

Recent Laws on Investment in Tourism

Description

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Post-Covid ease of travel restriction will attract tourists to enjoy the amazing landscape, diverse culture and natural beauty of Ethiopia. Additional mesmerizing parks are on the way. The more internal conflict and instability subside, the more the increase in tourism investment. The laws regarding establishment of tourism investment in Ethiopia will be the focus of the article.

Investment in Tour Operations

According to the Investment Regulation No 474/2020, Article 4(12) tour operations are reserved for domestic investors. However the previous investment regulation i.e. Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulation No 270/2012 divided tour operations into two. These were grade 1 tour operations and tour operations below grade 1. Consequently, the previous investment regulation allowed foreign investors to invest in grade 1 tour operations. Whereas tour operations below grade 1 were reserved for domestic investors. The previous regulation is repealed by the current Investment Regulation on reserved investment areas. Therefore, tour operation has been limited to investment by domestic investors only. New entrants of foreign investors cannot engage in tour operations.

Tourism as a Priority Sector

The Ethiopian Government has given tourism a priority. The Government invested a lot of capital in developing new tourist destinations and restructured the regulator to focus on tourism. The Ministry of Tourism(MoT) has been restructured from the Ministry of Culture and Tourism to the Ministry of Tourism under Definition of Powers and Duties of the Executive Organ Proclamation No 1263/2021. According to this Proclamation, the Ministry has been given several powers and duties. Among the powers one can mention the power to issue licenses, unless such power is clearly given to other organs, to investors who provide services in tourism to more than one region or where the law provides, to tourism service providers conducted by foreign investors.

In conclusion, the Ethiopian Government is eyeing tourism as a sector that is going to positively impact the economy. The Government is hugely invested in developing new tourist destinations and their infrastructures. Whereas, the investment in tour operation is reserved to domestic investors under the current Investment Regulation. The previous Investment Regulation allowed foreign investors to invest at least in grade 1 tour operations. Flow in foreign currency and foreign tourists from around the world would have been increased if new foreign investment entrants to tour operations are allowed to invest in tour operations. The intention of the Government on the one hand and the law on tourism investment seems to contradict. This should call for amendment of the law on investment areas allowed for foreign investors in tourism investment.

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