

**Proclamation No. 280/2002**  
**Re-Enactment of the**  
**Investment Proclamation**

**WHEREAS**, the encouragement and promotion of investment has become necessary so as to accelerate the economic development of the country and to improve the living standards of its people;

**WHEREAS**, in addition to that of domestic investors, it is deemed essential to widen the scope of participation of foreign investors and to facilitate conditions thereof with a view to enhancing the country's investment activities;

**WHEREAS**, the system of administration of investment needs to be transparent and efficient;

**WHEREAS**, to these ends, it has become necessary to revise the existing law on investment;

**NOW, THEREFORE**, in accordance with Article 55 (1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

**PART ONE**

**General**

**1. Short Title**

This Proclamation may be cited as the "Investment Proclamation No. 280/2002."

**2. Definitions**

In this Proclamation, unless the context requires otherwise:

- 1) "Investment" means expenditure of capital by an investor to establish a new enterprise or to expand or upgrade one that already exists;
- 2) "Enterprise" means an undertaking established for purposes of gaining profit;
- 3) "Capital" means local or foreign currency, negotiable instruments, machinery or equipment, buildings, initial working capital, property rights, patent rights, or other business assets;
- 4) "Investor" means a domestic or foreign investor having invested in Ethiopia;
- 5) "Domestic Investor" means an Ethiopian or a foreign national permanently residing in Ethiopia having made an investment, and includes the Government, public enterprises as well as a foreign, national, Ethiopian by birth and desiring to be considered as a domestic investor;

- 6) "Foreign Investor" means a foreign or an enterprise owned by foreign nationals, having invested foreign capital in Ethiopia, and includes an Ethiopian permanently residing abroad and preferring treatment as a foreign investor;
- 7) "Foreign Capital" means capital obtained from foreign sources, and includes the re-invested profits and dividends of a foreign investor;
- 8) "Expansion/upgrading" means increasing in value, by more than 25%, the full production or service capacity of an existing enterprise, be it in variety, volume, or both, through additional investment made to the extent determined in regulations to be issued for the implementation of this Proclamation;
- 9) "Appropriate Investment Organ" means the Ethiopian Investment Authority, (hereafter referred to as the "Authority"), established under this Proclamation or the executive organ of a Region empowered to issue investment permits;
- 10) "Public Enterprise" means an undertaking, wholly owned by the Federal or Regional government established to carry out manufacturing, distribution, service rendering or other economic and related activities for gain;
- 11) "Government" means the Federal Government or a Regional Government;
- 12) "Region" means any of those specified under Article 47 (1) of the Constitution of the Federal Democratic Republic of Ethiopia and for the purpose of this Proclamation, includes Addis Ababa City Administration and the Dire Dawa Administrative Council;
- 13) The phrase "export-oriented non-equity based foreign enterprise collaboration" means a 100% export-oriented contractual arrangement between a domestic investor and foreign enterprise in which the foreign enterprise provides, among others, all or some of the following:
- (a) guaranteed external market access;
  - (b) export product and production know-how;
  - (c) export marketing know-how;
  - (d) export business management know-how;
  - (e) raw materials and intermediate inputs needed for export production.

### **3. Scope of Application**

The provisions of this Proclamation shall not be applicable to investments in the prospecting, exploration and development of minerals and petroleum resources.

## **PART TWO**

### **Investment Objectives, Areas and Incentives**

**4. Investment Objectives of the Federal Democratic Republic of Ethiopia** The Objectives of the investment policy of the Federal Democratic Republic of Ethiopia are designed to improve the living standards of the peoples of Ethiopia through the realization of sustainable economic and social development, the particulars of which are the following:

- (1) to accelerate the country's economic development;
- (2) to exploit and develop the immense natural resources of the country;
- (3) to develop the domestic market through the growth of production, productivity, and services;
- (4) to increase foreign exchange earnings by encouraging expansion in volume and variety of the country's export products and services and the improvement of their quality as well as to save foreign exchange through production of import substituting products;
- (5) to encourage balanced development and integrated economic activity among the Regions and to strengthen the inter-sectoral linkages of the economy;
- (6) to enhance the role of the private sector in the acceleration of the development of the country's economy;
- (7) to render foreign investment play its proper role in the country's economic development;
- (8) to create wide employment opportunities for Ethiopians and to foster the transfer of technical know-how, of managerial skills, and of technology required for the progress of the country.

**5. Areas of Investment Reserved for the Government or Joint Investment with the Government**

1) The following investment areas are exclusively reserved for the Government:

- (a) Transmission and supply of electrical energy through the Integrated National Grid System and
- (b) Postal services with the exception of courier services.

2) Investors shall be allowed to invest in the following areas only in joint venture with the Government:

- (a) Manufacturing of weapons and ammunition and
- (b) Telecommunication services.

6. Areas of Investment Reserved for Domestic Investors Areas of investment exclusively reserved for Ethiopian nationals and other domestic investors shall be specified by regulations to be issued by the Council of Ministers.
7. Regarding investments to be undertaken in Joint Venture with the Government The Supervising Authority of Public Enterprises shall receive investment proposals submitted by any private investor intending to invest in joint venture with the government; it shall submit same to the Ministry of Trade and Industry for decision and, upon approval, designate a public enterprise to invest as partner in the joint investment.
8. Areas of Investment Open for Foreign Investors All areas of investment, other than those exclusively reserved, under this Proclamation, for the Government or joint venture with the Government or for Ethiopian nationals or other domestic investors, which shall be specified by regulations to be issued by the Council of Ministers, shall be open for foreign investors.
9. Investment Incentives
  - 1) Areas of investment specified by regulations to be issued by the Council of Ministers pursuant to the investment objectives stated under Article 4 of this Proclamation shall be eligible for investment incentives.
  - 2) The regulations to be issued pursuant to Sub Article (1) of this Article shall determine the type and extent of entitlement to incentives.

### **PART THREE**

#### **Forms of Investment and Capital Requirements for Foreign Investors**

10. Forms of Investments
  - 1) Investments may be effected in one of the following forms:
    - (a) Sole proprietorship;
    - (b) Business organizations incorporated in Ethiopia or abroad;
    - (c) Public Enterprise established in accordance with the relevant law;
    - (d) Cooperative Societies formed in accordance with the relevant law.
  - 2) Any business organization specified under Sub Article (1) (b) of this Article shall be registered in accordance with the Commercial Code or any other relevant law.

## 11. Capital Requirements for Foreign Investor

- 1) Any foreign investor, to be allowed to invest pursuant to this Proclamation, shall be required to allocate a minimum capital of 100, 000 US dollars for a single investment project.
- 2) Notwithstanding the provisions of Sub Article (1) of this Article, the minimum capital required of a foreign investor investing jointly with domestic investors shall be 60,000 US dollars.
- 3) The minimum capital required of a foreign investor investing in areas of engineering, architectural, accounting and audit services, project studies or business and management consultancy services or publishing shall be:
  - (a) 50,000 US dollars if the investment is made wholly on his own;
  - (b) 25, 000 US dollars if the investment is made jointly with domestic investors.
- 4) A foreign investor:
  - (a) re-investing his profits or dividends; or
  - (b) exporting at least 75% of his outputs shall not be required to allocate a minimum capital.
- 5) Any foreign investor having brought investment capital into the country shall have registered same at the National Bank of Ethiopia and obtain a certificate of registration.

## **PART FOUR Investment Permit**

### 12. Requirement of Permit

- 1) The following investors shall be required to obtain investment permits:
  - (a) Foreign investors;
  - (b) Foreign nationals, excluding Ethiopians by birth, taken for domestic investors pursuant to Article 2(5) of this Proclamation;
  - (c) Domestic investors investing in areas eligible for incentives;
  - (d) Domestic and foreign investors making investments in partnerships.
- 2) Notwithstanding Article 2(1) of this Proclamation, a foreign investor intending to buy an existing enterprise in order to operate it as it stands or to buy shares in an existing enterprise shall have to obtain prior approval from the Authority. A request for such approval shall be decided upon within 10 days of receipt of an application accompanied by complete information.

3) The provisions of this Article shall not affect the right of an investor of Ethiopian national or foreign national, an Ethiopian by birth taken for domestic investor, intending to invest, in conformity with the relevant laws of the country, in areas not eligible for incentives or, waiving his right of entitlement in those areas eligible for incentives.

### **13. Application for Investment Permit**

An application for investment permit shall be made in a form designed for such purpose and submitted to the appropriate investment organ together with the following information:

- 1) the project profile;
- 2) a list of the type and quantity of machinery and equipment intended to be exempted from import duties and taxes;
- 3) in case of a business organization, the memorandum and articles of association;
- 4) in the case of expansion or upgrading, a brief description of same and the implementation programme;
- 5) in the case of planned employment of expatriate staff, with the exception of top management positions, a statement on the time schedule for their replacement by Ethiopians and the training program designed for such replacement;
- 6) power of attorney in the case of an application made through an agent; and
- 7) other relevant information relating to the particulars of the project.

### **14. Issuance of Investment Permit**

- 1) Upon receiving an application for investment permit made in full compliance with the provisions of Article 13 of this Proclamation, and after ascertaining, within 10 days, that the intended investment activity complies with the conditions stipulated in the regulations and directives to be issued to implement this Proclamation, the appropriate investment organ shall issue an investment permit to the applicant.
- 2) An investment permit shall contain the following:
  - a) the name, nationality and the address of the investor;
  - b) the investment activity; and
  - c) the region in which the investment is to be made
- 3) A holder of an investment permit shall not be required to obtain a business license until completion of project implementation and the commencement of production or of rendering of service.
- 4) An investment permit may not be transferred to another person without the prior authorization of the appropriate investment organ.
- 5) Where an investment permit is transferred to another person or where any change occurs in its content, it shall be submitted to the appropriate investment organ and amended accordingly.

### **15. Renewal of Investment Permit**

- 1) An investment permit shall be renewed annually until the investor commences the marketing of his output or services; provided, however, the investor shall submit progress reports on the implementation of the project, to the appropriate investment organ, at the end of every six months.
- 2) An application for renewal of an investment permit shall be submitted at least a month before the end of a period of one year for which the permit remains valid.
- 3) The appropriate investment organ shall renew the investment permit, where satisfied, as to the existence of sufficient cause for the delay in the commencement or completion of implementation of the project.

#### **16. Suspensions or Revocation of Investment Permit**

- 1) Where an investor violates the provisions of this Proclamation or regulations or directives issued to implement this Proclamation, the appropriate investment organ may suspend the investment permit until the investor takes due corrective measures.
- 2) The appropriate investment organ may revoke an investment permit where it is ascertained that:
  - a) the investor obtained the permit fraudulently or by submitting false information or statements;
  - b) the investor has transferred the permit to another person without the authorization of the appropriate investment organ;
  - c) incentives granted are misused or illegally transferred to another person;
  - d) the investor has failed, without good cause, to renew the permit in accordance with Article 15 of this Proclamation.
- 3) The appropriate investment organ shall, prior to suspending or revoking a permit, notify the investor in writing as to the causes for taking such action and allow him a period of one month to present his views thereon.
- 4) The appropriate investment organ shall suspend or revoke the permit where the investor fails to respond within the time limit prescribed in Sub-Article (3) of this Article or presents unacceptable justification.
- 5) Upon suspension or revocation of an investment permit, the investor shall immediately lose entitlement to all benefits.
- 6) Upon revocation of an investment permit, the investor shall return within 6 months all the benefit he was granted.
- 7) An investment permit may not be suspended or revoked by an organ other than the appropriate investment organ having issued same.

#### **17. Right to Appeal**

An investor who has a grievance against a decision of an appropriate investment organ may, within 30 days from receipt of the decision, appeal to the Federal Investment Board or to the concerned organ of a Regional Government, as may be appropriate.

## **PART FIVE**

### **Transfer of Technology, Loans, Utilization of Foreign Currency, and Remittance of Funds**

#### **18. Technology Transfer Agreements**

- 1) Where an investor intends to conclude a technology transfer agreement related to his investment, he shall submit same to the Authority for approval and registration.
- 2) Where the Authority receives a technology transfer agreement pursuant to Sub Article (1) of this Article, it shall give its decision thereon subsequent to the necessary evaluation in accordance with the Council of Ministers Regulations No. 121/1993.

#### **19. Loans and Utilization of Foreign Currency**

- 1) An investor who acquires an external loan shall have such loan registered with the National Bank of Ethiopia in accordance with the directives of the Bank.
- 2) For transactions related to their investment, foreign investors shall be allowed to open and operate foreign currency accounts in authorized local banks in accordance with directives of the National Bank of Ethiopia.

#### **20. Remittance of Funds**

- 1) Any foreign investor shall have the right, in respect of an approved investment, to make the following remittances out of Ethiopia in convertible foreign currency at the prevailing rate of exchange on the date of remittance.
  - (a) Profits and dividends accruing from investment;
  - (b) Principal and interest payments on external loans;
  - (c) Payments related to a technology transfer agreement registered in accordance with this Proclamation;
  - (d) Proceeds from the sale or liquidation of an enterprise;
  - (e) Proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor.
- 2) Expatriates employed in an enterprise may remit, in convertible foreign currency, salaries and other payment accruing from their employment in accordance with the foreign exchange regulations or directives of the country.

## **PART SIX**

### **Investment Guarantees and Protections**

#### **21. Investment Guarantees and Protections**

- 1) No investment may be expropriated or nationalized except when required by the public interest and then, only in compliance with the requirements of the law.
- 2) Adequate compensation, corresponding to the prevailing market value, shall be paid in advance in case of expropriation or nationalization of an investment for public interest.
- 3) Any foreign investor may remit compensation paid to him, pursuant to this Article, out of Ethiopia in convertible foreign currency.

## **PART SEVEN**

### **Investment Administration**

#### **22. Investment Administration Organs**

The administration of investment shall be carried out through the following organs:

- 1) The Ministry of Trade and Industry;
- 2) The Investment Board;
- 3) The Authority;
- 4) Regional investment organs to be defined by the laws of the respective region.

#### **23. Jurisdiction**

- 1) The administration of investment in respect of the following shall be under the jurisdiction of the Authority;
  - (a) investment made by foreign investor;
  - (b) investment made by foreign national taken for domestic investor;
  - (c) investment made, in areas eligible for incentives by domestic investor who is required to obtain business license from concerned federal organs;
  - (d) joint investment by domestic and foreign investor.
- 2) Investments other than those referred to in Sub Article (1) of this Article shall fall under the jurisdiction of regional investment organs.
- 3) The granting of incentives by way of exemptions from import taxes and customs duties shall fall under the exclusive jurisdiction of the Ministry of Revenues.

- 4) Where an investor with a permit from the Authority or a regional investment organ applies for incentives of exemption from import taxes and customs duties, the Authority or the regional investment organ shall, after examining and ascertaining its acceptability within 5 days, transmit the application to the Ministry of Revenues together with the necessary information. The Ministry of Revenues shall give its decision within 7 days of receipt of such complete information.

#### **24. One-Stop Shop Service**

- 1) The issuance of business licenses, the granting of work permits to expatriate employees, and the registration of business organizations as required under the relevant laws shall, with respect to investors holding investment permits, be carried out by the Authority or by a regional investment organ as may be appropriate, representing the competent Federal or Regional executive bodies respectively.
- 2) The Authority shall register and render a one-stop service to export-oriented non-equity based foreign enterprise collaborations.
- 3) The Authority and regional investment organs shall carry out their functions under Sub Article (1) of this Article in compliance with the relevant laws thereof.
- 4) The Authority or a regional investment organ shall issue a license within 5 days after receiving an application pursuant to this Article, and is in full conformity with the requirements of the relevant law.

#### **25. Transmission of Information on Investment**

Each regional investment organ shall transmit to the Authority information compiled with respect to the resource potential and investment opportunities of the Region as well as periodic reports on investment activities therein.

### **PART EIGHT**

#### **The Investment Board**

#### **26. Members of the Board**

- 1) The number of members of the Investment Board shall be determined by Government.
- 2) The Minister of Trade and Industry shall be the Chairperson of the Investment Board.
- 3) The members of the Board shall be drawn from Government and private sector.
- 4) The Director General of the Authority shall be a member of the Board.

5) The Board shall have its own Secretariat. The powers and duties of the Secretariat shall be determined by the internal rule of procedures of the Board.

## **27. Powers and Duties of the Board**

The Board shall:

- 1) supervise and follow up, as the superior authority, the implementation of this Proclamation and the activities of the Authority;
- 2) decide on policy issues arising in connection with the implementation of this Proclamation;
- 3) issue directives necessary for the implementation of this Proclamation and regulations issued hereunder;
- 4) submit, as necessary, amendments on investment incentives, to the Council of Ministers for approval;
- 5) decide on appeals submitted to it by investors against decisions of the Authority;
- 6) determine service fees to be charged by the Authority;
- 7) approve the annual work program and budget of the Authority;
- 8) publicly notify investors of directives it issues from time to time;
- 9) whenever it deems necessary, decide on new or additional incentives, other than what is provided for under the Investment Incentives Regulations and submit same to the Council of Ministers for approval.

## **28. Meetings of the Board**

- 1) The Board shall meet regularly once in a month. However, it may hold extraordinary meetings at any time when necessary.
- 2) There shall be a quorum where more than half of the members are present at meetings of the Board.
- 3) Decisions of the Board shall be passed by a majority vote. However, the chairperson shall have a casting vote in case of a tie.
- 4) Without prejudice to the provisions of this Article, the Board shall draw up its own rules of procedure.

## **PART NINE**

### The Investment Authority

## **29. Re-establishment**

- 1) The Investment Authority is hereby re-established as an autonomous public institution having legal personality;
- 2) The Authority shall be accountable to the Investment Board.

### **30. Powers and Duties of the Authority**

The authority shall:

- 1) Serve as a nucleus for matters of investment and promote, coordinate and enhance activities thereon;
- 2) Initiate and submit to the Board policy and implementation measures needed to create a conducive investment climate for both domestic and foreign investors and follow up the implementation of same upon approval;
- 3) Collect, compile, analyze and disseminate information on the resource potential of the country and on the investment opportunities it offers, promote concrete investment projects, provide, upon request, match-making service of possible joint investment partners;
- 4) Organize, with a view to helping promote investment, such activities as exhibitions, training and seminars locally or abroad as may be appropriate, give advisory support to investors;
- 5) Realize liaison and coordination between investors, public offices, Regional Governments and other relevant organs, with a view to enhancing investment;
- 6) Prepare and distribute pamphlets, brochures, films and other materials that help enhance investment;
- 7) Issue investment permits in accordance with Article 23 of this Proclamation;
- 8) Monitor the implementation of investment projects for which it has issued permits and ensure that the terms of the investment permits are complied with;
- 9) Approve and register technology transfer agreements related to investments;
- 10) Negotiate bilateral investment promotion and protection treaties for conclusion between Ethiopia and other countries and sign same upon approval by the Council of Ministers;
- 11) Give advice and technical support to regional investment organs with a view to building up their capacity; and
- 12) Perform such other functions as may help to promote and enhance investment.

### **31. Organization of the Authority**

The Authority shall have:

- 1) a Director General and a Deputy Director General to be appointed by the Government; and
- 2) the necessary staff.

### **32. Powers and Duties of the Director General**

- 1) The Director General shall be the Chief Executive Officer of the Authority and, as such shall, subject to the general directives of the Board, direct and administer the activities of the Authority;
- 2) Without limiting the generality of Sub Article (1) of this Article, the Director General shall:
  - (a) Exercise the duties of the Authority specified in Article 30 of his Proclamation;
  - (b) Employ and administer the personnel of the Authority in accordance with the Federal Civil Service Law;
  - (c) Prepare and submit to the Board the work program and budget of the Authority and implement same upon approval;
  - (d) Effect expenditure in accordance with the budget approved for the Authority;
  - (f) Represent the Authority in all its dealings with third parties; and
  - (g) Prepare and submit to the Board reports on the performance and financial operations of the Authority.
- 3) The Director General may, to the extent necessary for the efficient performance of the functions of the Authority, delegate part of his powers and duties to other officials as well as employees of the Authority.

### **33. Source of Fund**

The sources of the fund of the Authority shall be:

- (a) budgetary allocations made by the Federal Government;
- (b) income, assistance and grants obtained from any other sources.

### **34. Books of Accounts**

- 1) The Authority shall keep complete and accurate books of accounts.
- 2) The accounts and financial documents of the Authority shall be audited annually by the Auditor General or by auditors designated by him.

## **PART TEN**

### **Miscellaneous Provisions**

### **35. Allocation of Land**

- 1) Where a Regional Government receives an application for the allocation of land for an approved investment, it shall, on the basis of the Federal and its own laws, deliver within 60 days, the required land to the investor.
- 2) The Region shall allocate land for investment activities and transmit information on such allocations to the appropriate investment organ.

- 3) Each Region shall, in the allocation of land, give priority to approved investments.
- 4) The appropriate investment organ shall, in cooperation with the concerned regional executive organs, facilitate and follow up the allocation of land for approved investments.

### **36. Employment of Expatriates**

- 1) Any investor may employ duly qualified expatriate experts required for the operation of his business.
- 2) An investor who employs expatriates pursuant to Sub Article (1) of this Article, shall be responsible for replacing, within a limited period, such expatriate personnel by Ethiopians by arranging the necessary training thereof.
- 3) Notwithstanding the provisions of Sub-Articles (1) and (2) of this Article, a foreign investor upon obtaining the prior consent of the Authority shall, without any restriction, have the right to recruit expatriate employees on top management positions of an enterprise of which he is the sole or major owner or shareholder.

### **37. Foreign Nationals Taken for Domestic Investors**

- 1) Rights and privileges as well as restrictions solely relating to foreign investors shall not be applicable to a foreign national who invests in Ethiopia being taken for a domestic investor.
- 2) A foreign national, excluding an Ethiopian by birth taken for a domestic investor shall declare same by filling in a form designed for such purpose by the Authority, and submit it together with his application for investment permit.

### **38. Ownership of Immovable Property**

- 1) Notwithstanding the provisions of Articles 390-393 of the Civil Code, a foreign national taken for a domestic investor or a foreign investor shall have the right to own a dwelling house and other immovable property requisite for his investment.
- 2) The provisions of Sub-Article (1) of this Article shall include those who have invested prior to the issuance of this Proclamation.

### **39. Duty to Provide Information**

Any executive organ of the Federal or a Regional Government shall have the duty to provide information relating to investment whenever so requested by appropriate investment organ.

#### **40. Repealed Laws**

- 1) The Investment Proclamation No.37/1996 (as amended) is hereby repealed.
- 2) No law, regulation, directive or practice inconsistent with this Proclamation shall have effect with respect to matters provided for in this Proclamation.

#### **41. Transitory Provisions**

- 1) Notwithstanding the provisions of Article 40, incentives provided for in the Investment Proclamation No. 37/1996 (as amended) and in regulations and directives issued there under shall remain applicable in respect of investment approved prior to the issuance of this Proclamation.
- 2) Where an investor, eligible for incentives under Investment Proclamation No. 37/1996 (as amended), opts instead to be a beneficiary of incentives provided for in this Proclamation and in regulations to be issued hereunder, he may notify the appropriate investment organ and be entitled thereby.

#### **42. Effective Date**

This Proclamation shall come into force as of the 2nd day of July 2002.

Done at Addis Ababa, this 2nd day of July 2002.

**GIRMA WOLDE GIORGIS  
PRESIDENT OF THE FEDERAL  
DEMOCRATIC REPUBLIC OF ETHIOPIA**