

Ethiopia: A place where to invest

It was not until 1991 that investment became priority development agenda of the Ethiopian government. The private's sector has been regarded as an engine for the country's economic development since 1991. The government launched an economic reform program and began moving towards a market economy. Issuing of investment license used to take well over three months now it takes little over two hours. Taxes have come down while infrastructure being expanded. By considering the progress registered, The economic freedom index published annually by the heritages foundation in the United States noted in 2004 that Ethiopia offered the second most improved business environment in the world. The ranking was based on improvements mainly witnessed in trade policy, foreign investment fiscal burden and government intervention.

The country is increasingly attracting the attention of foreign investors. In fact there are a number of reasons why investors find it worthy to consider Ethiopia as a location for investment. First and for most perhaps is a stable political and economic environment with very little crime and disorder. The country is one of the largest domestic markets in Africa with about more than 77 million population. The country's exceptional climate offers an excellent environment for various agricultural activities like floriculture and tourism.

Investment opportunities are varied in the country. The government also offers substantial incentives to investors engaged in agriculture and agro-based industries including tax holiday days of up to 8 years.

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There are opportunities as well in the fields of leather and leather processing industries. As a country with one of the largest livestock population in the continent offers an immense opportunity in the export business of leather and leather products. The tourism sector is yet another untapped potential.

According to Ethiopian investment commission report, manufacturing has been the main area to attract foreign direct investment followed by agriculture during the past decade. Foreign direct investment has been increasing during the last ten years. However, the country remains an untapped and unexploited market for investors. Generally Ethiopia has large advantages as competitor for foreign direct investment due to its potential domestic market, unique and favorable climate, a low cost work force and one of the best public sectors in the developing world.

Foreign direct investment a foreign magazine published by financial times business limited has analyzed country profiles as regard to foreign direct investment is concerned. Accordingly the magazine ranked Ethiopia first among African countries in cost effectiveness for foreign direct investment. It also puts the country second among east and central African countries for its favorableness to foreign direct investment.

In its 2005-2006 evaluation, the magazine said that Ethiopia is favorable to foreign direct investment with its cheap labor and suitable infrastructure development among others. The magazine added that foreign investment projects with an aggregate capital of 1.1

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billion US dollars have so far been licensed attracted by the conducive environment of investment. A number of companies are gaining a firm foothold in the country. Many have already began the fruit of their investment. As stated earlier this is an investment brought about with the profound measures taken in the area of politics and economy. Investment in the country is given full guarantee by the country's constitution and the investment code. Besides investment packages set by the government to attract investment in general and to encourage investors to get engaged in priority investment are as such as agriculture agro-based processing, floriculture, leather and textile industries are serving their purposes.

The country's achievement it registered in creating a conducive environment is therefore the aggregate result of sound economic policies and good governance. The rating made by the magazine is also a reflection of the existing environment of political economy.

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Annex 8.3: Amount of Capital to be Invested by the Approved Projects by Sector and Region during EFY 1997 & 1998

Sector		Agriculture, hunting and forestry	Construction	Education	Electricity, gas, steam and water supply	Fishing	Health and social work	Hotels and restaurants	Manufacturing	Mining and quarrying	Other community, social and personal service activities	Real estate, renting and business activities	Transport, storage and communication	Wholesale, retail trade & repair service	Total No. of proj.	Percentage Share
Tigray	1997	211	6	19	0	0	5	19	709	2	0	39	1	0	1010	2.61
	1998	66	89	24	0	0	5	104	492	0	15	67	1	31	895	1.12
Afar	1997	52	0	0	0	0	0	0	0	0	0	0	0	0	52	0.13
	1998	159	0	0	0	0	0	1	6723	0	0	0	0	0	6883	8.60
Amhara	1997	3923	8	84	249	0	54	76	1620	0	1	89	19	436	6559	16.93
	1998	431	233	153	6611	0	37	134	750	2	36	285	28	15	8714	10.89
Oromia	1997	3319	126	415	2	0	160	320	2633	19	50	1528	30	37	8639	22.30
	1998	3943	122	94	29	1	244	478	12863	69	8	675	74	73	18673	23.33
Somali	1997	22	0	8	0	0	0	0	0	0	0	0	0	0	31	0.08
	1998	42	0	1	0	0	0	0	0	0	0	0	0	0	43	0.05
B.Gumze	1997	76	0	9	0	0	0	5	4	0	0	0	3	0	97	0.25
	1998	32	0	6	0	0	0	0	1	0	1	0	0	0	40	0.05
SNNPR	1997	372	6	155	4	0	51	178	237	0	7	53	4	20	1086	2.80
	1998	1243	95	139	0	3	58	530	637	0	38	499	11	20	3273	4.09
Gambella	1997	16	0	0	0	0	0	0	3	0	0	0	0	0	19	0.05
	1998	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0.00
Harari	1997	9	6	19	0	0	2	2	100	0	4	38	0	1	182	0.47
	1998	3	3	18	0	0	3	1	20	0	3	39	2	33	125	0.16
Dire Dawa	1997	102	34	16	0	0	5	7	2274	0	0	23	0	5	2466	6.36
	1998	12	80	1	0	0	1	10	2405	0	0	30	1	1	2540	3.17
Addis Ababa	1997	297	1767	446	1	0	140	833	2788	102	43	4936	168	155	11678	30.14
	1998	258	3531	481	0	0	271	881	6899	51	760	8521	1104	7	22763	28.44
Multi regional	1997	332	80	18	5280	0	865	29	180	0	53	77	0	46	6929	17.88
	1998	1027	137	538	11628	0	1	89	2093	0	0	446	124	1	16084	20.10
Grand Total	1997	8730	2033	1190	5536	0	1282	1469	10518	123	158	6783	225	700	38747	100.00
	1998	7218	4290	1455	18268	4	620	2228	32883	122	861	10562	1345	180	80035	100.00

Source: Ethiopian Investment Agency