

Investment Businesses Open for Foreign Investors in Ethiopia

Description

By Luwam Chalachew,, Legal Assistant at DMLO

Introduction

Foreign national or an enterprise irrespective of where it is incorporated in which a foreign national has an ownership stake is considered a foreign investor. An enterprise incorporated outside of Ethiopia by any investor is also considered a foreign investor. An Ethiopian permanently residing abroad who opts for a foreign investor treatment under the law is also considered a foreign investor. The above list constitute foreign investor under the Investment Proclamation No 1180/2020..

Any foreign investor who can allocate a minimum capital of USD \$200,000 can engage in investment in Ethiopia. A foreigner investing together with a domestic investor is required to come up with a minimum capital of USD \$150,000. Fulfilling the minimum capital requirement, a foreign investor can invest in all businesses of investment except those reserved exclusively for domestic investors.

Businesses of Investment Open for Foreign Investment

According to Article 6(3) of the Proclamation, one investment sector open to foreign investors is joint investment with the government of Ethiopia. Another businesses sector that is open for foreign investor is joint investment with domestic investors. All businesses outside the reserved businesses for domestic investors are also open for foreign businesses to engage in. In other words, foreign investors are not allowed to engage in the areas of investment which are exclusively reserved for domestic investors. Outside of the later, foreign investors are allowed either to invest alone or jointly on selected sectors with government and domestic investors.

Business Types Reserved for Join Investment with Government

- Manufacturing of weapons, ammunition and explosives used as weapons or make weapons,
- Import and export of electrical energy,
- International air transport services,
- Bus rapid transit and
- Postal service excluding courier service

Businesses Exclusively Reserved for Domestic Investors

- Subject to applicable laws, banking, insurance, and microfinance business excluding capital goods finance business,
- Transmission and distribution of electrical energy through an integrated national grid system.
- Primary and middle level health service,
- Wholesale trade, petroleum, petroleum products, wholesale of own products produced in

Ethiopia, excluding wholesalers of electronic commerce,

- Retail trade, excluding retail of electronic commerce as provided under appropriate law of own products produced in Ethiopia,
- Import trade excluding liquefied petroleum gas and bitumen,
- Export trade of raw coffee, chat, oil seeds, pulses, minerals, hides and skins, products of natural forest, chicken, and livestock including pack animals brought on the market,
- Construction and drilling services below grade 1,
- Hotel, lodge, resort, motel, guesthouse, and pension services excluding those that are star designated,
- Restaurant, tearoom, coffee shops, bars, nightclubs, and catering services excluding star designated national cuisine restaurant service,
- Travel agency, travel ticket sales and trade auxiliary service,
- Tour operation,
- Operating lease of equipment, machineries and vehicles excluding industry specific heavy equipment, machineries, and specialized vehicles,
- Transport services, excluding the following areas,

1. Railway transport,
2. Cable-car transport,
3. Cold-chain transport,
4. Freight transport having a capacity of more than 25 tones, and
5. Transport services reserved for joint investment with government or domestic investors,

- Making indigenous traditional medicines,
- Producing bakery products and pastries for domestic market,
- Grinding mills,
- Barbershop and beauty salon services, smothery. And tailoring except by garment factories,
- Maintenance and repair services including aircraft maintenance repair and overhaul (MRO), but excluding repair and maintenance of heavy industry machineries and medical equipment,
- Aircraft ground handling and other related services,
- Saw milling, timber manufacturing, and assembling of semi-finished wood products,
- Media service,
- Customs clearance service,
- Brick and block manufacturing,
- Quarrying,
- Lottery and sports betting,
- Laundry service excluding those provided on industrial scale,
- Translation secretarial services,
- Security services
- Brokerage services,
- Attorney and legal consultancy services and
- Private employment agency service, excluding such services for the employment of seafarers and other similar professionals that require high expertise and international experience and network.

Businesses Exclusively Reserved for Joint Investment with Domestic and Foreign Investors

- Freight forwarding and shipping agency services,
- Domestic air transport service,
- Cross- country public transportation service using buses with a seating capacity of more than 45 passengers,
- Urban mass transport service with large carrying capacity,
- Advertisement and promotion services,
- Audiovisual services, motion picture and video recording production and distribution and
- Accounting and auditing service.

A foreign investors investing jointly with domestic investors in the businesses specified above are not allowed to hold more than 49% of the share capital of the investment enterprise.

Conclusion

Generally all business sectors are open for foreign investors except those reserved for domestic investors exclusively. For that matter, joint investment on selected businesses with the government or with a domestic investor, are indirectly businesses open for foreign investors to engage in Ethiopia. Jointly or alone, a foreign investor can do investment business in Ethiopia in multitude of business sectors.

For any investment questions, you may contact us at info@dmethiolawyers.com

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Author

dmethiol_admin