitional Government of Ethiopia on the promotion and protection of investments.
- III. Factors Involved in the FDI Decision
- IV. Types of Investment Incentives
- V. List of Tables of Foreign Private Investments Showing their Different Aspects
 - 1.1 Number and investment capital of foreign investment projects approved by sector and pattern of ownership 1992 -2002)
 - 1.2 Number of foreign investment projects approved (wholly foreign and Joint by sector and region (1992 -220)
 - 1.3 Investment capital of foreign projects Approved (wholly foreign and joint) by sectoral and region (1992 – 2002)
 - 1.4 Number and Investment capital of foreign investment projects by country of origin and ownership pattern (1992 -2002)
 - 1.5 Number and Investment capital of foreign investment projects (wholly foreign and joint) which have commenced operation by sector and ownership pattern (1992 -2002)
 - 1.6 Number and Investment capital of foreign investment projects (wholly foreign and joint) which have commenced operation, by sector and region (1992 -2002)
 - 1.7 Expected Employment creation of foreign investment projects (wholly foreign and joint) which have commenced operation, by sector and region (1992 -2002)
 - 1.8 Number of wholly foreign and joint investment projects (New and expansion, under implementation by sector and region (July 7, 2002)
 - 1.9 Investment capital of wholly foreign and joint investment projects (New and expansion) under Implementation by sector and Region July 7, 2002)

- 1.10 Employment creation of wholly foreign and joint investment projects (New and expansion) under implementation, by sector and Region as at July, 2002
- 1.11 Number of foreign Investment Projects approved (wholly foreign and Joint), by sector and Region , Hamle 1984- Sene 30, 1991 E. C. (July 1992 – July 7, 2002)
- 2.1 Number and Investment capital of foreign (Wholly foreign and joint) investment projects Approved (New and expansion), by sector (1996 /97 – 2001 /02)
- 2.2 Number and Investment capital of foreign (Wholly foreign and joint) Investment Projects approved new and Expansion) by Region (1996/97 ---- 2001 /02)
- 2.3 Employment creation of foreign (wholly foreign and joint) Investment projects Approved (New and Expansion) by sector (1996/97 -2001/02)
- 2.4 Employment creation of foreign (Wholly foreign and joint) investment projects Approved 9 New and Expansion), by Region (1995 /96 – 2000/01)
- 2.5 Number and Investment capital of foreign (wholly foreign and joint) investment Projects (New and expansion), which have commenced operation, by sector (1996/97 -2001/02)
- 2.6 Number of investment capital of foreign (wholly foreign and joint) Investment projects (New and Expansion) which have commenced operation, by Region (1996 /97 -2001/02).
- 2.7 Expected Employment creation of foreign (wholly foreign and joint) investment projects (New and Expansion) which have commenced operation, by sector (1995 /6 – 2000/ 01)
- 2.8 Table 2.8 Number and Investment Capital of foreign (Wholly foreign and Join) Investment Projects (New and Expansion) Which Have commenced Operation, by Sector, 1994 EFY (1996 /97 -2001/02)
- 2.9 **Number Investment Capital Foreign Projects Approved and Projects Which Have Commenced Operation, By Type of Investment and Fiscal Year**
- 3.1 Number of licenses and planned Expenditure of Mineral Exploration / prospecting projects By mineral tab and location (June 2002)

- 3.2 **Number of Licenses and Planned Expenditure of mineral exploration / Prospecting Projects ... by mineral / type and fiscal year of Licensing**
- 3.3 **Number of Licenses and planned expenditure of mineral Exploration/ Prospecting Projects.... By Nationality of Investing company/ Investing Individual and Fiscal year of licensing**
- 4.1 **Number, Investment capital and Employment creation of Investment projects Approved, In operation and under Implementation by type of Investment (July 1992 – July 7,2002)**
- 5.1 **Number and investment capital of foreign (Wholly foreign and Joint) investment projects Approved (New and Expansion by sector (1997 /98 – 2002 /03**
- 6.1 **Number, Investment capital and Employment creation of Investment projects Approved by sector (July 2003 – July 7, 2004).**
- VI. **Selected tax carry forward of losses and depreciation method in selected African and Asian Economies.**
- VII. **TPLF's Businesses Organizations**

CASES

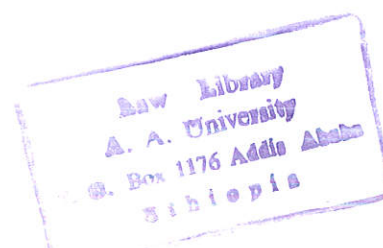
Customs Authority v. MIDROC- Ethiopia (Federal High Court First Instance,
7065 -1997)

a Guiseppe (Federal High Court First Instance , Civil Case No. 2/88)

ni Necso/Necso Salini & Salini Construttori (Federal First Instance Court, Civil

ABBREVIATIONS

E.C	Ethiopian Calendar
EIA	Ethiopian Investment Authority
EIC	Ethiopian Investment Commission
FDI	Foreign Direct Investment
GNP	Gross National Product
IMF	International Monetary Fund
MNC	Multinational Corporations
MoFA	Ministry of Foreign Affairs
OoI	Office of Investment
R&D	Research and Development
TNC	Transnational Corporations
UK	United Kingdom
UNCTAD	U N Conference on Trade and Development
USA	United States of America
WB	World Bank
WTO	World Trade Organization



ABSTRACT

For a large country- the second most populous in Africa- with great potential, in terms of resource endowment and geographical position, it should be considered an attractive location for foreign private investment. However, the quantity of foreign private investment that entered the country in the past decade was disappointingly small when compared to other countries in the region. The cumulative foreign private investment in flow to Ethiopia for the period 1994 to 2000, a time of economic growth and rapid private sector development, illustrates this point clearly. This is because the problems the nation has in the areas of policies, laws practices and incentive schemes of foreign private investment.

The proposal serves as a framework to discuss private foreign investment inflow to Ethiopia; the particular problem, the evolution and current forms of incentive regimes and the experience of enacting and implementing these schemes. It is argued in this study that current incentive schemes problems are rooted in their inability to become a means of attracting private foreign investment-foreign capital inflow.

Certainly, competition is one major reason for the dramatic increase in investment inducements. Whether nation is pitted against nation, or region against region, governments want to bring to their own specific areas of jurisdiction the jobs, technology transfer, and other beneficial parts of the so-called package, which accompanies foreign direct investment. Consequently, just as the export subsidy war has heated up in recent years, so has the investment-incentive battle. Simply for the sake of remaining in the incentive ball game, nations, which already have highly attractive market systems, are now offering other investment sweeteners. In certain respects, the incentive war is ludicrous. Thus the lure of investment incentives is the number one "weapon" to win the battle of granting investment-incentive schemes. The second motivation for governments to offer investment incentives is to attempt to offset conditions within the host country, which are worrisome to multinational enterprises.

Thus the study traces theoretical and legal frameworks of developing countries which would serve as a standard against which Ethiopian policy, legislation and practice in the area should be judged; and the problems of the incentive regimes of private foreign investment in Ethiopian investment laws and practices, outlining the areas in which both the legal system and practice of private foreign investment fails both businesses and individuals in the three successive regimes.

INTRODUCTION

This study intends to examine whether incentive regimes of private foreign investment laws and practices in Ethiopia have evolved in the direction of facilitating, attracting and encouraging foreign investment. It is conducted within the framework of private investment policies formulated and laws enacted for the private sector in general and for foreign investment in particular.

The private foreign investment can perform a direct beneficial role by producing exportable goods and services, and an indirect role by producing such goods and services which may help in producing other exportable goods and services or in replacing imported goods and services. Besides, an indirect role can also include developing infrastructure facilities, which may encourage further private foreign investment inflows. But if the private foreign investment is only for capturing the domestic market, it may still generate profit for the investor, but such profit may leave the country in scarce foreign exchange.¹

There are two other serious implications. First, in profitable domestic consumption sectors, foreign investments may overwhelm domestic investors (which may generally not be as strong as the foreign counterparts) and in some cases may eliminate them. Second, some critical sectors, like land, minerals and forests, where countries often like to have effective control on ownership because of social, political and strategic reasons, may, in a big way, pass under the control of foreign nationals.²

Investors from industrialized countries want to come to developing countries for three main reasons. First they apprehend that the return on capital in their home country is not adequate; second they want to combine their capital with the cheap labour of the host country to reduce the

interests from any obstacles will end up perpetuating existing problems in both foreign and domestic private investment and in the economy as a whole.

Private foreign investors are obviously reluctant to invest in a state with an unattractive business atmosphere where property is insecure and the prospect of earning a profit is gloomy. Consequently, most potential foreign investors are sensitive and apprehensive of unduly extensive legal limitations and unsustainable legal framework on investment of capital. Thus, the research will indicate the need to remove deterrents, including unpredictable and frequent revisions of laws, which exclude private investment from full participation in the economic growth.

The study is organized in four chapters: the first two are devoted to elaboration of the frame work and subject matter of private foreign investment; the third deal with historical development of private foreign investment, laws , practices and problems of incentive regimes in Ethiopia .Chapter four of the conclusions and recommendations will state the lessons learnt from such an exercise and the measures to be taken

Chapter one attempts to establish the general theoretical context and subject matter within which the study conducted. This is called for by the existence of conflicting propositions that surround the role and importance of foreign investment for development in general, and the place of law in development .It summarizes the major theories and legal frame works of foreign investment in an attempt to pin down general approaches toward resolving problems of incentives regimes in attracting foreign investment in Ethiopia. This sets the stage for a discussion of the incentive schemes policies and laws that might give expression to these solutions.

Accordingly chapter two takes up the operations and forms of regulatory framework regime of foreign investment in order to determine whether it provides a broad framework within which Ethiopia may have to create and implement its own laws. Chapter three examines and discusses

the evolution of incentive regimes of private foreign investment in Ethiopia in the three successive regimes and current incentive schemes and problems to propose measures to be taken for incentive prospect.

The conclusions and recommendations, in chapter four, underline the great difficulty of Ethiopia in having its own clearly defined policy reflected in at least relatively stable laws in the area of private foreign investment and their incentive regimes.

Sources

The collection of materials issued by various government departments and private enterprises was achieved with difficulty –through the assistance of personal friends and acquaintances –and supplement by pertinent interviews. The reluctance of many to aid any ‘research’, which they wrongly equated, with some form of ‘auditing’ of their activities was formidable. More than this the relevant organ of government-Ethiopian Investment Commission-has not updated its data on implementation and operation stages of private foreign investment activities for the years 2003/04 much less existence of monitoring reports on incentive schemes.

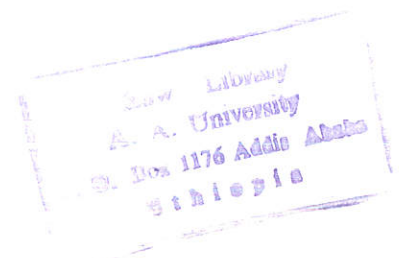
CHAPTER ONE

THEORETICAL FRAMEWORK OF PRIVATE FOREIGN INVESTMENT

1.1 INTRODUCTION

This study seeks to examine whether and how private foreign investment incentives have been and might be relevant to attracting and encouraging private foreign capital and to the economic and technological development of Ethiopia. It hopes to achieve this by presenting and developing a theoretical and legal framework of private foreign investment pertaining to a number of underlying issues and putting the Ethiopian case to scrutiny on that basis.

The investment of private foreign capital in countries like Ethiopia has three principal facets - economic, political and legal. Each of these substantially affects the availability of private, especially foreign, capital for the economic development of a poor country. The policy and legal aspect of private foreign investment incentives, thus, deserves special attention because the volume of private foreign capital flowing depends partly and mainly on the sufficient and effectiveness of incentive regimes and of the legal machinery to attract and protect private foreign investments.¹



The gap between domestic investment and savings has remained wide thereby reinforcing the need for private foreign investment in the development of the economy. Thus, at present, the saving gap in Ethiopia is met through investment generated from foreign savings, more specifically, development assistance and foreign investment. It shows that although the investment climate has seemingly improved greatly in recent years there are still many aspects of investment promotion where improvements are urgently needed. More importantly, Ethiopia does not yet

have an investment promotion strategy nor does it have a clear vision of where it fits into the global investment strategies of transnational corporations (TNCs).² At the time writing this paper, investment policy strategy in Ethiopia basically which was said to be consisting of broad statements of development objectives and an investment code elaborating the investment framework and the sectoral activities identified by the Government were priority investment areas, but now is being dictated by an outward-oriented trade regime.³

However, the very slow economic growth and absence of food security in our country constitute some of the pressing problems today more than ever. The problem requires giving more emphasis on pondering and finding solutions in the economic development. It is in the midst of finding solutions to this serious problem that private foreign investment policy and law have been called to life for the purpose of encouraging and stimulating private capital investment, mainly private foreign capital participation, in the socio-economic growth and development of the country. For private foreign capital to take place, that is, for foreign private investors to commit their funds in economic activities, private investment pre-conditions such as political stability, liberalization of both domestic and foreign trade, effective and efficient privatization process, transparency, procedure of treatment of free of corruption, and developed infrastructure have to be met. Not

less important than these are the incentive regimes accorded to private foreign investors that attract much.

With this in view 1.2 and 1.3 will tackle the general theoretical frame work of the determinants of private foreign investment and the centrality of private foreign investment in contemporary finance-for-development theory (respectively) ; and 1.4 will be devoted to the subject matter of private investment in general.

1.2. Theories Of The Determinants Of Private Foreign Investment

It is important to distinguish between two forms of investment: portfolio investment and direct investment. Portfolio investment involves the acquisition of stocks and shares, financial deposits, and other financial assets in order to earn a return on surplus funds. Direct investment is fundamentally different. The European Commission defines foreign direct investment (FDI) as 'the establishment or acquisition of income - generating assets in a foreign country over which the investing firm has control.'⁴'Control' would normally imply not only the ownership of shares in an operation but also some degree of management control. This may include a joint venture, especially where the company in question has a majority share holding.

Foreign private investment involves a strategic decision on the part of a company. It is usually, though not necessarily, regarded as a long - term commitment on the part of the investing firm. Its basic purpose is of course to generate a financial return, like portfolio investment, but the means of doing so and the implications for the company and the host country are quite different. A company, which builds a major new plant abroad, may not be able to sell the plant at an acceptable price if the investment is a failure. Nor can the company easily recover its investment

crucial. Wars and civil unrest are an obvious case where loss of life or destruction of property may result. Turbulent changes of government may also lead to volatility in the business environment, leading to the nationalization or confiscation of foreign assets.⁷

Writers on foreign private investment have tried to formalize the reasons for FDI by developing or applying theoretical explanations. Some of these ideas are derived from the theories of international trade, investment, or marketing. Each of them contributes towards our understanding of the underlying reasons for FDI or offers an explanation for a particular kind of FDI, but there is no complete theory of foreign private investment.⁸

In traditional theories of international trade, countries specialize in producing goods in whose production they have a comparative advantage. This enables them to use their resources of land or labour in the most productive way and to export their surplus production. Other goods are then imported from countries that can produce them relatively efficiently. If all countries exploit their comparative advantages - and all countries are comparatively (though not necessarily absolutely) better at producing something - international trade will benefit the world as a whole. The basic theory of comparative advantage was later adapted in the Heckscher - Ohlin Model. Heckscher and Ohlin argue that comparative advantage stems from differences in natural factor endowments. Where land or labour are in plentiful supply, their cost will generally be lower. Not only will a country with abundant or productive resources develop its own industries which use these resources, it will also attract foreign firms. Thus, these theories offer an explanation for FDI as well as for international trade.⁹

In its basic form, traditional theory helps to explain why resource - intensive activities, like extractive industries, agriculture, and even tourism, are attracted to particular countries or regions. If comparative advantage stems from acquired or created assets as well as natural resources, these

theories can also be applied to firms in other industries which are in search of specific labour skills, technology, and other sophisticated assets. In a broad sense, traditional theory provides an underlying explanation for foreign private investment, but it does not capture the variety of factors which affect foreign private investment decisions in practice.¹⁰

In understanding what private foreign investment is and how it works there are at least three theoretical frameworks coined by scholars in the area: capital arbitrage theory, product life-cycle theory and Dunning's eclectic theory of foreign private investment. Arbitrage in capital markets is the process by which financial assets are bought at a lower price in one market and sold at a higher price in another. Alternatively, funds may be borrowed at a lower interest rate and loaned to someone else at a higher rate. The arbitrageur does this, of course, to make a profit but the effect of arbitrage is to equalize prices or interest rates between markets, provided there is completely free movement of capital. As long as there are price or interest rate differences between markets, capital will be attracted to the markets where it can earn the highest return.¹¹

This theory has been applied to flows of foreign investment. It is easy to see its applicability to portfolio investment as this type of investment is often very sensitive to international movements in interest rates and other factors. It is less readily applicable to foreign private investment which responds to long-term rather than short-term factors. However, in a general sense, any investment will be attracted to locations where there is a prospect of a higher return. In the case of FDI, the profitability of an investment is often influenced by a combination of factors, so capital arbitrage theory only offers a rather general explanation.¹²

The second type is Vernon's theory of the product life cycle, which is sometimes applied to FDI. Vernon argued, on the basis of empirical research, that a new product would initially be manufactured, say, in the USA, then as the US market developed, opportunities for exporting to other advanced countries would arise.¹³ When the US market reached maturity, these other

markets would have grown large enough to justify investment in production plants in those countries. As these markets mature, production would become more standardized and price competition would become more intense. Producers would then look for lower – cost locations for production, probably in developing countries. This theory helps to explain why products once manufactured in developed countries are in due course made at lower cost in developing countries and then exported to the original producing countries.¹⁴ For example, a number of European textile machinery manufactures, who formerly supplied the European textile industry, now have their main markets in Asia where most of the low-cost textile producers are based. Labour costs may be lower in the developing country but economies of scale could be achieved by concentrating production in an established plant at home. Product life – cycle theory helps to explain why some products follow a particular pattern of production and FDI. It does not explain why some products are first produced in developing countries or why similar products sometimes appear simultaneously in different countries.¹⁵

The third type is Dunning's eclectic theory of FDI. The eclectic theory of FDI brings together a number of explanations for FDI which can be classified either as ownership – specific advantages (O), location – specific advantages (L), or internalization advantages (I). For this reason it is also known as the OLI paradigm. Ownership – specific advantages arise because FDI allows a company to retain ownership of its foreign subsidiaries (though FDI may involve control without full ownership).¹⁶ Ownership enables it to enjoy exclusive use of patents, technology, research, management, supply chains, financial sources, and marketing techniques. These factors enable it to obtain economies of scale at the level of the firm as a whole (not necessarily at the plant level). Location – specific advantages relate more closely to the traditional theories of FDI. Location provides access to raw materials, low – cost labour, and markets. It may also help a firm to avoid trade barriers and other government restrictions.¹⁷

The electric theory of FDI provides a wide range of possible explanations for FDI, suggesting that investors are motivated by a combination of these factors. The theory is probably realistic, but it does not offer guidance on which factors are likely to be the important ones in particular circumstances.

In general, though classification of private foreign investment studies is a difficult task, Frey (1984) classified (empirical) studies about the determinants of foreign direct investment under three categories.¹⁸ ‘Much politics little economics’ (approach A), ‘Much economics little politics’ (approach B) and ‘Unstructured amalgamation of economics and politics’ (approach C). He noted, studies in approach A focus whether private foreign investment is determined by political stability/instability. The conclusion in general is the private foreign investment is not affected by political instability.¹⁹ But this may not hold true for Ethiopia Foreign Investment was almost at hart during Ethio-Eritrea conflict

Approach B basically employs economic variable (GNP, labor cost [location], human capital, etc.) and analysts along this line in general found statistically significant results. Finally, approach C tries to specify economic factors by taking into account some variables like country risk indicators.²⁰ It is maintained that most of these studies rarely give convincing reasons based on theoretical notion. Hence, a politico-economic model with sound theoretical explanation is good model to explain the determinants of private foreign investment.²¹

In sum, the theory of determinants of private foreign investment covers a range of explanations: the pure capital movement, product cycle, industrial organization, the stagnation thesis as well as

other political consideration.²² In Ethiopian context, the pure capital theory does not work for the assumptions simply do not hold. The North-South hypothesis is not workable either, for it is more relevant to countries with good industrial base and infrastructure.²³

Be that as it may, it is the lure for investment incentive that plays more of the role for the inflow of foreign private investment. Thus, without a doubt, intense competition among regional, continental and national governments, and competition on global level do permit international investors the opportunity to attract a wide array of incentive-package offers.. Thus, a wide variety of incentives, including tax breaks, loans, out-right grants, free training of workers, free site selection and site-preparation services, and research-and-development subsidies, are now provided by many sub national governments to job-creating foreign investors.²⁴

Certainly, competition is one major reason for the dramatic increase in investment inducements. Whether nation is pitted against nation, or region against region, governments want to bring to their own specific areas of jurisdiction the jobs, technology transfer, and other beneficial parts of the so-called package, which accompanies direct investment. Consequently, just as the export subsidy war has heated up in recent years, so has the investment-incentive battle. Simply for the sake of remaining in the incentive ball game, nations which already have highly attractive market systems are now offering investment sweeteners. In certain respects, the incentive war is ludicrous, especially in federal systems of government. The second motivation for governments to offer investment incentives is to attempt to offset conditions within the host country, which are worrisome to multinational enterprises.²⁵

It is quite easy for international firms to get caught up in the euphoria of the investment incentive war now being waged by national and sub national governments, but incentives must be kept in perspective. In almost all cases, government incentive policies should rank far below market, labor, resource, energy, transportation, communications, quality of life, and other criteria used in making an investment decision. For example, Singapore offers a well-developed economic infrastructure, a favorable geographic location, a stable political climate, a lack of corruption, a highly pro-business environment, an educated work force, and preferential access to the high-growth ASEAN market. An investment in Singapore may thus be much more advantageous in the long run for a foreign firm than an investment in a neighboring nation which lacks many of these features but is willing to furnish a lucrative incentive package.²⁶

1.3. The Centrality of Private Foreign Investment in Contemporary Finance-for-Development Theory

There are certain simple propositions in economics that acquire the status of axiomatic truths, sometimes even the force of law. One of these, in our time, is the proposition that if a developing country (DC) seeks economic growth and welfare for its people, then the principal mechanism to do so is to try to attract foreign direct or private investment (FDI or FPI);²⁷ and, furthermore, that in a globalized world, where capital is free to move where it will, the DC needs to offer competitive terms to attract private foreign investment, which is termed as waging a war of incentives²⁸

This simple proposition is often qualified with the addition, however, that private foreign investment is not a sufficient factor for growth (for there are other factors that affect growth too)

mechanisms, such as public/private partnerships and investment agreements, can be important. We emphasize the need for strengthened, adequately resourced technical assistance and productive capacity building programmes, as requested by recipients.”³¹

1.4 The Subject Matter Of Private Foreign Investment

The subject matter of private foreign investment is very wide topic of which an exhaustive discussion is beyond the scope of this thesis. Accordingly, this section tries to present an overview of the concept in an introductory manner.

Private foreign investment is the movement or inflow of foreign capital from one country to another. Foreign capital means any transfer of funds from one country to another that does not involve any counter movements of goods or services from the recipient country³² Foreign capital means ... that type of capital that enters the country to participate in the economic development or productive activities on a long term transfer basis. This takes the form of foreign private capital, which is destined for a return. Traditionally the flow of private foreign capital has mainly taken the form of either direct investment, where managerial control went along with capital out flow, or portfolio investment, where the purchase of foreign securities did not give control of the enterprise.³³

One problematic aspect about the debate on private foreign investment is that there is a confusing array of definitions of private foreign investment or, worse, no definition at all, only a presumption that private foreign investment³⁴ (irrespective of what it means) must be attracted to stimulate growth. In one rare attempt, the Economist defined private foreign investment as a package, a “bundle”. The point about private foreign investment is that it is far more than mere “capital”, it is a uniquely potent bundle of capital, contacts, and managerial and technological knowledge. It is the cutting edge of globalization³⁵ This definition of private foreign investment

does raise a question: if private foreign investment is indeed a "bundle", can it be unbundled? Can it be unpackaged? Can a developing country say to the bearer of private foreign investment: "We'll have your technology, but we'd rather depend on our own savings as capital, and we will provide the management ourselves"? Or is in the very nature of private foreign investment that it comes as a "bundle" - take it or leave it?³⁶

Private foreign investments are initiated for many different reasons. Sometimes it is the natural succession to a successful period of increasing export sales to a foreign nation, when the private foreign investor believes the foreign market is sufficiently large to justify foreign production.³⁷ Local, foreign production will reduce transportation costs of finished products sold in the domestic market of the foreign nation, and will allow the use of local resources available at lower cost, especially labor.³⁸

With regard to the role and impact of foreign private investment to Third World economies, there are fundamental disagreements about the nature, style, and character of a desirable development process. We shall see some of these in the following. To start with, the pro foreign investment arguments state that, "foreign private investment (as well as foreign aid?) is typically seen as a way of filling in gaps between the domestically available supply of savings, foreign exchange . . . and the desired level of these resource necessary to achieve growth and development targets. Thus, the contributions of foreign private investment could be summarized as follows:

Therefore, the first and most often cited contribution of private foreign investment to national development. . . is its role in filling the resource gap between target or desired investment and locally mobilized savings. A second contribution, analogous to the first, is its contribution to filling the gap between targeted foreign exchange requirements and those derived from net export earnings plus net public foreign aid the third gap said to be filled by private foreign investment is the gap between targeted governmental tax revenues and locally said taxes. Fourth and finally there is the gap in management, entrepreneurship, technology, and skill presumed to be partially or wholly filled by the local operations of private foreign firms.³⁹

demanded by a small rich minority of the local populations; that because of MNC activities local resources tend to be evacuated for socially undesirable projects; that they use their economic power to influence government policies in directions unfavorable to development; that they may damage host economies by suppressing domestic entrepreneurship and using their superior knowledge, worldwide contracts, etc.

CHAPTER TWO

LEGAL FRAMEWORK FOR INCENTIVE REGIMES OF PRIVATE FOREIGN INVESTMENTS

2.1 Form of Private Foreign Investments

There are a number of different forms of private companies available.¹ The following are some of the possible forms of business organizations available for private foreign investors in many countries. These are personal associations,² and other kinds of business organizations.³

Investment laws in some under-developed countries make mandatory domestic partnership a pre-condition for the establishment of any commercial enterprise by foreign investors. Often the law fixes the percentage of the requisite domestic-capital participation. For example, no company is allowed to engage in the exploitation of natural resources in Brazil unless 51 percent of its capital is locally owned.⁴

The partnership of foreign and local capital is a commendable method of financing economic development. It is beneficial to the investee state because it affords a good opportunity for training indigenous entrepreneurs. On the other hand, foreign investors sometimes seek partnership as a guarantee for their capital and enterprise against local political measures.

The disadvantages of compulsory domestic partnership in most foreign-owned enterprises were exposed by the Malayan Government's Statement: Limiting the amount of capital in any enterprises is tantamount to linking the rate of industrial development - - - to the amount of capital which can be raised locally.⁵ There is no assurance that local capital will come forward into industry at any particular rate and any such limitation of foreign capital must therefore limit

the rate of such development to an unknown extent which is most undesirable at the present stage.⁶

Thus to prohibit the entry of foreign capital except when there is collaboration with local capital is to create a serious set back to the economic development of a country.

2.2 Major Investment Incentive Scheme

As mentioned in the preceding section of this paper, investment is not generally made for reasons of welfare, but it is to make profit in a kind of return, except in case of public investment, which is for social and economic services.

Furthermore, what motivates private foreign investors to invest and commit their funds is not only their economic activities out of which they are to extract profits, but also the incentives and guarantees given and promised to them by investment enactments. That is, investment policies create adequate incentives systems to build the confidence of private foreign investors and help them operate profitably.⁷

Thus, some of the incentives that are granted to foreign private investors are incentives given in the form of one stop service, income tax holiday, import and export duties relief, remittance of capital, loss carried forward (that is, business enterprises that suffer losses during the tax holiday period can carry forward such losses following the expiry of the exemption period), acquisition of immovable property, and, above all, legal protection against expropriation, and if the need arises, with adequate, prompt and effective compensation, when a given holding is wanted for public interest.⁸ Nevertheless, the reality in developing countries witnesses arbitrary expropriation with no adequate, prompt and effective compensation due to authoritarian rule and cumbersome bureaucratic procedures.

2.3 Guarantees and Protection of Private Foreign Investments

"One of the many causes usually cited as responsible for today's shortage of private . . . investment in the underdeveloped [sic]" countries is the unfavorable investment climate existing in a number of them,⁹ wrote Fatouros. Here, investment climate refers to the general attitude in a given country towards private foreign investment as it affects investor' expectation, where political, psychological,

cultural, and many other elements, of diverse character are involved and contributed to the formation of a country's investment climate.¹⁰ "Strictly legal elements are also present, and most of the other elements directly affect . . . investment through legal forms and mechanisms."¹¹

according to Fatouros. It should not be forgotten that the investment climate is but one of many factors affecting the flow and putting of private capital. Fatouros also said:

*. . . the problem of . . . investment is but one of many problems related to the question of economic development today, and it should be viewed in its close relation to other factors involved, such as international [and domestic] trade technological development, national culture, social structure, education, and soon.*¹²

To prospective private foreign investor, the existing legal, political and economic situations regarding private investment are no doubt not only important enough by themselves; but also the legal situation is even more important as an indication of the situation which will exist in the future, since by investing his capital an investor is subjecting it to the impact of future changes. In other words the private foreign investor has to be made reasonably certain of the future; he must be made that there is little or no possibility of the creation of an unfavorable legal situation, at a later date, which will be detrimental to his investment.¹³ Thus;

*The [private foreign] investor has such assurance when favourable legal situation has existed for a sufficiently long time, or when the country's economic and political structure is so stable that there is little probability of any radical change in the immediate future.*¹⁴

In the case of many of the developing countries, including Ethiopia, however, it is almost impossible to predict with confidence that conditions of stability and security will exist during the period of dynamic change ahead. Of course, such countries are badly in need of capital and seek method of attracting the same. Hence, arises the need for legal guarantees to the prospective private foreign investors in order to assure them that they will receive, in the future, a well today, certain definite legal treatment, as specified in the guarantees, and consequently that they need not fear any major change unfavorable to their interests in legal or political conditions.¹⁵

The basic devices most commonly used, in guaranteeing non – commercial risks, are special statutes and statements of government policy regarding private investments. Investment laws provide a variety of measures intended to encourage and attract private investments¹⁶. Guarantee may also be found in constitutions and codes as well as fair treatment, non discrimination, and the like. In this regard, Fatouros wrote: *Few investment laws give absolute assurance against expropriation, unconditionally guarantee . . . investment against expropriation for certain period after the original investment.*¹⁷ Moreover, quite different considerations apply with regard to the guarantees given to private foreign investors by virtue of investment laws. The content of such guarantees is well determined, since they are given by special instruments, each of which refers to single private investor.

2.4. Facilitating Private Foreign Investment

One of the most widely recommended and widely instituted changes has been the move to some kind of “one stop shop” approach to the management of a government’s relations with foreign investors.¹⁸ The one- stop shop takes various forms in practice. The expectation that typically lies behind such a title, however, is that a single organization in a country is to have responsibility for a conducting or coordinating various matters related to the entry or supervision of foreign investment. Thus, a would-be foreign investor would have to deal only with this one organization to obtain all the permits needed to invest in the country.¹⁹

CHAPTER THREE

PRIVATE FOREIGN INVESTMENT IN ETHIOPIA AND PROBLEMS OF INCENTIVE REGIMES: THE LAW AND THE PRACTICE

This Chapter offers a highlight of national determinants of foreign investment flows into Ethiopia, Ethiopia's policies and laws on private foreign investment in brief, and as the main body of the thesis, the problems of incentive regimes in detail.

3.1 National Determinants of foreign Investment Flows into Ethiopia

There are a number of positive strategic factors that makes Ethiopia an attractive location for foreign investment.¹ Some of these positive elements include:² i) large domestic market and a unique geographical location enabling investors in Ethiopia to service markets and customers in East Africa, North Africa and the Middle East and to competitively supply specific products to selected European markets. These are all reasonably affluent markets with positive growth prospects over the medium – term; ii) A unique history, national culture and tradition with a pool of highly educated elite to draw upon as managers and advisors, with English (the language of business) widely spoken; iii) A resurgent private enterprise ethos, with a portfolio of local and regional enterprises established by indigenous entrepreneurs that deserves to be better promoted including an emerging group of internationally recognized companies (e.g Ethiopian Airlines) that have already established a competitive market presence; iv) A comparatively safe and

*Ethiopia on enterprise deemed to be beneficial to the country for the achievement of this policy, the government is prepared to grant special facilities to new enterprise stated in Ethiopia with foreign capital.*⁶

Thus the policy statement emphasized the main consideration to encourage only those enterprises, which were deemed to be beneficial to the country. But what is beneficial? It is not clearly defined by the policy, or which industries are likely to benefit the country or above all the reasons, which would determine whether an enterprise was “beneficial” or not.⁷ Therefore, this is an average criterion that needs interpretation.

The peculiar feature of this notice from subsequent by-laws of private investment was its sole commitment as a policy formulation to provide incentive schemes only to foreign investors. By the decree of 1963 however the Imperial Government was committed to “encourage private capitals investment both domestic and foreign and its aim was accelerated growth and development of the economy of the empire of Ethiopia”⁸

In the 1966 proclamation, it was stated that increased investment of private capital, both foreign and domestic, was vital to the accelerated growth and development of the economy of the Empire of Ethiopia; and it was desirable that a special and comprehensive law be enacted for the purpose of stimulating and encouraging future private capital investment.⁹ To encourage this, the law provided various benefits, privileges and exemptions. Thus, incentives given to investors at that time were income tax relief, import/ export duty relief’s, remittance of foreign exchange, that is, remittance of profits of foreign investors to their countries of origin and repatriation of the net proceeds belonging to a foreign investor, and acquisition of immovable for foreign investors, which otherwise was and still is not allowed.¹⁰

A sluggish growth performance, during 1974-1991 was a result of low level of investment triggered mainly by the development strategy pursued by the military regime, which had changed the structure of production relation thereby, the economic policy of the country at large, in favor

of the socialized sector.¹¹ The investment policies of the Derg period included extensive nationalization of medium and large scale enterprises, setting up of a central planning framework for the management of the new public enterprises and issuing of legislations which barred out private investment in all sectors beyond small scale ventures in industry and trade as well as restricting their operation to a single line activity and forbidden private commercial venture in agriculture and finance.¹²

The above strategy drastically changed the structure of capital formation in the country. The share of public investment expenditure grew from about 30% of aggregate fixed capital formation in early 1970's to more than 85% by the end of 1980's.¹³ This was mainly attributed to public enterprises that followed the nationalization scheme while private investment share fall from about two third to less than 15%.¹⁴ Thus, it was a period where nationalization and expropriation as basic means of production were high on the agenda, than to follow a policy of promoting an encourage the participation of private capital.

At the last periods of the regime (in 1989-1990's) the need for economic reform was realized. The country became member of the Multilateral Investment Guarantee Agency /M.I.G.A/ by adopting a kind of mixed economic policy¹⁶. But the reform was too late, for it was quarter to twelve for the regime to stay in power.

3.2.2 Policies and Laws on Private foreign Investment in Ethiopia since 1991

Revising the pattern and trend, the new Government has pursued different Investment Policy from that of the Derg.

The Transitional Government which was established in June 1991, following the fall of the Derg, has enacted economic and investment policies, which have continued to be functional even under the Federal Democratic Republic of Ethiopia (FDRE),¹⁷

The policy further specifies that the major hindrances to economic development during the previous period was the restrictive policies followed on the activities of the private sector; and so a change in the same is needed with the perspective of doing the following¹⁸ create enabling conditions for the participation of both domestic and foreign capital in various economy activities without any capital limitation; remove existing bureaucratic procedures and red tape and introduce laws and regulations to enhance domestic and foreign private capital participation; provide incentives and encouragements to promote domestic capital participation and participation of private foreign capital.¹⁹

Besides laying down the above condition, the policy states that new policy, laws and regulations concerning money supply, credit and interest, taxes and incentives which are consistent with the new economic policy, have to be enacted.²⁰ The policy further acknowledges the decisive role of private capital for the development of large scale modern farming and that of the industrial sector with respect to the participation of private investment it is stated that no capital limit barrier would be laid on it, and promise to provided guarantees of ownership as well as adequate incentive system for enhancing wide-scale private investment²¹

The policy makers have accordingly drafted a comprehensive legislation, which they believed would address the issue of encouragement, expansion and coordination of investment activities in the country.²² The investment proclamations and regulations are the exact reflection of the economic policy, and close look at these provisions on opportunities for investment would enable us to grasp the policy's attitudes to wards the same opportunities.²³

The present Government has laid down its major investment objectives when it formulated investment policy in Proclamation No. 37/1996. According to the above Proclamation areas of investment are classified into four different categories.²⁴ The first category, as per Article 5 of the

The policy further specifies that the major hindrances to economic development during the previous period was the restrictive policies followed on the activities of the private sector; and so a change in the same is needed with the perspective of doing the following¹⁸ create enabling conditions for the participation of both domestic and foreign capital in various economy activities without any capital limitation; remove existing bureaucratic procedures and red tape and introduce laws and regulations to enhance domestic and foreign private capital participation; provide incentives and encouragements to promote domestic capital participation and participation of private foreign capital.¹⁹

Besides laying down the above condition, the policy states that new policy, laws and regulations concerning money supply, credit and interest, taxes and incentives which are consistent with the new economic policy, have to be enacted.²⁰ The policy further acknowledges the decisive role of private capital for the development of large scale modern farming and that of the industrial sector with respect to the participation of private investment it is stated that no capital limit barrier would be laid on it, and promise to provided guarantees of ownership as well as adequate incentive system for enhancing wide-scale private investment²¹

The policy makers have accordingly drafted a comprehensive legislation, which they believed would address the issue of encouragement, expansion and coordination of investment activities in the country.²² The investment proclamations and regulations are the exact reflection of the economic policy, and close look at these provisions on opportunities for investment would enable us to grasp the policy's attitudes to wards the same opportunities.²³

The present Government has laid down its major investment objectives when it formulated investment policy in Proclamation No. 37/1996. According to the above Proclamation areas of investment are classified into four different categories.²⁴The first category, as per Article 5 of the

proclamation, is an area of investment that is reserved for the Government.²⁵ The Proclamation, in its Article 6(4), has also attempted to exhaustively list or enumerate, in its attached schedule, areas of investment exclusively reserved for domestic investor as a second category. The third category, as per Article 7 of the same proclamation, is areas reserved for joint investment, where only in partnership with domestic investors when the investment exceeds 20 million US dollars, and these areas are; engineering and metallurgical industries; pharmaceutical industries; basic chemical and petrochemical industries; fertilizer industries.²⁶ Furthermore, the equity share of the domestic partners, in these areas, in a joint investment made pursuant to sub-Article (1) of Article 7 shall not be less than 27%. Moreover, it has to be noted here that nothing prevents domestic investors from investing in said areas solely by themselves.²⁷

Both the investment part of the policy and the proclamation provide that, apart from the areas which are reserved for the government, and for domestic investors, and those areas which are allocated to the joint investment with the domestic investors. Other areas, as a fourth category, are open for foreign investors with out any specification.²⁸

3.2.3 Private Foreign Investment Inflow to Ethiopia Since 1991

(a) The Level and Value of New Investment Projects

The number, scale and origin of new capital investment projects as reported by the EIC are shown in Appendix tables 1.3, which covers the post 1992/1993 periods. There may be an element of under reporting of investment projects during the earlier years. It is also possible that new project expenditure by existing foreign direct investment in Ethiopia has not been fully recorded. The figures are thus best seen as major new capital investment projects and representing genuinely important additional to the nation's capital stock²⁹

The main points to note in relation to the number, value and scale of new investment projects which have commenced operation in Ethiopia (as distinct from being approved or in process of implementation) are that only 19 new and expansion private foreign investment projects have become operational in Ethiopia over the post-1992/1997 period, compared to over 1,160 domestically funded projects.³⁰ As expected, the average value of private foreign investment projects at EB 169 million is much bigger than domestic projects, which have average EB 4.8 million to date.³¹ This varies a little by sector and region. Foreign capital and joint ventures represent the main source of major industrial ventures;

The recent growth in private foreign investment resulted in a situation where, for the first eight months of 2004, overseas investment accounted for nearly 60 per cent of the value of operational project investment in Ethiopia.³² These levels will probably continue given the recent pattern of project approvals.

(b) The Origin of private Foreign Investment in Ethiopia

Estimates of the value the stock of private foreign investment in Ethiopia in mid-1975, when the previous regime appropriated most foreign enterprises, are not available. For the post 1992/1993 period, however, the EIC maintained information on the country of origin of foreign investors (both corporate and private) invests in new wholly-owned or joint-venture projects. The figures produced by the EIC which are summarized in *APP V(a)* are, in fact, more complex than they initially appear, as around 20 per cent of both wholly-owned and joint-venture projects involve investors from two (occasionally three) home countries coming together to make investments. Therefore, the data, as recorded may thus not be fully accurate in terms of allocating capital flows between home countries. The EIC's review of investment applications and direct contact with investors suggest that a large proportion of these multi-nation private foreign investment

consortia are expatriate Ethiopians (sometimes from a single family) initiating steps to invest in new projects or rebuild long-established Ethiopian business. The investment figures presented in appendix V, (a) , include the geographical origin of foreign direct investment projects (wholly-owned and joint-venture) approved by the EIC. Caution is necessary in interpreting this data as approval may not necessarily mean the projects are operational. Nevertheless, they indicate the home country origins of new post-1992 capital stock and its main features.³³

Private investors from the Middle East region have generated one-third of new FDI projects and have contributed two-thirds of the new capital associated with these projects. Saudi Arabia is by far the largest source of investment with EB 4,981 million of committed capital to date, or 60 per cent of the overall foreign direct investment approved. It is believed that MIDROC Ethiopia Private Limited Company represents a significant share of these Saudi Arabian investments:³⁴

The second most important source of private foreign investment to Ethiopia over the period 1992/1993 to 1997/1998 has been the European Union, which generated nearly 30 per cent of the projects but only 15 per cent of the new capital approved. Within the European Union, private capital flows from most

major European Union Member State were represented, though no single state had a dominant role. Multi state projects were represented, though no single state had a dominate role. Multi-state projects were represented suggesting and involvement by expatriate Ethiopians.³⁵

The third largest source of foreign direct investment has been the Africa region which generated 17 per cent of foreign direct investment projects were comparatively small and again multi-nation projects (12 of which involved the United Kingdom) suggesting the involvement of Ethiopians residing abroad. The remaining 8 per cent of private foreign investment capital value had a

variety of origins including North America, Asia (predominantly India) and European and east European countries.³⁶

The important implications of this revealed pattern of recent private foreign investment capital flows to Ethiopia are that the Middle Eastern countries, the adjacent African nations and the corporations in the European Union are appropriate foreign direct investment targets. However, in terms of transfer of technology, benefits arising from European and North American corporate investments will probably be more important.³⁷

3.2.4 The Private Foreign Investment Regulatory Framework

The present regulatory regime governing private foreign investment in Ethiopia is based on a series of investment proclamations issued between 1996 and 2003, principally proclamations 7/1996, 37/1996, 35/1998, 36/1998 and 116/1998. In combination, these establish the economic sectors open to foreign private investment; the financial limits and requirements for foreign private investment; the monitoring and reporting requirements; and the financial incentives that are available. It is worth briefly summarizing the main features of the present regulatory regime in each of the above areas.

(I) Economic Sectors open to private foreign investment

Foreign investors are encouraged to invest in all economic sectors, except those currently reserved for domestic private and public investment, with the domestic private investor category including foreign national who are permanent residents in Ethiopia. There is a continuous review of the sectors closed to private foreign investment indeed, the amendments to the investment Code made in June 1998, and 2002 have opened up energy generation and telecommunication services to the private sector, both foreign and domestic. Under this proclamation, the generation

Companies incorporating in Ethiopia may operate through a subsidiary (i.e. incorporated under the Laws of Ethiopia) or through a branch (i.e. incorporated under the laws of a foreign country)⁴⁴

(III) Ownership Limitations and Requirements

Under the new proclamation 280/2002 a minimum investment sum is required for both wholly owned operations and joint ventures with Ethiopian companies or individuals. The value of the investment must be in either in cash or in-kind. In fact this has always been the number one requirement in all the previous laws too.

For wholly owned private foreign investment in to the open sectors, an initial investment of \$100,000, and jointly with a domestic investor\$ 60,000 is required; and in the case of engineering, architectural, accounting, and audit services project studies or business and management consultancy services an initial investment of \$50,000.⁴⁵

For joint ventures, in the investment areas mentioned here in above, with Ethiopian investors, the foreign partner is expected to contribute \$25,000, with this minimum equity requirement representing either cash or the value of the capital equipment imported to establish the venture.⁴⁶

There is no capital requirement if a foreign investor re invests his profits or dividends or exports at least 75% of his out puts. An important and serious obligation imposed un a foreign investor bringing his capital to the country is that investment capital brought has to be registered at the national bank of Ethiopia.⁴⁷

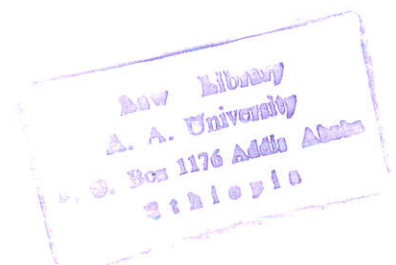
If the Government wishes to give priority to attracting larger private foreign investment projects it may be right to have a threshold level to ration the presently limited private foreign investment promotional and management capability in EIC and the regional promotion agencies, however a minimum investment requirement is not a common feature of investment regulatory regimes of most host countries that are competing to attract foreign private investment.⁴⁸

It seems because of this realization though not in its full aspect that minimum investment capital requirement is reduced to a minimum possible in the new investment code. Apart from these minimum capitalization conditions, the investment code does not require foreign direct investment to meet specific performance goals or guidelines through their operations.⁴⁹

IV. Monitoring and Reporting Requirements

The Ethiopian Investment Commission (formerly known as Office of Investment and later as Ethiopian Investment Authority) is the principal government organ responsible for the promotion and facilitation of foreign investments in the country. Envisaged to be organized as one-stop-shop, the EIC provides all the necessary information required by foreign investors; approves investment application and issues investment permits for foreign investors; provides registration services to newly incorporated business organizations; approves expatriate posts in an approved investments and issues work permits to foreign employees; issues trade and operating licenses to approved foreign investments; and facilitates the acquisition of land by foreign investors in accordance with the relevant federal and regional government laws and regulations.⁵⁰

There is currently a requirement for both private foreign and domestic investors, under proclamation 280/2002 (as amended) to submit progress reports to EIC on the status of projects every six months once the original investment permit has been issued⁵¹. The purpose of this is for EIC to be regularly informed on progress and also to identify (as early as possible) emerging problems in order that EIC or other Government agencies can help resolve the problem constraint.



(A) Institutional Framework

(i) Ethiopian Investment Commission.

The current organizational structure of the EIC shows five core operational departments each of which contains a varying number of team leaders of divisions, three supporting units for legal services, administration and finance, and the planning and foreign assistance coordination service. These departments all report previously through the deputy general manager but now directly through the Commissioner of EIC and through him to Board of Investment of which he is a member. The organizational structure of EIC reflects the political environment in which it was created.⁵²

In considering the effectiveness of the present organizational structure and management of EIC the following three important observations are worth noting:- First, the present notion of EIC's organizational structure is that it is primarily process driven and that much of the activities undertaken by its staff have to do with regulatory aspects of Foreign Private Investment such as permits, reports and registration. It is interesting to note that the only three sectoral groups are in the License registration and Coordination Department. Much of their daily work is on ensuring whether potential foreign private investment meets regulatory requirements;⁵³ Second the present occupational structure and skills base is shaped by the nature of the tasks that are done in each Department and Division, which over the longer-term will constrain the emergence of multi-skilled teams and (from the experience of similar organization elsewhere) encourage the strengthening of divisional walls and identities;⁵⁴

Thirdly at present, the organization is not foreign direct investment client centered, nor does it appear to have a customer-driven skills base or promotional process. It is difficult for public agencies like EIC to have a set client focus, especially when clients operate in the private sector and in foreign national cultures. These organizational issues are important to EIC's future evolution and its competitive in an increasingly tough foreign private investment.

(ii) Promotional Integration by Other Government Agencies.

In the immediate future, it is probable that EIC will not have the funds or the skilled personnel needed to open up representative offices in targeted foreign private investment home countries. Consequently, the prime overseas investment promotion presence will be the Ethiopian Embassies under the direct control of the Ministry of Foreign Affairs (MFA). MFA thus has a key role to play provided other factors, of inducing, are available in attracting inward investment, which is slowly being developed with inappropriate initial focus on the Middle East and Asia. All ambassadors have been instructed to give priority to promoting Ethiopia as a suitable investment location, find markets for Ethiopian exports and encourage tourism to Ethiopia. :⁵⁵

In an editorial statement of the weekly Amharic Reporter (Meskerem 9/1997 E.C) under the title: "To Attract Foreign Investment Consolidate the Domestic One" it has been stated that the main duties assigned to the diplomats are to enhance economic development. Diplomats have also been instructed, and warned so to say and they sworn to see this mission as serious as anything, in an extensive kind of seminar conducted to diplomats gathered from all over the world.⁵⁶

The content of the warning given by the different high officials of the government organs and the sworn made by the diplomats was that they have to work very hard and decisively to attract foreign investment. It is also said by the higher officials of the Ministry of Foreign Affairs that the evaluation of every diplomats, after wards, shall be based on the number of foreign investor(s) induced to invest in the country. But factors and conditions that attract foreign investors are not economic diplomacy of the host country. A foreign investor may not be attracted by agitation and propaganda of diplomats from a host country. In observing and deciding whether conducive conditions are prevailing in a given country, a foreign investor mainly depends on the information served to him from his home country diplomats.

3.3 Encouragements and Protections of Private Foreign Investment

There are several factors that commonly motivate businessmen to invest in a developing country. The most important is usually that the country is, so to speak, within the same interest area: for example, businessmen in the UK will look first at countries in the British Commonwealth while a businessman in the United States will look at Latin America, Liberia or the Philippines.⁵⁷ The political ties between states within such interest areas may have made the investor reasonably acquainted with the political climate of the country he is interested in, although he cannot assume that conditions will not change.⁵⁸ Another common factor that might motivate an investor is longstanding business ties between his own country and the state where he proposes to invest⁵⁹. For example, a Swiss investor may find it natural to locate his investment in Peru and a German investor in Argentina, as there has been considerable previous investment by Swiss and German firms in these two countries.⁶⁰

Secondary considerations that may make a particular country attractive include tax-free income and interest on loans, depreciation allowances, advantageous rules for revaluation of assets, and customs duty relief for building materials, machinery or the raw material that will be needed in the enterprise.⁶¹ Furthermore, unless there is reasonable certainty that the bulk of the profits can be repatriated there may be little point in continuing with the project.⁶²

As to securities of investment, that is guarantees available to investors in Ethiopia, constitutional guarantees were provided since time immemorial. The 1955 Revised constitution provided that:

*Everyone has the right to own and dispose of property. No one may be deprived of his property except upon order issued pursuant to the requirements of a special expropriation law enacted. And except upon payment of just compensation determined by judicial procedures established by law.*⁶³

✓

We may observe from the above statement that the investment policy and law of the Imperial Government concentrated on encouraging, developing and expanding both foreign and domestic private investments.

The new investment code has also provided guarantees and protection to investors. In its Article 21, the proclamation on investment stipulates: 1.No investment may be expropriated or nationalized except when required by the public interest and then, only in compliance with the requirements of the law; 2.*Adequate* compensation, corresponding to the prevailing *market value* shall be paid in advance case of expropriation or nationalization of an investment for public interest. 3.Any foreign investor may remit compensation paid to him pursuant to this Article out of Ethiopia in convertible foreign currency.⁶⁴

But the experience of many developing Countries, (including Ethiopia when the Derg extensively nationalized private properties and investments) has witnessed, adequate, effective and prompt compensation for expropriated and nationalized investments is beyond the reality. However, in the present case, whether compensation could be effected adequately, effectively and promptly, as provided in the law, remains to be judged. As the legal provision stands now, Ethiopia provides the following guarantees to investors: repatriation of capital and profits where capital repatriation and remittance of dividends and interest are guaranteed to foreign investors under the investment proclamation.⁶⁵

Both the Constitution of the Federal Democratic Republic of Ethiopia and the Investment Proclamation provide protection to private property, and guarantee against measures of expropriations and nationalization.⁶⁶ There are, other guarantees too; Ethiopia paying membership fees, is a member of the world Bank – affiliated Multilateral Investment Guarantee Agency (MIGA) which issues guarantees against non-business risks to enterprises which invest in signatory countries. Although the practical application of these guarantees and the benefits that

Ethiopia may get from being membership is yet to be seen, one thing is evident and beneficial. That is, the existence of these legal guarantees and Ethiopia's accession to the same as signatory may attract foreign private capital.⁶⁷

Furthermore, bilateral investment promotion and protection treaties with any country is one of the guarantees available to foreign investors; and, in fact Ethiopia is currently concluding such agreements with a number of developed countries.⁶⁸ For example, the Agreement between the Government of Italian Republic and the Government of Ethiopia on the promotion and protection of investments states:

- i. Nationals or companies of one contracting party whose investments . . . suffer losses owing to war or other armed conflict, state of national emergency, civil strife . . . shall be accorded . . . as regards restitution, indemnification, compensation or other settlement. .*
- ii. Investments of investors of the Contracting Parties shall not be nationalized, expropriated, sequestrated . . . except for public purposes or national interest and in exchange for prompt, full and effective compensation . . . and in conformity with all legal provisions and procedures . . .*⁶⁹

From this contractual provisions and obligations it is clear the corresponding Government guarantees that foreign investor of either party from non-business risks such as war and expropriation. Ethiopia has also signed the World Bank treaty "the convention on settlement of investment disputes between states and national of other states (ICSID)". Although the new Ethiopian Investment Law has deleted the provision of Article 22 of the former law, a provision which was providing to the effect that disputes between a foreign investor and the Government could be settled amicably through mutual discussions; and a dispute not amicably settled may be

submitted to the competent court of the country, or to the international arbitration, these alternatives are always there by a means of stipulating in the agreement of the parties.

3.4 Incentive Regimes Of Private Foreign Investment In Ethiopia

3.4.1 Objectives of Foreign Investment Incentives

The fundamental importance of most foreign investment incentive laws is to promote economic development by making the investment climate more attractive than it would otherwise be. This is the general underling of what purposes do investment incentives serve.

Many countries have adopted investment codes or take other investment incentive measures to encourage increased private investment, both domestic and foreign. Basically investment legislation is an instrument for the implementation of the economic policy of a country⁷⁰. Different legislations try in their preamble to show the importance of investment incentive schemes, together with the objectives of their policies, since incentives are used to promote their policy objectives. Thus, governments provide with different kinds of incentive measures to foreign investors for the following reasons.⁷¹ First, though it is up to the investor to decide which activity and area is more profitable to him to invest his capital, governments grant incentives to some business enterprises from the view point of satisfying the basic economic needs of the society. In addition to this, it is necessary to encourage foreign investment so as to accelerate the economic development of the country and to improve the living standards of the people.

Secondly, some enterprises are very necessary for the economic development but their expenditure is very high from the very out set. Because of this high expenditure investors may hesitate venture to invest their capital in such kinds of enterprises. Therefore, in order to induce such investors, governments take necessary measures, and encourage them by way of granting

incentives. Thirdly, in order to divert investors from looking over the enterprises, which are more profitable within a short period of time, and to make them to invest in the areas of direct productive enterprise and projects, incentive schemes are necessary. Fourthly, in order to encourage more those enterprises with maximum utilization of domestic raw materials and those engaged in production of intermediate goods to be used by other industries and to create sustainable economic development to a given country, incentive schemes are important mechanisms to attract investment. Last but not least, incentives are also important, to increase the degree of participation of foreign investors in addition to that of domestic investors and to facilitate conditions necessary to enhance economic growth.⁷² It is widely believed that investible resources should, to a larger extent, be mobilized from domestic source, and that foreign investment should play a complementary role to domestic efforts at saving. In situation where domestic saving fails due to short of investment requirements or where the requisite for transfer of technology is the primary objective, foreign investment in general, and foreign direct investment in particular become important sources of investment particularly for developing countries. In general when governments try to encourage the participation of foreign investors it is with the view of the importance of promoting foreign investors, to effect transfer of technology; to encourage inflow of foreign capital; to promote exports; to generate employment opportunities and to bring about over all development.⁷³

3.4.2 Types and Extent of Major Foreign Private Investment Incentives

Foreign investment incentives, which play the most important role to encourage and stimulate private foreign investors to commit their fund in investment activities and limitations and obstacles to private foreign capital participation in the economic development of the country, and the opportunities, which attract the prospective private foreign investors, entail quite large number of issues to be dealt with. Accordingly, this section attempts to present the subject matter.

incentives also vary from country to country. For example, any investor to avail himself of any of the benefits provided, he must invest in one of the predetermined areas of economic activities; he must fulfill one of or all of the objectives enumerated under the law; he must invest in the areas of priority; he must invest certain amount of capital fixed by law etc. Hence, the incentive measures may not be granted to all investors. They, therefore, require application or screening procedures and may be used in return for performance requirements, or as an indirect means for regulating or channeling private foreign investment ⁷⁶.

Private foreign investment incentives usually are effected through tax exemptions and others. Both developed and developing countries use a wide variety of incentives to promote their investment policy objectives. The main categories of investment incentives include tax incentives (e.g., tax holidays, investment allowances, tax credits, lower tax rates); other financial incentives, such as grants, preferential loans rates, loan guarantees, tariff concessions and priority access to credits, and non-financial measures, include the provision of infrastructure and business services. Acts of Incentive Regimes of some African countries may help us to see whether ours are competitive. The Investment, Act (1986) of Zambia, ⁷⁷ for instance, offers several types of incentives to foreign investors. These are: retention of a percentage of their foreign exchange earnings; preferential tax rates; access to any existing free trade Zones; exemption of foreign investors in agriculture and forestry from paying selective employment tax; full exemption from tax an dividend tax for a period of 5 years, etc. Some of Malawi's investment incentives include; free access to foreign exchange no license requirements for imports; full remittance of dividends. 100% deduction from manufacturing company operating expense etc. ⁷⁸

In Madagascar, ⁷⁹ the package of incentives offered to foreign investors includes several benefits notably in the fields of: Customs – full exemption from duties on imports and sales tax on equipment and initial working capital; exemption from corporate profit taxes and from

registration fees and no requirement of guarantee for bank loans; guarantees for the repatriation of dividends, profits income from licensing fees, royalties and loans in foreign currency from foreign institution; and no restrictions on personnel recruitment of expatriates. The Ghana,⁸⁰ investment code of 1985 grants different kinds of incentives. These are: Requisite permission for importing essential, plant machinery, equipment and accessories required for the enterprise; exemption from payment of custom duties, depreciation or capital allowance; and exemption of staff from income tax; exemption from tax payment levied on building properties.

The types of fiscal incentives presently available to a foreign investor in Ethiopia are: income tax holiday; customs import duty; R&D incentives; remittance of capital, loss carried forward; depreciation.⁸¹ The availability of all these types of fiscal incentives was provided in the laws of 1992- 1996 and in the guideline brochure of the then Office and Authority. But in the presently working Regulations No.84 of 2003, R&D incentives and depreciation are not in the list. Thus it is not clear whether the government has decided to deny these incentives or not. In the opinion of this writer the Board of Investment may not dare to grant these schemes, which are not provided in the law, and to date no experience has been recorded in this respect. This is in fact one problem where one could observe the discrepancy between the law and the guideline already distributed to stakeholders, which may result in undermining certainty and predictability of foreign investment climate.

From all these what we can conclude is that, incentives have a broad and wide scope of coverage, ranging from tax and custom duty exemption up to permission for establishment of an enterprise. The commencement period of exemption and capital requirement for granting incentives also differs from country to country, depending on the policy and objectives of governments, the importance of that particular enterprise for the economic development.

application for exemption under the proclamation is not clear, however, and this ambiguity could cause uncertainty in the mind of a potential investor. Article 4 of the Proclamation tells the investor relatively little in this respect. For him to estimate his chances of receiving an exemption, he should also know the more detailed standards used by the Board in applying the statutory requirements and also whether the Board considers factors in addition to those enumerated in the statute, such as the value of the enterprise to Ethiopia's economic development.

One fruitful area for elaboration by the Board is the definition of "*special circumstance*," stimulated under sub-Articles 2&4 of Article 4 one of the categories specified in the Regulations as eligible for exemption. The lack of a definition of this term in the laws leaves open several important questions. The requirements to be eligible to incentive schemes were changing from time to time. We shall see these changes in the three regimes one by one in the following section.

(A) Types and Extents of Foreign Investment Incentives During the Imperial Period

(i) Income Tax Relief

It was provided that a newly established enterprise which invests in Ethiopia before the commencement of operations not less than two hundred thousand Ethiopian dollars (Eth \$200,000), shall, upon the recommendation of the Investment Committee be exempted by minister of finance from the payment of income tax for a period of five (5) years from the date of commencement of operations.⁹⁹

However, such exemption were subject to the following conditions under sub Art 1 (a and b) of Article 5 of the Decree. These are, the enterprise has to submit satisfactory proof to the Income Tax Department of the Ministry of Finance. Nevertheless, there is one exception provided under Article 5(3). Industries engaged in the manufacture of alcoholic beverages or liquors shall not be entitled to the exemption referred here in above.

(ii) Import and Export Duty Relieves.

According to Getahun, *“The relief might to be seem applicable to both classes of enterprises, newly established and presently existing provided the requirement of the Decree were met. However, this was not clearly defined under the Decree.”*¹⁰⁰ Agricultural and Industrial machines, implements, appliances or parts thereof, which were imported for exclusive use in agricultural and industrial enterprises, were to be exempted from the payment of customs duties, transaction taxes on imports, municipal taxes and all other taxes and duties levied on imports; provided however, that similar goods were not being produced within Ethiopia¹⁰¹. This relief was automatically applicable, i.e., the recommendation of the Investment Committee was not required under that Decree.

In respect of building, structural and other construction material, however, the conditions for such exemption were rather strong. It was required that such imported material must have been for direct and exclusive use in construction destined to those industrial enterprises, that such material must have not been produced within Ethiopia; that it must have been recommended by the Investment Committee and this recommendation must have been approved by the Ministry of Finance, as it was stated under Art 6(2) of the Decree.¹⁰² Manufactured finished goods destined for export might have been exempted from export duties and transaction taxes on exports for reasonable period of time if such exemption were found necessary to assure the competitive position of these goods on export market.¹⁰³

(iii) Remittance of Foreign Exchange.

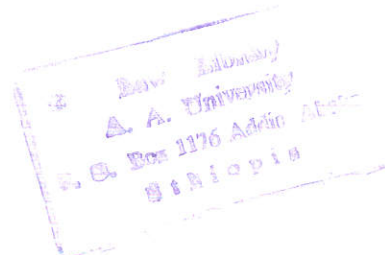
The Decree also provided the availability of foreign exchange through the National Bank of Ethiopia for the following purposes: ¹⁰⁴ The remittance of profits of foreign investors to their countries of origin; the repatriation of the net processed belonging to a foreign investor upon

partial or total sale or liquidation of his investment; the payment of the interest and the repayment of foreign loans contracted by enterprises subject to the provisions of this Decree; Provided, however, that such loans were approved before hand by the Minister of Finance or by an authority designated by him; Subject to applicable foreign exchange regulations, the remittance of savings of foreign personnel employed in enterprises subject to the provisions of this Decree to their countries of origin, and The purchase of replacement and spare parts and other materials and goods required in connection with operations.

(iv) Acquisition of Immovable.

Foreign private Investors who were to invest in Industrial enterprises in Ethiopia were allowed to acquire land required for the establishment of their enterprises based on Art 10 of 1963 Decree. Article 44 of the Revised Constitution of 1955 had also guaranteed that every one to have had a right to own property but within the limits of the law. Some such limits are still found in Articles 390-391 of the Ethiopian Civil Code of 1960. Under this provision a foreigner may own immovable property only by an Imperial order. Thus, the acquisition of Immovable under the Decree was possible only by the authority of the Imperial order. Proclamation No 242 of 1966 was the last piece of legislation enacted prior to the Ethiopian Revolution. Its purpose, as it was clearly provided under the preamble of the Proclamation, was to make amendments to the Investment Decree of 1963 discussed above. One of its amendments made was "*the minimum amount of capital of to qualify for income tax relief for enterprises investing in extension of their activities was reduced from Eth.\$ 400,000 to 200.000.*"¹⁰⁵

With the exception of the above amendment there was no as such difference between the two laws.



(B) Investment Incentives During the Derg regime (1974-1990)

The investment policies of the Derg (Military Regime) period included extensive nationalization of medium and large scale enterprises, setting up of a central planning framework for the management of the new public enterprises and issuing of legislations which barred out private investment in all sectors beyond small scale ventures in industry and trade as well as restricting their operation to a single line activity and forbidden private commercial venture in agriculture and finance. Thus one cannot talk of encouragement and incentive schemes of foreign investment altogether. At the last periods of the regime (in 1989-1990's) the need for economic reform was realized and Mixed Economic Policy was declared by issuing the Special Decree (No. 17/1990).

The New Economic Policy was proposed by the political bureau of Workers' Party of Ethiopia to the 11th Regular Plenum of the Central Committee of the Party opened on March 6, 1990. Accordingly, the economic policy of the country was proclaimed to be mixed economy built upon state, private and cooperative ownership.¹⁰⁶

Therefore, the government came up with Special Decree, No 17 of 1990 in accordance with Art 83(1) of the Constitution in order to implement the economic policy throughout the country. As it was stated under the preamble of the Special Decree, one of the purpose of enacting this Special Decree was "... it is and necessary to issue a comprehensive law defining the areas of investment open to investors, the incentives to which they are entitled, the contribution they are expected to make to economic development and the Introduction of an efficient investment administration."¹⁰⁷

Under the Special Investment Decree of Ethiopia, too it was, only Agricultural and Industrial activities that were entitled to tax exemption as provided under Art 11 and 12 of the Decree. Hotel services were also entitled to claim tax exemption only when it is designated by the council of ministers as preferred area of development¹⁰⁸ The exemption granted for agricultural and

Industrial activities was subjected to time limitation based on the amount of capital to be invested.

In addition, any investor who was to invest in Agricultural or industrial activities, was to be exempted from the payment of income tax for one additional year if he were to invest in areas designated as preferred by the council of ministers.¹⁰⁹ What one can observe from those incentives is that, agricultural and industrial activities were encouraged in cases where investment was made both in preferred and non-preferred areas.

(ii) Customs Duty Relief.

Customs duties were one of the main methods through which a government raises its revenue. Like taxation, its use as an economic instrument becomes the common practice of all nations. The Government may encourage or discourage certain economic activities through maneuvering its tariff structure. The customs duty relief, under the Ethiopian Investment code of 1990 was thus granted to agricultural industrial, construction and hotel service materials.¹¹⁰ Therefore, based on Art 10(1) of the Decree customs duty relief was to be claimed by investors who used to import the necessary machineries and equipment to commence new investment activity or major expansion of existing activities. Exemption from custom duties, government and municipal taxes were to apply only to the first round of items imported by an investor.¹¹²

Like that of income tax exemption requirement, customs duty relief was also subjected to the following conditions:” That it must not be an ordinary partnership and joint venture as provided under Art 212 (1) (a) and (b) of the commercial code;¹¹³ The items must be used to commence new investment or to under take major expansion;¹¹⁴ That it shall not be for resale or any other form of transfer without the proper approval of the Minister of Finance except where the customs duty paid or sold or transferred to a person enjoying similar privileges;¹¹⁵ That similar articles of foreign origin with similar price and quantity must not be available in local market,¹¹⁶ In the case

of imported items for hotel services, the aggregate value of the items should not be less than birr 300,000;¹¹⁷

(iii) Remittance of funds.

In order to control foreign exchange thereby, protecting balance of payments governments, need to have laws that permit therefore investors to remit their capital and profit in convertible currency. Thus, Ethiopian investment Decree allowed foreign investors to remit in freely convertible currency, incomes derived from any profits from investment, proceeds from the sale or transfer of any right on investment.¹¹⁸ In addition to this, any investor was entitled to remit out of the country in freely convertible currency, payments in respect of debt servicing and fees or royalties in respect of any technology transfer agreement relating to its investment activity.¹¹⁹

Generally, the Ethiopian investment Special Decree of No 17/1990 has had its own shortcomings in the area of incentives regimes. First, as to remittance of funds, there was no any restriction either to protect the country's balance of payment position or to make sure that part of profit of foreign investors was reinvested in Ethiopia¹²⁰ Second, as to tax exemption, it was granted only to agricultural and industrial activities. Hotel services were exempted in exceptional circumstance. Other economic activities were totally excluded from tax exemption. Therefore, it could to be noted that the scope of application of income tax exemption was narrow. Thirdly, unlike tax exemption the scope of customs duty relief was wide in its application.. Last but not least, the decree did not incorporate export duty relief, which was provided by the pre-revolutionary Imperial investment proclamations and notices which where granted for a reasonable period of time provided that exemption was felt necessary to ensure the competitive position of the goods to be exported.¹²¹

As soon as Decree No 17/1990 was enacted many investors submitted application to get incentives. Therefore, starting from 1990 (when the special Decree come into force) when March

The Regulations under sub-Article 3 of article 5 and sub-Article 4 of Article 4 cumulatively stated that an investor who would invest in Addis Ababa in investment activities that were specified in schedule Tow C (8), (9), (11), (42), and (43), D (2) and G was not to be entitled to incentives of income tax exemption, for the possible reasons that there are infrastructural and developments in Addis Ababa.

The Regulations also put a minimum investment capital for investors from the view point of enjoying incentives that were provided for.¹²⁷ From these provisions of the Investment Incentives Regulations, one can understand that, as the investment capital allocated to the expansion or upgrading project was to increase, the percentage of entitlement to incentives of exemption from income tax were also to increase, which was somehow encouraging to invest more. In order to be eligible for exemption the Regulations also imposed additional condition to submit audited and verified report of the actual capital invested in the expansion and upgrading of the existing enterprise, or, in the absence of such report, to submit documents examined and accepted by the appropriate investment organ.¹²⁸ All these conditionalities, thus, were indicators of the very narrow possibilities for an investor to qualify for entitlement of incentives. And, hence, many of the incentives were far from being exploited, and could not be considered as such as encouraging and stimulating factors to investment promotion.

In the new Proclamation (No 280 of 2002 (as amended) and its subsequent Regulations No 84 of 2003 the beat is changed from that of criteria of investment in priority and pioneer activities criteria of eligibility for exemption from income tax for a certain period to that of export-oriented investments capacity and volume of export in the manufacturing or agro – industrial activities or the production of agricultural production to be determined by directives.¹²⁹

With regard to exemptions from income tax, all the Regulations which have been repealed had also specified the commencement of period of exemption, where it should begin from the date of commencement of production or of provision of service, as the case may be; which is also provided in the new law in the same manner. The second category of incentives, as provided in part Three, Article 11 of the new Regulations, was exemption from customs duty. And the specific set of exemptions in this category included exemptions from payment of customs duty on machineries and equipments that might be used in pioneer and promoted investment activities enumerated in schedules One-Four of these Regulations, provided that an investor, to be eligible for such incentives, must have fulfilled conditions specified under sub-Articles 2,3 and 4 of Article 11 of the Regulations. Some of these conditions were minimum capital limits and local vicinities, where the infrastructural development was said to be better off.

Obviously, the list in the schedules was not exhaustive; this was just to cite some of them. However we don't find this kind of listing and scheduling in the new Regulations of investment incentives. Another category of incentive, which might have been the extension of the incentives that were provided in the first category, was the carry forward of losses. In the Regulations of both former and present laws it was and is stipulated that a foreign investor who has incurred loss within the period of exemption from income tax may carry forward his loss after the termination of the tax holiday. This incentive like all other categories of incentives, was not without conditions to be met. The entitlement to this incentive was based on the type of investment activities; that is, the period of exemption from income tax was to extend only to pioneer and promoted types of investment activities; to the location of the investment activity to the infrastructural developed vicinity and in relatively under developed to carry forward the losses might vary from 3 to 5 years. But in The new Regulations (No. 84/2003) issued subsequent to Proclamation No. 280 of 2002 (as amended) this has been reduced when the entitlement it provides under Article 6 that an investor who has incurred loss within the period of income tax

exemption shall be allowed only to carry forward his loss for half of the income tax exemption period, after the expiry of such period.

In relation to the provision of major incentives to investors, of no less important was the power given to the Investment Board under the previous regulations to determine other regions which might be placed in the domain of relatively under developed regions, whereby an investor may become beneficiary of incentives provided he operated in such "privileged" regions.. Under the new regulations too the power to issue directives in relation to investment activities eligible for income tax exemption is vested with the Investment Board. However, entrusting such discretionary power upon an organ to decide on such important policy matters may open the way to corruption and politically motivated decisions

With regard to eligibility criteria, Proclamation 280/2002(as amended) under Articles 4(5) and 11 provide that: foreign investor has , in addition to fulfilling capital requirements to invest in Ethiopia, to export at least 50% of his product or supplies at least 75% of his product to an exporter as a production input in the areas of manufacturing or agro industrial activities or the production of agricultural products which shall be determined by directives to be issued by the Board.

Exemption from custom duty is also the other incentives provided under the different legal notices and regulations since the policy to attract foreign investment get momentum in this country. Customs duty includes taxes levied on imported goods. Exemption from payment of Customs duty is not granted to all investment activities, rather the investor shall be allowed to import duty free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion or upgrading of an existing enterprise. In addition, an investor who is granted with a custom duty exemption privilege shall also be allowed to import duty free

capital goods necessary for his enterprise. Further more, the Regulations gives the same privilege to import spare parts whose value is not greater than 15% of the total value of the capital goods to be imported. One restriction to this entitlement is ,as provided in Article 8 of Regulations No.84 of 2003 , when the Board bars the duty free importation of capital goods and construction materials, which could be found that they are locally produced with competitive price, quantity and quality Which shall be determined by the Board. But how could such Board with no expertise to identify qualities of goods bar the privileges? May be the business is to be done by Ethiopian Quality and Standards Authority.

The Board shall also, as provided in Article 9 of the Regulations, determine by its directives depending on the type and nature of the project; the type and quantity of vehicles to be exempted from payment of customs duty. However, any investor is entitled as of right to import duty free ambulances for employees that are needed for emergency cases and buses for tour operation services. Other incentives in addition to the fiscal ones are also granted. It is the right transfer to another investor having similar privilege. In this connection the Regulations has also provided under Article 11 that capital goods and equipment imported with out the payment of duties and taxes levied on imports can be transferred to another investor having similar privileges under the investment legislation.

3.5. The Problems Of Incentives Regimes Of Foreign Investment In Ethiopia

3.5.1 Major Limitations Related to Incentive schemes of Private Foreign Investment

As was clearly provided in the preamble of the Decree of 1950 various benefits, privileges and exemptions had been provided for the purpose of encouraging and stimulating private foreign capital investment.

The Notice stipulated “New enterprises will be free from payment of profit tax for five years from the date production is stated.”¹³⁰ The notice also allowed an exemption from customs duties

on “necessary machinery” for the “installation of the factory;” indicated that the government would be flexible in its requirements for Ethiopian participation in enterprises initiated by foreigners; and stated that arrangements could be made for remitting a percentage of profits abroad.¹³¹

The ambiguity of the notice may be explained by the fact that it was only a “statement of policy.” The Notice seemed to have had no legal force of itself. Rather, it seemed to have been in legal effect merely as an announcement of the policies that the Minister of Finance and other government officers intended to follow in exercising the discretion given to them by other laws. The phrasing of the Notice in exercising the discretion given to them by other laws, therefore, need not have been as precise as that of an enactment having the force of law.

The problems since 1991 were and are related to the Policy that states that adequate incentive system would be provided to stimulate the confidence of private foreign investors and to help them operate profitably. The investment laws, subsequently enacted as a reflection of the policy, encourage investment of different selected sectors, which are considered by the Government to be important for development, and need encouragement. These incentives are offered in a form of exemption from paying income tax for a certain period of time, in an exemption from payment of custom duties while importing and exporting, too, and in a form of carrying forward of losses in some years to future years. However, there were and are constraints associated to the execution and implementation of these incentives. Some of the problems pertinent to administering such incentives were/are the following;

(1) The problem in administering these incentives to investments was concentrated on the designation of localities and investment areas in relatively under developed regions. As mentioned herein above it was provided in the Investment Incentives Regulations: (b) “*where the investment is in relatively under developed Regions . . . and other regions to be determined by the*

20/

Board the period of exemption [from income tax] shall be for 5 (five) years".¹³² To implement this legal provision, since the list was open ended, which gave a wide discretion to the screening body – the Investment Board, an investor, who would have invested in other relatively under developed areas faced problems to convince the Board in order to obtain incentives as per the Regulations. The same problem is let to continue when the new law, under the Regulation No 84 of 2002 in its Article 4/7 provides: "... where the investment is in relatively under developed region such as Gambella, Benishangul and Gumuz And other Regions to be determined by the board the investor shall be eligible for income tax exemption for an additional 1 year period."

(2) The policy of the Transitional period, which was the basis for subsequent enactments of investment laws, provides that guarantees on right of ownership as well as encouragements or incentives will be given to entrepreneurs who invest in real estate development, However, have not been clearly provided in the new Regulations for exemptions from income tax and carrying forward of losses in such investment activities. This situation thus apart from distorting the intention of the policy and the law of investment on encouraging and stimulating real estate developer to overcome housing and infrastructural problems, has dashed the hopes of construction and real estate investment.

(3) The one- stop shop service encouraged in previous enactments and under Article 12 of Proclamation No. 280 of 2002 has been highly eroded when this provision is deleted and the power is snatched from the Commission and vested with the Ministry of trade and Industry by Proclamation No 375 of 2003 Article 12(2) and (3).

The one- stop shop service song has also been vanished when the investment is in areas of aviation and electricity, where the new law (as amended) , under Article 41 delegates the power to the so – called pertinent executive organs of Government, Ethiopian Electric Power Corporation and Ethiopian Civil Aviation Authority respectively.

(4) The kind of centralized administration of foreign private investment by the Investment Board previously presided by the Prime Minister, as per Article 27(2) of Proclamation No. 37 of 1996,

which might contribute to one-stop shop and prompt services, is now subjected to a coordinated type of administrative service by the provisions of the new law, as provided in Articles 22(1) and 23(3), where Ministry of Trade and Commerce is added as an administrative organ of investment, and Ministry of Revenue which has exclusive jurisdiction to granting of incentives by way exemptions from import taxes and customs duties.¹³³ Furthermore, the power of granting of exemption of incentives of income tax for more than 7 years is the power vested with the Council of Ministers.¹³⁴

(5) Investors who import capital items and raw materials need to clear their goods through customs offices or checkpoints after securing exemption entitlements from Ministry of Revenue. Although this is essential for the achievements of various governmental objectives, the lengthy time and process poses a delay in investments and discouragement to foreign investors.¹³⁵

(6) The Ethiopia Investment Commission is not also organized so as to effectively follow up the implementation and operation of foreign investment projects. The following cases are good examples of this failure.

In the case Ethiopian Customs Authority v. MIDROC –Ethiopia (civil case No. 37005x at the Federal High Court) the contention by the plaintiff was the defendant's failure of payment of custom duties amounting Birr 68,475,101.00. The plaintiff stated in its application that the defendant has imported items for the construction of Sheraton Addis 'Five star' Hotel; and did not pay the customs which has been long over due or could not produce certificate of exemption from payment of same. It further stated that it has been a long time even since the construction is completed and provision service is commenced. The defendant responded that decision of exemption from payment of customs duty is still expected from the Ethiopia Investment Commission.

It has been learnt however that though the Court gave adjournment for hearing the case on Dec. 3, 2004 the case is withdrawn from the Federal High Court by the order of the Prime Minister.

Imagine from this vivid case that how items are imported without prior submitting of project proposals and screening and whether or not exemption should be granted is determined by the Board. Imagine also that for the last 5 years it has not yet been decided. Imagine also that, though there is the Investment Board to decide on such matters, it the Prime Minister who intervened and stop the Court proceeding. Imagine also that how much amount of money that has to be put in government revenue and be channeled for other developments remains hanging and unsettled. This is an exemplary case how way of doing things in the areas of foreign private investment are lacking effective screening and monitoring management.

In the case Mr. S. T v. P. Gusseppe (civil case No. 2 /88 at the Federal High Court) the plaintiff instituted an allegation that he imported Aluminum Producing Machinery duty free using his investment license, and put it with the defendant having a prior agreement to put the machinery in bail whereas the defendant denied the presence of such kind of agreement and alleged that instead there was contract of sale. The Court advised them of settling their case out of court and it was submitted to Dr. Berhane Gebray ,an arbitrator who decided that there was a promise of sale on the part of the importer . Then the ‘buyer’ continues, upon payment of the price to the plaintiff, to enjoy ownership right of the machinery without having the duty free privilege or without any process of formal transfer of the entitlement according to the provisions of investment law.

There is also another case that clearly shows the incapability and weakness of the Ethiopian Investment Commission to follow up and monitor the where abouts of projects granted incentive privileges. There is a civil case (Comp. No.37457 instituted in the year 2004 at the Federal First Instance Court), Mr. Dario M. V. Salini Necso Necso Necso & Salini Construttori –Ethiopia where the defendants are foreign big construction companies engaged in construction business in Ethiopia at Gilgel Gibie hydro electric power project , who sold more than 15 Toyota vehicles and equipments and machineries imported to the country free of customs duty. In their

Agreement of sales it is provided that the customs shall be settled by the buyer the plaintiff in this case. The buyer-the plaintiff was ready to pay the duty and wanted the transfer of title deeds. The Ethiopian Customs Authority refused to receive the payment on the basis of the Agreement entered into between the foreign Contractors and the Ethiopian Roads Authority which stipulates that the Contractors shall re-export those vehicles and machineries imported free of customs duty shall pay the customs and the provision of Proclamation No.60 of 1997 Article 54 which states that it is the duty of the importer to discharge the obligation to pay custom duties of items imported freely before it is sold. However the defendants are not willing to pay the customs expected of them alleging that it is the obligation of the buyer as per the Agreement. The case is anyhow pending .But the vehicles are in the possession of the plaintiff who is getting service of them for which custom duty is not yet paid of. In all these occurrences the Commission is out of scene. The Customs Authority is too.

(7) With the exception of those private foreign investors who have been specifically tax exempted by law, and even then when the tax exemption period has not expired, all others are bound to pay 15% of their profit by way of corporate income tax. This rate is very high and prohibitive for businesses when compared to other many countries' corporate tax rates. For instance, the corporate tax rate in Uganda is 30%, in Mauritius 15%.¹³⁶ On the other hand, the 10% royalty tax that is levied on industrial and intellectual property rights is relatively benign when compared with the rate existing in many other African countries. The royalty tax rate in Zimbabwe and Kenya, for example is 20%, but high when compared with Malawi, Tunisia and Mauritius, which is nil.¹³⁷

(8) .An investor who is a shareholder in a company is obliged to pay 10% dividend tax on his/her dividend receipts. This taxation is also higher and has been an obstacle to investment. The newly introduced value added tax (VAT) and the Income Tax Law have also literally reduced all business organization to a tax collecting body on be half of the Government Agency. These

varieties of taxes and tax rates are, obviously, impediments to investment promotion; and, therefore, it is high time to assess and analyze the taxation system of the country, and reduce them to a reasonable level.¹³⁸

(9). From the experience we had in the implementation of the land lease policy, investors encounter long bureaucratic procedures in acquiring land for their investment. The provision of land for foreign investors has also remained, mainly in urban areas, to be a crucial issue and critical problem. This time, lands allocated for industrial investments are finished and no more land for foreign investors

(10) There is a chronic land scarcity. Although many private foreign investors have obtained investment permits, only few of them managed to secure land for their projects. Some of the problems observed in connection with the provision of land, include the number of land areas presented for auction is very limited; the land areas presented for auction are not at par with those demanded by the project requirements of the investors. The fact that land area is obtainable only on the basis of auction and lease has prevented foreign investors from knowing and planning the cost of getting land ahead of time. Furthermore, the fact that no land resource inventory or study has been conducted by municipal areas or regional administration, and no compiled information of the same is available, is also another predicament to foreign investment.¹³⁹ what is more, land is to be provided by Regional governments, according to their respective law, whereas Investment permit is to be issued by the Commission, while there may be distortion in communication as to land provision / supply.

(11) Another important problem that has to be mentioned here is that the Ethiopian People's Revolutionary Democratic Front (EPRDF), mainly of Tigrayan Peoples Liberation Front (TPLF), affiliated businesses have also contributed and will continue to contribute unless rectified to investment barriers for corruption in the system and could open up the risk of these party associated enterprises, being favored. In this connection the Indian Ocean Newsletter wrote the following:

Established in 1993 by officials of . . . (TPLF, the hard core of EPRDF), Mega Net Corporation has now joined the Endowment Fund for the Rehabilitation of Tigray (EFFORT) consortium chaired by polit bureau member Sebhat Nega. The late Assefa Mammo an official of the TPLF also headed Shala Advertising Enterprise. In fact although her name does not appear as a mega Net shareholder Prime Minister Meles Zenaw's wife Azeb Mesfin (better known under the name Lemlem Mesfin) is believed to be the real power behind the scenes.¹⁴⁰

Other polit bureau members: Abadi Zemu, Yemane Kidane, Arkebe Iqubay, etc., have also been assigned to a nominal (very small and a laughing stock holding) share and get run and control these party-affiliated businesses. This holding of a laughing stock can be seen from the following information: Polit bureau member Sebhat Nega who is also the only natural person with a share of Birr 1000 from total capital of Birr 23,460,000 and a share of Birr 40 from a total capital of Birr 101510000 in Trans Ethiopia S. Co. Ato. Arkebe Iqubay who is also the only natural person with a share of Birr 1000 from a total capital of Birr 101510000 in Sur Construction and with a share of Birr 20 from a total capital of Birr 10000000 in Mesfin Engineering; Ato Abadi Zemu holds a laughing stock of Birr 40 from a total capital of Birr 240 000 000 in Mesebo and Birr 10 in Sheba Tannery S.Co.; and Yemane Kidane holds a share of Birr 100 from a total capital of Birr 20 000 000 in Tesfa Animal Farming S.Co.¹⁴¹

Furthermore, (as it can be well seen from the chart attached as an appendix) enterprises, like Experience

Ethiopia Travel Agency PLC., Guna Trading House, Sur Construction, Messob Building S.C., Trans-Ethiopia, Fana Democracy Printers PLC., Addis Pharmaceutical Products, Segen Construction, Mesfin Industrial PLC., Meskerem Investment, Hiwot Associate Business Enterprise, Dinsho Transport and Agro-Industry Trading, with a huge amount of registered and paid up capital are TPLF associated businesses.¹⁴² Moreover, the status of such businesses whose shareholders and chair persons of board of directors are FPLF polit bureau member whether they

are private investments or public investments, is blurred, since they could not be identified to either.

Hence, in one way or another, these TPLF/EPRDF- affiliated enterprises may greatly harm and diminish the role and development of the private sector, for the former ones are managed and directed by very Important Personalities/ VIPs of the political echelon, registered as normal shareholders serving as manager, chairpersons and members of board of directors of these enterprises, where the enterprises would be beneficiaries of getting loans and winning bids easily, thereby hampering and violating the rules of fair play of market economy which in effect discourages the inflow of foreign investment.

3.5.2 The Value of Fiscal Exemptions in Attracting Foreign private Investment

The fundamental purpose of most income tax exemption laws is to promote economic development by making the investment climate more attractive than it would otherwise be. The law may be framed in terms that would cover both domestic and foreign investors, as it the Ethiopian law. However, developing countries usually do not have enough domestic capital to promote rapid economic development, and so it is primarily to the foreign investor that a tax exemption law is directed.

Thus, the crucial question in evaluating an income tax exemption law is whether it is effective in attracting foreign capital which would not have come, absent the exemption. If the foreign investors that receive the exemption would have been established in any event, the government has sacrificed tax revenues and received nothing in return.

In answer to the question, "would you have started your new business in the absence of tax exemption?" thirty-seven out of forty-four firms questioned (84 percent) "answered that they would not have initiated operations in the absence of this subsidy."¹⁴³ The reasons that established

firms have an interest in preserving tax exempt status, and so may tend to over emphasize it as a motivating factor to encourage the government to retain the subsidy.

In a researcher made by a writer in this regard the following was concluded:

*There appears to be no instance in the recent past when tax exemption was the decisive factor in an investment decision in Mexico; in fact, there is probably no situation in which it was even a deceive factor... (It) appears that in most cases the tax exemption possibility is not even taken in to serious consideration when considering an investment in some developing countries.*¹⁴⁴

If the purpose of income tax exemption is to attract private foreign investment which would not otherwise have come, these findings indicate that such measures have not been successful in other countries and they raise serious doubts as to the contribution they may make elsewhere. Other commentators have also expressed doubts as to the effectiveness of a tax exemption measure.¹⁴⁵

One major reason for doubting the effectiveness of income tax exemption provisions is that it appears that income taxes are not important factor influencing potential foreign investors. Heller and Kaufman comment that:

*In evaluating the utility of tax incentives, one crucial factor to be considered is that for many economically less developed countries the tax system is relatively unimportant, compared to other factors impeding development. And since tax incentives are but one, and especially in economically backward countries, only a marginal factor (in an investment decision), it is probably illusory to attribute any but marginal significance to their impact on the prospective investor's estimate of the congeniality of the "investment climate."*¹⁴⁶

Similarly, Taylor points out that tax exemption by state and local governments with in the United States as an incentive for relocation of firms has not worked, because this factor alone is not enough to overcome other obstacles to investment in the locally such as " the cost of labour ... the distance from markets and the source of raw materials."¹⁴⁷ Exemption from a low tax, even in the case where the exemption is taken in to exemption from a low tax, even in the case where the

exemption is taken into consideration in making a decision to invest, will probably not be enough to persuade a hesitant investor to go forward if the primary reason for his hesitation is other cost factors. Perhaps the strongest argument in favour of income tax exemption is that it “may engender a non rational response from the potential grantee because it serves as an advertising lure which stimulates interest in the potentialities of an area.”¹⁴⁸ However, the cost of this form of advertising may be more than the advertising is worth.

There is no great harm in an unsuccessful tax policy if it costs nothing. In the case of income tax exemption, however, the costs can be substantial. Most developing countries have few revenue sources to begin with, and to forgo taxation of a part of the industrial sector may seriously reduce government revenues. The granting of income tax exemptions to industrial enterprises “increases the gap between basic development and the only reliable sources of financing the annual costs of the development.” In view of the considerable cost of granting exemptions, it may seem fair to place the burden of proof on their proponents. If it can not be demonstrated clearly that an income tax exemption policy is fulfilling its purpose in attracting foreign capital which would not otherwise have come then perhaps the policy should be abandoned since the costs are so high.¹⁴⁹

Ethiopia has a large and relatively young work force. With regard to skilled labour availability, the Africa Competitiveness Report of 1998 ranked Ethiopia 3rd and 5th out of the 20 African countries respectively in terms of university education availability to meet the needs of business and the local market’s ability of supplying educated workers to meet the needs of business. Labour Costs in Ethiopia are low, even in comparison with other African Countries. Over all, labour regulations in Ethiopia have been considerably modernized and brought into line with international practices in recent years. The new labour law of Ethiopia provides adequate provisions for the beginning and termination of

employment with safeguards that do not allow infringing the rights of investors. No labour strike is recorded in Ethiopia in recent years. Therefore, there is a complete industrial peace in the country. But if a labour case arose the labour tribunals and courts *per se* do not have the capacity to render prompt decision. Employment of expatriates without any restriction for key management posts during the life of the project is also allowed. Expatriated may also be employed for non-management positions in areas where abled Ethiopians are not available. Generally, the labour condition in the country, i.e., availability, trainability cost and industrial peace, is highly favorable for undertaking profitable foreign investments.

In an interview held with Ato Ermias Amelga, 150 a well educated and delighted businessman, it was explained that in a study conducted a few years back on who are the big investors in Ethiopia at this given time a study covers about 20 foreign investor. All do have different reasons, different from others who invest in Africa on the basis of calculating the pros and cons of foreign investment. Ours do not calculate anything about the advantages and disadvantages of investing in Ethiopia. For instance, some of them say that they invest Ethiopia because they were having companies during the Imperial period; and others because he or she is an Ethiopian, or one of the couple (spouse) is an Ethiopian. Ato Ermias has also added that, though labor cost is very low, productivity in very low, we do not have skilled man power, and technology, no body may invest the whole capital of his own, half of it must be from here, but we don't have financial system. The financial system is in complexion; to get loan is very difficult. Banks are in excess of money with no borrower, because of untenable loan conditionalities of pursued by the National Bank.

3.6 Prospects for Private Foreign Investment in Ethiopia

Given Ethiopia's natural and human resources endowments, there are tremendous opportunities for investments in Ethiopia. There are three main reasons why potential investors would consider

Ethiopia as a location for foreign investment: there is what is potentially one of the largest domestic markets in Africa with 70 million consumers; Ethiopia's exceptional climate, it is said more than half the country consists of highlands, with average annual temperature under 20 degree Celsius; the climate officers and excellent environment last for various agricultural activities, and there are the moral assets of the country Ethiopia in exceptional among the least developed countries (LD Cs) in its virtually complete absence of routine corruption. it is said that the bureaucracy may be difficult to deal with, especially at the lower levels, but investors say that it almost never demands unofficial payment to do its job.¹⁵¹

Regarding opportunities, it is said that these are varied in Ethiopia; the country has one of the most diverse agricultural resources in Africa. There are opportunities as well in leather and textiles tourism represents yet another opportunity for foreign investment. Ethiopia has an ancient cultural heritage and the historic route in the north encompasses memorable sites.¹⁵² Certain sectors, which are expected to emerge as significant investment areas for new investments and substantial expansion of existing facilities have been specifically identified. Despite lack of infrastructural development such as power supply and communication facilities, there is considerable scope for wide range of agriculture, agro-processing, manufacturing, mining and service industries in Ethiopia. Investment profiles for some of the sectors and for specific projects in the sectors and for specific projects in these fields are available on request.¹⁵³ In other words, except for very few areas of investment reserved for government sole entrepreneurship, many of the sectors are open to foreign investment. But foreign investors have to have the gut and the capacity to overcome limitations and obstacles, and fulfill strict conditionalities to exploit

the investment opportunities available. However, Since there are other developing countries which are competitive to Ethiopia, and are open with facilitating foreign investment conditions are opportunities, we should not expect foreign investors to meet challenges, obstacles and limitations, which is our business to do away with them and create favourable and conducive conditions and incentive schemes comparable with neighboring countries to attract foreign private Investment.¹⁵⁴

Although the Policy and laws on land lease and private foreign investment promise a lot, there are limitations and obstacles on the ground, such as lack of adequate information on land size and price inventory, in-appropriate, auction system, lengthy process to obtain land for investment activities. On top of this land scarcity is critical; and there are hundred and one private foreign investors only with investment certificates.

There is adequate labour supply in Ethiopia, with very low labour cost. The Ethiopian worker is enthusiastic to work hard towards the modernization of his country contrary to the oft-repeated saying of prejudicial notion that people in less developed countries are lazy and do not have receptive mind. An Ethiopian is diligent and intelligent. The dignity of labour since 1974 is a reality. There is also a new labour code that carefully regulates employer-employee relationships.¹⁵⁵ But unskilled labour supply alone would not attract private investor seen from the view point of foreign investor.

The fiscal policy of the Government is also encouraging. There is a frequent devaluation of domestic currency against foreign currency and purchase of foreign currency is based on demand and supply. And this policy may be convenient especially for private foreign investors who want to import machineries, equipments and raw materials, for this cost them less.

In concluding this section, even though the Government has formulated and enacted policies and laws on private foreign investment and privatization to foster and enhance the private sector, the pace could not be as desired. This is because of lack of basic infrastructural developments and service such as limited supply of electric power, transport scarcity, lack of postal, telephone, etc., communication services and lack of water supply.

CHAPTER - FOUR

Conclusions and Recommendations

Dr. Emmanuel Nnadozie authored a book on investment in Africa. One of the paradoxes raised in the book is the glaring dearth of direct foreign investment (DFI) in the continent. This begs the question, why countries in North America, the EU, the Asia Tigers, and Japan are not interested in more investment in Africa? The question is particularly troubling because, in general, capital is scarce and labor is abundant in Africa.¹

These two factors ought to have produced a cascade of foreign investment. But that has not been the case. One observation made by Nnadozie is that the dearth of capital implies a high return to capital. Couple this with cheap labor, and one can appreciate the potential for huge profit margins for risking capital in Africa. For the host country, the benefits will accrue from exposure to capital that results in learning-by-doing, thereby increasing productivity when people have more capital with which to work. This appears to be a win-win scenario.

All the observations above apply equally to Ethiopia without amendment. There is one additional problem in Ethiopia, demand is so shallow, and that foreign capital especially foreign direct investment will be forced to court foreign markets to obtain scale economies.

Foreign investors face many risks in Ethiopia. The size of the market does not consist of 70 million consumers. Rather poor and destitute and illiterate people and which consist of roughly \$ 6 billion dollars of income. Consumption is about 57 percent of total demand. If overall demand is soft, the risk of venture failure is high. Second, the democratization process in Ethiopia is at its stage of inception without a stable political system. Financial capital and DFI seek safe havens. Timid investors are afraid of expropriation of assets if the government decides late in the game

to change the rules. Third, actual or expected political instability or external conflicts, such as the Ethiopian war with Eritrea, will discourage foreign investment and indirectly reduce economic growth.²

To overcome the risk-taking problem and encourage more investment, the Government would have to assure investors that their assets would be safe. How does it do this? In other words, how does it build foreign investor confidence? This is a credibility issue. And it is tied to the rotten descendent problem. That is, there is likelihood that subsequent government may reverse the policies of the present government that favor foreign investment. To the degree that possibility exists, foreign investment will be discouraged. To help establish credibility, the government would need a lock-in mechanism. This may be in the form of international agencies such as the World Bank and the International Monetary Fund (IMF) or the US government vouchsafing foreign investment in Ethiopia. Codifying in the constitution of the country the safety of foreign investment and making an amendment to it subject to a majority vote in the parliament might prevent the rotten-descendent problem. But what if there comes change of constitution? All these are factors that impend foreign capital in flows.

Thus as it has been shown in the preceding chapters of this thesis that foreign private investment policy has been called to life for the purpose of encouraging and stimulating foreign capital investment, mainly private foreign capital participation, in the socio-economic growth and development of a given country. For private foreign capital participation to take place, that is, for foreign investors to commit their funds in economic activities, investment pre-conditions such as political stability, liberalization of both domestic and foreign trade, effective and efficient privatization process, transparency, procedure of treatment of free of corruption, and developed infrastructure have to be met.

be a limit for flexibility. The legislative body must also exercise a long term vision and strategy in its law making activities

Though there has been a repeated official statement to have an Investment Authority or Commission being equipped for a one- stop shop service it could not be achieved rather the reality witnesses other wise. Many regulations are issued to implement the respective laws, and proclamations were also enacted to establish and strengthen the institution- from the status of Office of Investment to Ethiopian Investment authority and then to its present hierarchy as Ethiopian Investment Commission.

Various other laws, which are said to be related to investment, like tax laws, land provision law, financial proclamations, are also legislated. Though we have such many laws, Regulations and directives, no foreign investment inflow and attraction is recorded, except MIDROC. What are the reasons for not attracting foreign investment? The answer may be simple. Policies and laws issued are for daily consumption a hand picked one from here and there without having any vision and strategic studies for long term relations to be governed .In other word, the policies and laws are not formulated having long term, strategic issues in mind.

A foreign investor is to come upon observing and scrutinizing policies and laws issued and institutions set up for various services. But our justice system is not inviting, our infrastructures do not motivate investors, our banking system is also not inviting, the anticorruption law prohibiting bailable right is a very concern for investors the auction and free market judgment is not also watering. All these indicate that many laws and a many time revisions do not attract foreign investment. Rather, the existence of reliable and impartial judicial and effective financial institutions, developed infrastructure, creating conducive situations for domestic investors are the most important pre-conditions that has to be fill felled to attract foreign investors. Latest news in

the media discloses that Iranian investors expressed that Ethiopia has a good climate. But in investment there is no such thing as good climate only. A foreign investor may always commit his money anywhere including in arid area if he thinks that there would be a good return and guarantee to his investment. Thus the Ethiopian government has to think twice before enacting series of laws over laws with out having long standing vision.

Still, even following the 2002 Investment Law (as a mended) and subsequent Regulations, a new Investment Code is expected to come out, opening up a few sectors that were not previously open to foreign investment; and to reduce tax rates as investment incentives, which could be otherwise achieved not only by increasing tax holidays. but also by subsidies and other meanses. This measure is to be taken, because despite political commitment and enactment of Investment Code which is liberalized again in 2002, actual implementation rates for new foreign investments remain low. In the ten years to 2004 the Ethiopian Investment Commission approved only 392 private foreign investment projects with a total capital of 36.18 billion Birr; yet only 77of these projects, worth 4.18 billion Birr were operational in late 2003. (Table).In this connection and with regard to private foreign investment, Michael Holman, in financial Times, March 2, 1998 edition, wrote that

...Notwithstanding growing interest among foreign investors over the last 12 months, realized foreign direct investment to date remains pitifully low. The EIA (Ethiopian Investment Authority) has registered only 63 FDI (foreign direct investment) projects, with a value of under \$0.5 billions, and of these the bulk belong to just one company, the Ethiopian Saudi MIDROC conglomerate which has extensive investments in property and mining.⁴

The same remains true even in the year 2004.What is it that foreign investors are looking for in deciding to invest in a country? There is no controversy about the intentions of foreign investors. They come to a country hoping to make more profit than at home, and not for charity. The

question for the recipient country is to understand the factors that attract these investors and attempt to make them attractive to them. It should be clear from the outset, however, that the factors that are necessary to make investment profitable are not always in the control of policy makers for easy manipulation.

The determinants of profits that attract a foreign investor are many. Some of them are the following. Here the main consideration for foreign investors is whether or not producing in this country will give them an edge over other competitors. In other words, the concern here is the ability to produce the product cheaply here and be able to sell in the world market. In the management of foreign investment promotion: a single agency should have overall responsibility for all international investment promotion activities and negotiations in Ethiopia. Currently, there are other public sector agencies that undertake international investment promotion in an ad hoc manner. This could give a misleading gesture for potential investors. At the present juncture, the ideal candidate to take the overall responsibility of investment promotional and coordinate promotional activities carried out by other agencies is the EIC. However, EIC must be strengthened and managed as an effective one-stop-shop and single entry door for inward investment by existing investors; the establishment of small international Investment Advisory Council composed of senior executives from private sector international companies operating in Ethiopia is also a need at this time in point. This advisory Council will advise EIC and the Government on investment promotion policies and activities and act as contact group for potential investors seeking a private sector view on investment opportunities and potential in Ethiopia. It is important to build a stronger partnership between EIC and existing international investors.

In the area of foreign investment promotion activities, existing investment promotion effort can be enhanced through: active planned enquiry and promotion visits to appropriate and targeted

international investors by staff (commercial Attaches) in Ethiopian Embassies abroad. EIC can support these through promotion skills training; the production of briefing profiles on target corporations; provision of essential market, incentives and other data; and case follow-ups for confirmed prospects: the use of Ethiopian Airlines executives, staff and resources to help promote recognition of and interest in industrial and commercial investment opportunities this can include the dissemination of information on investment projects and opportunities in Ethiopia through in-flight magazines and entertainment services. Support from the Ethiopian Tourism Commission in these activities is vital; effective marketing of business opportunities through Government media organizations including the expansion of the existing Government Website to encompass specific investment opportunities in a commercially relevant manner, drawing on best-practice in investment promotion from other promotion agencies. Benchmarking must be encouraged. In addition, the EIC should actively encourage Ethiopian businessmen and executives in other countries to contribute to the nation's investment promotion activities and programmes. This includes encouraging them to consider investment in Ethiopia and to use their wider experience and corporate contacts to identify appropriate companies and executives as realistic promotion targets for EIC. This has begun to emerge, but can be enhanced through active involvement by EIC; ensure that foreign private investment already operating in Ethiopia plays an active role in the international investment promotion process. Regular contacts between EIC and executives of foreign companies in the country and the involvement of the latter in investment promotion activities should be encouraged and supported.

Consideration should be given to refocusing agricultural R&D in order to make it demand driven and client oriented (including small holder farmers, agro-industries, exporters and commercial farmers). This will ensure that agricultural R&D addresses development needs more directly than at present. In this context EARO should play a Greater role in monitoring and evaluation to ensure relevance of research to development;

The role of Ethiopian Science and Technology Commission should shift from direct research funding to facilitator of R&D in a more generic sense. For example, it could begin to place even more emphasis on strategic questions such as monitoring research duplication; providing policy advice to higher levels of Government, giving research consultancy advice to R&D centers, developing measurable output target against which to judge center performance and fostering long term links with overseas institutions

Assuming that fiscal exemptions are not the only ones of an effective measure for attracting new capital, what are some alternatives? Direct subsidies and other grants have been suggested by some writers. One form of direct subsidy might be a government guarantee of a certain percentage return on invested capital for a period of time. If six percent were guaranteed, for example, someone investing \$1,000,000 would be assured of an annual return of \$60,000. If profits fell short of this during the period of time, the government would make up the difference. This would have the advantage of granting a benefit to all new foreign investors and not just those who make a profit, as is the case under the income tax exemption. The subsidy a company receives would be limited to this percentage return instead of extending to the total amount of profits and, since the income tax would be retained, the government would not lose revenue from this source. Under this scheme, however, the government would also have to subsidize losses which might be quite high, and a company which should go out of business might be kept needlessly in existence for the period of the subsidy. This objection might be met by subsidizing only a percentage of a company's losses; for example, up to 20% of invested capital each year for no more than three years in a row, for five years from the date of commencement of the enterprise.

Since many enterprises do not plan to make much of a profit in the first few years of operation anyway, income tax exemption is not a very great inducement to them. This kind of foreign investors would find a guaranteed percentage return on invested capital more attractive than exemption from income tax.

Another proposal would retain the income tax exemption, but argues, "The relief should be tied to the amount of the capital investment without any limitation of the period of time (during which and exemption is allowed) at all."⁵ A foreign investor would not be taxed on income until an amount equal to its initial investment had been recouped. This would help the investor who has no profits in its early years. An investor who never make a profit would not be taxed at all; neither would he receive a benefit, but "possibly there is no reason why such a business should be subsidized."⁶

It is doubtful that the income tax exemption provision of the Investment Proclamation of 2002 will be very effective, as was the case in previous laws, in attracting foreign investment to Ethiopia. The exemption provision may even have an adverse effect if government officials consider it to be an important element in a program to encourage private foreign investment, because it could divert attention from other efforts which may be less spectacular but more productive. In addition, the cost of the exemption may be higher than benefits derived, and yet costs are very easy to overlook because they involve no direct expenditure by the government. The appeal of income tax exemption as an inducement to private foreign investment in developing countries, however, is strong. Actually As long as other developing countries continues to grant such an exemption, the pressure on Ethiopia to do so will remain great

The overall inefficiency in the bureaucracy is an issue that is well acknowledged by the government. Ato Tefera Walwa Minister of Capacity Building, and Ato Girma Biru Minister of

Trade and Industry in their televised conference, where all high officials of the nation including the Foreign Minister except the Prime Minister, confessed that government officials are, for the last 12 years, “murderers of investment”.⁷ But we do not witness their accountability for this serious crime of killing investment, and no body was dismissed or have the courage to resign from his position. Is confession alone enough for such serious incapability and guilt against the vital and important interests of the nation? Does declaration of guilt warrant keeping political position?

Some critics of the Government suggest that this low ratio of implementation is a result of bureaucratic red tape, which discourages investors in the process of implementing their project, particular mention is usually made about the slow process of land allocation and the monopoly price charged by the municipality government in Addis Ababa as the key constraints to private investment in Ethiopia in the past seven years⁸

Efficiency can be enhanced by changes in government policies and management practices. The ship of state must be run more efficiently. The way the bureaucracy is organized can lead to delays, frustration and corruption. These factors discourage investment. Part of the solution to this is to reduce the layers of person's investors must meet to get things done. Servants should reduce the incidence of corruption – bribes to expedite decisions.

Thus, domestic business identifies many barriers to both foreign and domestic private investment. Some of these are, first, the underdeveloped financial sector has inhibited both the raising of commercial loans and formation of joint stock companies. Financial liberalization has been slow, and interest rates are not deregulated and are on the high side rate that does not encourage investment. Secondly, all land remains state control. Access to land for investment purposes remains ensnared in red tape, particularly in the capital where a cumbersome land – lease system operates. Thirdly, confusion over urban land and rent policies has aggravated private sector accusations, and that policy making in this area remains far from transparent. Fourthly, though

privatization is set to move up the gear, the process remains very slow. Fifthly, land scarcity is a critical problem in urban areas, where there are thousands of approved foreign private investment projects waiting for response to their land request.⁹ Actually, the issue of land has politics behind it. This is because for one thing, land is the main means of production, for another the social basis for the state is the peasantry who constitutes 85% of the total population of the country.

A glimpse of the part played behind the scenes by government authorities in relation to foreign investment activities, corruption is, really, a cancer to investment. It greatly harms investment when there is no observance of law by authorities and officials; where there is political interference, and where there is no way out for petition, that is when the system is closed. Hence, greater openness towards increased accountability, transparency, and existence of adequate rules and regulations are the panacea. In this regard to date the moral assets of the country are not yet destroyed; and Ethiopia is exceptional among the least developed countries (LDCs) virtually complete absence, so to say, of routine corruption. However, the Ethiopian Investment Commission, invested with the task and responsibility of facilitating the fulfillment of foreign investment formalities, has to meet its one-stop shop service principle by doing away with all bureaucratic vices, especially shortage of skilled manpower of the staff

The Investment Law of 2002 (as amended) and the Investment Incentives Regulations, issued pursuant to this very law, while giving exemption from customs duty for various items to be imported, the exemption does not extend to include fuel to be imported in whatever of its forms. However, fuel being an important input that really fosters further investment activities, the Regulations should be amended to exempt fuels to be imported, since it is one of the vital inputs for investment.

Another issue worth noting is that a prospective foreign investor would like to see, as a guarantee, the existence of independent judiciary or legal system that functions expeditiously. However, at

present in comparison with the previous period the country seems lacks such an efficient and effective institution, since courts of law are highly weakened and lost their capacity to entertain and dispose of cases. In a simple statement, courts are, these days, adjournment rendering institutions. The terribly slow judicial process is clearly an impediment to effective contract enforcement. i.e. the judicial system proves to be lacking the capacity to cope with the ordinary commercial and labour disputes and more serious breaches of law affecting the image of Ethiopia in the eyes of potential foreign investors delayed justice is viewed as being as damaging as no justice. Thus, the Government has to make busy itself to ponder on this serious problem, before it is too late; in fact 14 years is not a short period, and one can conclude that improvement is beyond ability and capacity.

In general, although foreign investment policies and pertinent enactment of laws have been started long ago immemorial in this country; although experiences in the area should have lent their hand for better performance; and despite the fact that it seems that more consideration is given by the present Government to this area of multifaceted development by formulating policies and enacting laws, creating institutions for the purpose of fostering, enhancing and encouraging of private foreign investment, there are still a number of shortcomings and obstacles in implementing facilities and incentives schemes which overshadowed opportunities.

The notorious land allocation system and the amount of time it takes to secure land for investment is all too well known to repeat here. Suffice it to say here that foreign investors will not be attracted to Ethiopia with the expectation of a better service from the bureaucracy compared with other countries competing for these resources.

The issue of property rights is interrelated to the functioning of the legal system. As I said earlier that is not a strong and competent institution yet. While Ethiopia's membership with MIGA is

sure to provide some confidence to foreign investors in terms of providing security from non commercial risk, that still will not be our strongest mark to attract foreign investors.

The other problem is land-lease payment for land is a public property, under the ownership of the government, which starts as of the delivery of the land to an investor. But it takes him from 5 to 6 years times to prepare it and make it usable. Thus land-rent payment should commence to count from the date of putting the land to use. A related problem is the fact that land area is obtainable only on the basis of auction made investors unable to know and plan the cost of getting land ahead of time. A feasibility study conducted by a prospective foreign investor and evaluation of the project viability by the Investment Board remains in vain if the lease price goes beyond the capacity of the prospective foreign investors. Hence, land resource inventory and indicators of lease prices for a given area have to be provided and study of related information be conducted and available to potential foreign investors.

However, the author does not support the motive pursued behind land policy, and advocates for owning land as a private property. First and for most, since the nation to attain economic development and alleviate poverty, mechanized agriculture and agro industry have to be encouraged and enhanced as pioneer investment activities. Secondly, since the peasantry could not serve as a social basis for a state to maintain power because state in the third world countries do not have class basis for there are no distinct classes. In any case, since the availability of land for foreign investment in fact for domestic investment too, is necessary, due consideration should be given towards its facilitation to obtain growth and expansion in foreign investment in the country

Furthermore, it is high time that the Government needs to develop infrastructures such as communications, power, master plans, land inventory, market and resources information. It has to

create the investment climate to develop the capacity of financial institutions to be able to provide adequate loans and foreign currencies. It has to encourage the establishment of technical and vocational institutions to produce skilled manpower; and create research, design and consultancy service agencies.

Therefore, these all may be the reasons why, despite many Joint – Investment Initiatives and the “economic-diplomacy” pronouncement by the Ministry of Foreign Affairs, most recent foreign investment comes only from a single individual, Sheik Mohammed Hussein Ali Al Amoudi. It must be underlined also that the other several hurdles also surrounded foreign investment promotion and activities; problems of lack of confidence, red tape bureaucratic procedure, undeveloped infrastructural facilities, an unfair land-lease and interest rates, and capital limits and frequent revisions of laws and regulations regarding requirements to be eligible for incentives, are some, but to cite a few.

All this combined suggest, considerations for profit-motivated investors are not very strong: the institutional factors necessary to attract foreign investors leave much to be desire. In other words, our ability to attract strictly profit-motivated investors, as most of them are, is much weaker than we are willing to admit.

In this connection it would be of interest to raise a point that, seen from the political point of view, political parties are not allowed to engage in profit-making business activities in the commercial sense, though it could be said that nothing is more lucrative and attractive than to be on the ladder of political power and maintain it at any cost. In any case, as the law stands now, it is in violation of the Party Registration Law¹⁰ that TPLF and other appendice carries on commercial business activities. In an interview held with financial Times, whether enterprises associated or affiliated with TPLF/EPRDF enjoy advantages,

called “revolutionary democracy” , a class based ideology , in the statutes of the party , on the other hand ,are clear indications that EPRDF is found amidst a confusion. But for how long it may be let to run the business of this country without having one and clear orientation? Failure is already witnessed.

The confusion pursued by TPLF/EPRDF that its ideology is Revolutionary Democracy which claims to favour – on the one hand, and the preach to foreigners about its orientation of white capitalism on the other hand, will take either the Front or the nation or both of them to now where, but to a quagmire

The discrepancy between what has been provided by the law and the practice, which may also testify the halfhearted commitment of EPRDF, could be the case of opening telecommunication to private foreign investors. Here the law (Proclamation No.280 of 2002 under article 2(b)) provides that the business of telecommunication is open for private foreign investment. But the TPLF /EPRDF government is not whole-heartedly committed to open the business of telecommunication for the last ~~10~~ 4 Years. Another, in a press statement by Minister of Infrastructure, Dr. Kassu Illala conformed that income of mobile telephone is an income to be milked like renewable natural resource ¹³

The Government has to engage in or adopt a policy of implementing kinds of foreign investment strategies experienced and proved to be effective by other less developed countries. The Government must have such strategies as are necessary for the overall economic development of the country. Some of these strategies are, (1) a strategy known under the name BOT(Build, Own, Transfer), where foreign and domestic investments by individuals, in negotiation with the government, are carried on for about 20 to 30 years, finally transfer it to the government either to be managed and administered as public investment or to be privatized for domestic investors; (2)

in addition to 'BOT' there is also a kind of strategy that the government can adopt. It is known under the name 'BOO' (Build, Own and Operate), where both types investment activities are under taken to use and own for a certain period of time and transfer the same; and, (3) the other type of strategy of investments to be followed is known under the name 'BT' (Build and Transfer), where building and immediate transfer takes place. The government, thus, by formulating and enacting legal devices, by creating controlling and monitoring mechanisms, to have a certain share in capital-intensive investments, can benefit much in the overall development of the economy.¹⁴

In doing so, the government has to create a favourable investment climate, by encouraging and stimulating private foreign capital investment. It has also to create and develop the capacity to compete with other developing countries. However, foreign private capital could be allowed only in some sectors, that requires large capital and complex technology, which domestic capital cannot afford to manage. In other words, it is domestic capital that must be engaged in all other cases.

Finally, although the policies and the laws are important factors, as an impetus to encouragement and stimulation of private foreign capital participation in the overall economic development of the country, these formulation and enactment alone will take us nowhere. Thus, unless rectifications to shortcomings and defects in the policy and the law are provided, and corrective measures are taken in the provision and implementations of incentive schemes competitive to other developing countries, and unless the repeated, unreasonable, often times reversion is replaced by stable, predictable and learnt provisions of the code, where more than seven times revision in 10 years period does not seem healthy, there seems to be less probability for the inflow of private foreign capital investment into the country .

ENDNOTES

INTRODUCTION

1. Bhagirath, Lal Das, *A Critical Analysis of the Proposed Investment Treaty in WTO*. (July 2003) ,2.
2. Ibid.
3. Ibid.
4. Ibid.3.

CHAPTER ONE

1. **NWOGUGU, E.I.** , *The legal problems of Foreign Investment in Developing Countries*. Manchester. University press, U.S.A. Oceans publications INC. (1965) , 1.
2. **UNCTAD** *Investments and Innovation Policy Review Ethiopia* United Nations, New York. (2002),2.
3. **Proclamation No. 280 of 2002 (preamble)**. Negarit Gazeta, 8TH Year No. 27, (2nd July, 2002)
4. Harrison, Andrew, etal, *International Business Law*. New York: Oxford University Press(2000) , 250-251.
5. **Ibid.**
6. **Alemayehu Geda**, *Theories of the Determinants of Foreign Direct Investment and their Relevance in African context*. Economic Focus, vol. 2 No. 3, (1999) , .5.
7. **Ibid.**
8. **Macdougall** , *Capital flows Across Africa..* (1968) , .37.
9. **Agarwal, A.N.**, *Relationships between Foreign direct investment and sales in Host country*. (1980) , 65.
10. Harrison, at note 4 above, 251.
11. **Ibid.**
12. **Ibid.**
13. **Ibid.** 263.
14. **Ibid.**

15. **Geral, M.Meier**, "*The Problems of Limited Economic Development.*" *In the Economics of Underdevelopment.* By A.N. Agarwal & S.P Singh, (eds.), (1989, 12th imp.), 54-56
16. **Harrison**, at note 4 above, 264.
17. **Ibid.**
18. **Alemayehu**, at note No. 6.
19. **Ibid.**
20. **Ibid.**
21. **Ibid.**
22. **Harrison**, at note 4 above, 264.
23. **Alemayehu**, at note No. 6.
24. **Fry, Earl H.** , *The Politics of International Investment* New York :McGraw - Hill Inc. , (1983) , 117 – 118.
25. **Ibid.** 150 – 153.
26. **Ibid.** 157.
27. **Yash, Tando**, *Fallacies about the Theory of foreign Direct investment: its Conceptual and Methodological Pitfalls.* New York: Encarta, (2003) , 1.
28. **Ibid.**
29. **Ibid.**
30. **Ibid.**
31. **Ibid.**1-2.
32. **Benban, F.**, *Economic Aid to Under developed Country.* London, (1961) , 63.
33. **Ibid.**
34. **Yash**, at note 27 above, 2-3
35. **The Economist**, (24Feb. 2001)
36. **Folsom, Ralph H. et al** , *International Trade and Investment.* U.S.A.: West Publishing Co.(2000) , 174.
37. **Ibid.**
38. **Ibid.**
39. **Todaro, Michael P.** , *Economic Development in the Third World.* 4th ed. London, (1989) , 475.-480
40. **Ibid.**
41. **Ibid.** 476.
42. **Ibid.**477.
43. **Ibid.**



ENDNOTES

CHAPTER TWO

1. Vega, Marcalo Dela, "Argentina - Forms of Business Enterprise," In *Legal Aspects of foreign investment*, Friedman W-G. & Pugh Richard C. (eds.), Stevens & Sons Limited (1959), 3-6.
2. Ibid.
3. Ibid.
4. . NWOGUGU, E.I., *The legal problems of Foreign Investment in Developing Countries*, Manchester. University press, U.S.A. Oceans publications INC. (1965), 11.
5. Ibid, 12
6. Ibid
7. Weinberg, W.J." Indonesia", In *Legal Aspects of foreign investment*, Friedman W.G & Pugh Richard C. (eds.), Stevens & sons limited (1959), 272-274
8. Vega, at note No. 1 above, 7-8.
9. Fatouros, Arghyris A., 'Legal Security for International Investment.' In *Freidmann W.G. and PughRichard C. (ed), Legal Aspects of Foreign Investment*. Stevens and Sons Limited, London. (1959), 699-700.
10. Ibid .700.
11. Ibid. Ibid. 701
12. Ibid .
13. Ibid. 701.
14. Ibid.
15. Ibid. 703.
16. Ibid. 704.

17. Ibid. 732.

18. Wells, Louis J. & Alvin G. Wint , *Facilitating foreign investment*. The World Bank, Washington, D.C. (1991) 1.

19. Ibid.

20. UNCTAD, *Investment and Innovation Policy Review Ethiopia*. NEW York: UNS,(2002), .28-31.

21. Ibid.

22. Wells, at note No. 18 above, 2

23. Ibid.

24.Ibid.

25. UNCTAD, at note No.25 above , 28.

26.Ibid.

27. Ibid.

28. Wells, at note No.18 above , 22

29. UNCTAD . at note No.25 above , 28.

30 Ibid

ENDNOTES

CHAPTER THREE

1. UNCTAD, *Investment and Innovation policy Review Ethiopia* NEW York: . UNS (2002), 9.
2. Ibid.
3. Ibid. 10.
4. *Notice No. 10 1950*, Negarit Gazeta, Year 9, No 6, (1950) .
5. Ibid.
6. Ibid.
7. *Investment Decree, No. 10 / 1963*, Negarit Gazeta 23rd Year 919~~63~~..
8. Ibid.
9. Ibid.
10. William, H. Ewing etal, (editors), *Consolidated Laws of Ethiopia*. The Faculty of Law, Haile Sellassie I University, Vol. I Sections 1 -9. (1963).
11. Ministry of Planning and Economic Development, “*Survey of current Economic conditions in Ethiopia*”, (New series), Vol. III, No. 1 /Unpublished), Addis Ababa (1955), 20.
12. Ibid.
13. Ibid.
14. Ibid.
15. Ibid.
16. Fikru Tadesse, *Council of State Special Decree No. 17/1990*, Faculty of Law, A.A. University. (Unpublished), Faculty of Law, A.A. University (Unpublished), Addis Ababa (1990), 7.
17. Transitional Government of Ethiopia “*Ethiopia Economic Policy During the Transitional period*” (unpublished) Addis Ababa (1991), 17.
18. Ibid.
19. Ibid. 21.
20. Ibid.
21. Ibid.
22. Ibid.12.

23. Ibid. 24.
24. *Proclamation No. 37 of 1996*, Addis Ababa (1996), Article 5.
25. Ibid.
26. Ibid. Article 7(1).
27. Ibid. Article 7(3).
28. Ibid. Article 8.
29. UNCTAD, at note No. 1 above, 23.
30. Ibid.23 –24.
31. Ibid, 24.
32. Ibid.
33. Ibid. 25.
34. Ibid.
35. Ibid.
36. Ibid.
37. Ibid.
38. *Proclamation No. 280 /2002* (as amended) , Article 5.
39. Ibid. Article 10.
40. Ibid. Article 13.
41. *Commercial Code of Ethiopia 1960*, Article 210.
42. Regulations No. 13 Of 1997.
43. *Proclamation No. 67 of 1997* (as amended).
44. Ethiopian Investment Authority, Investing *In Ethiopia*. Addis Ababa (FEB.1997) , 23.
45. Proclamation No. 280 of 2002(as amended) Article 14(2).
46. Ibid.
47. Ibid.
48. Ibid.
49. Ibid. Article 13(5).
50. Ibid. Article 30.
51. Ibid.
52. UNCTAD, at note No. 1 above, 28.
53. Ibid. 32.
54. Ibid. 36.
55. Ibid. 38.
56. The Reporter, Weekly Amharic , Vol. 10 No. 2/472(1997 E.C.) , 2.

57. Delupis Ingrid *Finance and Protection of Investment in Developing Countries*. New York :John Willey & Sons (1936) , 1-3
58. Ibid.
59. Ibid.
60. Ibid.
61. Ibid.
62. Ibid.
63. The Revised Constitution of Ethiopia Proclamation No. 149 Of 1955, Article 44.
64. *Proclamation No. 280 /2002 Article 21*
65. Ethiopian Investment Authority , at note No. 44, 9.
66. Ibid.
67. Ibid.
68. Ibid.
69. ----- “*Agreement Between the government of Italian Republic and The Transitional Government of Ethiopia on the Promotion and Protection of Investments.*” (Unpublished) Addis Ababa (1994), Article 4(1).
70. Tsegaye Teklu, *Privatization and public Enterprises in Ethiopia*, Addis Ababa :Ethiopian Economic. Association, (1994), 239.
71. The Transitional Government of Ethiopia, at note No. 17 above, 9.
72. Proclamation No 37/1996 (Preamble) , (1996).
73. *Report on' Participation of Foreign Investment Negotiation, in a Seminar held at the International Law Institute"*. Washington D.C. (March 20 -27, 1992), 6.
74. United Nations, “*World Investment Report on Transnational Corporation Employment and the Work place.*” New York (1994), 290.
75. Ibid. 291.
76. Ibid.
77. P., Ebow & Bondzi Simpson, (editors). *The law and Economic Development in the Third World.*” New York (N. D), 29 –31.
78. Ibid.
79. Ibid.
80. Ibid.
81. Ethiopian Investment Authority , at note No.17, 11-16.
82. Proclamation No 286/2002, Articles 31,34,36(1).
83. Ibid.

84. Ibid.
85. Ibid
86. Heller and Kauffman, *Tax Incentives or Industry in less Developed Countries (1959)*.
(N.P.) (1959) 42.
87. Ross and Christensen, *Tax Incentive for Industry in Mexico. (1980)*, 55.
88. Ibid.
89. Heller and Kauffman , at noteNo. 86 above.
90. A. , H. Smith. *Tax Relief for New Industries in Ghana, 11 National Tax Journal 362 (1990)*.
91. Heller and Kauffman , at noteNo. 86.
92. Taylor, *Industry Tax Exemption in Puerto Rico. (1957)*, 51.
93. Ross and Christenen , at note No.87 above, 69.
94. Regulations No. 84 of 2003 Article 5.
95. Ross and Christenen , at note No.87 above, 69..
96. Ibid. 70.
97. Heller and Kauffman , at note No. 86 above, . 24.
98. Regulations No. 84 of 2003, Article 4(7)
99. Investment Decree No 51 of 1963, Article 5(1)
100. Getahun Damte, *Investment Decree No. 51 of 1963*. Faculty of Law, A.A.
University (Unpublished)
101. Notice No. 10 of 1950, (Preamble).
102. Ibid.
103. Ibid. Article 7.
104. Investment Decree No 51 of 1963, Article 2(1,2,3,4 and 5).
105. Proclamation No. 242 of 1966, Article 9.
106. Eshetu Chole *Underdevelopment In Ethiopia*. Addis Ababa:OSSREA (2004) P.127
107. Council of State Special Decree No 17 of 1990
108. Ibid. Article 12 (2).
109. Ibid. 12(3) .
110. Ibid.
111. Ibid.
112. Ibid.
113. Ibid. Article 9.
114. Ibid. Article 10(1) and(2).

- 115 .Ibid. Article 10(3) (a).
- 116 .Ibid. Article 10(3) (b).
- 117 .Ibid. Article 10(1) (d).
- 118 .Ibid. Article 13 (1)(a) and (b).
- 119 .Ibid. Article 13 (2).
- 120 Fikru, at note No. 16 above , 49.
- 121 Ministry of Foreign Affairs ,*A Profile on Patterns of Private Investment in Ethiopia* .(July 1992- March 1994) 1.
- 122 .Ibid.
123. Regulations No. 7/1996, Articles 3 and 4 .
- 124 . Ibid. Article. 3(2).
- 125 . Holman, Michael, “ *Investment – Quicker Change Needed* “, in Financial Times, London (March 2, 1998), P. 10
- 126 ..Ibid.
- 127 .Regulations No. 7/1996, Article 6(1)).
- 128 .Ibid., Article 6(3) (a).
- 129 . Regulations No. 84 of 1996, Article 4(1)
- 130 . Notice No. 10 of 1950.
- 131 . Ibid.
- 132 . Regulations No. 84 of 2003 ,Article 4(7).
- 133 .Proclamation No.280 of 2002(as amended) ,Article 23(3).
- 134 .Regulations No. 84 of 2003, Article 4(2).
- 135 . Office of Investment, *Analysis on the Problems of Investment Laws*.
(Unpublished) Addis Ababa (1996), 18.
- 136 .Proclamation No. 285 of 2002, Article 34.
- 137 .Ibid. Article 31.
- 138 .Proclamation Nos. 285 of 2002 and 286 of 2002, Articles 28 and 53 respectively.
- 139 .Office of Investment , at note No. 135 above.
- 140 ._____ “ Ethiopia Softly, Softly” The Indian Ocean News letter, No. 782 (11 Oct 1997) , 1
- 141 Bogala Assefa ,*The Great Conspiracy: TPLF'S Business Empire*. Addis Ababa Commercial Printing Press (2004) ,15-35.
- 142 .Heller & Kauffman, at note No. 86 above ,60.

- 143 .Bodman Timothy P. *Income Tax Exemption As An Incentive to Investment In Ethiopia*
Journal of Ethiopian Law Vol.VI No.1 (June 1969) , 222.
- 144 .Heller & Kauffman, at note No. 86 above, 60.
- 145 .Bodman, at note 143 above, 223.
- 146 .Ibid.
- 147 .Ibid.
- 148 .Ibid. 223 -224.
- 149 .Taylor , at note No. 92 above, 152.
- 150 .Interview with Ato Ermias Amelga, Owner of Crown Mineral Waters and Chairman of
Ethiopian Entrepreneurs Network.(Dec. 2004).
- 151 .UNCTAD at note 1above, 10.
- 152 .Ibid.
- 153 .Office Of Investment, at note 135 above, 15.
- 154 .Addis Ababa Chamber of Commerce, “ *Investment in Ethiopia*” Addis
Ababa (1967). ,67.
- 155 . Proclamation No. 377 of 2004.

Getahun Damte, *Investment Decree No. 51 of 1963. Faculty of Law, A.A. University*
(Unpublished)

Geral, M.Meier. “*The problems of limited Economic development*” *In the economics of underdevelopment*, by A.N. Agarwal & S.P.single (eds.) (1989, 12th imp.)

Harrison Andrew et.al *International Business Law*. New York Oxford University Press(2000)

Heller and Kauffman, *Tax Incentives or Industry in less Developed Countries (1959)* (N.P.) (N.D)

Holman, Michael, “ *Investment Quicker changes Need* “ *Financial times*, (March 2, 1998)

Kabbaj Omar *The Challenge of African Development*. New York: Oxford University Press(2003)

Macdougall -, *Capital flows Across Africa* (1968)

Ministry of foreign affairs, *Profile on Patterns of Private Investment in Ethiopia* (July 1992
March 1994)

Ministry of Planning and Economic Development “*Survey of current Economic conditions in Ethiopia*”, (New series), Vol. III, no. 1 /Unpublished), Addis Ababa (1955),

Now gugu, E.I *The legal problems of Foreign Investment in Developing Countries*, Manebester University press, U.S.A. Oceans publications INC. . (1965) :

Office of Investment *Analysis on the problems of Investment Laws*” (Unpublished) Addis Ababa (1996)

Office of Investment and Joint Ventures Ethiopia: *A Guide to Investments*. Addis Ababa: OoIJV (February 1991)

Patterson, Seymour *Dr. Investments. Economic focus*, Vol 2 No 5 (Oct- Nov. 1999)

P.,Ebow, Bondzi Simpson, (editors). *The law and Economic Development in the Third World.*”
New York (N. D)

Raman VNS *Investment Principles and Techniques New Delhi*: Vikas Publishing House Pvt. Ltd.

Ross and Christensen, *Tax Incentive for Industry in Mexico* (1980)

Todaro, Michael P. *Economic development in the third World* “4th ed. London,” (1989).

Taylor, *Industry Tax Eemption in pverty Rico* (1957).

Transitional Government of Ethiopia “*Ethiopia Economic Policy During the Transitional period*”
(unpublished) Addis Ababa (1991)

Tsegaye Teklu, *Privatization and public Enterprises in Ethiopia, Ethiopian Economic Association*, Addis Ababa (1994)

UNCTAD, *Investment and Innovation policy Review Ethiopia*, UNs, NEW York and Geneva (2002)

United Nations, “*World Investment Report on Transnational corporation employment and the work place*,” New York (1994)

Vega, Marcalo Dela - - - - “ Argentina – Forms of Business Enterprise,” In Legal Aspects of foreign investment, Friedman W-G. & Pugh Richard C. (eds.), Stevens & Sons Limited (1959)

Weinberg, W.J.” Indonesia”, In Legal Aspects of foreign investment, Friedman W.G & Pugh Richard C. (eds)., Stevens & sons limited (1959)

Wells, Louis T. & Alvin G. Wint *Facilitating foreign investment*. The World Bank, Washington, D.C. (1991)

William,H. Ewing etal, (editors), *Consolidated Laws of Ethiopia*. The Faculty of Law, Haile SellassieI University, Vol. I

The World Bank Africa Can Compete! A Framework for World Bank Group Support for Private Sector Development in Sub-Saharan Africa (NP) (August 1998)

Yash, Tando ,*Fallacies about the theory of foreign direct investment; its conceptual and methodological pitfalls*, Encarta (2003) N.Y

Journals, Magazines and News Letters

The Economist (24Feb. 2001)

Hillman Michael and Wrong Michael Marxist comes to Market”, Financial Times, (March 2, 1998)

The Indian Ocean News letter, “ Ethiopia Softly Softly ” the Indian Ocean News letter. No 782 (11 Oct. 1997)

Addis Ababa Chamber of Commerce, “ Investment in Ethiopia” Addis Ababa (1967)

The Reporter, Weekly Amharic, No. 2/ 472 (Meskerm, 9 1997 E.C.)

Report on participation of Foreign Investment Negotiation, in a seminar held at the International law institute”. Washington D.C. (March 20 -27, 1992)

Addis Zena, Weekly Amharic “ Editorial” Addis Zena, 2nd Year No 81 (Tikmit 25 1997 E.C) ABC Printing (1997 E.C.)

Patterson, Seymour, “*Investments.*” Economic focus, Vol 2 No 5 (Oct- Nov. 1999).

Holman, Michael, “ *Investment Quicker changes Need .*” Financial times, (March 2, 1998).

Bodman ,Timothy P. ,” *Income Tax Exemption As An Incentive to Investment In Ethiopia.*” Journal of Ethiopian Law .Vol.VI No.1 (June 1969)

Addis Zena, Weekly Amharic “ Editorial” Addis Zena, 2nd Year No 81 (Tikmit 25 1997 E.C) ABC Printing (1997 E.C.).

Hillman ,Michael and Wrong Michael, ” *Marxist Comes to Market*”, Financial Times, (March 2, 1998).

The English Weekly Reporter, Vol. viii No 373 (Oct 29, 2003).

The Amharic Weekly Reporter “*Proposals on Enhancing Privatization* “ Reporter, Weekly Amharic (Tahsas 20, 1990 E.C.).

The Amharic Weekly Reporter, “*Strengthening Domestic one to Attract foreign Investment* “.Reporter weekly Amharic No. 2 / 472 (Meskerem 9, 1997 E.C.).

Agreement

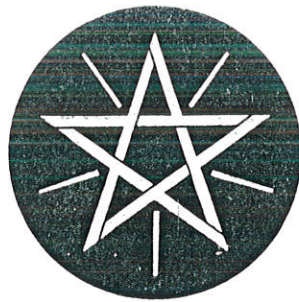
Agreement Between the government of Italian Republic and The Transitional Government of Ethiopia on the Promotion and Protection of Investments.” (Unpublished) Addis Ababa (1994), Article 4(1).

Interview

Interview with Ato Ermias Amelga Owner of Crown Mineral Waters & Chairman of Ethiopian Entrepreneurs Network.

BIBLIOGRAPHY

- A H.,Smith. *Tax Relief for New Industries in Ghana*, 11 National Tax Journal 362 (1990).
- Alemayehu Geda** *Theories of the determinants of Foreign Direct Investment and their Relevance in African context.* Economic Focus, vol. 2 No. 3 (1999)
- Agarwal. A.N.** *Relationships between Foreign direct investment and sales in Host country* (1980)
- Benban, F.** *Economic Aid to under developed country.* London (1961)
- Berhanu Nega (Dr). *Foreign Investment in Ethiopia.* Economic Focus, Vol 2 No. 3 (June 1999)
- Bhagirath,Lal Das *A Critical Analysis of the Proposed Investment Treaty in WTO* (July 2003)
- Bogala Assefa *The Great Conspiracy: TPLF'S Business Empire.* Addis Ababa Commercial Printing Press 2004
- The Corporate Council on Africa. *Africa and the American Private Sector: Attracting Capital to Africa.* N.Y. (Summit April 19 –21 1997)
- Delupis, Ingrid *Finance and Protection of Investment in Developing Countries* John Willey & Sons New York (1936)
- Eshetu Chole *Underdevelopment in Ethiopia.* Addis Ababa: OSSREA(2004)
- Ethiopian Investment Authority, *Investment Guide to Ethiopia*, Addis Ababa: (August, 1997)
- Fatouros, Arghyris A., 'Legal Security for International Investment.' In Freidmann W.G. and Pugh Richard C. (ed), *Legal Aspects of Foreign Investment.* Stevens and Sons Limited, London. (1959),
- Fikru Tadesse, *Council of State Special Decree No. 17/1990*, Faculty of Law, A.A. University. (Unpublished), Faculty of Law, A.A. University (Unpublished), Addis Ababa (ND)
- Folsom, Ralph H. etal** , *International trade and investment.* U.S.A West Publishing co.(2000).
- Fry, Earl H.** *The Politics of International Investment.* New York: Mc Graw-Hill Inc.(1983)



የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ

ፌዴራል ነጋሪት ጋዜጣ FEDERAL NEGARIT GAZETA

OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

ዘጠነኛ ዓመት ቁጥር ፴፬
አዲስ አበባ-ጥር ፴ ቀን ፲፱፻፺፮

በኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የሕዝብ ተወካዮች ምክር ቤት ጠባቂነት የወጣ

9th Year No. 34
ADDIS ABABA-7th February, 2003

ማውጫ

የሚኒስትሮች ምክር ቤት ደንብ ቁጥር ፹፬/፲፱፻፺፮ ዓ.ም
ኢንቨስትመንት ማበረታቻና ለአገር ውስጥ ባለሀብቶች
ሰለተከለሉ የሥራ መስኮች የወጣ የሚኒስትሮች ምክር ቤት
ደንብ ገጽ ፪፻፺፪

CONTENTS

Council of Ministers Regulations No. 84/2003
Council of Ministers Regulations on Investment
incentives and Investment Areas Reserved for
Domestic Investors Page 2092

የሚኒስትሮች ምክር ቤት ደንብ ቁጥር ፹፬/፲፱፻፺፮

ሰለኢንቨስትመንት ማበረታቻዎችና ለአገር ውስጥ ባለሀብቶች
ሰለተከለሉ የሥራ መስኮች የወጣ የሚኒስትሮች ምክር ቤት ደንብ
የሚኒስትሮች ምክር ቤት የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ
ሪፐብሊክ አስፈጻሚ አካላትን ሥልጣንና ተግባር ለመወሰን
በወጣው አዋጅ ቁጥር ፬/፲፱፻፹፮ (እንደተሻሻለ) አንቀጽ ፭ እና
በኢንቨስትመንት አዋጅ ቁጥር ፪፻፹/፲፱፻፺፬ አንቀጽ ፮ እና ፱
መሠረት ይህን ደንብ አውጥቷል።

COUNCIL OF MINISTERS REGULATIONS No. 84/2003
COUNCIL OF MINISTERS REGULATIONS ON
INVESTMENT INCENTIVES AND INVESTMENT
AREAS RESERVED FOR DOMESTIC INVESTORS

These Regulations are issued by the Council of Ministers
pursuant to Article 5 of the Definition of Powers and Duties of
the Executive Organs of the Federal Democratic Republic of
Ethiopia Proclamation No. 4/1995 (as amended) and Articles
6 and 9 of the Re-enactment of Investment Proclamation
No. 280/2002.

ክፍል አንድ ጠቅላላ

PART ONE General

- ፩. አጭር ርዕስ
ይህ ደንብ “የኢንቨስትመንት ማበረታቻና ለአገር ውስጥ
ባለሀብቶች ሰለተከለሉ የሥራ መስኮች የወጣ የሚኒስትሮች
ምክር ቤት ደንብ ቁጥር ፹፬/፲፱፻፺፮” ተብሎ ሊጠቀስ
ይችላል።
- ፪. ትርጓሜ
የቃሉ አገባብ ሌላ ትርጉም የሚያሰጠው ካልሆነ በስተቀር
በዚህ ደንብ ውስጥ፤
 - ፩. “ባለሥልጣን” ማለት የኢትዮጵያ ኢንቨስትመንት ባለ
ሥልጣን ነው፤
 - ፪. “ቦርድ” ማለት የፌዴራሉ መንግሥት ኢንቨስትመንት
ቦርድ ነው፤

1. Short Title
These Regulations may be cited as the “Investment
Incentives and Investment Areas Reserved for Domestic
Investors Council of Ministers Regulations
No. 84/2003.”
2. Definitions
Unless the context requires otherwise, in these
Regulations:
 - 1) “Authority” means the Ethiopian Investment
Authority;
 - 2) “Board” means the Federal Investment Board;

ያንዱ ዋጋ 2.80
Unit Price

New Library
A. A. University
P. Box 1176 Addis Ababa
Ethiopia

ነጋሪት ጋዜጣ ፖ.ሣ.ቁ. ፹፻፩
Negarit G.P.O.Box 80,001

- ፫. “የካፒታል ዕቃ” ማለት ምርት ለማምረት ወይም አገልግሎት ለመስጠት የሚያስችሉ የማምረቻና አገልግሎት መስጫ መሣሪያዎች፣ ዕቃዎችና አክሰሪዎች ናቸው።
- ፬. “የገምጋሚ ቀረጥ” የሚለው ሀረግ በገቢ ዕቃዎች ላይ የሚጣሉ ታክስቸንም ይጨምራል።
- ፭. “የገቢ ግብር” ማለት የፌዴራሉ መንግሥት ወይም የክልል መስተዳድሮች ወይም የሁለቱ የጋራ ገቢ የሆነ በትርፍ ላይ የሚጣል ታክስ ነው።
- ፮. “አዋጅ” ማለት የኢንቨስትመንት አዋጅ ቁጥር ፱፻፹/፲፱፻፺፬ ነው።
- ፯. በአዋጁ አንቀጽ ፪ ለተመለከቱት ቃላት የተሰጡ ትርጓሜዎች ለዚህም ደንብ ተፈጻሚ ይሆናሉ።

፫. ለአገር ውስጥ ባለሀብቶች ስለተከለሉ የሥራ መስኮች ከዚህ ደንብ ጋር ተያይዞ በሚገኘው ሠንጠረዥ የተዘረዘሩት የሥራ መስኮች በአገር ውስጥ ባለሀብቶች ብቻ የሚካሄዱ ይሆናሉ።

ክፍል ሁለት
ከገቢ ግብር ነፃ ስለመሆኑ

፬. ከገቢ ግብር ነፃ ማበረታቻ የሚያስገኙ የኢንቨስትመንት ሥራዎች

- ፩. በማኑፋክቸሪንግ ወይም በአግሮ-ኢንዱስትሪ ወይም ቦርዱ በሚያወጣው የምርት አይነቶች ዝርዝር መመሪያ በሚወጡ የግብርና ምርቶች ሥራ የተሰማራ ማንኛውም ባለሀብት ካመረተው ምርት ቢያንስ፡
 - ሀ) ፶% /ሃምሳ በመቶ/ የሆነውን የምርቱን ውጤት ወደ ውጭ የሚልክ ከሆነ፣ ወይም
 - ለ) ፸፮% (ሰባ አምስት በመቶ) የሆነውን የምርቱን ውጤት ወደ ውጭ ለሚልክ ባለሀብት በምርት ግብአትነት የሚያቀርብ ከሆነ፤
 ለ፳ ዓመት ከገቢ ግብር ነፃ የመሆን መብት ያገኛል።
- ፪. በዚህ አንቀጽ ንዑስ አንቀጽ (፩) የተመለከተው ቢኖርም ቦርዱ በልዩ ሁኔታ እስከ ፯ ዓመት የሚደርስ ከገቢ ግብር ነፃ የመሆን መብት ሊሠጥ ይችላል። ሆኖም ከ፯ ዓመት በላይ የገቢ ግብር ነፃ መብት የሚሰጠው በሚኒስትሮች ምክር ቤት ውሳኔ ብቻ ይሆናል።
- ፫. በዚህ አንቀጽ ንዑስ አንቀጽ (፪) በተጠቀሱት ሥራዎች የተሰማራ ባለሀብት ካመረተው ምርት ከ፶% (ሃምሳ በመቶ) በታች የሚሆነውን ወደ ውጭ የሚልክ ወይም ምርቱን ለሀገር ውስጥ ገበያ ብቻ የሚያቀርብ ከሆነ ለ፪ ዓመት ከገቢ ግብር ነፃ የመሆን መብት ያገኛል።
- ፬. በዚህ አንቀጽ ንዑስ አንቀጽ (፫) የተመለከተው ቢኖርም ቦርዱ በልዩ ሁኔታ እስከ ፭ ዓመት የሚደርስ ከገቢ ግብር ነፃ የመሆን መብት ሊሰጥ ይችላል።
- ፭. በዚህ አንቀጽ ንዑስ አንቀጽ (፫) የተመለከተው ቢኖርም ምርቱን ለሀገር ውስጥ ገበያ ብቻ የሚያቀርብ ባለሀብት የመብቱ ተጠቃሚ እንዳይሆን ቦርዱ በሚያወጣው መመሪያ ሊከለከል ይችላል።
- ፮. በዚህ አንቀጽ ንዑስ አንቀጽ (፬) እና (፫) የተመለከተው ቢኖርም ቆዳና ሌሎች እስከ ክረስት ደረጃ በማልፍት ወደ ውጭ የሚልክ ባለሀብት በንዑስ አንቀጾቹ የተመለከቱትን ማበረታቻዎች አያገኝም።
- ፯. ባለሀብቱ ኢንቨስትመንቱን የሚያካሂድበት ሥፍራ በአንጻራዊ ደረጃ በኢኮኖሚ ልማት ወደኋላ በቀሩ አካባቢዎች ማለትም በጋምቤላ፣ በቤኒሻንጉልና ጉሙገ፣ በደቡብ አሞ፣ በአፋር ክልል ቦርዱ በሚወስናቸው ዞኖች፣ በሶማሌ ክልልና ወደፊት ቦርዱ እንደሁኔታው እየተመለከተ በሚወስናቸው ሌሎች አካባቢዎች ከሆነ በዚህ አንቀጽ ከተፈቀደው የገቢ ግብር ነፃ ዘመን በተጨማሪ ለ1 ዓመት ከገቢ ግብር ነፃ የመሆን መብት ያገኛል።
- ፰. በዚህ ደንብ አንቀጽ ፬ በተመለከቱት የገቢ ግብር ነፃ ማበረታቻዎች ባለሀብቱ ተጠቃሚ የሚሆነው መረጃውን አግባብ ላለው ግብር ስብሰባ መሥሪያ ቤት አቅርቦ ለተረጋገጠለት ለኢኮኖሚና የገቢ ግብር ዘመን (ዓመት) ይሆናል።

- 3) “Capital Goods” means machinery, equipment and accessories, needed to produce goods or render services;
- 4) “Customs Duty” includes taxes levied on imported goods;
- 5) “Income Tax” means tax levied on profits from business and categorized as the revenue of the Federal Government, Regional Governments or as their joint revenue;
- 6) “Proclamation” means Investment Proclamation No. 280/2002;
- 7) The definitions provided for under Article 2 of the Proclamation shall apply to these Regulations.

3. *Investment Areas Reserved for Domestic Investors*
Areas of investment listed in the schedule attached to these Regulations are exclusively reserved for domestic investors.

PART TWO
Exemption from Income Tax

- 4. Investment Activities Eligible for Income Tax Exemption
 - 1) Where an investor engaged in manufacturing or agro-industrial activities or the production of agricultural products to be determined by directives to be issued by the Board;
 - (a) exports at least 50% (fifty per cent) of his products, or
 - (b) supplies at least 75% (seventy five per cent) of his product to an exporter as a production input; he shall be eligible for income tax exemption for 5 years.
 - 2) Notwithstanding the provisions of Sub Articles (1) of this Article the Board may, under special circumstances, grant income tax exemption for a period not longer than 7 years. However, the granting of income tax exemption for a period longer than 7 years requires the decision of the Council of Ministers.
 - 3) An investor engaged in activities mentioned under sub Article (1) of this Article who exports less than 50% (fifty per cent) of his products or supplies his products only to the domestic market shall be eligible for income tax exemption for 2 years.
 - 4) Not withstanding the provision of sub article (3) of this Article, the Board may, under special circumstances, grant income tax exemption for a period not longer than 5 years.
 - 5) Notwithstanding the provision of Sub Article (3) of this Article, directives issued by the Board may prohibit exemption from income tax with respect to an investor who supplies his products only to the domestic market.
 - 6) Notwithstanding the provision of Sub Articles (1) and (3) of this Article, an investor who exports and hides and skins after processing up to crust level may not be entitled to incentives provided therewith.
 - 7) Notwithstanding the foregoing provisions of this Article, where the investment is in relatively under developed Regions such as Gambella, Benshangul and Gumuz, South Omo, in Afar Zones to be determined by the Board, Somali and other Regions to be determined by the Board, the investor shall be eligible for income tax exemption for an additional 1 year period.
 - 8) The income tax exemption provided under the provisions of Article 4 of these Regulations shall be effective when the investor provides the information for the relevant revenue collecting institution and its validity is ascertained for each income tax period.

- ሀ) ባለከብብ ደረጃዎችን የማይጨምሩ ሆቴሎች፣ ሞቴሎች፣ ፔንሲዮኖች፣ ሻይቤቶች፣ ቡና ቤቶች፣ መጠጥ ቤቶች፣ የምሽት ክበቦች፣ ዓለም አቀፍ ደረጃ የሌላቸው ሬስቶራንቶችና ምግብ ቤቶች፤
- ለ) የንግድ ሥራዎች ማለትም የጅምላ፣ የችርቻሮና እስመጭነት ሥራ፤
- ሐ) የጥገና አገልግሎት ሥራ፤
- መ) የንግድ መንገድ ትራንስፖርትና የመኪና ማከራየት አገልግሎት ሥራ፤
- ሠ) የፖስታና ኩሪየር አገልግሎት ሥራ፤
- ረ) ለንግድና መኖሪያ ቤት የማሆኑ ቤቶችና ሕንፃዎችን ሠርቶ ማከራየትና መሸጥ፤
- ሰ) የንግድና አስተዳደር አማካሪነት ሥራ፤
- ሸ) የማስታወቂያ ሥራ አገልግሎት፤
- ቀ) የፊልምና መስል ሥራዎች፤
- በ) የሬዲዮና ቴሌቪዥን ሥርዓት አገልግሎት ሥራ፤
- ተ) የሲኒማና ቲያትር ቤቶች አገልግሎት ንግድ ሥራ፤
- ቸ) የጉምሩክ አስተላላፊነት ንግድ ሥራ፤
- ኀ) የላውንደሪ አገልግሎት ንግድ ሥራ፤
- ነ) የጉዞ ወኪልነት፣ የንግድ ረዳትና የትኬት መሸጫ አገልግሎት ንግድ ሥራ፤
- ኘ) የሎተሪና የመሳሰሉ ሥራዎች።

፪. በዚህ አንቀጽ ንዑስ አንቀጽ (፩) ሥር ከተገለጹት የሥራ መስኮች በተጨማሪ ቦርዱ አግባብ ሆኖ ሲያገኘው የጉምሩክ ቀረጥ ነፃ መብት የማይሰጣቸውን ሌሎች የሥራ መስኮች በየጊዜው በሚያወጣው መመሪያ ሊወሰን ይችላል።

፲፩. ከጉምሩክ ቀረጥ ነፃ ሆነው የገቡ የካፒታል ዕቃዎችን ስለማስተላለፍ

ከጉምሩክ ቀረጥ ነፃ ሆኖ የገባ ማናቸውም የካፒታል ዕቃ ሊከፈልበት ይገባ የነበረው የጉምሩክ ቀረጥ እስቀድሞ ሳይከፈልበት ተመሳሳይ የጉምሩክ ቀረጥ ነፃ መብት ለሌለው ሰው ሊተላለፍ አይችልም።

**ከፍል አራት
ልዩ ልዩ ድንጋጌዎች**

፲፪. ቅጣት

በዚህ ደንብ አንቀጽ ፲፩ የተመለከተውን የተላለፈ ማንኛውም ባለሀብት የጉምሩክ ባለሥልጣንን እንደገና ለማቋቋምና አሠራሩን ለመወሰን በወጣው አዋጅ ቁጥር ፳/፲፱፻፹፱ አንቀጽ ፸፫ መሠረት ይቀጣል።

፲፫. ስለ ተሻራና ተፈጻሚነት ስለማይኖራቸው ደንቦችና መመሪያዎች

- ፩. የኢንቨስትመንት ማበረታቻ የሚኒስትሮች ምክር ቤት ደንብ ቁጥር ፯/፲፱፻፹፰ (እንደተሻሻለ) እና ለአገር ውስጥ ባለሀብቶች ስለተከለሉ የሥራ መስኮች የወጣው የሚኒስትሮች ምክር ቤት ደንብ ቁጥር ፵፮/፲፱፻፺፱ በዚህ ደንብ ተሸረዋል።
- ፪. ከዚህ ደንብ ጋር የሚቃረን ማናቸውም ደንብ ወይም መመሪያ በዚህ ደንብ ውስጥ የተደነገጉ ጉዳዮችን በተመለከተ ተፈጻሚነት አይኖረውም።

- (a) hotels (excluding star-designated hotels), motels, tea rooms, coffee shops, bars, night clubs and restaurants which do not have international standards;
- (b) wholesale, retail and import trade;
- (c) maintenance services;
- (d) commercial road transport and car-hire services;
- (e) postal and courier services;
- (f) real estate development;
- (g) business and management consultancy services;
- (h) advertisement services;
- (i) cinematography and similar activities;
- (j) radio and television broadcasting services;
- (k) theatre and cinema hall operations;
- (l) customs clearance services;
- (m) laundry services;
- (n) travel agency, trade auxiliary and ticket-selling services;
- (o) lottery and games of a similar nature;

2) Notwithstanding the provision of Sub-Article (1) of this Article, the Board may, where it finds appropriate, issue directives providing for additional areas of investment which may not be eligible for exemption from the payment of customs duty.

11. Transfer of Capital Goods Imported Free of Customs Duty

Capital goods imported free of customs duty shall not be transferred to third parties not entitled to similar duty free privileges, unless prior payment of the customs duty is effected thereon.

**PART FOUR
Miscellaneous Provisions**

12. Penalty

Any investor who acts contrary to Article 11 of these Regulations shall be punishable in accordance with Article 73 of the Re-establishment and Modernization of Customs Authority Proclamation No. 60/1997.

13. Repealed and Non-effective Regulations and Directives

- 1) Investment Incentives Council of Ministers Regulations No. 7/1996 (as amended) and Investment Areas Reserved for Domestic Investors Council of Ministers Regulations No. 35/1998 are hereby repealed.
- 2) Any Regulations or directives inconsistent with these Regulations shall not have effect with respect to matters provided for in these Regulations

፲፩. የመሸጋገሪያ ድንጋጌ

አ. በዚህ ድንብ አንቀጽ ፲፫ የተደነገገው ቢኖርም በድንብ ቁጥር ፯/፲፱፻፹፭ (እንደተሻሻለ) እና ድንቡን ለማስፈጸም በወጡ መመሪያዎች መሠረት የተፈቀዱ ማበረታቻዎች ተፈጻሚነት ይቀጥላል።

ቁ. በድንብ ቁጥር ፯/፲፱፻፹፭ (እንደተሻሻለ) መሠረት ማበረታቻ የተሰጠው ባለሀብት በዚህ ድንብ መሠረት በሚፈቀዱ ማበረታቻዎች ተጠቃሚ ለመሆን ከፈለገ ይህንን አግባብ ላለው የኢንቨስትመንት መስሪያቤት በማስታወቅ የመብቱ ተጠቃሚ ለመሆን ይችላል።

፲፩. ድንቡ የሚጻፍበት ጊዜ

ይህ ድንብ በፌዴራል ነጋሪት ጋዜጣ ታትሞ ከወጣበት ቀን ጀምሮ የፀና ይሆናል።

አዲስ አበባ ጥር ፅ ቀን ፲፱፻፺፮ ዓ.ም.

መለስ ሰሌዳ

የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ ጠቅላይ ሚኒስትር

14. Transitory Provision

- 1) Notwithstanding the provision of Article 13 of these Regulations, incentives granted pursuant to the Investment Incentives Council of Ministers Regulations No. 7/1996 (as amended) and the directives issued thereunder, shall continue to take effect.
- 2) Where an investor granted with incentives under Regulations No. 7/1996 (as amended) opts instead to be a beneficiary of incentives provided for in these Regulations, he may notify the appropriate investment organ and be entitled thereby.

15. Effective Date

These Regulations shall come into force on the date of their publication in the Federal Negarit Gazeta.

Done at Addis Ababa, this 7th day of February, 2003.

MELES ZENAWI

PRIME MINISTER OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

በርሃና ለላም ግተሚያ ድርጅት ታተመ
BERHANENA SELAM PRINTING ENTERPRISE

ሠንጠረዥ

ለአገር ውስጥ ባለሀብቶች የተከለሉ የሥራ መስኮች

- ሀ. የሚከተሉት የኢንቨስትመንት ሥራ መስኮች በዘገር ውስጥ ባለሀብቶች ብቻ የሚካሄዱ ይሆናሉ፡
 - አ. የችርቻሮ ንግድና የድለላ ሥራ፤
 - ለ. የጅምላ ንግድ (ነጻጅና የነጻጅ ምርቶችን ማቅረብ እንዲሁም የውጭ ባለሀብቶች በአገር ውስጥ ያመረቱትን በጅምላ መሸጥን ሳይጨምር)፤
 - ሀ. የገቢ ንግድ (ከቡታጋዝ፣ ቢትመን እና የሚኒስትሮች ምክር ቤት በሚወስነው መሠረት ለወጪ ምርት ግብዓትነት ከሚውሉ በስተቀር)፤
 - ወ. ጥሬ ቡና፣ ጫት፣ የቅባት እህሎች፣ ጥራጥሬ፣ ቆዳና ሌጦ ከገበያ በመግዛት እንዲሁም ኢንቨስተሩ ራሱ ካረባቸው ወይም ካደለባቸው በስተቀር በጎች፣ ፍየሎችና የቀንድ ከብቶች በቁም ወደ ውጭ መላክ፤
 - ሐ. በደረጃ አንድ ከሚመደቡት በስተቀር የኮንስትራክሽን ሥራ ተቋራጭነት፤
 - ከ. ቆዳና ሌጦ እስከ ክረስት ደረጃ ማልፋት፤
 - ተ. የባለከክብ ደረጃዎችን የማይጨምሩ ሆቴሎች፣ ሞቴሎች፣ ፔንሲዮኖች፣ ሻይ ቤቶች፣ ቡና ቤቶችና መጠጥ ቤቶች፣ የምሽት ክበቦች፣ ዓለም አቀፋዊ ደረጃ ካላቸውና በተወሰነ አገር ምግብ አዘገጃጀት ከሚታወቁት በስተቀር ሌሎች የምግብ ቤቶች፤
 - ሰ. የጉዞ ወኪልነት፣ የንግድ ረዳትነትና የቲኬት መሸጥ አገልግሎት ሥራ፤
 - ሠ. መኪና የማከራየትና የታክሲ አገልግሎት፤
 - ረ. የመንገድ የንግድ ትራንስፖርት እና የሀገር ውስጥ ውሃ ላይ ትራንስፖርት አገልግሎት፤
 - ረአ. ለሀገር ውስጥ ገበያ የሚቀርቡ የዳቦና የኬክ ምርቶች፤
 - ረለ. የወፍሬታ ቤት አገልግሎት፤
 - ረሀ. ፀጉር ማስተካከል፣ የቁንጅና ሳሎን፣ የአንጥረኝነት ሥራ፣ በፋብሪካ ደረጃ የማይካሄድ የልብስ ስፊት፤
 - ረወ. የሕንፃ እድሳትና የመኪና ጥገና አገልግሎት፤
 - ረሐ. የእንጨት መሠንጠቂያና የጣውላ ሥራ፤
 - ረተ. የጉምሩክ አስተላላፊነት ሥራ፤
 - ረት. የመብረድም፣ የቲያትርና የሲኒማ ማሳየት አገልግሎት፤
 - ረሰ. የማተሚያ ንግድ ሥራ።
- ለ. በዚህ አንቀጽ ንዑስ አንቀጽ (፩) የተዘረዘሩት የኢንቨስት መንት ሥራዎች እንደተጠበቁ ሆነው፣ የሚከተሉት የሥራ መስኮች ኢትዮጵያዊ ዜግነት ባላቸው ባለሀብቶች ብቻ የሚካሄዱ ይሆናሉ፡
 - አ. የባንክ፣ የኢንሹራንስ ሥራ እና አነስተኛ የብድርና ቁጠባ ተቋም ሥራ፤
 - ለ. የማስተላለፍና የመርከብ ውክልና አገልግሎት፤
 - ሀ. የብሮድካስቲንግ አገልግሎት፤
 - ወ. እስከ ሩ መንገዶች የመጫን አቅም ባላቸው ኢርክራ ፍቶች የሚካሄድ የአየር ትራንስፖርት አገልግሎት።

SCHEDULE

Areas of Investment Reserved for Domestic Investors

1. 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 approval from the Council of Ministers, material 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 rased 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 (excluding star-designated hotels), 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 by garment factories;
 - 14) building maintenance and repair and maintenance of vehicles;
 - 15) saw milling and timber making;
 - 16) customs clearance services;
 - 17) museums, theaters and cinema hall operations;
 - 18) printing industries.
2. Without prejudice to the provisions of sub-Article (1) of this schedule, the following areas of investment are exclusively reserved for Ethiopian nationals:
 - 1) banking, insurance and microcredit and saving services;
 - 2) forwarding and shipping agency services;
 - 3) broadcasting services; and
 - 4) air transport services using aircraft with a seating capacity of upto 20 passengers.

AGREEMENT

**BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE
TRANSITIONAL GOVERNMENT OF ETHIOPIA ON THE PROMOTION AND
PROTECTION OF INVESTMENTS**

The Government of the Italian Republic and the Transitional Government of Ethiopia (hereinafter referred to as the Contracting Parties),

Recognizing the importance of promoting investments in both Countries;

Desiring to establish favourable conditions for improved economic cooperation especially in relation to investment by encouraging investors of one Contracting Party to invest in the territory of the other Contracting Party;

Hereby agree as follows:

ARTICLE 1

Definitions

For the purpose of this Agreement:

1. The term "investment" shall be construed to mean any investment effected by a legal or natural person of a Contracting Party in the territory of the other Contracting Party, in conformity with the laws and regulations of the Contracting Parties, after the entry into force of this agreement, irrespective of the legal form chosen, as well as of the legal framework. It shall also include existing investments that meet the legal requirements under the laws of each Contracting Party at the date of entry into force of this Agreement.
Without limiting the generality of the foregoing, the term "investment" comprises in particular, but not limited to:
 - a) movable and immovable property and any ownership right in rem, including real guarantee rights on property of a Third Party, to the extent that it can be invested;
 - b) shares, debentures, equity holdings or any other instrument of credit, as well as Government and public securities in general;
 - c) credits for sums of money or any service right having an economic value connected with an investment, as well as reinvested income and capital gains;
 - d) copyright, commercial trade marks, patents, industrial designs and other intellectual and industrial property rights, know-how, trade secrets, trade names, goodwill;
 - e) any economic right accruing by law or by contract and any license and franchise granted in accordance with the provisions in force on economic activities, including the right to prospect for, extract and exploit natural resources;
 - f) any increase in value of the original investment.

A change in the form in which assets are invested does not affect their character as investment subject to the applicable laws and regulations of the respective Countries.

2. The term "investor" shall be construed to mean any natural or legal person of a Contracting Party investing in the territory of the other Contracting Party as well as foreign subsidiaries, affiliates and branches controlled in anyway by the above natural and legal persons.
3. The term "natural person", in reference to either Contracting Party, shall be construed to mean any natural person holding the nationality of that State in accordance with its laws.
4. The term "legal person", in reference to either Contracting Party, shall be construed to mean any entity having its head office in the territory of one of the Contracting Parties and recognized by it, such as public institutions, corporations, partnerships, foundations and associations, regardless of whether their liability is limited or otherwise.
5. The term "income" shall be construed to mean the money accruing to an investment, including in particular profits or interests, interest income, capital gains, dividends, royalties or payments for technical assistance, technical services, as well as any payment in kind such as, but not exclusively, raw materials, produces, products or live-stock.

6. The term "territory" shall be construed to mean, in addition to the zones contained within the land boundaries, the "maritime zones". The latter also comprise the marine and submarine zones over which the Contracting Parties exercise sovereignty, and sovereign or jurisdictional rights, under international law.
7. "Investment Agreement" means an agreement between a Party (or its agencies or instrumentality's) and an investor of the other Party concerning an investment.
8. "Non discriminatory treatment" means treatment that is at least as favorable as most favored nation treatment.
9. "Right of access" means the right to carry out investments in the territory of the other Contracting Party subject to applicable laws and regulation of the respective Countries including access to financial institutions in any currency to credits and currency markets and to funds held in financial institutions.

ARTICLE 2

Promotion and Protection of Investments

1. Both Contracting Parties shall encourage investors of the other Contracting Party to invest in their territories.
2. Both Contracting Parties shall at all times ensure fair treatment to investments effected by investors of the other Contracting Party. Both Contracting Parties shall ensure that the management, maintenance, use, transformation, enjoyment or assignment of the investments effected in their territory by investors of the other Contracting Party, as well as companies and enterprises in which these investments have been effected, shall in no way be subject to unjustified or discriminatory measures.
3. Each Contracting Party shall create and maintain in its territory a legal framework that guarantees investors the continuity of legal treatment, including the compliance, in good faith, of all undertakings assumed with regard to each specific investment.

ARTICLE 3

National Treatment and the Most Favored Nation Clause

1. The Contracting Parties in which territory the investment is carried out undertake not to interfere directly or indirectly with the smooth operations of investment projects. It shall in particular guarantee that it will not impose discriminatory taxes, restrict procurement of raw materials, create obstacles to the good functioning of investment projects having an impact and comparable to dispossession, engage itself or its officials in capricious and discriminatory treatment.
2. Both Contracting Parties, within the bounds of their own territory, shall offer investments effected by, including matters referred to in Articles 4, 5, 6 and 7 and the income accruing to, investors of the other Contracting Party no less favorable treatment than that accorded to investments effected by, and income accruing to, investors of Third States.
3. In case, from the legislation of one of the Contracting Parties, or from an international obligation in force or that may come into force in the future for one of the Contracting Parties, should come out a legal framework according to which the investors of the other Contracting Party would be granted a more favorable treatment than the one foreseen in this Agreement, the treatment granted to the investors of such other Parties will apply to investors of the relevant Contracting Party also for the outstanding relationships.
4. The provisions under point 1 and 2 of this Article do not refer to the advantages and privileges which one Contracting Party may grant to investors of Third States by virtue of their membership of a Customs or Economic Union, of a Common Market, of a Free Trade Area, of a regional or sub regional agreement, of an international multilateral economic Agreement or under Agreements signed in order to prevent double taxation or to facilitate cross border trade.

ARTICLE 4

Compensation for Damage or Losses

1. Nationals or companies of one Contracting Party whose investments in the territory of the other Contracting Parties suffer losses owing to war or other armed conflict, state of national emergency, civil strife, in the territory of the latter Contracting Party shall be accorded by the latter Contracting Party, as regards restitution, indemnification, compensation or other settlement, treatment no less favorable than that which the latter Contracting Party accords to its own nationals or companies or to nationals or companies of any Third State. x
- The resulting compensation shall be freely transferable without undue delay. m

ARTICLE 5

Nationalization or Expropriation

1. The investments to which this Agreement relates shall not be subject to any measure which could have the effect of depriving the right of ownership, possession, control or enjoyment of the investments, permanently or temporarily, save where specially provided by national or local, legislation or regulations, administrative decisions and orders handed down by Courts or Tribunals having jurisdiction.
2. Investments of investors of the Contracting Parties shall not be nationalized, expropriated, sequestered or subject to any measure having an equivalent effect in the territory of the other Contracting Party except for public purposes or national interest and in exchange for prompt, full and effective compensation, and on condition that these measures are taken on a non-discriminatory basis and in conformity with all legal provisions and procedures.
The compensation shall be equivalent to the fair market value of the expropriated investment immediately before the date on which the actual nationalization, expropriation, or sequestration has been announced or made public. In the absence of an understanding between the host Contracting Party and the investor during the nationalization or expropriation procedure compensation shall be based on the same reference parameters and exchange rates taken into account in the documents for the constitution of the investment.
3. Compensation shall correspond to the fair market value of the nationalized, expropriated or sequestered property reinstating the investor in the same position in which he would have been in the absence of the expropriatory or nationalization measures.
4. The exchange rate applicable to any such compensation shall be that prevailing on the date immediately prior to the moment in which the nationalization or expropriation has been announced or made public.
5. Compensation shall be determined without delay, and at all events within three months, in the currency in which the investment capital was contributed or in a freely convertible currency including accrued interest payable on a six month LIBOR basis from the date of nationalization or expropriation to the date of payment.
6. The provisions of paragraph 2 of this article shall also apply to profits accruing to an investment and in the event of winding-up the proceeds of liquidation.
7. A national or a company of either Party that asserts that all or a part of its investment has been expropriated shall have a right to prompt review by the appropriate judicial or administrative authorities of the other Party to determine whether any such expropriation has occurred and, if so, whether such expropriation, and any compensation thereof, conforms to the recognized principles of international law, and to decide all other matters relating thereto.

ARTICLE 6

Repatriation of Capital, Profits and Income

Each of the Contracting Parties shall guarantee that the investors of the other Contracting Party may transfer, without undue delay, the following abroad in any convertible currency:

- a) capital and additional capital, including reinvested income, used to maintain and increase investment;
- b) the net income, dividends, royalties, payments for technical assistance and technical services, interests and other profits;
- c) income deriving from the total or partial sale or the total or partial liquidation of an investment;
- d) funds to repay loans obtained in accordance with the laws and regulations of the respective countries connected to an investment including payment of the related interest;
- e) remuneration and allowances paid to nationals of the other Contracting Party for work and services performed in relation to an investment effected in the territory of the other Contracting Party, in the amount and manner prescribed by the national legislation and regulations in force.

ARTICLE 7

Subrogation

In the event that one Contracting Party or an Institution thereof has provided a guarantee in respect of non-commercial risks for the investment effected by one of its investors in the territory of the other Contracting Party and has effected payment to said investor on the basis of that guarantee, the other Contracting Party shall

Recognize the assignment of the rights of the investor to the first-named Contracting-Party. In relation to the transfer of payments to the Contracting Party or its Institution by virtue of this assignment, the provisions of Article 5 and 6 of this Agreement shall apply.

ARTICLE 8

Transfer Procedures

1. The transfers referred to in Article 4, 5, 6 and 7 shall be effected in accordance with customary banking procedures, without undue delay and at all events within six months after all fiscal obligations have been met, and shall be made in a convertible currency. All the transfers shall be made at the prevailing exchange rate applicable on the date on which the investor applies for the related transfer with the exception of the provisions under point 4 of Article 5 concerning the exchange rate applicable in case of nationalization or expropriation.
2. The fiscal obligations under the previous paragraph are deemed to be complied with when the investor has fulfilled the procedures provided for by the law of the Contracting Party on the territory of which the investment has been carried out.

ARTICLE 9

Settlement of Disputes between Investors and Contracting Parties

1. Any dispute which may arise between one of the Contracting Parties and the investors of the other Contracting Party on investments, including disputes relating to the amount of compensation, shall be settled amicably, as far as possible.
2. In case the Investor and one entity of one of the Parties have stipulated an investment agreement, the procedure foreseen in such investment agreement shall apply.
3. In the event that such dispute cannot be settled amicably within six months of the date of the written application for settlement, the investor in question may submit at his choice the dispute for settlement to:
 - a) the Contracting Party's Court having territorial jurisdiction;
 - b) an ad hoc Arbitration Tribunal, in compliance with the arbitration regulation of the UN Commission on the International Trade Law (UNCITRAL); and the host Contracting Party undertakes hereby to accept the reference to said arbitration or
 - c) the International Center for Settlement of Investment Disputes, for the implementation of the arbitration procedures under the Washington Convention of 18 March, 1965, on the settlement of investment disputes between States and nationals of other States, if or as soon as both the Contracting Parties have acceded to it.
4. Both Contracting Parties shall refrain from negotiating through diplomatic channels any matter relating to an arbitration procedure or judicial procedures underway until these procedures have been concluded, and one of the Contracting Parties has failed to comply with the ruling of the Arbitration Tribunal or the Court of law within the period envisaged by the ruling, or else within the period which can be determined on the basis of the international or domestic law provisions which can be applied to the case.

ARTICLE 10

Settlement of Disputes between the Contracting Parties

1. Any dispute which may arise between the Contracting Parties relating to the interpretation and application of this Agreement shall, as far as possible, be settled amicably through diplomatic channels.
2. In the event that the dispute cannot be settled within six months of the date on which one of the Contracting Parties notifies, in writing, the other Contracting Party, the dispute shall, at the request of one of the Contracting Parties, be submitted to an ad hoc Arbitration Tribunal as provided in this Article.
3. The Arbitration Tribunal shall be constituted in the following manner: within two months from the moment on which the request for arbitration is received, each of the two Contracting Parties shall appoint a member of the Tribunal. The two members shall then choose a national of a Third State to serve as President. The President shall be appointed within three months of the date on which the other two members are appointed.
4. If, within the period specified in paragraph 3. of this Article, the appointments have not been made, each of the two Contracting Parties can, in default of other arrangement, ask the President of the International Court of Justice to make the appointment. In the event that the President of the Court is a national of one of the Contracting Parties or it is, for any reason, impossible for him to make the appointment, the

application shall be made to the Vice President of the Court. If the Vice-President of the Court is a national of one of the Contracting Parties, or is unable to make the appointment for any reason, the most senior member of the International Court of Justice, who is not a national of one of the Contracting Parties, shall be invited to make the appointment.

5. The Arbitration Tribunal shall rule with a majority vote, and its decisions shall be binding. Both Contracting Parties shall pay the costs of their own arbitration and of their representative at the hearings. The President's costs and any other cost shall be divided equally between the Contracting Parties. The Arbitration Tribunal shall lay down its own procedures.

ARTICLE 11

Relations between Governments

The provisions of this Agreement shall be applied irrespective of whether or not the Contracting Parties have diplomatic or consular relations.

ARTICLE 12

Application of other Agreements

1. If a matter is governed both by this Agreement and by another International Agreement to which both Contracting Parties are signatories, or by recognized principles of international law, the most favorable provisions shall be applied to the Contracting Parties and to their investors.
2. Whenever the treatment accorded by one Contracting Party to the investors of the other Contracting Party, according to its laws and regulations or other provisions or specific contract or investment authorizations or agreement, is more favorable than that provided under this Agreement, the most favorable treatment shall apply.

ARTICLE 13

Entry into Force

1. This Agreement shall be ratified; the instruments of ratification shall be exchanged as soon as possible.
2. This Agreement shall enter into force one month after the date of exchange of the instruments of ratification. It shall remain in force for a period of ten years and shall be extended thereafter for an unlimited period unless denounced in writing by either Contracting Party twelve months before its expiration. After the expiry of the period of ten years this Agreement may be denounced at any time by either Contracting Party giving twelve months notice.
3. In respect of investments made prior to the date of termination of this Agreement, the provisions of Articles 1 to 10 shall continue to be effective for a further period of five years from the date of termination of this Agreement.

In WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments.

DONE AT Addis Ababa (Ethiopia) ~~THIS~~ twenty-third day of December one thousand nine hundred and ~~ninety~~ four

in two copies, one in Italian language and one in English language, both texts equally authentic.

FOR THE GOVERNMENT
OF THE ITALIAN REPUBLIC

THE AMBASSADOR OF ITALY

(MAURIZIO MELANI)




FOR THE TRANSITIONAL
GOVERNMENT OF ETHIOPIA

THE GENERAL MANAGER OF THE
INVESTMENT OFFICE OF ETHIOPIA

(EZRA WORKU)




99
1/10

PROTOCOL

On signing the Agreement between the Government of the Italian Republic and the Transitional Government of Ethiopia on the Promotion and Protection of Investments, the Contracting Parties also agreed to the following clauses, which shall be deemed to form an integral part of the Agreement.

General Provisions

This Agreement and all provisions thereof referred to "investments", apply as well to the following associated activities subject to the applicable laws and regulations of the respective Countries: the organization, control, operation, maintenance and disposition of companies, branches, agencies, offices, factories or other facilities for the conduct of business; the making, performance and enforcement of contracts; the purchase, issuance and sale of equity shares and other securities; and the purchase of exchange for imports.

"Associated activities" also include, without limitation:

- I) the granting of franchises or rights under licenses;
- II) the receipt of registrations, licenses, permits and other approvals necessary for the conduct of commercial activity which shall in any event be issued expeditiously, as provided for in the legislation of the Contracting Parties;
- III) the importation and installation of equipment necessary for the normal conduct of business affairs, including, but not limited to, office equipment and automobiles so imported;
- IV) the dissemination of commercial information;
- V) the conduct of market studies;
- VI) the appointment of commercial representatives, including agents, consultants and distributors (i.e., mediators in the distribution of products which they themselves did not produce), and the serving as the same, and their participation in trade fairs and other promotional events;
- VII) the marketing of goods and services, including through internal distribution and marketing systems, as well as by advertising and direct contact with nationals and companies and;
- VIII) payment for goods and services in local currency.

2. With reference to Article 2

- a) The Contracting Parties may stipulate in their investment agreement the conditions which will govern the specific legal relationship related to said investment.
- b) Neither of the Contracting Parties will set any conditions for the establishment, the expansion or the continuation of investments, which might have the effect of taking over or the imposing of any obligation to domestic or international sales. With regard to the procurement or importation of capital goods and equipment any investor may procure any goods provided they are not available in the Country in comparable quality or price.
- c) Each Contracting Party will provide effective means of asserting claims and enforcing rights with respect to investments and authorizations relating thereto and investment agreements.
- d) Subject to the applicable laws and regulations the citizen of either Contracting Parties shall have the right to work in the territory of the other Contracting Party in connection with an investment. They will be provided with adequate working conditions for the carrying out of their professional activities.
- e) Subject to the applicable laws, the appropriate authorities of the Contracting Parties shall allow the nationals, together with their dependents, of the other contracting party to enter or leave and to remain in the territory of the other Contracting Party for the purpose of establishing, developing, administering, or advising on the operation of an investment for which they, or a company of the Party that employees them, are committed or are in the process of implementing an investment project.
- f) In the case of joint investment, the selection and appointment of managerial positions in the investment enterprises to be established is in principle negotiable and shall be distributed equitably.

Companies which are fully owned or controlled by the other Party, shall be permitted to engage top managerial personnel of their choice.

17

3. With reference to Article 3

All the activities relating to the procurement, sale and transport of raw and processed materials, energy, fuels and production means, as well as any other kind of operation related thereto and entrepreneurial activities under this Agreement shall be accorded, in the territory of each Contracting Party, no less favorable treatment than that accorded to similar activities of investors nationals of a Third Country.

4. With reference to Article 9

Under Article 9 (3) (b) arbitration shall be conducted in accordance with the arbitration rules and regulations of the United Nations Commission on International Trade Law (UNCITRAL), as laid down in the UN General Assembly Resolution 31/98 of December 15, 1976 as well as pursuant to the following provisions:

- a) The Arbitration Tribunal shall be composed of three arbitrators; if they are not nationals of either Contracting Party, they shall be nationals of States having diplomatic relations with both Contracting Parties.

The appointment of arbitrators, when necessary pursuant to the UNCITRAL Rules, will be made by the President of the Arbitration Institute of the Stockholm International Chamber of Commerce, in his capacity as Appointing Authority. The venue for arbitration shall be agreed between the two Contracting Parties.

- b) When delivering its decision, the Arbitration Tribunal shall in any case apply also the provisions contained in this Agreement, as well as the recognized principles of international law.

The recognition and enforcement of the arbitration decision in the territory of the Contracting Parties shall be governed by their respective national legislation's, in compliance with the relevant international Conventions to which they are signatories.

- In WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments.

DONE AT Addis Ababa (Ethiopia) this twenty-third day of December one thousand nine hundred and ninety four in

two copies, one in the Italian language and one in English language, both texts being equally authentic.

FOR THE GOVERNMENT
OF THE ITALIAN REPUBLIC

THE AMBASSADOR OF ITALY

(MAURIZIO MELANI)



FOR THE TRANSITIONAL
GOVERNMENT OF ETHIOPIA

THE GENERAL MANAGER OF THE
INVESTMENT OFFICE OF ETHIOPIA

(EZRA WORKU)



Appendix III

Factors involved in the FDI decision

Overarching Factors

General Motives

Profitability, expansion,

Competitive advantage, market power,

World reputation, global presence

The Business Environment and Business Culture

Stable political & economic environment, absence of 'nuisance costs' (bureaucracy & corruption), quality of life; business culture: procedures, relationships & networks, preference for similar or familiar culture

Supportive Government Policies

macroeconomic stability, market liberalization, low corporate taxation,

Currency convertibility, ownership & profit regulations, good education & training, efficient infrastructure, financial incentives

A Country's Stock of 'Created Assets'

tangible assets: infrastructure, distribution networks;

intangible assets: skills, technology, innovation, intellectual

property, organizational relationships, business culture

Specific Factors

Access to Resources

where large quantities of resources are needed,

where specialized resources are immobile, where

resources are core business, e.g. mining & petroleum

Market Advantages

access to large & growing markets, regional export base, SME supply chains,

benefits of local labour & supplies, local knowledge and acceptance,

supports 'relationship marketing', competitive advantage

Cost Reduction

International competitiveness, low - cost raw materials, energy & labour,

External economies of scale, financial incentives, low taxation &

Non - wage labour costs, reduced transport costs, internalized operations

Overcoming trade barriers

Natural barriers: culture & language; trade barriers: tariffs, quotas

& non - tariff barriers, barriers can be circumvented or overcome by FDI

28. Low-cost, prefinancing loans
29. Leasing incentives
30. Capital-equipment subsidies
31. Assistance in feasibility and marketing studies
32. Assistance in land and labor search
33. "Unconditional" capital subsidies
34. Partial government loan underwriting
35. Special incentives for hotel construction and other specialized projects
36. Cash grants for fixed assets
37. Fiscal incentives regarding carry-back/carry-forward losses
38. Guarantees against exchange rate losses
39. Exemptions on import of raw materials and semi manufactured items
40. 100 percent exemptions where manufacturing for 100 percent exports
41. Antidumping protection
42. Government competition protection
43. Government advisory services
44. Subsidized factory premises rental
45. Cash grants for moving costs
46. Housing allowances for personnel
47. Company-merger incentives
48. Investment-credit guarantees
49. Protection of trademarks, patents, and copyrights
50. Exclusive licenses
51. Guarantees against price controls

Appendix V (2)

Table 2
List of foreign investment projects approved by the EIA from
July 1992 to July 7 1997 G.C.

No.	Project Name & Origin	Type of Project	Status of the proj.	Investment Capital ('000 Birr)			Source of Finance ('000 Birr)			Employment Creation	Foreigners' s in Investment Capital	Date of Approval	Location
				Local	Foreign	Total	Equity	Loan					
1	MIDROC Construction P.c. (Saudi Arabian/Ethiopian)	Construction	S	8,204.0	35,001.4	43,205.4	43,205.4	-	1,000	100%	5/3/93	Region 14	
2	MIDROC Construction Ethiopia P.c. s/ (Saudi Arabia/Ethiopia)	Construction (Expansion)	I	4,590.0	102,410.0	107,000.0	107,000.0	-	1,500	100%	22/7/94	Region 14	
3	National Mining Corporation Al Amoudi(Saudi Arabian)	Metallic processing	P	-	44,452.6	44,452.6	44,452.6	-	99	100%	17/2/93	Affar	
4	MIDROC Ethiopia P.c. (Saudi Arabian/Ethiopian)	Five star hotel	I	28,980.0	115,920.0	144,900.0	144,900.0	-	480	100%	9/9/92	Region 14	
5	Abdullah safeyman Al Hosaini (Saudi Arabian)	Cattle fattening and meat processing	I	1,586.0	2,490.0	4,076.0	4,076.0	-	104	100%	20/4/94	Oromia	
6	ZAK Ethiopia Manufacturing and Trading plc(Kenyan/Ethiopian)	Soap and detergent production	I	18,300.0	7,880.0	26,180.0	26,180.0	-	241	66%	28/1/94	Region 14	
7	Princess Naif Bent Abdulaziz (Saudi Arabian)	Higher Clinic	X	4,970.0	3,650.0	8,620.0	8,620.0	-	50	100%	20/6/94	Region 14	
8	AL-MESH P.L.C. (Saudi Arabian/Ethiopian)	Cotton, com. and ground-mud production	I	79,533.5	324,901.7	404,435.2	324,901.7	79,533.5	511 b/	70%	2/6/94	Affar	
9	Nutrition Dynamic Ethiopia P.L.C.(U.S.A./Ethiopia)	Infant formula and baby food manufacturing	X	6,250.0	38,347.0	44,597.0	13,379.1	31,217.9	172	50%	8/7/94	Region 14	
10	Daylight Engineering P.c. (Saudi Arabian/Ethiopian)	Incandescent & fluorescent lamps manufacturing	I	49,583.1	132,616.3	182,199.4	182,199.4	-	545	70%	7/9/94, 14/01/97	Region 14	
11	"P and P" P.L.C. (Italian/Ethiopian)	Light vehicles assembly plant	I	1,058.1	22,827.0	23,885.1	15,395.3	8,289.8	70	50%	2/1/94	Debre Zeit/Oromia	
12	AL-MESH P.c. (Saudi Arabian/Ethiopian)	Chip wood Production & Plantation	I	31,587.0	62,162.0	93,749.0	89,202.0	4,547.0	217	70%	20/1/95	South Eth.	
13	"vivi constructing Ethiopia P.c.(CMC) (Italian)	Construction: construction materials mfg.	S	-	71,126.3	71,126.3	71,126.3	-	200	100%	20/6/95	Region 14	
14	Modern building industries plc (Saudi Arabian/Ethiopian)	Non-metallic fillers mfg.	I	2,196.9	43,291.5	45,488.4	45,488.4	-	66	70%	22/6/95	Affar	
15	Bereika agricultural enterprise plc. (Yemeni/Saudi/Ethiopian)	Oil crops, maize and honey production	P	1,144.6	4,080.6	5,225.2	4,262.7	962.5	34	68%	2/10/95	Oromia	
16	Ethio-Japan synthetic textiles Sh.co. (Japanese/Ethiopian)	Nylon fabrics manufacturing	P	4,956.0	14,741.9	19,697.9	14,697.9	5,000.0	28	68%	18/12/95	Oromia	
17	BGI (Ethiopia) plc. (French / Ethiopian)	Beer and Soft Drinks Mfg	X	0.0	186,735.0	186,735.0	63,300.0	123,435.0	300	70%	13/3/96	Amhara	
18	Positive Vibrations Inc.(Ethiopia Branch) (U.S.A.)	Cotton, Flower & Fruits prod.	I	7,324.4	14,450.1	21,774.5	10,887.2	10,887.3	70	100%	28/2/96	South Eth.	

40	Gatfer Enterprises (Blue Nile Tannery) (Sudanese)	Tannery	P	5,907.6	1,838.4	7,746.0	4,046.0	3,700.0	32	100%	01/01/96	Sabail/ Oromia
41	East African Pharmaceuticals Plc (Sudanese/British)	Human & Veterinary medicines & drugs mfg	X	785.0	3,523.0	4,308.0	1,625.0	2,683.0	46	100%	19/12/96	Region 14
42	Amaz Morgan Chapman (Trinidad & Tobago)	Three Star Hotel	X	7,252.1	147.1	7,399.2	7,399.1	-	37	100%	05/02/97	Shashamnu/ Oromia
43	AL-MESH PLC (Saudi/ Ethiopian)	Crop production(irrigation/raintfed)	X	524,900.0	637,600.0	1,162,500.0	1,162,500.0	-	283	70%	07/02/97	Upper Bekisu/ Amhara
44	AL-MESH PLC (Saudi/ Ethiopian)	Irrigation Agriculture	X	206,400.0	138,700.0	345,100.0	345,100.0	-	280	70%	07/02/97	Borena/ Oromia
45	Mohab Soft Drinks Industry S.C. (Saudi Arabian/Eth.)	Pepsi Cola Factory Project	X	25,201.0	34,472.0	59,673.0	59,673.0	-	333	70%	21/03/97	Awassa/ South. Eth.
46	Myungjung International Development Plc (South Korean)	Horticulture & Livestock Farming	X	21,420.3	4,320.6	25,740.9	25,740.9	-	182	100%	11/03/97	Oromia/
47	Lanlan Soap Factory (French / Eth.)	Soap Factory	X	3,400.0	3,200.0	6,600.0	5,600.0	1,000.0	35	48.5%	12/02/97	Nazro/ Oromia
48	Kalworks Ethiopia Branch Plc (Kenyan)	Aluminium Cookware & other fabricated products mfg	X	-	10,050.0	10,050.0	3,350.0	6,700.0	85	100%	21/12/97	Region 14
49	Amin Car General Contractors PLC (German/Egyptian)	General Construction	X	15,748.0	37,798.0	53,546.0	34,000.0	19,546.0	578	100%	15/04/97	Region 14
50	Sunmit Partners (Ethiopia) PLC (Ceylan Island/American)	Soft drinks & Mineral water mfg.	X	9,700.0	53,300.0	63,000.0	63,000.0	-	193	100%	16/04/97	Region 14
51	Delta Drilling Plc (Chinese/Eth.)	Water well drilling	X	1,158.8	2,861.2	4,020.0	4,020.0	-	18	50%	23/04/97	Region 14
52	UNICHEMICAL manufacturing Plc (Yemen/Eth.)	Paints Mfg Plant	X	2,949.4	1,988.6	4,938.0	4,938.0	-	40	70%	09/05/97	Region 14
53	Tadesse Workroh Tamene (American)	Engineering Consultancy	X	310	350.4	660.4	660.4	-	7	100%	13/05/97	Region 14
54	Mohammed Ab Ahmed (American)	Computer Engineering & Consultancy	X	1820	1720	3540	3540	-	25	100%	13/05/97	Region 14
55	MEI /Ethiopia branch/ PLC (American)	Organic Fertilizer Production	X	19250	53900	73150	73150	-	220	73%	15/05/97	Region 14
56	Al Mohammed Al Ibrahim (Sudanese)	Water well drilling	X	4571.5	11899.8	16461.3	16461.3	-	53	100%	15/05/97	Region 14
57	Salam Health Care Plc (Saudi Arabian)	Pharmaceutical Products mfg.	X	11050	54296	65346	65346	-	54	100%	27/05/97	Region 14
58	IGTC Ethiopia Plc (French/Ethiopian)	Engineering Consultancy	X	313.4	1464	1777.4	1774.4	-	20	71.9%	29/05/97	Region 14
59	INGEO/Ethiopia branch/PLC (Slovakia)	Water well drilling,Engineering & technical consultancy	X	587.9	6121.9	6709.8	6709.8	-	33	100%	22/04/97	Region 14
60	BIO SOL PLC (French/Ethiopian)	Intravenous Solutions Mfg.	X	6722	16575.1	23297.1	6000	17297.1	67	52%	27/08/97	Region 14
61	Myungjung International Development Plc (South Korean)	General Construction	X	3880.9	28058.3	31939.2	31939.2	-	96	100%	16/04/97	Region 14
62	KAF Plc (Indian/Ethiopian)	Cattle Fattening & Meat Processing	X	1661.2	1940.8	3602	3602	-	43	72%	23/06/97	Adwa/Tigray
63	Magden Baketani Industrieh Plc	Textile Mfg.	X	6484.6	2828.4	8312.8	8313	-	88	70%	26/06/97	Region 14

Appendix V(b)

Table 1.1 Number and Investment capital of foreign Investment Projects Approved, by country of origin and ownership pattern, Hamle
1984 - Sene 30, 1994 E.C. (July 1992 - July 7, 2002)

Country of Origin	Wholly foreign						Jointly with Domestic						Grand Total	
	New		Expansion		total		New		Expansion		Total		No of Proj.	Investment Capital
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital		
Austria	2	11.95	-	-	2	11.95	-	-	-	-	-	-	2	11.95
Vangladish/China	-	-	-	-	-	-	1	8.58	-	-	1	8.58	1	8.58
Belgium	-	-	-	-	-	-	1	5.71	-	-	1	5.71	1	5.71
Canada	-	-	-	-	-	-	3	102.65	-	-	3	102.65	3	102.65
Canada/USA	-	-	-	-	-	-	2	128.69	-	-	2	128.69	2	128.69
Cayman is./USA	1	63.00	-	-	1	63.00	-	-	-	-	-	-	1	63.00
China	3	36.95	-	-	3	36.95	7	96.08	-	-	7	96.08	10	133.04
D.R Korea	1	3.37	-	-	1	3.37	-	-	-	-	-	-	1	3.37
Denmark	-	-	-	-	-	-	1	16.88	-	-	1	16.88	1	16.88
Djibuti	3	86.51	-	-	3	85.51	1	5.73	-	-	1	5.73	4	92.24
Egypt	1	54.33	-	-	1	54.33	-	-	-	-	-	-	1	54.33
Egypt/Germany	1	10.33	-	-	1	10.40	-	-	-	-	-	-	1	10.40
France	2	21.59	2	20.05	4	41.63	6	227.58	1	125.86	7	353.44	11	395.07
Germany	4	16.57	-	-	4	16.57	6	29.46	-	-	6	29.46	10	46.03
Germany/Saudi	1	86.62	-	-	1	86.62	-	-	-	-	-	-	1	86.62
Greece	-	-	-	-	-	-	3	50.48	-	-	3	50.48	3	50.48
Holland	1	13.35	-	-	1	13.35	3	276.68	-	-	3	276.68	4	290.03
Holland /USA	1	9.42	-	-	1	9.42	-	-	-	-	-	-	1	9.42
India	7	216.11	-	-	7	216.11	6	105.95	1	10.12	7	116.08	14	332.19
Indonesia	-	-	-	-	-	-	1	28.99	-	-	1	28.99	1	28.99
Iran	1	10.97	-	-	1	10.97	2	87.56	-	-	2	87.56	3	98.53
Israel	2	20.80	-	-	2	20.80	4	82.27	-	-	4	82.27	6	103.07
Italia	8	101.32	-	-	8	101.32	11	189.33	3	15.76	14	205.08	22	306.40
Italy/Canada	1	91.16	-	-	1	91.16	-	-	-	-	-	-	1	91.16
Italy/Israel	-	-	-	-	-	-	1	32.30	-	-	1	32.30	1	32.30
Italy/Saudi/Yemen	1	10.37	-	-	1	10.37	-	-	-	-	-	-	1	10.37
Japan	-	-	-	-	-	-	-	-	1	19.70	1	19.70	1	19.70
Japane	-	-	-	-	-	-	-	-	1	77.40	1	77.40	1	77.40
Jordan	2	32.16	-	-	2	32.16	3	118.58	-	-	3	118.58	5	150.74
Kenya	5	60.90	-	-	5	60.90	1	26.18	2	12.94	3	39.12	8	100.02
Kenya/Mauritius	1	50.39	1	66.06	2	116.44	-	-	-	-	-	-	2	116.44
Kenya/Pakistan	1	14.05	-	-	1	14.05	-	-	-	-	-	-	1	14.05
Kenya/UK	3	28.74	-	-	3	28.74	-	-	-	-	-	-	3	28.74
Korea	1	10.68	-	-	1	10.68	-	-	-	-	-	-	1	10.68
Libya	-	-	-	-	-	-	1	8.82	-	-	1	8.82	1	8.82

Source: EIC

Table 1.2 Number of foreign Investment Projects approved (wholly foreign and Joint), by sector and Region , Hamle 1984- Senc 30, 1991

E. C. (July 1992 - July 7, 2002)

SECTOR	Tigray		Afar		Amhara		Oromia		SNNPR		Gambella		Harar		Addis Ababa		Dire Dawa		Multi- regional		Total
	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan			
Primary Sector	1	1	4	1	2	-	20	1	5	1	1	-	-	-	2	-	1	-	1	-	30
Food Crops farming	-	-	-	-	2	-	4	-	1	-	-	-	-	-	-	-	-	-	-	-	7
Cash crops farming	-	-	2	-	-	-	7	1	2	1	1	-	-	-	-	-	-	-	-	-	12
Mixed food and cash crops farming	-	-	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Livestock farming	1	1	1	-	-	-	3	-	-	-	-	-	-	-	-	-	1	-	1	-	7
Integrated crops and livestock farming	-	-	-	-	-	-	3	-	1	-	-	-	-	-	-	-	-	-	-	-	1
Fishing	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	3
Mining and quarrying	-	-	-	1	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	143
Secondary Sector	6	6	1	-	3	-	35	4	4	-	-	-	-	74	12	4	-	-	-	-	19
Food products	1	1	-	-	1	-	8	1	1	-	-	-	-	8	-	-	-	-	-	-	19
Beverages	2	2	-	-	-	-	5	-	1	-	-	-	-	5	2	2	-	-	-	-	6
Textiles except garment	-	-	-	-	-	-	1	1	-	-	-	-	-	1	-	-	-	-	-	-	4
Garment and related articles	1	1	-	-	-	-	1	1	-	-	-	-	-	1	1	-	-	-	-	-	2
Tanneries	-	-	-	-	-	-	-	-	2	-	-	-	-	1	1	-	-	-	-	-	2
Footwear	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Wood products except furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	4	1	-	-	-	-	-	10
Paper, paper products and printing	-	-	-	-	-	-	4	-	-	-	-	-	-	10	1	-	-	-	-	-	6
Chemical products	1	1	1	-	1	-	3	-	-	-	-	-	-	5	-	-	-	-	-	-	17
Pharmaceutical products	-	-	-	-	1	-	3	-	-	-	-	-	-	11	1	1	-	-	-	-	9
Plastic/rubber products except footwear	-	-	-	-	-	-	1	1	-	-	-	-	-	6	-	-	-	-	-	-	22
Non-metallic mineral products	-	-	-	-	-	-	6	-	-	-	-	-	-	12	2	-	-	-	-	-	4
Metal products including machinery and equ	1	1	-	-	1	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	3
Electrical Machinery and apparatus	-	-	-	-	-	-	1	-	-	-	-	-	-	1	1	-	-	-	-	-	2
Motor Vehicles and other transport equip	-	-	-	-	-	-	1	-	-	-	-	-	-	2	-	-	-	-	-	-	2
Furniture	-	-	-	-	-	-	11	-	4	1	-	-	1	-	1	-	-	-	-	-	125
Other manufacturing	-	-	-	-	-	-	2	-	-	-	-	-	-	97	6	3	-	-	-	-	32
Tertiary Sector	1	1	-	-	1	-	2	-	-	-	-	-	-	27	3	-	-	-	-	-	9
Construction	-	-	-	-	-	-	1	-	-	-	-	-	-	8	-	-	-	-	-	-	11
Construction machinery leasing	-	-	-	-	-	-	1	-	-	-	-	-	-	10	-	-	-	-	-	-	9
Real estate development	-	-	-	-	-	-	1	-	-	-	-	-	-	6	2	1	-	-	-	-	8
Distributive trade and maintenance service	-	-	-	-	-	-	4	-	-	-	-	-	-	3	-	1	-	-	-	-	15
Hotel and tourism	-	-	-	-	-	-	1	-	3	1	-	-	1	8	-	1	-	-	-	-	14
Education Service	1	1	-	-	1	-	1	-	-	-	-	-	-	10	-	-	-	-	-	-	16
Health service	-	-	-	-	-	-	-	-	-	-	-	-	-	25	1	-	-	-	-	-	26
Other businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8	8	5	1	5	-	66	5	13	1	1	-	1	-	173	18	5	-	2	-	201

Source: EIC

Table 1.3. Investment Capital of foreign Investment Projects Approved (wholly foreign Joint), by Sector and Region, Hamle 1984- Sene 30, (July 1992 - July 7, 2002)

SECTOR	Tigray		Afar		Amhara		Oromia		SNNPR		Gambella		Harar		Addis Ababa		Dire Dawa		Multi- regional		Total
	New	Exp an	New	Expan	New	Exp an	New	Exp an	New	Exp an	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	
Primary Sector	3.60	-	575.0	44.45	1,169.14	-	1,122.57	30	90.0	-	24.9	-	-	-	23.8	-	3.00	-	129.9	-	3,217.36
Food Crops farming	-	-	-	-	1,169.14	-	150.29	-	9.71	-	-	-	-	-	-	-	-	-	-	-	1,329.14
Cash crops farming	-	-	156.4	-	-	-	443.82	30	52.2	-	24.9	-	-	-	-	-	-	-	-	-	717.43
Mixed food and cash crops farming	-	-	404.4	-	-	-	438.71	-	2	-	-	-	-	-	-	-	-	-	-	-	843.15
Livestock farming	3.60	-	4.08	-	-	-	43.78	-	-	-	-	-	-	-	-	-	3.00	-	129.9	-	185.28
Integrated crops and livestock farming	-	-	-	-	-	-	45.97	-	-	-	-	-	-	-	-	-	-	-	-	-	61.55
Fishing	-	-	-	-	-	-	-	-	15.5	-	-	-	-	-	-	-	-	-	-	-	12.57
Mining and carrying	-	-	-	44.45	-	-	-	-	12.5	-	-	-	-	-	-	-	-	-	-	-	66.25
Secondary Sector	665.1	-	48.49	-	297.43	-	1,318.50	73	-	-	-	-	-	-	23.8	-	242.	-	-	-	6,233.38
Food products	109.2	-	-	-	-	-	174.38	32	251.	-	-	-	-	-	249.69	-	-	-	-	-	572.01
Beverages	465.3	-	-	-	186.74	-	623.22	-	5.87	-	-	-	-	-	139.96	218.4	51.8	-	-	-	1,745.19
Textiles except garment	56.7	-	-	-	-	-	623.22	19	59.6	-	-	-	-	-	154.61	1.54	166.	-	-	-	362.51.
Garment and related articles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.85	-	-	-	-	-	64.84
Tanneries	-	-	-	-	-	-	4.21	10	-	-	-	-	-	-	118.54	34.80	-	-	-	-	171.42
Footwear	-	-	-	-	-	-	7.75	-	-	-	-	-	-	-	10.90	7.23	-	-	-	-	18.12
Wood products except furniture	-	-	-	-	-	-	-	-	186.	-	-	-	-	-	-	-	-	-	-	-	180.45
Paper, paper products and printing	30.9	-	-	-	-	-	-	-	-	-	-	-	-	-	40.55	55.42	-	-	-	-	95.97
Chemical products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	202.25	9.14	-	-	-	-	333.21
Pharmaceutical products	-	-	-	-	-	-	90.89	-	-	-	-	-	-	-	1,159.31	-	-	-	-	-	1,274.28
Plastic/rubbers products except footwear	-	-	48.49	-	7.55	-	114.96	-	-	-	-	-	-	-	199.32	77.40	3.65	-	-	-	358.69
Non-metallic mineral products	2.88	-	-	-	103.20	-	66.20	10.1	-	-	-	-	-	-	115.03	-	-	-	-	-	178.92
Metal products including machinery and equ	-	-	-	-	-	-	5.86	-	-	-	-	-	-	-	157.79	69.68	-	-	-	-	615.92
Electrical Machinery and apparatus	-	-	-	-	-	-	182.19	-	-	-	-	-	-	-	210.89	-	-	-	-	-	210.69
Motor Vehicles and other transport equip	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.47	6.99	-	-	-	-	53.14
Furniture	-	-	-	-	-	-	23.69	-	-	-	-	-	-	-	18.63	-	-	-	-	-	33.68
Other manufacturing	-	-	-	-	36.91	-	15.69	-	-	-	-	-	-	-	-	54.03	-	-	-	-	62.13
Tertiary Sector	36.91	-	-	-	-	-	15.06	-	-	-	-	-	-	-	4,244.61	397.0	34.5	-	-	-	5,878.07
Construction	-	-	-	-	-	-	8.10	-	-	-	-	-	-	-	940.54	373.6	7	-	-	-	1,359.72
Construction machinery leasing	-	-	-	-	-	-	1,048.38	-	56.4	4.77	-	-	18.4	-	76.55	-	-	-	-	-	375.29
Real estate development	-	-	-	-	-	-	45.50	-	-	-	-	-	-	-	1,956.60	-	-	-	-	-	2,528.83
Distributive trade and maintenance service	-	-	-	-	-	-	298.74	-	-	-	-	-	-	-	220.49	20.05	-	-	-	-	270.92
Hotel and tourism	-	-	-	-	-	-	572.22	-	-	-	-	-	-	-	171.78	-	7.54	-	-	-	236.22
Education Service	36.81	-	-	-	36.91	-	30.39	-	53.0	-	-	-	18.4	-	401.34	-	18.4	-	-	-	602.04
Health service	-	-	-	-	-	-	56.90	-	3.34	4.77	-	-	-	-	247.51	-	8.58	-	-	-	269.91
Other businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	229.79	3.37	-	-	-	-	233.16
Grand Total	706.70	-	623.44	44.45	1,503.52	-	3,485.44	103.00	398	4.77	24.9	-	18.4	-	7,072.18	931.88	280.	-	129.93	-	16,326.60

Source: EIC

Table 1.4 Number and Investment Capital of foreign Investment Projects (Wholly foreign and Joint) Which Have Commenced operation, by Sector and Pattern of Ownership; Hamle 1984 - Sene 30, 1994 E.C. (July 1992 - July 7, 2002)

Country of Origin	Wholly foreign						Jointly with Domestic						Grand Total	
	New		Expansion		total		New		Expansion		Total			
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital
Primary Sector	3	92.77	1	44.45	1	1,183.81	-	-	7	1,276.58	1	44.45	8	1,321.04
Food Crops farming	-	-	-	-	3	1,175.74	-	-	3	1,175.74	-	-	3	1,175.74
Cash crops farming	1	67.05	-	-	-	-	-	-	1	67.05	-	-	1	67.05
Mixed food and cash crops farming	-	-	-	-	1	8.07	-	-	1	8.07	-	-	1	8.07
Livestock farming	1	16.31	-	-	-	-	-	-	1	16.31	-	-	1	16.31
Integrated crops and livestock farming	1	9.42	-	-	-	-	-	-	1	9.42	-	-	1	9.42
Mining and carrying	-	-	1	44.45	-	-	-	-	-	-	1	44.45	1	44.45
Secondary Sector	14	274.81	1	10.33	21	469.69	3	103.83	35	744.49	4	114.16	39	358.65
Food products	2	42.07	-	-	2	19.15	-	-	4	61.22	-	-	4	61.22
Beverages	1	130.90	-	-	5	160.03	-	-	6	290.93	-	-	6	290.93
Textiles except garment	-	-	-	-	-	-	1	18.23	-	-	1	18.23	1	18.23
Garment and related articles	-	-	-	-	1	3.33	-	-	1	3.33	-	-	1	3.33
Tanneries	1	7.75	1	10.33	-	-	-	-	1	7.75	1	10.33	2	18.08
Footwear	1	4.20	-	-	-	-	-	-	1	4.20	-	-	1	4.20
Paper, paper products and printing	1	9.90	-	-	-	-	1	8.20	1	9.93	1	8.20	2	18.13
Chemical products	-	-	-	-	4	32.62	-	-	4	32.62	-	-	4	32.62
Pharmaceutical products	1	10.79	-	-	1	22.06	-	-	2	32.85	-	-	2	32.85
Plastic/rubbers products except footwear	4	47.58	-	-	1	5.79	1	77.40	5	53.37	1	77.40	6	130.76
Non-metallic mineral products	1	12.10	-	-	2	55.37	-	-	3	77.47	-	-	3	77.47
Metal products including machinery and equ	2	9.49	-	-	4	124.92	-	-	6	134.41	-	-	6	134.41
Electrical Machinery and apparatus	-	-	-	-	1	36.42	-	-	1	36.42	-	-	1	36.42
Tertiary Sector	11	1,262.45	4	387.36	5	14.95	-	-	16	1,277.40	4	387.36	20	1,664.76
Construction	4	84.72	2	367.31	1	9.54	-	-	5	94.26	2	367.31	7	461.57
Distributive trade and maintenance service	-	-	2	20.05	-	-	-	-	-	-	2	20.05	2	20.05
Hotel and tourism	1	1,162.00	-	-	-	-	-	-	1	1,162.00	-	-	1	1,162.00
Education Service	1	6.18	-	-	-	-	-	-	1	6.18	-	-	1	6.18
Other businesses	5	9.55	-	-	4	5.41	-	-	9	14.96	-	-	9	14.96
Grand total	28	1,630.03	6	442.14	30	1,668.44	3	103.83	58	3,298.48	9	545.97	67	3,044.45

Source: EIC

Table 1.6 Number and investment capital foreign investment projects (wholly foreing and joint) which Have Commenced Option, by sector and pattern of Ownership, Hamle 1984 – Sene 30, 1994 E.C. (July 1992 – july 7, 2002)

Sector/sub-sector	Wholly foreign				Jointly with Domestic				total				Grand Total	
	New		Expansion		New		Expansion		New		Expansion		No of Proj.	Investmen t Capital
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investmen t Capital	No of Proj.	Investmen t Capital	No of Proj.	Investmen t Capital				
Primary Sector	3	92.77	1	44.45	1	1,183.81	-	-	7	1,276.58	1	44.45	8	1,321.04
Food Crops farming	-	-	-	-	3	1,175.74	-	-	3	1,175.74	-	-	3	1,175.74
Cash crops farming	1	67.05	-	-	-	-	-	-	1	67.05	-	-	1	57.05
Mixed food and cash crops farming	-	-	-	-	1	8.07	-	-	1	8.07	-	-	1	8.07
Ligestock farming	1	16.31	-	-	-	-	-	-	1	16.31	-	-	1	15.31
Integrated crops and livestock farming	1	9.42	-	-	-	-	-	-	1	9.42	-	-	1	9.42
Mining and carrying	-	-	1	44.45	-	-	-	-	-	-	1	44.45	1	44.45
Secondary Sector	14	274.81	1	10.33	21	469.69	3	103.83	35	744.49	4	114.16	39	358.65
Food products	2	42.07	-	-	2	19.15	-	-	4	61.22	-	-	4	61.22
Beverages	1	130.90	-	-	5	160.03	-	-	6	290.93	-	-	6	290.93
Textiles except garrent	-	-	-	-	-	-	1	18.23	-	-	1	18.23	1	18.23
Garment and related articles	-	-	-	-	1	3.33	-	-	1	3.33	-	-	1	3.33
Tanneries	1	7.75	1	10.33	-	-	-	-	1	7.75	1	10.33	2	18.08
Footwear	1	4.20	-	-	-	-	-	-	1	4.20	-	-	1	1.20
Paper, paper products and printing	1	9.93	-	-	-	-	1	8.20	1	9.93	1	8.20	2	18.13
Chemical products	-	-	-	-	4	32.62	-	-	4	32.62	-	-	4	32.62
Pharmaceufical products	1	10.79	-	-	1	22.05	-	-	2	32.85	-	-	2	32.85
Plastic/rubbes products except footwear	4	47.58	-	-	1	5.79	1	77.40	5	53.37	1	77.40	6	130.76
Non-metalic miniral products	1	12.10	-	-	2	55.37	-	-	3	77.47	-	-	3	77.47
Metal products including machinery and equ	2	9.49	-	-	4	124.92	-	-	6	134.41	-	-	6	134.41
Electrical Machinery and apparatus	-	-	-	-	1	36.42	-	-	1	36.42	-	-	1	36.42
Terriary Sector	11	1,262.45	4	387.36	5	14.95	-	-	16	1,277.40	4	387.36	20	1,634.76
Construction	4	84.72	2	367.31	1	9.54	-	-	5	94.26	2	367.31	7	461.57
Distributive trade and maintenance service	-	-	2	20.05	-	-	-	-	-	-	2	20.05	2	20.05
Hotel and tourism	1	1,162.45	-	-	-	-	-	-	1	1,162.00	-	-	1	1,162.00
Education Service	1	6.18	-	-	-	-	-	-	1	6.18	-	-	1	6.18
Other businesses	5	9.55	-	-	4	5.41	-	-	9	14.96	-	-	9	14.96
Grand total	28	1,630.03	6	442.14	30	1,663.44	3	103.83	58	3,298.48	9	545.97	67	3,844.45

Source: EIC

Table 1.7 Expected Employment Creation of Foreign Investment Projects (Wholly Foreign and Joint)
Which Have Commenced Operation, by Sector and Region,
Hamle 1984-Sene 20, 1994 E.C (July 1992-July 7, 2002)

Sector/Sub-sector	Afar		Amhara				Oromia				Addis Ababa				Total			
	New		Expansion		New		Expansion		New		Expansion		New		Expansion			
	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.	Perm	Tempo.		
																	Perm	Tempo.
Primary sector	-	-	99	-	1,283	34,542	-	-	443	682	1	-	-	-	-	-	1825	35224
Food crops farming	-	-	-	-	1,283	34,542	-	-	68	290	1	-	-	-	-	-	-	-
Cash crops farming	-	-	-	-	-	-	-	-	170	10	1	-	-	-	-	-	1351	34832
Mixed food and cash crops farming	-	-	-	-	-	-	-	-	19	380	-	-	-	-	-	-	170	10
Livestock farming	-	-	-	-	-	-	-	-	131	2	-	-	-	-	-	-	19	380
Integrated crops and livestock farming	-	-	-	-	-	-	-	-	55	-	-	-	-	-	-	-	131	21
Mining and quarrying	-	-	99	-	-	-	-	-	-	-	-	-	-	-	-	-	55	-
Secondary sector	66	-	-	-	483	-	-	-	-	-	-	-	-	-	-	-	99	-
Food products	-	-	-	-	-	-	-	-	566	40	97	-	1,673	50	69	15	2909	105
Beverages	-	-	-	-	308	-	-	-	407	-	-	-	571	-	-	-	472	-
Textiles except garment	-	-	-	-	-	-	-	-	87	30	-	-	-	-	1	-	966	30
Garment and related articles	-	-	-	-	-	-	-	-	-	-	28	-	-	-	-	-	28	-
Tanneries	-	-	-	-	-	-	-	-	-	-	-	-	19	-	-	-	19	-
Footwear	-	-	-	-	-	-	-	-	32	-	69	-	-	-	-	-	101	-
Paper: paper products and printing	-	-	-	-	-	-	-	-	-	-	-	-	56	-	-	-	56	-
Chemical products	-	-	-	-	-	-	-	-	-	-	-	-	62	-	69	15	131	15
Pharmaceutical products	-	-	-	-	-	-	-	-	-	-	-	-	171	-	-	-	171	-
Plastic/rubber products except footwear	-	-	-	-	-	-	-	-	-	-	-	-	93	-	-	-	93	-
Non-metallic mineral products	66	-	-	-	-	-	-	-	-	-	-	-	282	-	-	-	282	-
Metal products including machinery and equip	-	-	-	-	130	-	-	-	40	10	-	-	161	-	1	-	227	-
Electrical machinery and apparatus	-	-	-	-	-	-	-	-	-	-	-	-	97	50	-	-	267	60
Tertiary Sector	-	-	-	-	-	-	-	-	-	-	-	-	96	-	-	-	96	1227
Construction	-	-	-	-	-	-	-	-	-	-	-	-	1,880	42	4324	1185	6204	1227
Distributive trade & maintenance service	-	-	-	-	-	-	-	-	-	-	-	-	1,123	40	4305	1179	5428	1219
Hotel and tourism	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	6	19	6
Education service	-	-	-	-	-	-	-	-	-	-	-	-	480	-	-	-	480	-
Other businesses	-	-	-	-	-	-	-	-	-	-	-	-	29	2	-	-	29	2
Grand total	66	-	99	-	1721	34,542	-	-	1,009	722	97	-	3,553	92	4393	1,200	10,938	36,858

Source: EIC

**Table 1.8 Number of Wholly Foreign and Joint Investment Projects (New and Expansion)
Under Implementation, by Sector and Region, as at Sene 30, 1994 E.C (July 7, 2002)**

Sector/Sub-sector	Tigray	Afar	Amhara	Oromiya	SSNPR	Gambela	Addis Ababa	DireDawa	Total
Primary sector	-	3	1	6	2	1	2	-	15
Food crops farming	-	-	1	-	-	-	-	-	1
Cash crops farming	-	1	-	3	2	1	-	-	7
Mixed food and cash crops farming	-	1	-	1	-	-	-	-	2
Livestock farming	-	1	-	2	-	-	-	-	3
Mining and quarrying	-	-	-	-	-	-	2	2	2
Secondary sector	1	-	-	13	3	-	30	2	49
Food products	-	-	-	-	1	-	4	-	7
Beverages	1	-	-	13	1	-	2	1	6
Textiles except garment	-	-	-	2	-	-	1	-	1
Garment and related articles	-	-	-	1	-	-	-	-	1
Tanneries	-	-	-	-	-	-	2	-	2
Wood products except furniture	-	-	-	-	-	-	1	-	1
Paper: paper products and printing	-	-	-	-	-	-	4	-	5
Chemical products	-	-	-	-	-	-	3	-	5
Pharmaceutical products	-	-	-	1	-	-	4	-	8
Plastic/rubber products except footwear	-	-	-	2	-	-	1	-	1
Non-metallic mineral products	-	-	-	3	-	-	4	1	6
Metal products including machinery and equip	-	-	-	-	-	-	1	-	2
Electrical machinery and apparatus	-	-	-	2	-	-	4	-	2
Motor vehicles and other transport equip	-	-	-	-	-	-	2	-	1
Other manufacturing	-	-	-	-	-	-	1	-	1
Tertiary Sector	1	-	-	4	1	-	31	2	39
Construction	-	-	-	1	-	-	6	-	7
Construction machinery leasing	-	-	-	-	-	-	1	-	1
Real estate development	-	-	-	-	-	-	4	-	4
Distributive trade & maintenance service	-	-	-	-	-	-	2	-	2
Hotel and tourism	-	-	-	3	-	-	1	1	5
Education service	1	-	-	-	-	-	2	1	4
Health service	-	-	-	-	1	-	7	-	8
Other businesses	-	-	-	-	-	-	8	-	8
Grand total	2	3	1	23	6	1	63	4	103

Source: EIC

7

**Table 1.9 Investment Capital of Wholly Foreign and Joint Investment Projects (New Expansion)
Under Implementation, By Sector and Region, as at Sene 30, 1994 E.C (July 7, 2002)
Investment Capital in Millions of Birr**

Sector/Sub-sector	Tigray	Afar	Amhara	Oromiya	SSNPR	Gambela	Addis Ababa	DireDawa	Total
Primary sector	-	499.67	6.64	452.10	52.22	24.90	23.80	-	1,059.33
Food crops farming	-	-	6.64	-	-	-	-	-	6.64
Cash crops farming	-	91.16	-	79.54	52.22	24.90	-	-	247.82
Mixed food and cash crops farming	-	404.44	-	345.10	-	-	-	-	749.54
Livestock farming	-	4.08	-	27.47	-	-	-	-	31.54
Mining and quarrying	-	-	-	-	-	-	23.80	-	23.80
Secondary sector	70.38	-	-	279.14	159.29	-	2,082.92	49.75	2,641.49
Food products	-	-	-	30.76	5.87	-	150.52	-	187.14
Beverages	70.38	-	-	20.03	59.67	-	218.40	46.10	414.58
Textiles except garment	-	-	-	-	-	-	66.50	-	66.50
Garment and related articles	-	-	-	4.21	-	-	-	-	4.21
Tanneries	-	-	-	-	-	-	153.33	-	153.33
Wood products except furniture	-	-	-	-	93.75	-	-	-	93.75
Paper: paper products and printing	-	-	-	-	-	-	6.58	-	6.58
Chemical products	-	-	-	30.46	-	-	88.85	-	119.31
Pharmaceutical products	-	-	-	27.53	-	-	1,131.71	-	1,159.23
Plastic/rubber products except footwear	-	-	-	45.91	-	-	78.63	3.65	128.19
Non-metallic mineral products	-	-	-	-	-	-	9.31	-	9.31
Metal products including machinery and equip	-	-	-	96.56	-	-	84.59	-	181.16
Electrical machinery and apparatus	-	-	-	-	-	-	18.01	-	18.01
Motor vehicles and other transport equip	-	-	-	23.69	-	-	22.47	-	46.15
Other manufacturing	-	-	-	-	-	-	54.03	-	54.03
Tertiary Sector	36.91	-	-	47.52	47.77	-	2,608.67	25.99	2,723.86
Construction	-	-	-	10.40	-	-	111.38	-	121.79
Construction machinery leasing	-	-	-	-	-	-	13.35	-	13.35
Real estate development	-	-	-	-	-	-	1,869.14	-	1,869.14
Distributive trade & maintenance service	-	-	-	-	-	-	93.79	-	93.79
Hotel and tourism	-	-	-	37.12	-	-	4.76	75.54	49.42
Education service	36.91	-	-	-	-	-	103.28	18.45	158.63
Health service	-	-	-	-	4.77	-	221.95	-	226.72
Other businesses	-	-	-	-	-	-	191.03	-	191.03
Grand total	107.29	499.67	6.64	778.77	216.28	24.90	4,715.39	75.74	6,424.68

Source: EIC

Table 1.10 Employment Creation of Wholly Foreign and Joint Investment Projects (New and Expansion) Under Implementation, by Sector and Region, as at Sene 30, 1994 E.C (July 7, 2002)

Sector/Sub-sector	Tigray		Afar		Amhara		Oromia		SSNPR	
	Perm	Tempo.	Perm	Tempo			Perm	Tempo.	Perm	Tempo.
Primary sector	-	-	707	151	28	-	1,032	6,077	375	3,000
Food crops farming	-	-	-	-	28	-	-	77	375	3000
Cash crops farming	-	-	186	151	-	-	571	6000	-	-
Mixed food and cash crops farming	-	-	511	-	-	-	260	-	-	-
Livestock farming	-	-	10	-	-	-	201	-	-	-
farming	-	-	-	-	-	-	-	28	592	2
Mining and quarrying	-	-	-	-	-	-	-	-	42	2
Secondary sector	315	-	-	-	-	-	1,725	-	333	-
Food products	-	-	-	-	-	-	131	-	-	-
Beverages	315	-	-	-	-	-	125	-	-	-
Textiles except garment	-	-	-	-	-	-	-	-	-	-
Garment and related articles	-	-	-	-	-	-	253	-	217	-
Tanneries	-	-	-	-	-	-	-	-	-	-
Wood products except furniture	-	-	-	-	-	-	-	20	-	-
Paper: paper products and printing	-	-	-	-	-	-	-	-	-	-
Chemical products	-	-	-	-	-	-	57	-	-	-
Pharmaceutical products	-	-	-	-	-	-	124	-	-	-
Plastic/rubber products except footwear	-	-	-	-	-	-	229	-	-	-
Non-metallic mineral products	-	-	-	-	-	-	-	-	-	-
Metal products including machinery and equip	-	-	-	-	-	-	736	10	-	-
Electrical machinery and apparatus	-	-	-	-	-	-	-	-	-	-
Motor vehicles and other transport equip	-	-	-	-	-	-	70	-	-	-
Other manufacturing	-	-	-	-	-	-	-	-	-	-
Tertiary Sector	220	-	-	-	-	-	795	-	-57	-
Construction	-	-	-	-	-	-	578	-	-	-
Construction machinery leasing	-	-	-	-	-	-	-	-	-	-
Real state development	-	-	-	-	-	-	-	-	-	-
Distributive trade & maintenance service	-	-	-	-	-	-	-	-	-	-
Hotel and tourism	-	-	-	-	-	-	-	-	-	-
Education service	220	-	-	-	-	-	217	-	-	-
Health service	-	-	-	-	-	-	-	-	-	-
Other businesses	-	-	-	-	-	-	-	-	-	-
Grand total	535	-	707	151	28	-	3,552	6,105	1,024	3,002

Source:

Table 1.11 Number of foreign Investment Projects approved (wholly foreign and Joint), by sector and Region , Hamle 1984- Sene 30, 1991 E. C. (July 1992 – July 7, 2002)

SECTOR	Tigray		Afar		Amhara		Oromia		SNNPR		Gambella		Harar		Addis Ababa		Dire Dawa		Multi-regional		Total
	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	New	Expan	
Primary Sector	1	1	4	1	2	-	20	1	5	1	1	-	-	-	2	-	1	-	1	-	30
Food Crops farming	-	-	-	-	2	-	4	-	1	-	-	-	-	-	-	-	-	-	-	-	7
Cash crops farming	-	-	2	-	-	-	7	1	2	1	1	-	-	-	-	-	-	-	-	-	12
Mixed food and cash crops farming	-	-	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Livestock farming	1	1	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Integrated crops and livestock farming	-	-	-	-	-	-	3	-	1	-	-	-	-	-	-	-	1	-	1	-	1
Fishing	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	3
Mining and carrying	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Secondary Sector	6	6	1	-	3	-	35	4	4	-	-	-	-	-	2	-	-	-	-	-	143
Food products	1	1	-	-	1	-	8	1	1	-	-	-	-	-	74	12	4	-	-	-	19
Beverages	2	2	-	-	-	-	5	-	1	-	-	-	-	-	8	-	-	-	-	-	19
Textiles except garment	-	-	-	-	-	-	-	1	-	-	-	-	-	-	5	2	2	-	-	-	6
Garment and related articles	1	1	-	-	-	-	1	-	-	-	-	-	-	-	3	1	1	-	-	-	3
Tanneries	-	-	-	-	-	-	1	1	-	-	-	-	-	-	1	-	-	-	-	-	4
Footwear	-	-	-	-	-	-	-	-	2	-	-	-	-	-	1	1	-	-	-	-	2
Wood products except furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	2
Paper, paper products and printing	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Chemical products	1	1	1	-	1	-	3	-	-	-	-	-	-	-	4	1	-	-	-	-	10
Pharmaceutical products	-	-	-	-	1	-	3	-	-	-	-	-	-	-	10	1	-	-	-	-	6
Plastic/rubbers products except footwear	-	-	-	-	-	-	1	1	-	-	-	-	-	-	5	-	-	-	-	-	17
Non-metallic mineral products	-	-	-	-	-	-	6	-	-	-	-	-	-	-	11	1	1	-	-	-	9
Metal products including machinery and equ	1	1	-	-	1	-	-	-	-	-	-	-	-	-	6	-	-	-	-	-	22
Electrical Machinery and apparatus	-	-	-	-	-	-	1	-	-	-	-	-	-	-	12	2	-	-	-	-	4
Motor Vehicles and other transport equip	-	-	-	-	-	-	1	-	-	-	-	-	-	-	4	-	-	-	-	-	3
Furniture	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	1	-	-	-	-	2
Other manufacturing	-	-	-	-	-	-	11	-	4	1	-	-	-	1	2	-	-	-	-	-	2
Tertiary Sector	1	1	-	-	1	-	2	-	-	-	-	-	-	-	-	1	-	-	-	-	125
Construction	-	-	-	-	-	-	1	-	-	-	-	-	-	-	97	6	3	-	-	-	32
Construction machinery leasing	-	-	-	-	-	-	1	-	-	-	-	-	-	-	27	3	-	-	-	-	9
Real estate development	-	-	-	-	-	-	1	-	-	-	-	-	-	-	8	-	-	-	-	-	11
Distributive trade and maintenance service	-	-	-	-	-	-	4	-	-	-	-	-	-	-	10	-	-	-	-	-	9
Hotel and tourism	-	-	-	-	-	-	1	-	3	1	-	-	-	-	6	2	1	-	-	-	8
Education Service	1	1	-	-	1	-	1	-	-	-	-	-	-	1	3	-	1	-	-	-	15
Health service	-	-	-	-	-	-	1	-	-	-	-	-	-	-	8	-	1	-	-	-	14
Other businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	-	16
Grand Total	8	8	5	1	5	-	66	5	13	1	1	-	1	-	173	18	5	-	2	-	201

Source: EIC

Table 2.1 Number and Investment Capital of Foreign (Wholly Foreign and Joint) Investment Projects (New and Expansion) Which Have Commenced Operation, by Sector, 1989-1994 EFY (1996/97-2001/02)

Sector/sub-sector	1989(1996/97)		1990(1997/98)		1991(1998/99)		1992(1999/00)		1993(2000/01)		1994(2001/02)	
	No of proj.	Invest. Capi.	No of proj.	Invest. Capi.	No of proj.	Invest. Capi.	No of proj.	Invest. Capi.	No of Proj.	Invest. Capi.	No of proj.	Invest. Capi.
Primary sector	1	1,162.50	-	-	1	-	3	80.15	-	-	1	9.42
Food crops farming	1	1,162.50	-	-	1	-	1	9.68	-	-	-	-
Cash crops farming	-	-	-	-	-	-	1	67.05	-	-	-	-
Mixed food and cash crops farming	-	-	-	-	-	-	1	3.42	-	-	-	-
Integrated crops and livestock farming	-	-	-	-	-	-	-	-	-	-	1	9.42
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-	-
Secondary sector	3	31.85	7	401.69	10	266.23	11	223.61	5	67.76	2	82.19
Food products	-	-	-	-	1	8.37	2	19.15	-	-	1	33.70
Beverages	-	-	2	196.30	1	63.00	1	1.05	1	20.89	-	-
Textiles except garment	-	-	-	-	-	-	-	-	-	-	-	-
Garment and related articles	-	-	-	-	-	-	-	-	-	-	-	-
Tanneries	1	7.75	-	-	1	10.33	-	-	1	3.33	-	-
Footwear	-	-	-	-	1	10.90	-	-	-	-	-	-
Paper: paper products and printing	-	-	1	8.20	-	-	-	-	1	4.51	-	-
Chemical products	1	20.47	1	5.51	-	-	1	3.18	1	3.46	-	-
Pharmaceutical products	-	-	-	-	1	4.31	1	22.06	-	-	-	-
Plastic/rubber products except footwear	-	-	-	-	2	12.57	3	85.20	-	35.57	-	-
Non-metallic mineral products	1	3.63	-	-	1	12.10	1	16.88	-	-	1	48.49
Metal products including machinery and equip	-	-	2	9.49	2	144.66	2	76.09	1	-	-	-
Electrical machinery and apparatus	-	-	1	182.20	-	-	-	-	-	-	-	-
Tertiary Sector	-	-	5	1,296.78	2	90.46	4	13.46	4	16.18	3	13.65
Construction	-	-	3	133.00	-	86.62	1	4.33	1	11.60	-	-
Distributive trade & maintenance service	-	-	-	-	-	-	-	-	-	-	1	12.20
Hotel and tourism	-	-	1	1,162.00	-	-	-	-	-	-	-	-
Education service	-	-	-	-	-	-	-	-	-	-	-	-
Other businesses	-	-	1	1.78	1	3.85	1	6.18	-	-	-	-
Grand total	4	1,194	12	1,698.47	12	356.70	18	317.21	9	83.94	6	105.26

Table 2.2 Number and Investment Capital of foreign (Wholly foreign and Join) Investment Projects (New and Expansion) Which Have commenced Operation, by Sector, 1994 EFY (1996 /97 -2001/02)

Sector/sub-sector	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital
Primary Sector	1	1,162.50	-	-	-	-	3	80.15	-	-	1	342
Food Crops farming	1	1,162.50	-	-	-	-	1	9.68	-	-	-	-
Cash crops farming	-	-	-	-	-	-	1	67.05	-	-	-	-
Mixed food and cash crops farming	-	-	-	-	-	-	1	3.42	-	-	-	-
Integrated crops and livestock farming	-	-	-	-	-	-	-	-	-	-	1	9.42
Mining and carrying	-	-	-	-	-	-	-	-	-	-	-	-
Secondary Sector	3	31.35	7	401.69	10	266.23	11	223.62	5	67.76	2	82.19
Food products	-	-	-	-	1	8.37	2	19.15	-	-	1	33.70
Beverages	-	-	2	196.30	1	63.00	1	1.05	1	20.89	-	-
Textiles except garment	-	-	-	-	-	-	-	-	-	-	-	-
Garment and related articles	-	-	-	-	-	-	-	-	1	3.33	-	-
Tanneries	1	7.75	-	-	1	10.33	-	-	-	-	-	-
Footwear	-	-	-	-	1	10.90	-	-	-	-	-	-
Paper, paper products and printing	-	-	1	820	-	-	-	-	1	4.51	-	-
Chemical products	1	20.47	1	5.51	-	-	1	3.18	1	3.46	-	-
Pharmaceutical products	-	-	-	-	1	4.31	1	22.06	-	-	-	-
Plastic/rubbes products except footwear	-	-	-	-	2	12.57	3	85.20	1	35.57	-	-
Non-metallic mineral products	-	-	-	-	1	12.10	1	16.88	-	-	1	48.49
Metal products including machinery and equ	1	3.63	2	9.49	2	144.66	2	76.09	-	-	-	-
Electrical Machinery and apparatus	-	-	1	182.20	-	-	-	-	-	-	-	-
Tertiary Sector	-	-	5	1,296.73	2	90.46	4	13.46	4	16.18	3	13.65
Construction	-	-	3	133.00	1	86.62	1	4.33	1	11.60	-	-
Distributive trade and maintenance service	-	-	-	-	-	-	-	-	-	-	1	12.20
Hotel and tourism	-	-	1	1,162.00	-	-	-	-	-	-	-	-
Education Service	-	-	-	-	-	-	1	6.18	-	-	-	-
Other businesses	-	-	1	1.78	1	3.85	2	2.95	3	4.58	2	1.45
Grand total	4	1,194.35	12	1,698.47	12	356.70	18	317.21	9	83.94	6	105.26

Source: EIC

Table 2.3 Employment Creation of foreign (Wholly foreign and Joint) Investment Projects Approved (New and Expansion), by sector, 1989 -1994 EFY (1996/97 – 2001/02)

Sector/sub-sector	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.
Primary Sector	1,803	40,542	3,253	3,520	88	-	568	208	1,212	2,181	1,378	3,111
Food Crops farming	1,283	34,542	46	20	-	-	62	-	-	-	245	1,500
Cash crops farming	-	-	2,204	3,000	88	-	186	151	321	81	1,133	1,611
Mixed food and cash crops farming	260	6,000	538	500	-	-	-	-	591	2,000	-	-
Livestock farming	43	-	97	-	-	-	164	32	300	100	-	-
Integrated crops and livestock farming	217	-	68	-	-	-	83	20	-	-	-	-
Finishing	-	-	-	-	-	-	73	5	-	-	-	-
Mining and quarrying	-	-	300	-	-	-	-	-	-	-	-	-
Secondary Sector	1,615	54	4,720	108	1,393	108	2,480	198	3,001	194	3,479	143
Food products	141	-	518	-	146	-	276	68	392	30	194	-
Beverages	743	-	1,865	63	653	100	445	30	107	-	-	-
Textiles except garment	-	-	-	-	-	-	323	-	150	20	1,309	-
Garment and related articles	-	-	73	-	-	-	-	-	253	-	588	-
Tanneries	-	-	376	30	-	-	-	-	-	-	-	-
Footwear	-	-	335	-	54	-	-	-	201	-	-	-
Wood products Except Furniture	-	-	-	-	-	-	-	-	-	-	217	-
Paper: Paper products and Printing	-	-	69	15	57	-	-	-	39	-	107	60
Chemical products	210	4	-	-	129	-	314	90	65	-	118	-
Pharmaceutical products	298	-	-	-	54	8	305	-	370	-	-	-
Plastic/rubbes products except footwear	-	-	697	-	46	-	357	-	310	125	355	4
Non-metallic mineral products	59	-	187	-	34	-	-	-	21	10	69	18
Metal products including machinery and equ	58	50	568	-	100	-	300	10	861	9	496	49
Electrical Machinery and apparatus	24	-	-	-	-	-	160	-	-	-	26	12
Motor Vehicles and other transport equip	82	-	32	-	-	-	-	-	-	-	-	-
Furniture	-	-	-	-	138	-	-	-	-	-	-	-
Other manufacturing	-	-	-	-	-	-	-	-	232	-	-	-
Tertiary Sector	2,032	70	3,013	88	831	322	23,992	11,825	1,355	-	1,479	1,256
Construction	1,170	70	378	-	576	320	3,401	1,419	118	-	536	1,256
Real estate development	-	-	135	1	9	-	19,995	10,400	11	-	-	-
Distributive trade and maintenance service	-	-	16	6	115	-	36	-	186	-	69	-
Hotel and tourism	85	-	214	82	-	-	224	6	-	-	-	-
Education Service	-	-	1,626	-	131	2	-	-	593	-	771	-
Health Service	650	-	443	-	-	-	54	-	-	-	43	-
Other businesses	127	-	195	-	-	-	282	-	447	-	60	-
Grand total	5,450	40,566	10,986	3,715	2,312	430	27, 040	12,231	5,568	2,875		

Source: EIC

Table 2.4 Employment Creation of Foreign (Wholly foreign and (Wholly foreign and Joint) Investment Projects Approved (New and Expansion) by Region, (1988 -1993 EFY (1995/96 -2000/01)

Sector/sub-sector	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.
TiGray	43	-	1,254	63	10	-	-	-	286	-	682	-
Afar	-	-	-	-	88	-	196	151	-	-	-	-
Amhara	1,283	34,542	254	-	-	-	28	-	-	-	-	-
Oromia	1,1006	6,000	2,536	500	658	8	1,177	88	2,706	2,111	2328	3,167.00
SNNPR	333	-	2,060	3,020	-	-	115	7	-	-	413	-
Gambella	-	-	120	-	-	-	-	-	-	-	-	-
Harari	-	-	110	-	-	-	-	-	-	-	-	-
Addis Ababa	2,785	124	4,471	133	1,556	422	25,269	11,955	2,276	164	2043	1,343.00
Dire Dawa	-	-	181	-	-	-	255	30	-	-	870	-
Multi- regional*	-	-	-	-	-	-	-	-	300	100	-	-
Grand total	5,450	40,666	10,986	3,716	2,312	430	27, 040	12,231	5,568	2,375	6,336	4,510

Source: EIC

* This Project is to be implemented in Oromia and Afar Regions

Note: Perm. Permanent: Tempo. Temporary

Table 2.5 Number and Investment Capital of foreign (wholly foreign and Joint) Investment Projects (New and Expansion which Have Commenced Operation, by Region, 1989 -1994 EFY (1996/97 - 2001/02)

Region	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital
Afar	-	-	-	-	-	-	-	-	-	-	1	48.49
Amhara	1	1,162.50	1	186.74	1	103.20	-	-	-	-	-	-
Oromia	1	7.75	-	-	2	18.70	5	103.82	1	20.89	2	43.12
Addis Ababa	2	24.10	11	1,511.74	9	234.79	13	213.40	8	63.05	3	13.65
Grand total	4	1,194.35	12	1,698.47	12	358.70	18	317.21	9	83.94	6	105.25

Source: EIC

Table 2.6 Expected Employment Creation of Foreign (Wholly Foreign and Joint) Investment Projects (New and Expansion) which Have Commenced operation, by Sector, 1988 - 1993 EFY (1995/96 - 2000/01)

Sector/sub-sector	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.	Perm.	Tempo.
Primary Sector	1,283	34,542	-	-	-	-	54	-	-	-	55	-
Food Crops farming	1,283	34,542	-	-	-	-	34	-	-	-	-	-
Cash crops farming	-	-	-	-	-	-	11	-	-	-	-	-
Mixed food and cash crops farming	-	-	-	-	-	-	9	-	-	-	-	-
Integrated crops and livestock farming	-	-	-	-	-	-	-	-	-	-	-	-
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	55	-
Secondary Sector	166	4	1,293	69	1,079	-	793	30	180	-	369	-
Food products	-	-	-	-	55	-	114	-	-	-	303	-
Beverages	-	-	540	-	178	-	99	-	37	-	-	-
Textiles except garment	-	-	-	-	-	-	-	-	-	-	-	-
Garment and related articles	-	-	-	-	-	-	-	-	-	-	-	-
Tanneries	32	-	-	-	69	-	-	-	19	-	-	-
Footwear	-	-	-	-	335	-	-	-	-	-	-	-
Paper: Paper products and Printing	-	-	69	15	-	-	-	-	-	-	-	-
Chemical products	105	4	11	4	-	-	-	-	62	-	-	-
Pharmaceutical products	-	-	-	-	46	-	67	-	36	-	-	-
Plastic/rubbes products except footwear	-	-	-	-	133	-	47	-	26	-	-	-
Non-metallic mineral products	-	-	-	-	76	-	85	-	-	-	-	-
Metal products including machinery and equ	29	-	58	50	187	-	362	30	-	-	66	-
Electrical Machinery and apparatus	-	-	615	-	-	-	-	-	-	-	-	-
Tertiary Sector	-	-	2,072	10	172	-	94	2	138	40	8	-
Construction	-	-	1,570	10	99	-	40	-	15	40	-	-
Distributive trade and maintenance service	-	-	-	-	-	-	-	-	-	-	3	-
Hotel and tourism	-	-	480	-	-	-	-	-	-	-	-	-
Education Service	-	-	-	-	-	-	29	2	-	-	-	-
Other businesses	-	-	22	-	73	-	25	-	123	-	5	-
Grand total	1,449	34,546	3,255	79	1,251	-	941	32	318	40	432	-

Source: EIC

Table 2.7 Expected Employment Creation of foreign (wholly foreign and joint) Investment Projects (New and Expansion) which Have Commenced Operation, by Region , (1989 -1994 EFY (1996 /97 - 2001/02)

Region	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital
Afar	-	-	-	-	-	-	-	-	-	-	66	-
Amhara	1,283	34,542	308	-	130	-	-	-	-	-	-	-
Oromia	32	-	-	-	124	-	125	30	37	-	358	-
Addis Ababa	134	4	3,057	79	997	-	816	2	281	40	8	-
Grand total	1,449	34,546	3,365	79	1,251	-	941	32	318	40	432	-

Source: EIC

Table 2.8 Number and Investment Capital of foreign (Wholly foreign and Join) Investment Projects (New and Expansion) Which Have commenced Operation, by Sector, 1994 EFY (1996 /97 -2001/02)

Sector/sub-sector	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital	No of Proj.	Investment Capital
Primary Sector	1	1,162.50	-	-	-	-	3	80.15	-	-	1	342
Food Crops farming	1	1,162.50	-	-	-	-	1	9.68	-	-	-	-
Cash crops farming	-	-	-	-	-	-	1	67.05	-	-	-	-
Mixed food and cash crops farming	-	-	-	-	-	-	1	3.42	-	-	-	-
Integrated crops and livestock farming	-	-	-	-	-	-	-	-	-	-	1	9.42
Mining and carrying	-	-	-	-	-	-	-	-	-	-	-	-
Secondary Sector	3	31.35	7	401.69	10	266.23	11	223.62	5	67.76	2	82.19
Food products	-	-	-	-	1	8.37	2	19.15	-	-	1	33.70
Beverages	-	-	2	196.30	1	63.00	1	1.05	1	20.89	-	-
Textiles except garment	-	-	-	-	-	-	-	-	-	-	-	-
Garment and related articles	-	-	-	-	-	-	-	-	1	3.33	-	-
Tanneries	1	7.75	-	-	1	10.33	-	-	-	-	-	-
Footwear	-	-	-	-	1	10.90	-	-	-	-	-	-
Paper, paper products and printing	-	-	1	820	-	-	-	-	1	4.51	-	-
Chemical products	1	20.47	1	5.51	-	-	1	3.18	1	3.46	-	-
Pharmaceutical products	-	-	-	-	1	4.31	1	22.06	-	-	-	-
Plastic/rubbes products except footwear	-	-	-	-	2	12.57	3	85.20	1	35.57	-	-
Non-metallic mineral products	-	-	-	-	1	12.10	1	16.88	-	-	1	48.49
Metal products including machinery and equ	1	3.63	2	9.49	2	144.66	2	76.09	-	-	-	-
Electrical Machinery and apparatus	-	-	1	182.20	-	-	-	-	-	-	-	-
Tertiary Sector	-	-	5	1,296.73	2	90.46	4	13.46	4	16.18	3	13.65
Construction	-	-	3	133.00	1	86.62	1	4.33	1	11.60	-	-
Distributive trade and maintenance service	-	-	-	-	-	-	-	-	-	-	1	12.20
Hotel and tourism	-	-	1	1,162.00	-	-	-	-	-	-	-	-
Education Service	-	-	-	-	-	-	1	6.18	-	-	-	-
Other businesses	-	-	1	1.78	1	3.85	2	2.95	3	4.58	2	1.45
Grand total	4	1,194.35	12	1,698.47	12	356.70	18	317.21	9	83.94	6	105.26

Source: EIC

7

**Table 2.9 Number Investment Capital Foreign Projects Approved and Projects Which Have
Commenced Operation, By Type of Investment and Fiscal Year**
(Investment Capital in Million Birr)

Description	1990(1997/98)		1991(1998/99)		1992(1999/00)		1993(2000/01)		1994(2001/02)		1995(2002/03)	
	No. of	Investment	No. of	Investment	No. of	Investment	No. of	Investment	No. of	Investment	No. of	Investment
	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital
APPROVED	898	9,939.60	713	10,060.06	624	14,127.02	687	8,856.00	801	9,192.63	1,217	13,437.86
Domestic	816	5,818.87	674	3,764.91	561	6,740.35	635	5,675.70	756	6,119.67	1,127	9,362.93
New	751	5,395.02	611	3,229.63	491	6,199.93	552	4,976.88	660	5,440.12	976	6,584.24
Expansion	65	423.85	63	472.28	70	540.42	83	698.82	96	679.54	151	2,778.69
Foreign	81	4,106.32	30	1,379.92	54	1,626.84	45	2,923.27	35	1,474.12	84	3,368.82
New	75	3,972.09	28	1,209.98	50	1,225.10	37	2,774.57	34	1,467.76	79	3,216.86
Expansion	6	134	2	169.94	4	401.74	8	148.70	1	6.37	5	151.96
Public	1	14.41	9	4,915.23	9	5,759.83	7	257.03	10	1,598.83	6	706.11
New	-	-	6	2,541.63	5	5,528.19	2	206.23	5	1,550.96	4	635.72
Expansion	1	14.41	3	2,373.60	4	231.64	5	50.80	5	47.88	2	70.39
OPERATION	#Value!	2,885.81	314	1,153.12	333	5,430.68	62	484.11	177	1,711.85	162	1,888.77
Domestic		1,172.92	301	763.32	309	2,899.20	53	400.18	171	1,606.59	152	1,687.65
New	257	1,046.51	276	660.54	285	2,649.85	42	348.08	153	1,501.01	136	899.70
Expansion	21	126.46	25	102.78	24	249.35	11	52.10	18	105.58	16	787.95
Foreign	12	1,698.48	12	356.69	18	317.21	9	83.93	6	105.26	9	188.66
New	10	1,583.28	11	346.36	16	173.76	9	83.93	5	93.06	9	188.66
Expansion	2	115.20	1	10.33	2	143.45	-	-	1	12.20	-	-
Public	1	14.41	1	33.11	6	2,214.27	-	-	-	-	1	12.46
New	-	-	-	-	4	2,080.32	-	-	-	-	-	-
Expansion	1	14	1	33.1	2	133.95	-	-	-	-	1	12.46

Source: EIC

Table 3.1 Number of Licences and Planned Expenditure of Mineral Exploration/Prospecting Projects Licensed by the Ministry of Mines and Energy, by Mineral Type and Location (Those Active as at Sene 1994 E.C. (June 2002)

(Expenditure in Million birr)

Mineral type	Tigray		Afar		Amhara		Oromia		Addis Ababa		Total	
	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure
Exploration	3	28.69	-	-	3	6.75	8	94.97	-	-	14	130.41
Gold	-	-	-	-	-	-	2	46.12	-	-	2	46.12
Gold and Associated Minerals	2	28.56	-	-	-	-	2	26.84	-	-	4	55.40
Gold and Platinum- Group Metals	-	-	-	-	-	-	1	1.98	-	-	1	1.98
Gold, Base Metals and other preclous Minerals	-	-	-	-	-	-	2	11.39	-	-	2	11.39
Gold, tantalum. Base Metals and Associated minerals	-	-	-	-	-	-	1	8.64	-	-	1	8.64
Gold, Base Metals, Mineral Water, Diamond and stones	1	0.14	-	-	-	-	-	-	-	-	1	0.14
Opal	-	-	-	-	2	1.83	-	-	-	-	2	1.83
Silca Sand	-	-	-	-	1	4.92	-	-	-	-	1	4.92
Prospecting	1	0.04	-	-	-	-	1	0.51	-	-	2	0.55
Gold and Platinum- Group Metals	-	-	-	-	-	-	1	0.51	-	-	1	0.51
Silver, Base Metals, Dimension, Stone and Mineral water	1	0.04	-	-	-	-	-	-	-	-	1	0.04
Mining	-	-	2	95.60	2	48.16	1	18.00	1	8.67	7	179.41
Gold and Associated Minerals	-	-	-	-	1	46.16	-	-	-	-	-	-
Mineral Water	-	-	-	-	1	-	-	-	1	-	2	55.14
Opal Nodule	-	-	-	-	-	46.15	-	-	-	-	1	2.01
Placer Gold	-	-	-	-	-	2.01	-	-	-	-	1	8.67
Salt	-	-	-	-	-	-	-	-	8.67	-	1	8.67
	-	-	-	95.60	-	-	-	-	-	-	2	95.60
Grand total	4	28.73	2	95.60	5	54.91	10	113.48	1	8.98	123	310.37

Source: EIC

Table 3.2 Number of Licences and planned Expenditure of Mineral Exploration/ Prospecting Projects Licensed by the Ministry of Mines and Energy, by Mineral Type and Fiscal year of licensing

Mineral type	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure
Exploration	2	10.01	6	35.35	4	16.07	1	405.00	3	12.54	1	8.64
Gold	-	-	-	-	-	-	-	-	-	-	-	-
Gold and Base Metals	-	-	1	2.07	-	-	-	-	-	-	-	-
Gold and Associated Minerals	1	0.82	1	18.00	-	-	-	-	-	-	-	-
Gold and Platinum	-	-	-	-	-	-	-	-	-	-	-	-
Gold and Rare Metals	1	9.19	-	-	-	-	-	-	1	1.98	-	-
Gold, tantalum, Base Metals and Associated minerals	-	-	1	7.02	2	14.24	-	-	-	-	-	-
Gold, Base Metals and other preclous Minerals	-	-	-	-	-	-	-	-	-	-	1	8.64
Gold, Base Metals, Mineral Water, Diamond and stones and Associated Minerals	-	-	-	-	-	-	-	-	1	5.64	-	-
Kaolin	-	-	1	0.16	-	-	1	405.00	-	-	-	-
Opal	-	-	-	-	2	1.83	-	-	-	-	-	-
Silica Sand	-	-	-	-	-	-	-	-	-	-	-	-
Precious Metal, Base Metals and Associated Minerals	-	-	1	7.91	-	-	-	-	1	4.92	-	-
Silica Sand, Limestone, Gypsum and Kaolin	-	-	1	0.19	-	-	-	-	-	-	-	-
Prospecting	-	-	3	0.60	1	0.14	1	20.00	2	0.55	-	-
Gold	-	-	1	0.28	-	-	-	-	-	-	-	-
Gold and Associated Minerals	-	-	2	0.33	-	-	-	-	-	-	-	-
Gold	-	-	0	-	-	-	-	-	1	0.51	-	-
Gold and Platinum	-	-	-	-	-	-	-	-	1	0.04	-	-
Silver, Base Metals, Dimension, Stone and Mineral water	-	-	-	-	-	-	-	-	-	-	-	-
Gold , Base Metals and Associated Minerals	-	-	-	-	1	0.14	-	-	-	-	-	-
Geothermal Potential	-	-	-	-	-	-	1	20.00	-	-	-	-
Grand total	2	10.01	9	36.96	6	16.21	2	426.00	5	13.09	1	8.84

Source: EIC

Note: 1 Exploration Licences are valid for three years and may be renewed

2. Prospecting licences are valid for one year and may be renewed

Table 3.3. Number of Licences and planned expenditure of Mineral Exploration / Prospecting Projects Licensed by the Ministry of Mines and Energy, by Nationality of Investing Company/ Investigating Individual and fiscal year of Licensing

Mineral type	1989 (1996/97)		1990(1997/98)		1991(1998/99)		1992 (1999/ 00)		1993(2000 / 01)		1994(2002 / 02)	
	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure	No	Expenditure
Exploration	2	10.01	6	35.35	4	16.07	-	405.00	4	21.18	-	-
Ethiopian	1	9.19	3	7.37	4	16.07	-	-	1	5.64	-	-
American	-	-	-	-	-	-	-	-	1	4.92	-	-
Canadian and Ethiopian	-	-	1	2.07	-	-	-	-	-	-	-	-
Norway and Ethiopian	1	0.82	-	-	-	-	-	-	-	-	-	-
S. African and Ethiopian	-	-	1	7.91	-	-	-	-	-	-	-	-
South African	-	-	-	-	-	-	-	-	-	-	-	-
Saudi Arabian	-	-	1	18.00	-	-	-	-	1	-	-	-
British	-	-	-	-	-	-	-	-	-	1	-	-
Prospecting	-	-	3	0.60	1	0.14	1	405.00	1	1	-	-
Ethiopian	-	-	3	0.60	-	-	1	20.00	2	2	-	-
British	-	-	-	-	-	-	-	-	-	-	-	-
Saudi Arabian.	-	-	-	-	1	0.14	-	-	-	-	-	-
Grand total	2	10.01	9	36.96	6	16.21	2	425.00	6	21.73	-	-

Source: EIC

- Note: 1 Exploration licences are valid for three years and may be renewed
 2. Prospecting licences are valid for one year and may be renewed

Table 4.1 Numbers, Investment Capital and Employment Creation of Investment Projects Approved, In Operation and Under Implementation, By Type of Investment, Hamle 1984- Sene 30, 1995 E.C (July 1992-July 7, 2003)
(Investment Capital in Millions of Birr)

Description	Domestic			Foreign							Public			Grand total	%of total Approved
	New	Expansion	Total	Wholly foreign			Jointly with domestic			Foreign	New	Expansion	Total		
				New	Expansion	Total	New	Expansion	Total						
APPROVED															
No of project	7,017	841	7,858	211	15	226	151	15	166	392	22	25	47	8,297	-
Investment capital	50,558.07	8,959.79	59,517.86	11,003.51	777.28	11,780.79	6,443.87	458.78	6,902.65	18,683.45	10,462.72	2,897.79	13,360.51	91,561.82	-
Permanent job	381,683	65,176	446,859	45,896	6,076	51,972	17,594	1,039	18,633	70,605	1,265	3,694	4,959	522,423	-
Temporary job	30,106	360,982	391,088	40	44,315	44,355	90	4,187	4,277	48,632	115	55	170	439,890	-
OPERATION															
No of Project	1,850	219	2,069	36	2	38	31	8	39	77	5	5	10	2,156	25.99
Investment capital	10,284.05	2,298.51	12,582.56	1,777.42	95.63	1,873.05	1,829.01	483.19	2,312.19	4,185.24	2,107.29	193.92	2,301.21	19,069	20.83
Permanent job	64,960	15,648	80,608	3,924	28	3,952	4,148	4,611	8,759	12,711	93	117	210	93,529	17.90
Temporary job	259,829	21,211	281,040	35,380	-	35,380	2,228	1,230	3,458	38,838	46	15	61	319,939	72.73
IMPLEMENTATION															
No of project	977	174	1,151	43	9	52	49	2	51	103	4	7	11	1,265	15.25
Investment capital	8,022.13	1,955.44	9,977.57	1,891.66	338.43	2,230.09	3,903.93	96.06	3,999.98	6,230.07	5,479.26	2,530.17	8,009.43	24,217.07	26.45
Permanent job	69,48	15,614	85,162	4,580	529	5,109	6,757	461	7,218	12,327	421	2,344	2,765	100,254	19.19
Temporary job	16,375	1,169	17,544	1,550	40	1,590	3,215	-	3,215	4,805	-	-	-	22,349	5.08

Source: EIC

Table 5.1 Number and Investment Capital of Foreign (Wholly Foreign and Joint) Investment Projects Approved (New and Expansion), By Sector, 1990-1995 EFY (1997/98-2002/03)
(Investment Capital in Million Birr)

Sector/Sub-sector	1990(1997/98)		1991(1998/99)		1992(1999/00)		1993(2000/01)		1994(2001/02)		1995(2002/03)	
	No. of Investment		No. of Investment		No. of Investment		No. of Investment		No. of Investment		No. of Investment	
	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital	Proj.	Capital
Primary sector	9	200.51	1	75.32	8	152.05	5	316	5	430.32	14	867.98
Food crops farming	1	9.71	-	-	2	16.32	-	-	2	135.38	3	217.92
Cash crops farming	4	132.76	1	75.32	1	91.16	3	101.46	3	294.94	7	624.17
Mixed food and cash crops farming	1	8.07	-	-	-	-	1	85.54	-	-	1	4.15
Livestock farming	1	23.39	-	-	3	24.29	1	129.93	-	-	2	19.15
Integrated crops and livestock farming	1	10.81	-	-	1	7.71	-	-	-	-	-	-
Agricultural service	-	-	-	-	-	-	-	-	-	-	1	2.58
Fishing	1	15.75	-	-	-	-	-	-	-	-	-	-
Mining and quarrying	1	15.75	-	-	-	-	-	-	-	-	-	-
Secondary sector	34	1,479.79	20	636.40	21	693.63	22	1,489.57	17	691.59	39	517.47
Food products	6	151.89	2	16.24	5	171.73	3	148.04	-	-	8	236.05
Beverages	6	786.82	4	417.00	3	195.22	1	16.04	1	100.54	-	-
Textiles except garment	-	-	-	-	1	66.50	1	1.54	-	-	1	8.40
Garment and related articles	1	3.85	-	-	-	-	1	4.21	3	274.78	-	-
Tanneries	3	189.93	-	-	-	-	-	-	1	56.77	-	-
Footwear	1	10.90	1	13.78	-	-	-	-	-	-	-	-
Wood products except furniture	-	-	-	-	-	-	7.23	-	-	-	-	-
Paper: paper products and printing	1	8.20	2	13.02	-	-	-	-	-	-	-	-
Chemical products	-	-	2	31.13	4	67.05	1	6.58	1	92.70	3	29.67
Pharmaceutical products	-	-	1	10.28	1	87.44	2	36.80	2	24.04	2	21.36
Plastic/rubber products except footwear	8	114.21	2	81.84	2	49.35	2	1,010.25	2	36.93	1	45.62
Non-metallic mineral products	3	85.26	1	9.48	-	-	1	57.72	-	-	10	119.24
Metal products including machinery and equip	4	121.74	2	9.94	4	41.70	5	6.42	2	48.99	4	11.65
Electrical machinery and apparatus	-	-	-	-	1	14.64	-	-	1	5.86	4	28.28
Motor vehicles and other transport equip	1	6.99	-	-	-	-	-	-	3	40.31	-	-
Furniture	-	-	3	33.68	-	-	-	-	1	10.68	1	1.11
Other manufacturing	-	-	-	-	-	-	-	-	-	-	3	13.38
Tertiary Sector	38	2,426.01	9	668.20	25	781.15	18	1,116.78	-	-	2	2.71
Construction	5	184.27	5	343.86	9	435.95	2	55.19	2	60.70	1	176.53
Construction machinery leasing	6	1,641.89	1	260.20	2	44.51	1	572.22	-	-	10	618.60
Real estate development	1	7.85	1	45.00	2	60.98	3	115.73	-	-	3	18.92
Distributive trade & maintenance service	2	29.65	-	-	3	48.44	-	-	-	41.36	-	-
Hotel and tourism	10	352.52	2	19.14	-	-	-	-	-	-	2	6.16
Education service	5	151.23	-	-	1	8.58	2	38.12	3	216.17	4	87.48
Health service	9	58.59	-	-	-	-	-	-	1	3.34	3	1,043.47
Other businesses	81	4,106.31	30	1,379.92	54	1,626.83	45	2,923.28	5	30.64	8	32.22
Grand total	81	4,106.31	30	1,379.92	54	1,626.83	45	2,923.28	35	1,474	84	3,368.82

**Table 6.1 Number, Investment Capital and Employment Creation of Investment Projects Approved By EIC and Regional Offices,
By Sector, 1 Hamle 1995-30 Sene 1996 Eth. C
(Investment Capital in Million Birr)**

Sector	Total				Domestic				Foreign				Public			
	No of Proj	Investment Capital	Emp prem	Emp Temp	No of Proj	Investment Capital	Emp Prem	Emp Temp	No of Proj	Investment Capital	Emp Prem	Emp Temp	No of Proj	Investment Capital	Emp Prem	Emp Temp
Agriculture	267	4,233.32	44'934	89'466	193	1'554.67	16'911	71'760	73	2'674.43	2'156	16'706	1	4.22	867	1'000
Mining & Quarrying	6	51.33	211	780	5	50.43		600	1	0.90	20	180	-	-	-	-
Manufacturing	661	7,772.58	42'462	17'820	516	3'871.80		12'125	133	2'297.56	12'379	5'505	12	1'603.23	968	190
Electricity Supply	6	581.51	63	144	2	1.52		9	2	391.80	10	30	2	188.19	35	105
Construction	112	1,337.70	5'434	9'279	96	528.15		6'238	16	809.55	1'967	3'041	-	-	-	-
Construction machinery leasing	381	2,271.69	6'584	1'561	362	2'164.79		1'458	19	106.89	95	103	-	-	-	-
Real Estate	93	861.62	3'811	3'792	86	714.61		3'231	7	147.00	57	561	-	-	-	-
Trade	41	358.36	2'711	5'410	30	117.61		1'210	11	241.12	905	4'200	-	-	-	-
Hotel & Tourism	131	722.11	5'407	1'481	95	117.25		823	36	214.61	1'939	658	-	-	-	-
Education	172	821.58	8'259	2'647	166	507.50			6	16.61	116	23	-	-	-	-
Transport & storage	9	39.93	105	26	8	804.97		26'2'624	1	2.50	16	-	-	-	-	-
Health	53	466.61	2'320	529	43	37.43		319	10	231.78	637	210	-	-	-	-
Other Businesses	77	302.72	1'774	2'095	47	234.83		1'846	29	46.50	350	249	1	-	-	-
Grand Total	2,009	19'821.05	124'075	135'030	1'649	214.802.76	75'838	102'269	344	7'181.25	46'347	31'466	16	1'83-7.04	1'890	1'295

Source: EIC

Appendices VI

Selected Tax Rate Carry forward of Losses and Depreciation Method in Selected African and Asian Economies

Country	Corporate Tax	Dividen for on Repatriation	Royalty tax	Tax on interest income	Carry forward of loss in years	Depreciation method	Capital gains tax
Africa							
Ethiopia	10	10	10	15% Mining Loans	1 Year Only	Straight line	30%
Eritrea	25-35	0	0	0	3 Years	Na	NA
Namibia	35	10	0	0	NA	Accelerated	0
Zimbabwe	40	20	20	10	6 Years	Accelerated	30%
Malawi	35	0	0	0	Indefinite Period	Accelerated	0
Kenya	37.5	15	20	12.5	Indefinite Period	NA	0
Tanzania	50	10	20	20	NA	Accelerated	0
Tunisia	35	0	0	0	NA	Accelerated	0
Mauritius	15	Exempt for 10 years	0	0	Indefinite period	Accelerated	0
Uganda	30%	Exempt for	NA	NA	NA	NA	NA

		6 years					
Ghana	35% for all Sectors except for banking & insurance 40%	10	0.6%	NA	2 years for limited liability company	accelerated	0
East Asia							
Malaysia	30	10	NA	NA	5 years	accelerated	0
Thiland	30	15	3.5%	-	4 Years	accelerated	0
China	Special economic Zones 15% export processing zones 10% (Other 30%)	0	10%	NA	5 Years	Accelerated	NA
S.Korea	18-32	20	NA	0	Indefinite	accelerated	10% of the sale price 25% of the gain which eyer is less
Philippines	35%	15%	3.5	NA	4 Years	accelerated	0
Indonesia	10% -30%	Indonesians 15% Non Indonesia 20%	Indonesian 15% Non Indonesian 20%	Indonesian 15% Non Indonesian 20%	8-10 Years	accelerated	

Source : from the data bases of EIC

Appendix VI 7

TPLF business organizations

TPLF Multi business organizations

TPLF's Business Organizations (Parapartals)		
No.	Name of Business Organizations and Members	Amount of money
1	Guna Trading Houses S.Co	10,000,000
	Tikal Igri (Agri) Mitkal Tigrai	9,699,000
	Almeda Textile Factory	100,000
	Trans Ethiopia	100,000
	Mosobo Building Materials Factory	100,000
	Sibhat Nega	1,000
2	Sur Construction	108,000,000
	Tikal Igri Mitkal Tigrai	104,220,000
	Mosobo Building Materials	1,006,000
	Mesfin Industrial Engineering	6,000
	Saba Marbles	1,000,000
	Birhan Building Construction	1,000,000
	Trans Ethiopia	6,000
	Arkebe Ekubai Mitiku	1,000
3	Meskerem Investment	20,000,000
	Tikal Igri Mitkal Tigrai	19,399,990
	Mosobo Building Material	200,000
	Ezana Mining Production	200,000
	Mesfin Industrial Engineering	200,000
	Thewodros Hagos Tesfaye	10
4	Adis Pharmutical Formulation	27,000,000
	Mulugeta Guade Mengistu	13,110,000
	Araya Workneh Desta	13,230,000
5	Selambas line Share Company	100,000,000
	Tigray Development Association	96,000,000
	Araya Zerihun	1,000,000
	Bekele Birhane	1,000,000
	Gebre-Michael Paulos	1,000,000
	Tadesse Tefera	1,000,000
6	Selam Bas Share Company	1,000,000
7	Mosobo Cement Factory S.Company	1,198,357,000
	Credit from Ethiopian Comm.Bank	742,857,000
	From TPLF savings	455,500, 000
8	Africa Insurance Share Company	30,000,000
	Mesfin Industrial Engineering	6,000,000
	Hiwot Agricultural Mechanization S.Company	6,000,000
	ALMEDA Textile Factory S.Company	6,000,000
	Tesfa Livestock Development Share Company	5,970,000
	Meskerem investment S.Co.	6,000,000
	Yohannes Ikubai Mitiku	10,000
	Thewodros Hagos Tesfay	10,000
	Hibur Gebre Kidan Hagos	10,000
9	Ezana Mining S.Co.	10,000,000
10	Biruk Chemical S.Co.	20,000,000

Handwritten notes and stamps in the bottom right corner, including a purple stamp with Amharic text and the number '30'.

	Tikal Igri Mitkal Tigray	19,399,000
	Sheba Leather Factor S.Co.	200,000
	Adis Consultancy House	200,000
	Mega Net Printing and Distribution S.Co	200,000
	Abadi Zemo	1,000
11	Mosobo Building Materials Factory	240,000,000
	Tikal Igri Mitkal Tigray	232,199,960
	Sur Construction S.Co	2,400,000
	Meskerem Investment S.Co	2,400,000
	Trans-Ethiopia S.Co	2,400,000
	Abedi Zema	40
12	Mesfin Industrial Engineering	10,000,000
	Tikal Igri Mitkal Tigray	9,699,980
	Sur Construction S.Co	100,000
	Trans Ethiopia S.Co	100,000
	Hiwot Agricultural Mechanization S.Co	100,000
	Arkebe Ikabi Mitiku	20
13	Trans Ethiopia S.Co	100,000,000
	Tikal Igri Mitkal Tigray	96,999,960
	Mesfin Industrial Engineering	1,000,000
	Guna Trading Houses S.Co	1,000,000
	Meskerem Investment S.Co	1,000,000
	Sebhat Nega	40
14	Tesfa Livestock Development S.Co	20,000,000
	Tikal Igri Mitkal Tigray	193,999,000
	Sheba Leather Factory S.Co	200,000
	Hiwot Agricultural Mechanization S.Co	200,000
	Guna Trading Houses S.Co	200,000
	Yemane Kidane	100
15	Adis Engineering Consultancy S.Co	4,000,000
	Alemeda Textile Factory S.Co	40,000
	Tikal	3,920,000
	Mesfin Industrial Engineering S.Co	39,000
	Arkebe Iquabi Mitiku	1,000
16	Sheba	40,000,000
	Tikal	38,799,990
	Tesfa	400,000
	Alemeda	400,000
	Birook Chemical S.Co	400,000
	Abadi Zema	10
17	Dessalegn Animal Drugs Supplier	-
	Tsefa	5,000,000
	Mesfin Industrial Engineering	2,500,000
18	Express Transit Service Enterprise	2,500,000
	Guna Trading Houses S.Co	1,000,000
	Adis Consultancy House	750,000
19	Adis Pharmautical Factory S.Co	250,000
	Mulugeta Guade	169,160,000
	Tikal Igri Mitkal Tigray	25,450,000
	Trans Ethiopia S.Co	270,000
	Guna Trading Houses S.Co	270,000
	Adis International Trading S.Co	520,000
	Loan from Ethiopian Commercial Bank	116,160,000


20	Wegagen Bank Share Company	60,000,000
	Amhara Rehabilitation Enterprise	9,000,000
	Tikal	9,600,000
	Dinsho Share Co	9,000,000
	Wondo Share Company	6,000,000
	Africa Insurance Share Company	3,000,000
	Adis International Trading Share Company	7,000,000
	Siveta Real State Share Company	6,000,000
	Sofya Gezai Birhane	600,000
	Others People	14,800,000
21	Rahiwa Goats and Sheep's Exports Enterprise	20,000,000
22	Birhan Building Construction Enterna	1,000,000
	Sure Construction Share Company	10,000
	Tikal Igri Mitikal Tigray	990,000
23	Mega-Net Printing and Distribution Share Comp.	10,000,000
	Tikal Igri Mitikal Tigray	9,699,980
	Adis Consultancy House	100,000
	Brook Chemical Share Company	100,000
	Mesfin industrial Engineering	100,000
	Alemseged Gebre Amlak	20
24	Express Ethiopia Travel Share Company	2,000,000
	Tikal Igri Mitikal Tigray	1,980,000
	Tesfa Livestock Development Share Company	20,000
25	Martha	421,000
		405,000
	Tigray Development Associations	16,000
26	Walta Industry	4,637,500
	Tigray Development Association	16,000
		4,621,500
27	Saba Floor Tiles	5,000,000
28	Guna Coffee Export Share Company	11,000,000
	Guna	10,890,000
	Almeda Textile Share Company	35,000
	Trans Ethiopia Share Company	35,000
	Mesobo Building Materials	35,000
	Sibhat Nega	5,000
29	Computer Networking Technology	-
	Solution Enterprise	200,000
	Meskerem Investment Share Company	100,000
	Almeda Textile Factory Share Company	100,000
30	Almeda Textile Factory Share Company	479,044,435
	Credit from Ethiopian Commercial Bank	299,044,435
		180,000,000
31	Almeda	400,000
32	Hiwot Agricultural Mechanization Share Company	25,000,000
	Tikal Igri Mitikal Tigray	24,250,000
	Tesfa Livestock Development Share Company	250,000
	Guna Trading Enterprise Share Company	250,000
	Almeda Textile Factory Share Company	250,000
33	Star Medicine Medical Instruments Importer and Distributer Share Company	5,000,000
	Tikal Igri Mitikal Tigray	2,450,000
	Adis International Trading	2,400,000
	Trans Share Company	50,000

	Adis Transport	50,000
	Guna Trading Share Company	50,000
34	Adis Transport Share Company	4,250,000
35	Fresewat Industry Share Company	3,899,600
		3,883,600
	Tigray Development Association	16,000
36	Adis Consultancy House	1,000,000
37	Addis International Trading	750,000
38	Walta Information Center	100,000,000
39	Segen Construction	1,000,000
40	Addis Industrial Limited Share Company	3,000,000
	Addis International Trading	540,000
	Others	2,460,000
41	National Electromechanical Engineering	6,000,000
	Addis International Trading	3,000,000
	Others	3,000,000
42	Fana Democracy Printer	1,500,000
43	Hayatech Park	1,000,000
	Mesfin Industrial Engineering	800,000
	Ato Shimelis Kinde	200,000
44	Dedebit Credit Association	60,000,000
	Tigray Aid Association	50,000,000
	Tigray Regional State	5,000,000
	Tigray Women's Association	3,750,000
	Tigray Peasants Association	625,000
	Tigray Youth Association	625,000
45	Experience Ethiopia Travel Agency	2,000,000
46	Global Automotive Spare Parts	260,000
47	Rental House	-
48	Ethio-Rental	-
49	First Real State	-
50	Mega House	-
51	Saba Marble Factory	-
52	Blue Nile Transport	4,000,000
53	Afdera Salt Production	60,000,000
54	Adwa Flour Factory	22,516,000
55	Adigrat Flour Factory	-
	Total	3,009,895,935

Source: Bogale Assefa, *the Great Conspiracy: TPLF's Business Organizations (2004)*

DECLARATION

The thesis is my original work, has not been presented for a degree in any other University and that all sources of material used for the thesis have been duly acknowledged.

By  ASSEFA ALI B.
2nd May 2005

Advisor 