REGULATION NO. 474/2020

COUNCIL OF MINISTERS INVESTMENT REGULATION

This Regulation is issued by the Council of Ministers of the Federal Democratic Republic of Ethiopia pursuant to Article 55 Sub-Article (1) of the Investment Proclamation No. 1180/2020.

PART ONE
GENERAL

1. Short Title

This Regulation may be cited as the "Investment Regulation No. 474/2020".
4. Investment Areas Reserved for Domestic Investors

The following investment areas are exclusively reserved for domestic investors:

1/ Subject to applicable law, banking, insurance and microfinance businesses, excluding capital goods finance business;

2/ Transmission and distribution of electrical energy through integrated national grid system;

3/ Primary and middle level health services;

4/ Wholesale trade, petroleum products, wholesale of own products produced in Ethiopia; excluding wholesale of electronic commerce;

5/ Retail trade, excluding retail of and electronic commerce as provided under appropriate law, of own products produced in Ethiopia;

6/ Import trade, excluding liquefied petroleum gas and bitumen;

7/ Export trade of raw coffee, khat, oil seeds, pulses, minerals, hides and skins, products of natural forest, chicken, and livestock including pack animals bought on the market;

8/ Construction and drilling services below Grade I;

9/ Hotel, lodge, resort, motel, guesthouse, and pension services, excluding those that are star-designated;

10/ Restaurant, teashop, coffee shops, bars, nightclubs, and catering services, excluding star-designated national cuisine restaurant service;
11/ Travel agency, travel ticket sales and travel auxiliary services;

12/ Tour operation;

13/ Operating lease of equipments, machineries and vehicles, excluding industry-specific and heavy equipments, machineries and specialized vehicles;

14/ Transport services, excluding the following areas:
   a) Railway transport;
   b) Cargo-car transport;
   c) Cold-chain transport;
   d) Freight transport having a capacity of more than 25 tonnes; and
   e) Transport services reserved for joint investment with the Government or domestic investors;

15/ Making indigenous traditional medicines;

16/ Producing bakery products and pastries for domestic market;

17/ Grinding mills;

18/ Barbershop and beauty salon services, amithery, and tailoring except by garment factories;

19/ Maintenance and repair services, including aircraft maintenance repair and overhaul (MRO), but excluding repair and maintenance of heavy industry machineries and medical equipment;

20/ Aircraft ground handling and other related services.
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21/ Saw milling, timber manufacturing, and assembling of semi-finished wood products;
22/ Media services;
23/ Customs clearance service;
24/ Brick and block manufacturing;
25/ Quarrying;
26/ Lottery and sports betting;
27/ Laundry services, excluding those provided on industrial scale;
28/ Translation and secretarial services;
29/ Security services;
30/ Brokerage services;
31/ Attorney and legal consultancy services; and
32/ Private employment agency services, excluding such services for the employment of seafarers and other similar professionals that require high expertise and international experience and network.

5. Investment Areas Reserved for Joint Investment with Domestic and Foreign Investors

1. Any foreign investor may invest in the following investment areas only jointly with a domestic investor:

a) Freight forwarding and shipping agency services;

b) Domestic air transport service;

c) Cross-country public transport service using buses with a seating capacity of more than 45 passengers;
3. Where the investment is to be made by a business organization, a copy of its memorandum of association and Articles of Association and commercial registration certificate; or where the business organization is to be newly established, draft memorandum of association and articles of association, a copy of each shareholder’s identity card or identity card or other documents bestowing a domestic investor status, and two recent passport photo size photographs of the general manager.

4. Where the investment is to be made by a public enterprise or project company established under public-private partnership, a copy of the regulation or decision by which it was established or a copy of its Memorandum of Association and Articles of Association.

5. Where the investment is to be made by a cooperative society, a copy of its articles of association.

8. Application for Investment Permit by a Foreign Investor

1. In order to obtain investment permit, any foreign investor must fill out a paper-based or online application form and submit same to the Commission accompanied by the following documents:

a) Where the application is filed by an agent, a copy of a valid authorization document;

b) Where the investment is to be made by a sole proprietor, a copy of bio-pages of a valid passport showing his identity and two recent passport photo size photographs;
c) Where the investment is to be made by an Ethiopian national permanently residing abroad who prefers treatment as a foreign investor, a copy of document evidencing his permanent residence abroad and two recent passport size photographs;

d) Where the investment is to be made by a business organization to be incorporated in Ethiopia:

(1) Draft Memorandum of Association and Articles of Association of the business organization, a copy of bio-pages of a valid passport of each shareholder showing his identity, and two recent passport photo size photographs of the general manager of the business organization;

(2) Where the business organization has a foreign national member who can be considered a domestic investor, a copy of an identity card or other relevant document establishing such status;

(3) Where there is a business organization in the business organization, a copy of its Memorandum of Association and Articles of Association or similar constitutive document, commercial registration certificate and a copy of minutes of resolution passed by authorized organ of the parent business organization resolving to engage in investment activity in Ethiopia;

e) Where the investment is to be made by an Ethiopian branch of a business organization incorporated abroad:
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<th>Section</th>
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<tr>
<td>1.1</td>
<td>Where the application is filed by an agent, a copy of the investment approval and documents stating the nature and amount of the investment must be submitted to the department of foreign investments.</td>
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<td>1.2</td>
<td>In accordance with the provisions of Regulation No. 5 of the Ethiopian Investment Agency, an investment approval must be submitted to the department of foreign investments accompanied by the necessary documents.</td>
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<td>1.3</td>
<td>A copy of the Decision of the Board of Directors of the foreign company, an acceptance letter from the Ethiopian Embassy/Consulate and a passport photo of the foreign investor.</td>
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<td>1.4</td>
<td>A copy of the identification document of the foreign investor.</td>
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<td>1.5</td>
<td>A copy of the bank account statement issued by the bank in the country of origin of the foreign investor.</td>
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<tr>
<td>1.6</td>
<td>A copy of the passport issued by the foreign investor.</td>
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**Note:** This table is an excerpt and may not represent the complete document.
10. Investment Permit Issuance and Usage

1/ Upon receipt of an application made in accordance with Articles 7, 8 or 9 of this Regulation, the appropriate investment organ shall, after examining the proposed investment activity of the investor in light of the Proclamation, this Regulation and other applicable laws:

a) Where it approves the application, issue investment permit to the applicant or investor right away; or
b) Where it rejects the application, notify the applicant or investor in writing of the reason for the rejection within three (3) working days from the date following the date of application.

2/ The appropriate investment organ shall, after issuing the investment permit, notify concerned institutions for necessary follow up.

3/ A holder of an investment permit may not be required to obtain a business license until the commencement of production or rendering of service upon completion of the project. The investment permit must, however, be renewed every year as provided under Article 11 Sub-Article (1) of the Proclamation.

4/ An investment permit may not be transferred without prior written approval of the appropriate investment organ.

5/ Where an investment permit is transferred to another person or where any change is made to its content, it shall be submitted to the appropriate investment organ for approval.
ii. Acquistion of Existing Enterprise

1. A foreign investor seeking to buy an existing enterprise or a share thereof must submit a paper-based or online application to the Commission.

2. The Commission, in reviewing an application filed in accordance with Sub-Article (1) of this Article, must ascertain that the enterprise is engaged in investment areas open to foreign investors, and that the minimum capital requirement provided in the Proclamation and other requirements laid down under the Commercial Registration and Business Licensing Proclamation and other applicable laws are met.

3. Subject to the provision of Sub-Article (2) of this Article, a foreign investor applying to buy an existing enterprise or a share thereof must adduce the necessary clearance from the Ministry of Trade and Industry and the Ministry of Revenues.

4. The Commission shall, after examining the request in accordance with Sub-Articles (2) and (3) of this Article:

   a) Where it approves the application, replace the business license or register the share transfer right away; or

   b) Where it rejects the application, notify the investor in writing of the reason for the rejection within three (3) working days from the date following the date of application.
1. Any investor who wishes to transfer an investment project under implementation, for which a business license is not yet issued, must obtain the approval of the appropriate investment organ by submitting a paper-based or online application.

2. The investor shall, together with the application for approval of the transfer of an investment project, submit the following documents:
   a) A copy of renewed investment permit;
   b) A copy of sale agreement registered with notary public; and
   c) Where land was received for the project, a copy of document showing that the land is transferred to the buyer.

3. The appropriate investment organ, after examining the application, shall:
   a) Where it accepts the application, approve the project transfer right away;
   b) Where it rejects the application, notify the investor in writing of its decision for the rejection within three (3) working days from the date following the date of application.
13. Procedure for Suspension of Investment Permit

1. Where it is believed that an investor has committed any of the violations stated under Article 13 Sub-Article (1) of the Proclamation, he shall be given a written warning notice by the appropriate investment organ to take the necessary corrective measures or furnish adequate response within a period not exceeding 60 (sixty) working days.

2. Where an investor who has received a warning notice under Sub-Article (1) of this Article fails to take the required corrective measure or to submit adequate response, the appropriate investment organ may suspend the investment permit for the period provided in Article 13 Sub-Article (2) of the Proclamation.

14. Procedure for Revocation of Investment Permit

1. Before revoking an investment permit on the basis of grounds specified under Article 13 Sub-Article (3) of the Proclamation, the appropriate investment organ shall notify the investor in writing of the reasons for the impending revocation measure, the investor shall submit his written statement within 15 (fifteen) working days.

2. The appropriate investment organ may revoke the investment permit where the investor who received notification as per Sub-Article (1) of this Article fails to respond or the response he provided is not found acceptable.
13. Declaration of the Technology Agreement

a) A technology transfer agreement registration request made pursuant to Article 15 of the Proclamation shall be accompanied by the following documents:

(1) A letter of intent or business letter or document assessing the commercialization of technology of the technology provider;

(2) A technology transfer agreements and (3) a copy of the technology transfer agreement and

b) A technology transfer agreement

14. Procedure

a) Upon receipt of a complete application, the Commission shall determine whether the application is complete in accordance with Sub-Article Article 15 of the Proclamation and, if it is not complete, shall notify the applicant to submit the necessary documentation. Upon completion, the Commission shall notify the applicant and consider the application within 30 (thirty) working days from the date of application.

b) Documents under Article 9 of this Act shall be authenticated by a foreign and domestic bodies of the technology provider and registered with the Ministry of Industry and Commerce.
The Commission shall establish detailed guidelines for determining the minimum standards and requirements for regarding the authenticity of documents submitted under Article 15 in order to ensure that they meet the minimum standards and requirements.

14. Application Form for a Domestic Investor in the Private Sector

A copy of the registration certificate or business license of the domestic investor.

15. Application Form for a National Facilitator

A copy of the commercial registration certificate or business license of the national facilitator.

16. Application Form for a Domestic Investor in the Private Sector

A copy of the registration certificate or business license of the foreign enterprise, if applicable.

17. Application Form for a Foreign Investor

A copy of a valid business license or registration certificate of the foreign investor.
PART IV

SECTION 1

A. General

1. Without prejudice to articles provided in
   Government executive service, the relevant
   Government executive service shall register a
   foreign service provider in respect of
   registration in accordance with Sub-Article (1)

2. Where the Commission approves the request, it
   shall register the agreement and issue a certificate
   of registration in the event that the agreement
   commits the applicant to apply with the necessary

3. The Commission shall register the agreement and
   shall notify the domestic service provider of
   registration in accordance with Sub-Article (1)

4. The Commission shall register the agreement and
   shall notify the domestic service provider of
   registration in accordance with Sub-Article (1)
a) Registration of Memorandum of Association, Articles of Association, and amendments thereto;

b) Registration, amendment, replacement, and cancellation of trade names and business names;

c) Registration in commercial register and issuance, amendment, replacement and cancellation of commercial registration certificate;

d) Issuance, renewal, replacement, suspension and cancellation of expat work permits;

e) Issuance, renewal, suspension, replacement and revocation of business license; and

f) Handling of investment incentive requests in accordance with the applicable law; handling of requests for the transfer of construction materials, capital goods, spare parts and vehicles from one investor having duty-free right to another investor having the same right in accordance with the applicable law.

2. The Ministry of Trade and Industry shall follow up that the renewal of business license as per Sub-Article 6 paragraph (6) of this Article is carried out in accordance with the law.

3. The pertinent Government Agencies shall set up desks and provide the following services at the Commission’s one stop shop:
a) Issuance of tax identification number;
b) Issuance of residence permit;
c) Issuance of construction permit; and

d) Approval of environmental impact assessment studies and issuance of certificate.

3. When necessary, the Commission may determine to provide additional one-stop services supplementing the list under Sub-Articles (1) and (3) of this Article.

4. Upon receipt of application for services provided under Sub-Article (1) of this Article, the Commission, having ascertained completeness of the application and reviewed it pursuant to the applicable law, shall:

a) Where it approves the application, provide the service requested by charging the proper fee, and notify relevant Government organs of the service provided or accreditation issued for necessary follow-up; or

b) Where it rejects the application, notify the investor or applicant in writing of the reason for the rejection.
5. The appropriate investment organs shall provide support to requests of investors in respect of their investments to obtain land, loan, water, electric power, telecom services, as well as visa and residence permits for themselves and their expat employees. For the implementation of this provision, relevant organs of the Federal Government and Regional State Administrations must establish investment help desks that handle investors' requests expeditiously.

PART SEVEN

TRAINING AND TRANSFER OF KNOWLEDGE AND SKILL TO ETHIOPIAN EMPLOYEES

19. Procedure for the Training of and Transfer of Knowledge and Skill to Ethiopian Employees

1/ An investor employing foreigners in permanent fields of occupation pursuant to Article 22 Sub-Article (1) of the Proclamation is obliged to replace expat employees by Ethiopians within a clearly set timeframe by providing the needed on-the-job training and facilitating the transfer of knowledge.

2/ The investor must, within three months of the issuance of business license, submit to the Commission a statement detailing the type and schedule of the training, and, thereafter, a quarterly implementation report of the training program.

3/ The report submitted pursuant to Sub-Article (2) of this Article shall contain the following details:

The provisions of the Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulation No. 270/2012 (as amended) relating to investment incentives shall remain valid until they are repealed by another law.

22. Effective Date

This Regulation shall come into force on the date of publication in Federal Negarit Gazette.

Done at Addis Ababa On the 2nd Day of September 2020.

ABIY AHMED (DR.)

PRIME MINISTER OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA