

Country Profile & Business Prospects for Ethiopia





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ACRONYMS

AGOA	African Growth and Opportunities Act
AU	African Union
COMESA	Common Market for Eastern and Southern Africa
DFQF	Duty Free and Quota Free
EAC	East African Community
EBA	Everything-But-Arms
EEBC	Eritrea-Ethiopia Border Commission
EIA	Ethiopian Investment Agency
EPRDF	Ethiopian People's Revolutionary Democratic Front
ESLSC	Ethiopian Shipping Lines S.C.
ETB	Ethiopian Birr
GDP	Gross domestic product
GSP	Generalized System of Preference
HACCD	Hellenic African Chamber of Commerce and Development
ICT	Information and communication technology
OAU	Organisation of African Unity
SADC	Southern Africa Development Community
TIN	Tax Identification Number
VAT	Value Added Tax



1. ETHIOPIA AT A GLANCE

Population	93,877,025 (2013 estimate)
Capital	Addis Ababa 9°1'N 38°45'E
Largest city	Addis Ababa Population 2.863 million (2009)
Official language	Amharic Recognised national languages: Oromo, Somali, Tigrinya, Wolaytta, Gurage, Sidamo
Demonym	Ethiopian
Government	Federal parliamentary republic
President	Mulatu Teshome
Prime Minister	Hailemariam Desalegn
Ethnic groups (2007 census)	<ul style="list-style-type: none"> • 34.5% Oromo • 26.9% Amhara • 6.2% Somali • 6.1% Tigray • 4.0% Sidama • 2.5% Gurage • 2.3% Welayta • 1.7% Hadiya • 1.7% Afar • 1.5% Gamo • 1.3% Gedeo • 11.3% others
Total Area	1,104,300 km ²
Water (%)	0.7
GDP Purchasing Power Parity (PPP; 2012 Estimate)	
Total GDP (PPP)	\$ 109 billion
Per capita GDP (PPP)	\$1,300
GDP (nominal) 2012 estimate	
Total	\$ 41.9 billion http://en.wikipedia.org/wiki/Ghana_-_cite_note-IMF-5
Per capita	\$ 513
Currency	Birr (ETB) 1 ETB is 0.0372932555147 € 1 ETB is 0.0515616550747USD
Time zone	EAT (UTC+3)
Drives on the	Right
Religions (https://www.cia.gov/library/publications/the-world-factbook/geos/et.html)	Ethiopian Orthodox 43.5%, Muslim 33.9%, Protestant 18.6%, traditional 2.6%, Catholic 0.7%, other 0.7% (2007 Census)
ISO 3166 code	ET
Calling code	+251
Internet TLD	.et
Ethiopia's Embassy and Consulate in Athens	
253 Sigrou Avenue, 171 22 Athens, Greece Phone+30-210-9403483 &+30-210-9430922 Fax+30-210-9426050 Email: ethembath@ath.forthnet.gr ika@ath.forthnet.gr Website www.ethiopia.gr Head: Ekaterini Kalogeropoulos-Armenaki, Consul General	
Delegation of the European Union to Ethiopia	
Cape Verde Road P.O.Box: 5570 Addis Ababa Telephone: + 251 (0) 11 661 25 11	
Greek Mission accredited to Ethiopia	
Embassy in Addis Abeba Address : Off Debre Zeit Road, P.O. Box 1168, Addis Abeba Tel. : (002511) 4654911-2 Fax : (002511) 4665588 Emergency phone: (0025191) 0662175 E-mail : greekembassy@ethionet.et , gremb.abd@mfa.gr Head of Mission : Nikolaos Protonotarios Consular Office in Addis Abeba Head: Zafeiria Asimakopoulou	
Honorary Consulate of the Federal Democratic Republic of Ethiopia	
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2. INTRODUCTION

Ethiopia is Located in the north-eastern part of Africa, commonly known as the Horn of Africa, at the cross-roads between Africa, the Middle East and Asia. The country has a relatively stable political and economic environment¹.

The country has a large population and thus potentially one of the largest domestic markets in Africa. By virtue of its membership of the Common Market for Eastern and Southern Africa (COMESA), embracing 19 countries with a population of over 400 million, Ethiopia also enjoys preferential market access to these countries.

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

The Ethiopian economy is based on agriculture, which in 2008/09 contributed approximately 43% of the gross domestic product (GDP) and 86% of foreign currency earnings. The country is among the top performing economies in Sub-Saharan Africa. For the last six consecutive years (2003/4-2008/09) real GDP grew by an average of 11.5 percent per year.

Ethiopia is endowed with abundant natural resources. Altitude in Ethiopia ranges from 125 meters below sea level in the Danakil depressions of the Afar region to 4,620 meters above sea level in the Amhara region. Thus the country has 18 major and 49 sub agro-ecological zones, each with its own agricultural and biological potential. It possesses one of the largest and most diverse genetic resources in the world. Besides, it has the soils and the climate suitable for the production of a variety of food crops.

The labour law of Ethiopia, prepared in conformity with international labour norms and standards, provides adequate provisions for the conclusion and termination of employment contracts with safeguards that do not infringe the rights of investors. Labour cost in Ethiopia is relatively low compared to the African average. The number of skilled workers and technicians is increasing steadily as a result of an increase in the number of universities, colleges, and vocational and technical training schools in the country.

2.1 Historic overview

Unique among African countries, the ancient Ethiopian monarchy maintained its freedom from colonial rule with the exception of a short-lived Italian occupation from 1936-41. In 1974, a military junta, the Derg, deposed Emperor Haile SELASSIE (who had ruled since 1930) and established a socialist state. Torn by bloody coups, uprisings, wide-scale drought, and massive refugee problems, the regime was finally toppled in 1991 by a coalition of rebel forces, the Ethiopian People's Revolutionary Democratic Front (EPRDF). A constitution was adopted in 1994, and Ethiopia's first multiparty

¹ See: http://www.eia.gov.et/english/articles/read_more/4/en/Why_Ethiopia?



elections were held in 1995. A border war with Eritrea late in the 1990s ended with a peace treaty in December 2000. In November 2007, the Eritrea-Ethiopia Border Commission (EEBC) issued specific coordinates as virtually demarcating the border and pronounced its work finished. Alleging that the EEBC acted beyond its mandate in issuing the coordinates, Ethiopia has not accepted them and has not withdrawn troops from previously contested areas pronounced by the EEBC as belonging to Eritrea. In August 2012, longtime leader Prime Minister MELES Zenawi died in office and was replaced by his Deputy Prime Minister HAILEMARIAM Desalegn, marking the first peaceful transition of power in decades².

2.2 Economy - overview

Ethiopia's economy is based on agriculture but the government is pushing to diversify into manufacturing, textiles, and energy generation. Coffee is a major export crop. The agricultural sector suffers from poor cultivation practices and frequent drought, but recent joint efforts by the Government of Ethiopia and donors have strengthened Ethiopia's agricultural resilience, contributing to a reduction in the number of Ethiopians threatened with starvation. The banking, insurance, telecommunications, and micro-credit industries are restricted to domestic investors, but Ethiopia has attracted significant foreign investment in textiles, leather, commercial agriculture and manufacturing. Under Ethiopia's constitution, the state owns all land and provides long-term leases to the tenants; land use certificates are now being issued in some areas so that tenants have more recognizable rights to continued occupancy and hence make more concerted efforts to improve their leaseholds. While GDP growth has remained high, per capita income is among the lowest in the world. Ethiopia's economy continues on its state-led Growth and Transformation Plan under the new collective leadership that followed Prime Minister MELES's death. The five-year economic plan has achieved high single-digit growth rates through government-led infrastructure expansion and commercial agriculture development. Ethiopia in 2014 will continue construction of its Grand Renaissance Dam on the Nile – a controversial five billion dollar effort to develop electricity for domestic consumption and export.

Exports:

\$3.214 billion (2013 est.)

country comparison to the world: 127

\$3.039 billion (2012 est.)

Exports - commodities:

coffee, khat, gold, leather products, live animals, oilseeds

Exports - partners:

China 13%, Germany 10.8%, US 8%, Belgium 7.7%, Saudi Arabia 7.6% (2012)

Imports:

\$10.68 billion (2013 est.)

country comparison to the world: 98

\$10.25 billion (2012 est.)

Imports - commodities:

food and live animals, petroleum and petroleum products, chemicals, machinery, motor vehicles, cereals, textiles

Imports - partners:

China 13.1%, US 11%, Saudi Arabia 8.4%, India 5.4% (2012)

² <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

**Reserves of foreign exchange and gold:**

\$3.382 billion (31 December 2013 est.)

country comparison to the world: 103

\$3.272 billion (31 December 2012 est.)

Debt - external:

\$11.99 billion (31 December 2013 est.)

country comparison to the world: 95

\$10.03 billion (31 December 2012 est.)

2.3 Top ten reasons to do business in Ethiopia

The Ethiopian Government has made commendable efforts, through legislative and procedural reforms, to improve the investment climate of the country and thereby attract more foreign direct investment. In line with market-oriented economic policy, the investment regime has been liberalised through a series of Government legislations. Since 1992, the investment code has been revised three times to ensure the participation of more foreign investments in various sectors of the economy. According to the Ethiopian Investment Agency (EIA) the top ten reasons to do business in Ethiopia are the following:

1. Political and social stability;
2. Macro-economic stability and growing economy;
3. Adequate guarantees and protections;
4. Transparent laws and streamlined procedures;
5. Ample investment opportunities;
6. Abundant and trainable labour force;
7. Wide domestic, regional and international market opportunity;
8. Competitive investment incentive packages ;
9. Welcoming attitude of the people to FDI; and
10. Pleasant climate and fertile soils.

2.4 Ethiopian Stock Exchange

Ethiopia does not have a stock market³. Moreover, with domestic policy initiatives focused on other priorities, the probability of a stock market opening up in the next few years is according to analysts of Access Capital very remote⁴. This does not, however, mean that it is impossible to profit from Ethiopia's strong growth momentum via stock market investments; in fact, there are plenty of indirect opportunities to do so as there are at least 18 global companies that are heavily invested in the Ethiopian economy and whose stocks are openly available for purchase in international stock markets for those able and willing to do so. These 18 "Ethiopia-invested Global Stocks" have some strong credentials and represent companies across a range of

3

http://www.google.gr/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0CEsQFjAD&url=http%3A%2F%2Fwww.ethiopiainvestor.com%2Findex.php%3Foption%3Dcom_docman%26task%3Ddoc_download%26gid%3D438%26Itemid%3D66&ei=dwl2U5X3FOqw0QXY6IHIAw&usq=AFQjCNHDUvXnm-gdJmfiGvd2jsOuZLbxEq&sig2=mHIKA1Qkc7dXSyYsWIED2A&bvm=bv.66699033,d.bGQ

⁴ Ibidem



economic sectors, including oil exploration and distribution (**Africa Oil, Tullow Oil, Marathon Oil, Total**), mining (**Ethiopia Potash Corp, Allana Potash, Nyota Minerals**), agriculture (**Karuturi, Yara International**), manufacturing (**Elsewedy Holdings, Pittards, Pretoria Cement**), fast-moving consumer goods (**Tiger Brands, Unilever, Proctor & Gamble**), and beverages (**Diageo, Heineken, SAB Miller**). According to analysts of Access Capital, as pioneer investors in an economy that is not yet on the radar screen of most international investors, this group of 18 “Ethiopia-invested Global Stocks” arguably represent a highly forward-looking and strategically positioned sub-set of companies focused on seeking attractive long-term returns⁵.

2.5 Exchange rates

The following charts depict the Ethiopian Birr (ETB) currency rate history for up to 10 years compared to US\$⁶ and Euro (€)⁷.



⁵ Ibidem

⁶ See: <http://www.xe.com/currencycharts/?from=USD&to=ETB&view=10Y>

⁷ See: <http://www.xe.com/currencycharts/?from=EUR&to=ETB&view=10Y>



ETB per 1 EUR

19 May 2004 00:00 UTC - 16 May 2014 12:55 UTC
EUR:ETB close:26.73673, low:10.86991, high:27.25960



3. LAWS AND REGULATIONS

The Ethiopian Investment Agency (EIA) is a government agency established in 1992 to promote private investment, primarily foreign direct investment⁸. The overall activities of the Agency is supervised and followed up by an Investment Board, which is chaired by the Minister of Industry. The EIA is headed by a director general who is also a member of the Board and two deputy director generals.

Among the codes which are currently in force, the [Commercial Code of 1960](#), [Civil Code of 1960](#) and the [Maritime Code of 1960](#) serves as basic frameworks for investment in Ethiopia. The specific investment laws are [Investment Proclamation No.280/2002](#) and its [amendment No. 375/2003](#) and the [Investment Regulation No.84/2003](#) and its [amendment No. 146/2008](#)⁹.

3.1 Ethiopian Investment Board Directives:

[The Investment Board Directive to Determine the Duty Free Importation of Motor Vehicles for Investment Projects Amendment No. 4/2011](#)

[The Directive to Implement the Council of Ministers Regulation No. 84/2003 \(as amended\) Article 9 Sub-Article 1\(b\) providing for Duty Free Importation of Buses used for Tour Operation Service Directive no. 5/2011.](#)

[A Revised Directive Issued to Determine the Duty Free Importation of the Type & Number of Motor Vehicles for Investment Projects.](#)

[Directives Issued to Define and Identify ICT Areas Eligible for Income Tax and Duty-Free Incentives & Duty-Free Importation of Technological Equipment.](#)

⁸ See: <http://www.eia.gov.et/english/>

⁹ See: http://www.eia.gov.et/english/articles/read_more/24/en/Legal_Framework_for_Investment



3.2 Laws Related to Investments:

3.2.1 Environmental Laws

[Biosafety Procl.655](#)

[Development, Conservation and Utilization of Wildlife Proclamation](#)

[Forest Development, Conservation and Utilization Proclamation](#)

[Proc No. 197-2000 Ethiopian Water Resources Management](#)

[Proc No. 268-2002 Water Resources Development Fund Establish](#)

[Proc No. 299-2002 Environmental Impact Assessment](#)

[Proc No. 300-2002 Environmental Pollution Control](#)

[Reg No. 115-2005 Council of Ministers Ethiopian Water Resource](#)

[Water Resources Development Fund Establishment and Its Administration](#)

3.2.2 Mining Laws

[Mining Operations Proclamation No.678 of 2010](#)

[Reg No. 27-1998 Mining Operations Council of Ministers Amendment](#)

[Reg No.124-2006 Mining Operations](#)



3.2.3 Labour Laws

[Employment Exchange Services Proclamation](#)
[Proc No. 377-2003 Labour](#)
[Proc No. 466-2005 Labour \(Amendment\)](#)
[Proc No. 494-2006 Labour \(Amendment\) Proclamation](#)
[Reg No. 34-1998 Private Employment Agency License Fees Council](#)
[Rights to Employment of Persons with Disability Proclamation 568](#)

3.2.4 Land Laws

[Proc No. 272- 2002 Re-Enactment of Urban Lands Lease Holding](#)
[Proc No. 456-2005 Federal Democratic Republic of Ethiopia](#)

3.2.5 Nationality and Immigration Laws

[Proc No. 270-2002 Providing Foreign Nationals of Ethiopian](#)
[Proc No. 354-2003 Immigration](#)
[Proc No. 378-2003 Ethiopian Nationality](#)
[Reg No. 101-2004 Providing Foreign Nationals of Ethiopian](#)
[Reg No. 114-2004 Immigration Council of Ministers](#)

3.2.6 Trade, Taxation, Finance, and Insurance Laws

[Banking Business Proclamation 592](#)
[Customs Proclamation 622](#)
[Definition of Powers and Duties of the Executive Organs of the FDRE 471](#)
[Excise Tax \(Amendment\) Procl.610](#)
[Excise Tax\(Amendment\) Procl.570](#)
[Income Tax Amendment Procl.608](#)
[Proc No. 110-1998 Stamp Duty](#)
[Proc No. 285-2002 Value Added Tax](#)
[Proc No. 286-2002 Income Tax](#)
[Proc No. 307-2002 Excise Tax](#)
[Proc No. 308-2002 Turnover Tax](#)
[Proc No. 329-2003 Trade Practice](#)
[Proc No. 334-2003 Authentication and Registration of Documents](#)
[Proc No. 410-2004 Copyright and Neighboring Rights Protection](#)
[Proc No. 467-2005 Authentication and Registration of Documents](#)
[Proc No.501-2006 TradeMark Registration](#)
[Reg No. 25-1997 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 11- 1996 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 12-1997 Inventions, Minor Inventions and Industrial](#)
[Reg No. 48-1998 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 55-1999 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 6-1996 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 78-2002 Council of Ministers Income Tax](#)
[Reg No. 80-2003 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Reg No. 89-2003 Customs Tariffs Council of Ministers \(Amendment\)](#)
[Stamp Duty \(Amendment\) Procl.612](#)
[The National Bank of Ethiopia Establishment \(Amendment\) Procl.591](#)
[The Revised Export Trade Duty Incentive Scheme Establishing Proclamation No.543/2007](#)
[Turnover Tax \(Amendment\) Procl.611](#)
[Commercial Registration and Business licensing Proclamation 686/2010](#)
[VAT \(Amendment\) Procl.609](#)



4. INVESTMENT OPPORTUNITIES IN ETHIOPIA

The website of EIA¹⁰ is listing numerous investment opportunities in the following sectors:

- Agriculture
- Manufacturing
- Tourism
- Construction
- Mining and Energy
- Services
- Privetisation

5. TAX REGIME AND INVESTMENT

Both foreign and domestic private entities have the right to establish, acquire, own, and dispose of most forms of business enterprises.

Land for investment purposes is obtained on lease and with prices set by periodic auctions. Land leasehold regulations vary in form and practice from region to region. Nonetheless, they all are best in attracting investments. Land could be obtained by paying nominal or fair charges. In some priority investment areas, land could be availed even free of charges. There are also industrial zones with adequate infrastructure facilities.

Ethiopia works hard to combat corruption through a combination of social pressure, cultural norms, and legal restrictions. Although corruption exists, it is not a significant hindrance to investment or trade in Ethiopia.

According to the EIA¹¹ (updated on February 11, 2013), all areas of investment are open for foreign investors other than the following:

5.1 Areas reserved exclusively for the Government:

- Postal services with the exception of courier services;
- Transmission and supply of electrical energy through the integrated national grid system; and
- Passenger air transport services using aircraft with seating capacity of more than 20 passengers.

5.2 Areas reserved for Ethiopian nationals:

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

¹⁰ See: <http://www.eia.gov.et/english/>

¹¹ See: http://www.eia.gov.et/english/articles/read_more/5/en/Investment_Regime



5.3 Areas reserved for domestic investors:

- Retail trade and brokerage;
- Wholesale trade (excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their products locally produced);
- Import trade (excluding LPG, bitumen and up on the approval from the Council of Ministers, material inputs for export products);
- Export trade of raw coffee, chat, oil seeds, pulses, hides and skins bought from the market and live sheep, goats and cattle not raised or fattened by the investor;
- Construction companies excluding those designated as grade 1;
- Tanning of hides and skins up to crust level;
- Hotels(excluding star-designated hotels), motels, pensions, tea rooms, coffee shops, bars, night clubs and restaurants excluding international and specialized restaurants;
- Travel agency, trade auxiliary and ticket selling services;
- Car-hire and taxi-cabs transport services;
- Commercial road transport and inland water transport services;
- Bakery products and pastries for the domestic market;
- Grinding mills;
- Barber shops, beauty salons, and provision of smith workshops and tailoring services except by garment factories;
- Building maintenance and repair and maintenance of vehicles;
- Saw milling and timber making;
- Customs clearance services;
- Museums, theaters and cinema hall operations;
- Printing industries.

5.4 Capital Requirement

USD 200.000 for a single and wholly foreign owned industry. USD 100.000 per project in are of engineering, architecture, accounting and audit, project studies, consultancy services.

-USD 150.000 for investment in partnership with domestic investors. USD 50.000 per project in area of engineering, architecture, accounting and audit, project studies, consultancy services.

5.5 Major Investment Incentives

5.5.1 Investment Incentives

Investors are eligible for investment incentives. Special incentive sectors and sub-sectors include agricultural development and agro-processing, agricultural production, manufacturing of equipment and machinery, spare parts, components and supplies, vehicle bodies, other products and assembly plants, and publishing of printed goods; large-scale road and building construction and other related works. Rural transportation facilities; and the purchase of spraying machinery, trucks fitted with refrigeration facilities, or other equipment for support services are also eligible for special incentive facilities.

An investor in one of these specified areas who meets the conditions for a qualifying investment certificate, and who produces evidence showing the exact amount of the capital invested within 30 days of commencement of operation, may qualify for incentives.

Incentives include:



- Exemption from payment of income tax for the period between 2 to 7 years depending on the area of investment, volume of exporting and the location of investment; 100% exemption from payment of import custom duties on all investment goods;
- Duty-free imports of spare parts up to 15% of the value of capital goods imported;
- Capital goods imported without the payment of import duties and other import taxes may be transferred to another investor enjoying similar privileges;
- Exemption from custom duties or other import taxes are granted on raw materials that are required in the production of export goods. Taxes and duties paid on raw materials are drawn back at the time of export of finished products. The duty drawback scheme applies to all taxed at the time of import, as well as those paid on local purchases.
- Exemption from any export taxes and other taxes levied on exports for Ethiopian products and services destined for export;
- Carrying forward of losses during a tax exemption period for half of the tax holiday period after the expiry of the tax holiday;
- Export products from Ethiopia to the European Union are entitled to duty reductions or exemptions and are free from all quota restrictions under the Lome Convention. Trade preferences include duty-free entry of all industrial products and a wide range of agricultural products including fruits, vegetables, pulses and oil seeds. Under the Generalized system of Preference (GSP), a wide range of Ethiopia's manufactured products are entitled to preferential duty treatment in the USA, Canada, Switzerland, Norway, Sweden, Finland, Austria and Japan, as well as most European Union countries. Furthermore, no quantitative restrictions are applicable to Ethiopian exports on any of the 3,000-plus items currently eligible for Act (AGOA) & Everything But Arms (EBA) are the respective US and Europe export market opportunities open for exports from Ethiopia. The country has also access to 23 African countries through COMESA.

To encourage private investment and promote the inflow of foreign capital and technology into Ethiopia, the following incentives are granted to both domestic and foreign investors engaged in areas eligible for investment incentives:

5.5.2 Exemption from import customs duty

One hundred per cent exemption from the payment of import customs duties and other taxes levied on imports is granted to an investor to import all investment capital goods, such as plant, machinery and equipment, construction materials, as well as spare parts worth up to 15% of the value of the imported investment capital goods. However, the following investment areas are not eligible for exemption from import customs duty:

- Hotels(excluding star-designated hotels), motels, tearooms, coffee shops, bars, night clubs and restaurants, which do not have international standards;
- Wholesale, retail and import trade;
- Maintenance services;
- Commercial road transport and car-hire services;
- Postal and courier services;
- Real estate development;
- Business and management consultancy services;
- Advertisement services;
- Cinematography and similar activities;
- Radio and television broadcasting services;
- Theatre and cinema hall operations;
- Customs clearance services;
- Laundry services;
- Travel agency, trade auxiliary and ticket selling services; and
- Lottery and games of similar nature.



Investment capital goods imported without the payment of import customs duties and other taxes levied on imports may be transferred to another investor enjoying similar privileges.

In accordance with the Revised Export Trade Duty Incentive Scheme Establishing Proclamation No. 543/2007, three export incentive schemes are also available for exporters. They are Duty Draw-Back Scheme, Voucher Scheme and Bonded Manufacturing Warehouse Scheme.

In addition, all Ethiopian products, with the exception of few products (e.g. semi-processed hides and skins), destined for export are exempted from the payment of any export tax and other taxes levied on exports.

5.5.3 Exemption from the payment of income tax

Any income derived from an approved investment in new manufacturing, agro-industry and information and communication technology (ICT) development or agriculture is exempted from the payment of income tax for the periods as shown in the following table, depending upon the volume of export and the location in which the investment is made.

Profit tax holiday is granted subject to Council of Ministers Regulation No.84/2003 (as amended) issued pursuant to the Investment Proclamation No. 280/2002 (as amended).

Conditions for Eligibility	Income tax exemption	Income tax exemption for investments made in relatively underdeveloped regions
An investor engaged in a new manufacturing, agro-industry, ICT or agriculture :		
• exports at least 50% of his products or services	5 years	6 years
• supplies at least 75% of his products or services, to an exporter, as a production or service input	5	6
• under special circumstance the Board may grant	up to 7	up to 8
• exports less than 50% of his products or services, or supplies his products or services only to the domestic market	2	3
• under special circumstance the Board may grant	up to 5	up to 6
• exports at least 50% of his products or services and increases, in value his production or services by over 25% through the expansion or upgrading of an existing enterprise		

Carry forward of losses

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

5.6 Investment guarantee and protection

5.6.1 Guarantee against expropriation



The Constitution of the Federal Democratic Republic of Ethiopia protects private property. The Investment Proclamation also provides investment guarantee against measures of expropriation and nationalization that may only occur for public interest and in compliance with the requirement of the law. Where such expropriations are made, the Government provides adequate compensation corresponding to the prevailing market value of property and such payment is effected in advance.

Ethiopia is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency which issues guarantees against non-commercial risks to enterprises that invest in signatory countries. The country has also concluded bilateral investment promotion and protection agreements with a number of developed and developing countries.

5.6.2 Remittance of funds

Foreign investors are guaranteed to make the following remittances out of Ethiopia in convertible foreign currency at the prevailing exchange rate on the time of remittance:

- Profits and dividends accruing from investment;
- Principal and interest payments of external loans;
- Payments related to technology transfer agreements;
- Proceeds from the sale or liquidation of an enterprise;
- Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor;

Expatriates employed in an enterprise may remit, in convertible foreign currency, salaries and other payments accruing from their employment in accordance with the foreign exchange regulations or directives of the country.



6. BUSINESS REGISTRATION

6.1 Licensing and Registration Services

As a one - stop shop office, the following services are rendered by the Ethiopian Investment Agency (EIA):

- [Issuance, renewal, amendment and substitution of investment permits;](#)
- [Issuance of commercial registration certificates;](#)
- [Notarization of memorandum and articles of associations of business organizations;](#)
- [Issuance of work permits for expatriate employees;](#)
- [Issuance of business licenses;](#)
- [Grading of construction contracting companies.](#)
- [Issuance of domestic status certificates to foreign nationals permanently residing in Ethiopia taken for domestic investors;](#)
- [Registration of technology transfer agreements and export-oriented non-equity based foreign enterprise collaborations;](#)

The foregoing services are rendered to the following categories of investments:

- Investment made by a foreign investor;
- Investment made by a foreign national permanently residing in Ethiopia and taken for a domestic investor;
- Joint investment between domestic and foreign investors.
- Investment made by public enterprises.

1. Issuance of investment permit (new and expansion projects)

An investment permit is issued to an investor to establish a new enterprise or to expand or upgrade one that already exists. As per the Investment Proclamation No.280/2002 (as amended), a foreign investor or a domestic investor who is eligible for and wants to get incentives, is required to obtain an investment permit to invest in Ethiopia.

An Investment permit can be obtained in one of the following ownership forms:

- Sole proprietorship;
- Business organization incorporated in Ethiopia or abroad;
- Public enterprises; and
- Cooperative societies.

2. Renewal of investment permit

Based on sufficient reason, an investment permit should be renewed annually until a project becomes operational. An application for renewal of an investment permit should be submitted at least a month before the end of one year for which the permit remains valid. The investor is also required to submit a bi-annual progress report.



3. Amendment of investment permit

When an investor needs to amend the content of an investment permit which may include change in capital, location, form of ownership, modification of project activities or any other related matters that have sufficient reasons for amendments, the Agency will accept such application and issues the investment permit incorporating the necessary amendments.

4. Substitution of lost and/or damaged investment permit

When an investment permit is damaged or lost, the Agency issues a substitute of the original which shall be the exact replica of the damaged or lost permit.

5. Issuance of commercial (principal) registration certificate

According to the Commercial Registration and Business Licensing Proclamation No. 67/1997, an investor is not allowed to engage in any commercial activity unless registered in a commercial register. Such registration is made only once even if an investor engages in different commercial activities in various regions. An investor is expected to perform summary registration when he/she wants to establish branches other than the place where it is principally registered. The registration service is simultaneously provided when an investor applies for an investment permit.

6. Notarization of memorandum and articles of associations of a business organization

If an investment is to be made by a business organization, either share company or private limited company, which is to be incorporated in Ethiopia, a memorandum and articles of associations are required. The Agency notarizes the memorandum and articles of associations at the time of the formation of the company. The notarization service is simultaneously provided when an investor applies for an investment permit. Any amendment to either memorandum or articles of association is done by the competent government body.

7. Issuance of work permits to expatriate employees

As per the Investment Proclamation No. 280/2002 (as amended), an investor may employ qualified expatriate experts required for the operation of his business. However, he is required to train Ethiopians and replace the expatriate personnel within a limited period of time. The Agency issues work permit to expatriate staff of investment projects which are under implementation. Once the project is operational, the investor should apply directly to the Ministry of Labour and Social Affairs to obtain work permits for expatriate employees.

8. Issuance of business license

According to the Commercial Registration and Business Licensing Proclamation No. 67/1997, an investor is not allowed to commence commercial activity without obtaining a valid business license. The Agency issues business licenses to investors. Any amendment, renewal or replacement is made by the Ministry of Trade and Industry.

9. Grading of construction contracting companies

A foreign investor who wants to invest in a construction contracting business should fulfill the requirements for a 'Grade One' construction contracting company as set out by the Ministry of Works and Urban Development as well as the Ministry of Water Resources. Grading of construction contracting companies is done when an investor applies for business (operating) license. A duly filled and signed application form designed for such purpose is required.



10. Issuance of domestic status certificate to a foreign national permanently residing in Ethiopia and taken for a domestic investor

A foreign national, permanently residing in Ethiopia, other than an Ethiopian by birth, may apply and register for a domestic investor status. Once a foreign national is registered as a domestic investor, rights and privileges as well as restrictions solely relating to foreign investors will no longer be applicable. A foreign national who wishes to register as a domestic investor is required to declare his intentions by completing a form designed for this purpose.

11. Registration of technology transfer agreement

A technology recipient who concludes a technology transfer agreement related to his investment should submit the agreement to the Agency for registration. Any such agreement that is not registered by the Agency has no legal effect. The agreement may also be renewed as per the request of the technology recipient by submitting the renewed agreement to the Agency.

12. Registration of export-oriented non-equity based foreign enterprise collaborations

A hundred percent export-oriented non-equity based contractual agreement between a domestic investor and a foreign enterprise should be registered by the Agency. The Agency provides a registration certificate which legalizes the collaboration between the domestic investor and the foreign enterprise. The collaboration agreement may also be renewed upon the request of the domestic investor.

The collaboration agreement may take the following forms:

- Guaranteed external market access;
- Export product and production know-how;
- Export marketing know-how;
- Export business management know-how;

6.2 Requirements for investment permit: Foreign Investor

6.2.1 a. An Individual investor

- An application form duly filled and signed by the investor/agent;
- Photocopies of the relevant pages of a valid passport;
- Where the application is made by an agent, a photocopy of his/her power of attorney; and
- Three passport sized recent photographs of the investor.

6.2.2 b. A business organization

Wholly foreign owned

- An application form duly filled and signed by the manager or agent of the business organization;
- Where the application is made by an agent, a photocopy of his/her power of attorney;
- Photocopies of memorandum and articles of associations. If it is to be newly established, photocopies of the relevant pages of a valid passport of each shareholder, clearance



letter from the Ministry of Trade and Industry for the company name and draft memorandum and articles of associations

- Where foreign nationals taken for domestic investors or Ethiopian nationals are among the members of the shareholders, photocopies of certificates evidencing the domestic investor status of the foreign nationals or identity cards (for companies to be established); and
- Three passport sized recent photographs of the general manager.

If the foreign partner is a business organization, the following documents are also required:

- A copy of the memorandum and articles of associations or equivalent document of the parent company;
- A photocopy of a document ascertaining the legal personality of the business organization (i.e. registration certificate);
- Minutes of the parent company passed by an authorized body for the establishment of a company in Ethiopia, authenticated by the public notary, or a letter written by the owner in case of a one-man company; and
- A photocopy of an authenticated power of attorney of the representative of the company and photocopies of the pages of the representative's valid passport or identity card in case the representative is an Ethiopian national.

Joint Investment between domestic and foreign investors

- An application form duly filled and signed by the agent of the business organization;
- Where the application is made by an agent, a photocopy of his power of attorney;
- Photocopies of the memorandum and articles of associations. If it is to be newly established, photocopies of the pages relevant of a valid passport of each shareholder, and draft memorandum and articles of associations
- Where foreign nationals taken for domestic investors or Ethiopian nationals are among the members of the shareholders, photocopies of certificates evidencing the domestic investor status of the foreign nationals or identity cards (for companies to be established); and
- Three passport sized recent photographs of the general manager.

If the foreign partner is a business organization, the following documents are also required:

- A copy of the memorandum and articles of associations or equivalent document of the parent company;
- A photocopy of a document ascertaining the legal personality of the business organization (i.e. registration certificate);
- Minutes of the parent company passed by an authorized body for the establishment of a joint company in Ethiopia, authenticated by the public notary, or a letter written by the owner in case of a one man company; and
- A photocopy of an authenticated power of attorney of the representative of the company and photocopies of the pages relevant of the representative's valid passport or identity card in case the representative is an Ethiopian national.



Branch of a business organization

- An application form duly filled and signed by the agent of the business organization;
- A copy of the memorandum and articles of associations, or equivalent document of the parent company;
- A photocopy of a document ascertaining the legal personality of the business organization (i.e. registration certificate);
- Minutes of the parent company passed by an authorized body for the establishment of a branch company in Ethiopia, authenticated by the public notary, or a letter written by the owner in case of a one - man company; and
- Authenticated photocopy of the power of attorney of the representative of the company, and photocopies of the pages relevant of the representative's valid passport or identity card in case the representative is an Ethiopian national.

6.2.3 c. Expansion or upgrading of existing enterprises

- An application form duly filled and signed by the investor/agent;
- Where the application is made by an agent, a photocopy of his power of attorney;
- Where the investment is made by a business organization, photocopies of its memorandum and articles of associations (with amendments if any);
- A photocopy of a valid business license of the existing enterprise; and
- Three passport sized recent photographs of the investors or the general manager (if company).

N.B.

- *All documents originated from abroad should be authenticated by the concerned notary office and the Ethiopian Embassy in the home country and authentication and registration of the same by the Ministry of Foreign Affairs and Document Registration and Authentication Office of Ethiopia respectively are also required.*
- *All completed documents should be submitted in two separately fastened copies.*

For application forms see:

http://www.eia.gov.et/english/articles/read_more/22/en/Application_Forms



7. LABOUR / EMPLOYMENT

«Labour costs in Ethiopia are low even in comparison with the African average.

There is no minimum wage legislation in Ethiopia but a wage of 120 birr (\$15) per month is currently acceptable as the minimum rate payable for unskilled workers¹².

Fringe benefits are negotiated between the employer and the employees' trade unions. Benefits can include bonuses, medical expenses, insurance and pension schemes.

Graduate salaries range from 600 birr (\$75) to 800 birr (\$100) per month, depending on the level of qualifications.»

Labour regulations in Ethiopia have been considerably modernised and brought into line with international practice in recent years.

Normal working hours are limited to 8 hours a day or 48 hours a week. A worker is entitled to 14 working days of annual leave for the first year of service plus one working day for every additional year of service. A weekly rest period of 24 hours is required by law. All public holidays (13 of them altogether) are paid holidays.

There are no restrictions under Ethiopian law regarding the employment of female workers. Male and female workers are subject to the same working hours. It is prohibited, however, to employ women in jobs that are arduous or harmful to their health. A pregnant woman cannot be assigned to night work. Maternity leave, which has to be paid, is for a total of 90 days.

Employment of expatriates is permitted without any restriction for key management posts, including those of general manager, finance controller, technical manager and marketing manager.

Expatriates may also be employed for non-management positions in areas where suitable Ethiopian nationals are not available, once permission is secured from the EIA.

Table 1. Average wages in Ethiopia by sector (prices in Birr/month).

No.	Sector	Mean Wage
1	Agriculture, Forestry, Fishing	293.21
2	Mining and Quarrying	513.61
3	Manufacturing of Food	490.00
4	Beverages/Tobacco	562.24
5	Textiles/Leather	390.04
6	Wood/ Wood Products	420.82
7	Paper and Printing	486.20
8	Chemicals and Rubber	374.31
9	Fabricated Metals/ Equipment/ Machinery	514.91
10	Electricity/ Gas/ Water	415.66
11	Construction	312.54
12	Wholesale/ Retail Trade, Catering	412.97
13	Transport/ Storage/ Communications	630.34
14	Finance/ Insurance/ Banking	610.00
15	Social/ Cultural/ Recreational/ Educational	332.78
16	Others	440.14

Source:

http://www.ethiopiaembassy.ru/pages/docs/ETHIOPIAN_INVESTMENT_AGENCY_FACTOR_COSTS.pdf



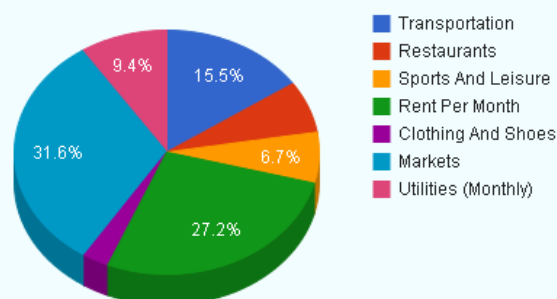
Cost of life in in Addis Ababa in Euros is as follows¹²:

Restaurants		
	[Edit] Avg.	Range
Meal, Inexpensive Restaurant	2.39 €	1.82 - 3.28
Meal for 2, Mid-range Restaurant, Three-course	14.59 €	8.75 - 14.59
Combo Meal at McDonalds or Similar	2.29 €	2.09 - 5.11
Domestic Beer (0.5 liter draught)	0.73 €	0.60 - 1.02
Imported Beer (0.33 liter bottle)	1.46 €	1.46 - 1.59
Cappuccino (regular)	0.50 €	0.32 - 0.73
Coke/Pepsi (0.33 liter bottle)	0.50 €	0.36 - 0.73
Water (0.33 liter bottle)	0.31 €	0.22 - 0.42
Markets		
	[Edit] Avg.	
Milk (regular), (1 liter)	0.68 €	0.55 - 0.91
Loaf of Fresh White Bread (500g)	0.44 €	0.39 - 0.62
Rice (white), (1kg)	0.75 €	0.73 - 0.80
Eggs (12)	1.34 €	1.18 - 1.46
Local Cheese (1kg)	5.81 €	3.34 - 7.30
Chicken Breasts (Boneless, Skinless), (1kg)	5.73 €	4.74 - 6.38
Apples (1kg)	3.57 €	2.92 - 4.38
Oranges (1kg)	0.78 €	0.73 - 0.88
Tomato (1kg)	0.61 €	0.51 - 0.73
Potato (1kg)	0.40 €	0.36 - 0.48
Lettuce (1 head)	0.35 €	0.31 - 0.36
Water (1.5 liter bottle)	0.48 €	0.40 - 0.60
Bottle of Wine (Mid-Range)	3.05 €	2.50 - 3.65
Domestic Beer (0.5 liter bottle)	0.67 €	0.60 - 0.73
Imported Beer (0.33 liter bottle)	1.68 €	1.20 - 2.19
Pack of Cigarettes (Marlboro)	1.56 €	1.46 - 1.59
Transportation		
	[Edit] Avg.	
One-way Ticket (Local Transport)	0.22 €	0.18 - 0.22
Monthly Pass (Regular Price)	7.30 €	
Taxi Start (Normal Tariff)	1.68 €	1.17 - 2.19
Taxi 1km (Normal Tariff)	2.15 €	2.12 - 2.19
Taxi 1hour Waiting (Normal Tariff)	6.58 €	5.96 - 7.30
Gasoline (1 liter)	0.80 €	0.73 - 0.96
Volkswagen Golf 1.4 90 KW Trendline (Or Equivalent New Car)	26,177.25 €	21,891.00 - 31,167.94
Utilities (Monthly)		
	[Edit] Avg.	
Basic (Electricity, Heating, Water, Garbage) for 85m2 Apartment	14.09 €	11.89 - 15.79
1 min. of Prepaid Mobile Tariff Local (No Discounts or Plans)	0.03 €	0.03 - 0.04
Internet (6 Mbps, Unlimited Data, Cable/ADSL)	147.76 €	72.97 - 222.56
Sports And Leisure		
	[Edit] Avg.	
Fitness Club, Monthly Fee for 1 Adult	33.75 €	29.19 - 40.13
Tennis Court Rent (1 Hour on Weekend)	10.95 €	10.95 - 10.95
Cinema, International Release, 1 Seat	2.19 €	1.95 - 3.65
Clothing And Shoes		
	[Edit] Avg.	
1 Pair of Jeans (Levis 501 Or Similar)	19.53 €	14.59 - 27.75
1 Summer Dress in a Chain Store (Zara, H&M, ...)	18.24 €	14.59 - 21.89
1 Pair of Nike Shoes	62.88 €	51.08 - 72.97
1 Pair of Men Leather Shoes	45.61 €	36.48 - 58.36
Rent Per Month		
	[Edit] Avg.	
Apartment (1 bedroom) in City Centre	213.44 €	145.94 - 291.88
Apartment (1 bedroom) Outside of Centre	89.02 €	72.97 - 145.94
Apartment (3 bedrooms) in City Centre	928.13 €	637.35 - 1,189.48
Apartment (3 bedrooms) Outside of Centre	768.93 €	594.74 - 875.64
Buy Apartment Price		
	[Edit] Avg.	
Price per Square Meter to Buy Apartment in City Centre	617.51 €	404.98 - 751.59
Price per Square Meter to Buy Apartment Outside of Centre	458.90 €	437.82 - 507.55
Salaries And Financing		
	[Edit] Avg.	
Average Monthly Disposable Salary (After Tax)	175.49 €	109.46 - 328.36
Mortgage Interest Rate in Percentages (%), Yearly	11.50	9.00 - 14.00

¹² See: http://www.numbeo.com/cost-of-living/city_result.jsp?country=Ethiopia&city=Addis+Ababa



Distribution of expenses using our statistical model



Source: http://www.numbeo.com/cost-of-living/city_result.jsp?country=Ethiopia&city=Addis+Ababa

These data are based on 450 entries in the past 18 months from 64 different contributors (Last update: May, 2014).



The web site <http://www.expatis.com/cost-of-living/addis-ababa?currency=EUR> provides the following information:

Food	
Daily menu in the business district	€4.15
Combo meal in fast food restaurant (Big Mac Meal or similar)	€3.34
1/2 Kg (1 lb.) of boneless chicken breast	€2.82
1 liter (1 qt.) of whole fat milk	€0.96
12 eggs, large	€1.23
1 kg (2 lb.) of tomatoes	€0.64
500 gr (16 oz.) of local cheese	€2.40
1 kg (2 lb.) of apples	€3.24
2 kg (4,5 lb.) of potatoes	€0.71
0.5 l (16 oz) domestic beer in the supermarket	€0.75
1 bottle of red table wine, good quality	€12
2 liters of Coca-Cola	€1.32
Bread for 2 people for 1 day	€0.39
Housing	
Monthly rent for 85 m2 (900 Sqft) furnished accommodation in EXPENSIVE area	€782
Utilities 1 month (heating, electricity, gas ...) for 2 people in 85m2 flat	€25
Internet 8MB (1 month)	€81
40" flat screen TV	€1,131
Microwave, known brand, 800/900 Watt	€112



Laundry detergent (3 l. ~ 100 oz.)	€2.58
Hourly rate for cleaning help	€13
Clothes	
1 pair of jeans (Levis 501 or similar)	€33
1 summer dress in a chain store (Zara, H&M, ...)	€45
1 pair of sport shoes (Nike, Adidas, or similar)	€45
1 pair of leather business shoes	€34
Transportation	
Volkswagen Golf 2.0 TDI 140 CV 6 vel. (or equivalent), with no extras, new	€39,658
1 liter (1/4 gallon) of gas	€0.75
Monthly ticket public transport	€15
Taxi trip on a business day, basic tariff, 8 Km. (5 miles)	€8
Personal Care	
Medicine against cold for 6 days (Frenadol, Coldrex, ...)	€3.20
1 box of 32 tampons (Tampax, OB, ...)	€3.08
Deodorant, roll-on (50ml ~ 1.5 oz.)	€2.04
Hair shampoo 2-in-1 (400 ml ~ 12 oz.)	€2.81
4 rolls of toilet paper	€1.33
Tube of toothpaste	€0.76
Standard men's haircut in expat area of the city	€2.32
Entertainment	
Basic dinner out for two in neighborhood pub	€8
2 tickets to the movies	€3.61
2 tickets to the theater (best available seats)	€5.62
Dinner out for two in Italian restaurant with wine and dessert	€30
1 cocktail drink in downtown club	€3.60
Capuccino in expat area of the city	€0.59
1 beer in neighbourhood pub (500ml or 1pt.)	€0.66
iPod nano 16GB	€146
1 min. of prepaid mobile tariff (no discounts or plans)	€0.03
1 month of gym membership in business district	€27
1 package of Marlboro cigarettes	€1.24



8. TAXES

8.1 Registration of Tax Identification Number (TIN)

Every investor has a tax obligation and is required to obtain a tax payer identification number ('TIN'). The Revenue and Customs Authority is in charge of issuing TIN (only certified copies are accepted):

- Application form for taxpayer identification number.
- Identification papers of the investor or his authorised agent.
- Passport size photo of the investor or his authorised agent.
- Memorandum and articles of association.
- Partnership agreement in case of partnership.
- Principal Trade Registration Certificate and Trade License, which is the investment license or investment permit.
- Trade name registration (if applicable).
- Investment permit.
- Residence permit in case of foreign partnership.
- Power of attorney if registration is submitted by an agent. Time needed: 24 hours

8.2 Types of tax

There are mainly two types of taxations: direct and indirect taxes. The direct taxes are divided in to five categories: personal income tax, rental tax, withholding tax, business profit tax and other taxes. The main types of indirect taxes applicable are VAT, custom duty, excise and turnover taxes.

8.2.1 Direct Taxes

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

Table 2. Personal Income Tax Rates.

No.	Employment income per month		Tax rate
	Over Pound Sterling (£)	To Pound Sterling (£)	
1	0	6	exempt threshold
2	7	25	10
3	26	54	15
4	55	91	20
5	92	138	25
6	139	195	30
7	Over 195		35

Source: Income Tax Proclamation No. 286/2002

In: http://www.ethioembassy.org.uk/trade_and_investment/General%20report-final.pdf



Taxable business income of companies is taxed at the rate of 30%. Other business taxpayers with business income ranging from 1,801 to 2,335 Pound Sterling pay between 10 and 30%. Business income beyond Pound Sterling 2,335 is charged 35 % as indicated in the following table.

Table 3. Taxable business income tax Rates.

No.	Over Pound Sterling	To Pound Sterling	Tax rate
1	0	70	exempt threshold
2	71	304	10
3	705	654	15
4	655	1097	20
5	1098	1657	25
6	1658	2335	30
7	Over 2335		35

Source: Income Tax Proclamation No. 286/2002

8.2.2 Capital Gains Tax

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

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

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

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



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

8.3 Indirect Taxes

8.3.1 Value Added Tax (VAT)

The standard rate of VAT is 15% of the value of every taxable transaction by a registered person and all imports of goods and services other than those exempted.

Taxable transactions which shall be charged with 0% are: export of goods or services to the extent provided in the regulations. The rendering of transportation or other services directly connected with international transport of goods or passengers as well as the supply of lubricants and other consumable technical supplies taken on board for consumption during international flights.

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

Turnover tax under the total value of Pound Sterling 19,455 is applicable to pay 2 or 10 percent from annual taxable transactions on goods sold or service rendered locally.

Depreciation allowance rates are categorised into:

- i. Buildings and structures 5%
- ii. Intangible assets 10%
- iii. Computers, information systems, software products and data storage equipment 25%.
- iv. All other business assets including automobiles, buses and minibuses 20%.

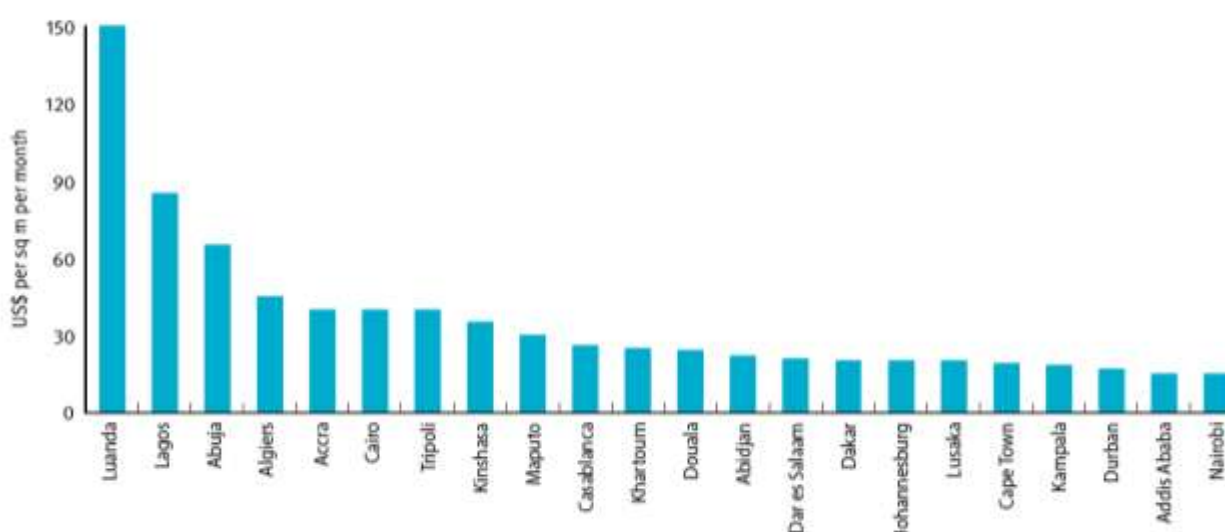


9. RENT

9.1 Office Rent

Ethiopia ranks among the cheaper countries in Africa. Addis Ababa ranks among the least expensive capitals in Africa¹³.

Prime office rents



Source: Knight Frank Research

Source: Knight Frank Research, Africa Report 2013. <http://my.knightfrank.com/research-reports/africa-report.aspx>

Addis Ababa prime rents and yields

	Prime rents	Prime yields
Offices	US\$15 per sq m per month	10%
Retail	US\$30 per sq m per month	10%
Industrial	US\$4 per sq m per month	16%
Residential	US\$4,500 per month*	8%

Source: Knight Frank LLP

*4 bedroom executive house – prime location

Source: Knight Frank Research, Africa Report 2013. <http://my.knightfrank.com/research-reports/africa-report.aspx>

¹³ <http://www.knightfrankblog.com/commercial-briefing/blogs/africa-report-2013-where-next-for-property-markets/>



9.1.1 Office Market

There has been a reasonable amount of office construction in Addis Ababa, largely focused on the prime areas of Bole and Kazanchis. This has generally been in a format which incorporates retail at lower levels, sometimes to an intrusive extent which is to the detriment of the office element of the building. Offices are very rarely airconditioned because of the mild climate.

9.1.2 Retail Market

The Addis Ababa retail market does not yet have stand-alone malls and retail property is generally located at the lower levels of office developments, on up to four floors. Examples include Dembel City Center and Getu Commercial Center. The retail sector is essentially local, with the major supermarket operator being Bambis, which is Greek-owned but effectively a local company.

9.1.3 Industrial Market

The Ethiopian industrial sector is nascent, and mainly comprises local and light industrial activity. Industrial “zones” are just starting to appear, located in areas such as Kality and Akaki..

9.1.4 Residential Market

The Addis Ababa residential market is strong, and the serviced apartment sector has been particularly successful off the back of the boom in the hospitality sector. However, rents will always be higher for commercial use, as there is an increased property tax for landlords leasing commercial premises.

10. MARITIME SECTOR IN ETHIOPIA

As Ethiopia is a landlocked Country, **Ethiopian Shipping Lines S.C.(ESLSC)** is the only company involved in sea freight activity in the country. At present ESLSC that has effective agency networks in all its trading areas for assisting shippers from Ethiopia or abroad in arranging and consolidating their shipments, **uses the port of Djibouti** as its base and provides liner services to specified ports on regular sailing schedules subject to sufficient inducement. For full information on its profile, management, service routes, cargo lifting its weekly fleet position, and contact address: please consult www.ethiopianshippinglines.com.et



11. THE REGIONAL DIMENSION OF ETHIOPIA

Ethiopia is a member of a regional trade grouping – The Common Market for Eastern & Southern Africa (COMESA) – a region inhabited by more than 420 million people. Ethiopia also enjoys a Duty Free and Quota Free (DFQF) privilege extended by, among others, USA – Africa Growth and Opportunity Act (AGOA), EU – Everything But Arms (EBA), other preferential duty treatment from countries such as China, India, Austria, Finland, Japan, Norway, Switzerland and Sweden. The market accesses privileges allow investors to reap the benefits of the preferential markets giving them the chance to get competitive edge for their products compared to those outside of the scheme.

11.1 African Union

The **African Union (AU)** is a union consisting of 54 African states. The only all-African state that is not a member is Morocco. The AU was established on 26 May 2001 in Addis Ababa and launched on 9 July 2002 in South Africa to replace the Organisation of African Unity (OAU). The most important decisions of the AU are made by the Assembly of the African Union, a semi-annual meeting of the heads of state and government of its member states. The AU's secretariat, the African Union Commission, is based in Addis Ababa, Ethiopia.

The objectives of the AU are:

1. To achieve greater unity and solidarity between the African countries and the people of Africa.
2. To defend the sovereignty, territorial integrity and independence of its Member States.
3. To accelerate the political and socio-economic integration of the continent.
4. To promote and defend African common positions on issues of interest to the continent and its peoples.
5. To encourage international cooperation, taking due account of the Charter of the United Nations and the Universal Declaration of Human Rights.
6. To promote peace, security, and stability on the continent.
7. To promote democratic principles and institutions, popular participation and good governance.
8. To promote and protect human and peoples' rights in accordance with the African Charter on Human and Peoples' Rights and other relevant human rights instruments.
9. To establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations.
10. To promote sustainable development at the economic, social and cultural levels as well as the integration of African economies.
11. To promote co-operation in all fields of human activity to raise the living standards of African peoples.
12. To coordinate and harmonise the policies between the existing and future [Regional Economic Communities](#) for the gradual attainment of the objectives of the Union.
13. To advance the development of the continent by promoting research in all fields, in particular in science and technology.
14. To work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent.

For additional information please see <http://www.au.int/en/>.



11.2 Common Market for Eastern and Southern Africa (COMESA)

The **Common Market for Eastern and Southern Africa** is a [free trade area](#) with nineteen member states stretching from [Libya](#) to [Swaziland](#). COMESA was formed in December 1994, replacing a Preferential Trade Area which had existed since 1981. Nine of the member states formed a [free trade area](#) in 2000 ([Djibouti](#), [Egypt](#), [Kenya](#), [Madagascar](#), [Malawi](#), [Mauritius](#), [Sudan](#), [Zambia](#) and Zimbabwe), with [Rwanda](#) and [Burundi](#) joining the FTA in 2004, the [Comoros](#) and [Libya](#) in 2006, and [Seychelles](#) in 2009.

COMESA is one of the pillars of the [African Economic Community](#).

In 2008, COMESA agreed to an expanded free-trade zone including members of two other African trade blocs, the [East African Community](#) (EAC) and the [Southern Africa Development Community](#) (SADC). Comesa is also considering a common visa scheme to boost tourism

For additional information please see: <http://www.comesa.int/>



12. TRADE

Ethiopian companies export different varieties of goods to partner countries. These include: coffee, oilseeds, pulses, leather and leather products, textile and garment, meat and meat products, flowers, fruits and vegetables, live animals, gold etc. In return the country imports raw materials, fuel, capital goods, and consumer goods.

Ethiopian exports in the order of their current share are destined to Europe, Asia, Africa, America, and Oceania while its main imports are originate from Asia (China), Europe, Africa, America and Oceania.

Imports 2013

Exports 2013

AMA/NAMA product Groups

Product	Value (Mio €)	Share (%)	Product	Value (Mio €)	Share (%)
Agricultural products (WTO AoA)	441	81.0	Agricultural products (WTO AoA)	69	5.7
Fishery products			Fishery products	0	0.0
Industrial products	104	19.0	Industrial products	1,146	94.3
TOTAL	545	100.0	TOTAL	1,215	100.0

SITC product Groups

Product	Value (Mio €)	Share (%)	Product	Value (Mio €)	Share (%)
Primary products	441	81.0	Primary products	84	6.9
Manufactures	100	18.4	Manufactures	1,106	91.0
Other products	1	0.3	Other products	22	1.8
Other	2	0.4	Other	3	0.3

Top 5 - HS sections

Product	Value (Mio €)	Share (%)	Product	Value (Mio €)	Share (%)
II Vegetable products	437	80.2	XVI Machinery and appliances	454	37.4
XI Textiles and textile articles	39	7.1	VI Products of the chemical or allied industries	329	27.1
XVI Machinery and appliances	37	6.7	XVII Transport equipment	141	11.6
VIII Raw hides and skins, and saddlery	20	3.7	XV Base metals and articles thereof	54	4.4
XXII Not classified	3	0.6	XVIII Optical and photographic instruments, etc.	53	4.4

Top 5 - SITC sections

Product	Value (Mio €)	Share (%)	Product	Value (Mio €)	Share (%)
0 Food and live animals	266	48.8	7 Machinery and transport equipment	599	49.3
2 Crude materials, inedible, except fuels	174	31.9	5 Chemicals and related prod, n.e.s.	343	28.3
7 Machinery and transport equipment	40	7.3	6 Manufactured goods classified chiefly by material	89	7.3
8 Miscellaneous manufactured articles	34	6.2	8 Miscellaneous manufactured articles	78	6.4
6 Manufactured goods classified chiefly by material	27	4.9	0 Food and live animals	47	3.9

Share: share in Total with Total defined as all products

Growth: relative variation between current and previous period

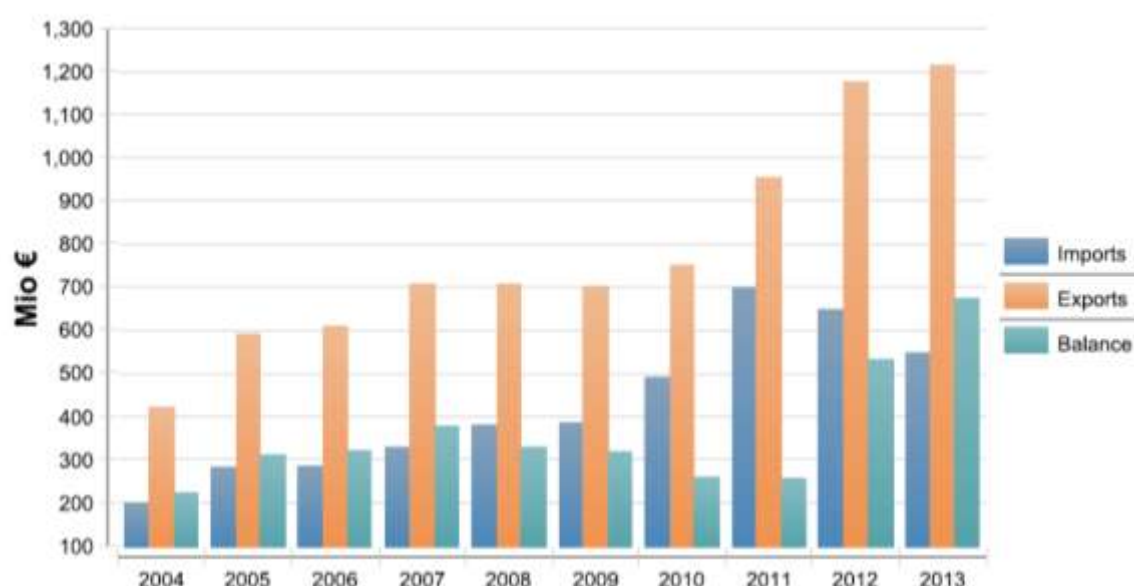
Source: http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147265.pdf



European Union, Trade with Ethiopia

Total goods: EU Trade flows and balance, annual data 2004 - 2013

Source Eurostat Comext
Statistical regime 4



Source: http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147265.pdf

11.1 Trade between Greece and Ethiopia

Depending on the database (UN Comtrade, Eurostat etc), the results are the following:

Greece's imports from Ethiopia

Unit : US Dollar thousand

Product code	Product label	Value in 2012
TOTAL	All products	9076
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	6809
'09	Coffee, tea, mate and spices	1373
'13	Lac, gums, resins, vegetable saps and extracts nes	781
'07	Edible vegetables and certain roots and tubers	76
'20	Vegetable, fruit, nut, etc food preparations	24
'06	Live trees, plants, bulbs, roots, cut flowers etc	13

Source: ITC calculations based on UN COMTRADE statistics.

Ethiopia's imports from Greece

Unit : US Dollar thousand

Product code	Product label	Value in 2012
TOTAL	All products	8111
'39	Plastics and articles thereof	2508



Product code	Product label	Value in 2012
'84	Machinery, boilers, etc	1572
'73	Articles of iron or steel	737
'35	Albuminoids, modified starches, glues, enzymes	403
'30	Pharmaceutical products	333
'87	Vehicles other than railway, tramway	326
'76	Aluminium and articles thereof	313
'94	Furniture, lighting, signs, prefabricated buildings	295
'85	Electrical, electronic equipment	207
'83	Miscellaneous articles of base metal	199
'18	Cocoa and cocoa preparations	138
'27	Mineral fuels, oils, distillation products, etc	137
'20	Vegetable, fruit, nut, etc food preparations	91
'48	Paper and paperboard, articles of pulp, paper and board	69
'29	Organic chemicals	68
'31	Fertilizers	68
'38	Miscellaneous chemical products	68
'19	Cereal, flour, starch, milk preparations and products	67
'44	Wood and articles of wood, wood charcoal	63
'82	Tools, implements, cutlery, etc of base metal	57
'33	Essential oils, perfumes, cosmetics, toileteries	39
'08	Edible fruit, nuts, peel of citrus fruit, melons	38
'16	Meat, fish and seafood food preparations nes	34
'21	Miscellaneous edible preparations	24
'32	Tanning, dyeing extracts, tannins, derivs, pigments etc	24
'40	Rubber and articles thereof	24
'56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	23
'90	Optical, photo, technical, medical, etc apparatus	23
'34	Soaps, lubricants, waxes, candles, modelling pastes	22
'04	Dairy products, eggs, honey, edible animal product nes	18
'70	Glass and glassware	17
'17	Sugars and sugar confectionery	12
'49	Printed books, newspapers, pictures etc	12
'75	Nickel and articles thereof	11
'07	Edible vegetables and certain roots and tubers	8
'72	Iron and steel	8
'74	Copper and articles thereof	8
'55	Manmade staple fibres	5
'68	Stone, plaster, cement, asbestos, mica, etc articles	5
'15	Animal, vegetable fats and oils, cleavage products, etc	4
'25	Salt, sulphur, earth, stone, plaster, lime and cement	4
'64	Footwear, gaiters and the like, parts thereof	4
'95	Toys, games, sports requisites	4
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	3
'62	Articles of apparel, accessories, not knit or crochet	3
'63	Other made textile articles, sets, worn clothing etc	3
'22	Beverages, spirits and vinegar	2
'28	Inorganic chemicals, precious metal compound, isotopes	2
'42	Articles of leather, animal gut, harness, travel goods	2
'92	Musical instruments, parts and accessories	2
'11	Milling products, malt, starches, inulin, wheat gluten	1
'36	Explosives, pyrotechnics, matches, pyrophorics, etc	1
'57	Carpets and other textile floor coverings	1
'69	Ceramic products	1
'86	Railway, tramway locomotives, rolling stock, equipment	1

Source: ITC calculations based on UN COMTRADE statistics.



13. GREEK CHURCH AND PARISH

In Ethiopia there is Orthodox Church belonging to the Patriarchate of Alexandria and All Africa belongs and is under the jurisdiction of the **Holy Archdiocese of Aksum**¹⁴.

His Eminence Petros Archbishop of Aksum, (known in the world as George Giakoumelos), was born in Zakynthos in 1932.

The Holy Archdiocese of Aksum has in its jurisdiction the areas Ethiopia, Eritrea, Djibouti and Somalia.

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¹⁴ See <http://www.patriarchateofalexandria.com/index.php?module=content&cid=004001>



14. SOURCES OF INFORMATION

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<http://www.mfa.gr/en/blog/greece-bilateral-relations/ethiopia/>
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