

## Key and New Additions on the Investment Regulation of Ethiopia

### Description

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The Investment Regulation No.474/2020 (hereafter the Regulation) was enacted following the Investment Proclamation No 1180/2020. It was done on the 2nd day of September 2020, to be effective on the date of publication in the Federal Negarit Gazette.

The Regulation is divided into eight parts that cover investment areas, investment permit, acquisition of existing enterprise and transfer of investment projects under implementation, procedure for suspension and revocation of investment permits, registration of technology transfer and collaboration agreements, condition for owning a dwelling house, provision of one-stop service, training and transfer of knowledge and skill to Ethiopian employees and repealed and inapplicable laws.

Any foreign investor can investment in investment areas that are not listed and reserved for a) joint investment with the Government, b) investment areas reserved for domestic investors, and c) investment areas reserved for joint investment with domestic and foreign investors.

This approach is a major shift from the previous investment regulation. The previous investment regulation lists down exhaustively areas of investment open for foreign investors. Foreign investors could not invest outside the listed investment areas. Now foreign investors can invest in all other areas of investment except those reserved for the joint investment with government and joint investment with domestic investors or areas of investment reserved for domestic investors.

“Domestic Investor” has been defined under the Investment Proclamation No 1180/2020 as an Ethiopian National; or an Enterprise incorporated Ethiopia and wholly owned by Ethiopian National; or the Government; or a Public Enterprise; or a cooperative society established as per the relevant law; or a Foreign National or Foreign Enterprise treated as domestic investor as per the relevant law or international treaty ratified by Ethiopia; or an Enterprise incorporated in Ethiopia jointly between any of the investors specified above; or a Foreign National or Foreign Enterprise accorded a domestic investor investment permit as per laws which were in effect when the permit was issued and continues to operate in Ethiopia, provided that this applies only in respect of investments that are operational at the time of enactment of this Proclamation; or descendant of a foreign national that is accorded investment permit provided that this applies only in respect of investments specified in the same Sub-article;

On the other hand, on the same Investment Proclamation a "Foreign Investor" has been defined as a Foreign National; or an Enterprise in which a Foreign National has an ownership stake; or an Enterprise incorporated outside of Ethiopia by any investor; or an Enterprise established jointly by any of the investors mentioned above ; or an Ethiopian permanently residing abroad and preferring treatment as a Foreign investor;

Areas of investment open for any investor to invest JOINTLY with the Government are: manufacturing

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of weapons, ammunition and explosives used as weapons or to make weapons, import and export of electrical energy, international air transport services, bus rapid transit services and postal services excluding courier services.

Investment areas RESERVED for DOMESTIC investors include banking, insurance, microfinance excluding capital goods finance business, transmission and distribution of electrical energy through integrated national grid system, primary and middle level health services, wholesale trade, petroleum, petroleum products, wholesale of own products produced in Ethiopia, excluding wholesale of electronic commerce; retail trade excluding retail of own products produced in Ethiopia, import trade excluding liquified petroleum gas and bitumen, export trade of raw coffee, khat, 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, pension services excluding those that are star-designated, restaurant, tearoom, coffee shops, bars, nightclubs and catering services excluding star designated national cuisine restaurant services, travel agency, travel ticket sales and trade auxiliary services, tour operation, operating lease of equipment, machinery and vehicles, excluding industry specific heavy equipment, machinery and specialized vehicles; transport services excluding railway transport, cable-car transport, cold-chain transport, freight transport having a capacity of more than 25 tons and transport services reserved for joint investment with the government or domestic investors; making indigenous traditional medicines, producing bakery products and pastries for domestic market, grinding mills, barbershops and beauty salon services, smithery 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 machinery and medical equipment, aircraft ground handling and other related services, saw milling, timber manufacturing and assembling of semi-finished wood products; medical services, customs clearance service, brick and block manufacturing, quarrying, lottery and sports betting, laundry services excluding those provided on industrial scale, translation and secretarial services, security services, brokerage services, attorney and legal consultancy services, and private employment agency services excluding such services for employment of seafarers and other similar professionals that require high expertise and international experience and network.

Lastly investment areas reserved for JOINT investment with domestic and foreign investors are feight forwarding and shipping agency services, domestic air transport services, cross country public transport services 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 such as motion picture and video recording, production and distribution and finally accounting and auditing services.

However a foreign investor jointly investing with a domestic investor on the above listed businesses cannot own more than 49% of the share capital of the newly formed joint investment company.

Therefore, except areas of investment reserved for joint investment with the Government, or investment areas reserved for domestic investors, or investment areas reserved for joint investment with domestic and foreign investors, the rest are open to foreign investors to invest.

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