

## VIII. INVESTMENT

Looking at the investment licensing profiles of the Ethiopian Investment Agency and Regional Investment Offices, a total of 25,835 investment projects involving Birr 322.86 billion in capital were licensed during 1992/93 – 2006/07. Of these projects, 22,489 (or 87.0 percent) were domestic, 3,267 (or 12.6 percent) foreign and, 79 (or 0.3 percent) public. In terms of investment capital Birr 179.7 billion (or 55.6 percent) was attributed to domestic investors, Birr 108.3 billion (or 33.5 percent) to foreign investors and Birr 34.9 billion (or 10.8 percent) to public sector.

Investment has tended to accelerate since 2002/03 due to favorable investment climate. During 2002/03-2006/07 alone, 18,645 projects with a capital of Birr 244.74 billion were licensed. Accounting for 72 percent of the projects and 75.8 percent of investment capital registered during the last 15 years.

In 2006/07 alone, a total of 6,472 investment projects involving capital outlay of Birr 93.6 billion were approved, the highest number in a single year since 1992/93. Domestic investment accounted for more than 82.2 percent of the total projects approved during

the review fiscal year. The number of foreign projects reached 1,150, which was 52.7 percent higher than the same period last year.

With regard to investment capital, domestic private investment projects accounted for Birr 46.6 billion (or 49.8 percent) of the total investment capital approved, followed by foreign projects comprising Birr 46.9 billion or 50.2 percent.

The investment projects approved during the review fiscal year, when implemented, are expected to create job opportunities for 302,598 permanent and 461,341 temporary workers (See table 9.3).

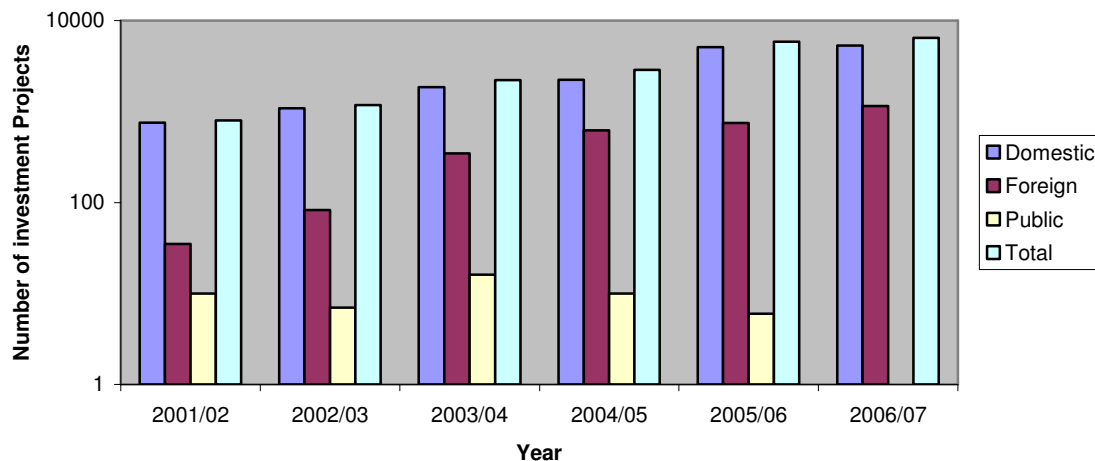
**Table 8.1: Number and Investment Capital of Total Approved Projects by Ownership since 1992/93**

(Capital in millions of Birr)

Fiscal Year	Domestic projects		Foreign Projects		Public Projects		Total Projects	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
1992/93	542	3,750.00	3	233	0	0	545	3,983.0
1993/94	521	2,926.00	4	438	1	57	526	3,421.0
1994/95	684	4,794.00	7	505	2	39	693	5,338.0
1995/96	897	6,050.00	10	434	1	6	908	6,490.0
1996/97	752	4,447.00	42	2,268	1	7	795	6,722.0
1997/98	816	5,819.00	81	4,106	1	14	898	9,939.0
1998/99	674	3,765.00	30	1,380	9	4,915	713	10,060.0
1999/00	561	6,740.00	54	1,627	9	5,760	624	14,127.0
2000/01	635	5,675.70	45	2,923.3	7	257	687	8,856.0
2001/02	756	6,117.30	35	1,474.1	10	1,598.8	801	9,190.2
2002/03	1127	9,362.93	84	3,368.8	6	706.1	1217	13,437.7
2003/04	1862	12177.74	347	7205.22	16	1837.04	2225	21,220.0
2004/05	2240	19571.66	622	15405.12	10	1486.48	2872	36,463.3
2005/06	5100	41841.14	753	19980.06	6	18,215.08	5859	80,036.3
<b>2006/07</b>	<b>5322</b>	<b>46,630.06</b>	<b>1150</b>	<b>46,948.95</b>	<b>0</b>	<b>0</b>	<b>6472</b>	<b>93,579.0</b>
<b>Average Annual</b>	<b>1499</b>	<b>11977.84</b>	<b>218</b>	<b>7219.771</b>	<b>5</b>	<b>2326.567</b>	<b>1722</b>	<b>21524.2</b>
<b>Cumulative</b>	<b>22,489</b>	<b>179,667.5</b>	<b>3267</b>	<b>108,296.6</b>	<b>79</b>	<b>34,898.51</b>	<b>25,835</b>	<b>322,862.6</b>

Source: Ethiopian Investment Agency

**Fig. VIII. 1 Approved Investment Projects By Source**

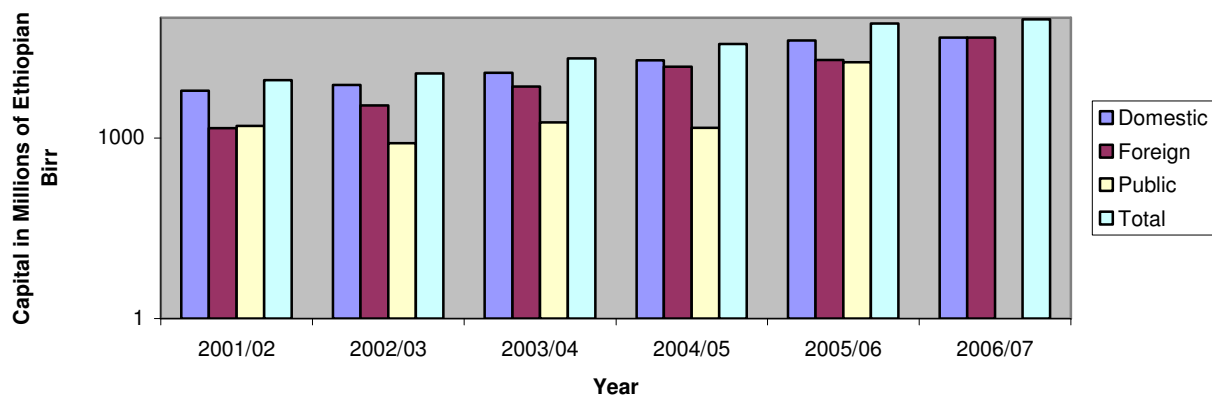


**Table 8.2 Number, Capital and Expected Employment Creation Capacity of Approved Projects**

(Capital in millions of Birr)

ownership	Category	2004/05	2005/06	2006/07	Percentage change	
		A	B	C	C/A	C/B
<b>Total Investment</b>	Number	2872	5859	6472	125.35	10.46
	Capital	36464.26	80036.27	93579.01	156.63	16.92
	Permanent Workers	146233	211112	302598	106.93	43.34
	Temporary Workers	580957	339732	461341	-20.59	35.80
<b>Total Private</b>	Number	2862	5853	6472	126.14	10.58
	Capital	34976.78	61821.2	93579.01	167.55	51.37
	Permanent Workers	140464	211071	302598	115.43	43.36
	Temporary Workers	480292	334682	461341	-3.95	37.84
<b>Domestic</b>	Number	2240	5100	5322	137.59	4.35
	Capital	19571.66	41841.14	46630.06	138.25	11.45
	Permanent Workers	87810	140347	200592	128.44	42.93
	Temporary Workers	415000	256063	330989	-20.24	29.26
<b>Foreign</b>	Number	622	753	1150	84.89	52.72
	Capital	15405.12	19980.06	46948.95	204.76	134.98
	Permanent Workers	52654	70724	102006	93.73	44.23
	Temporary Workers	65292	78619	130352	99.64	65.80
<b>Public</b>	Number	10	6	-	-	-
	Capital	1486.48	18215.08	-	-	-
	Permanent Workers	5769	41	-	-	-
	Temporary Workers	100665	5050	-	-	-

**Fig. VIII. 2 Capital Outlay of Approved Investment Projects By Source**



## 8.1 Investment by sector

Sector-wise, 2568 project (about 39.7 percent of the total projects licensed in 2006/07) were in real estate, renting and business activities followed by manufacturing (19.5 percent), agriculture (17 percent), hotel and tourism (8 percent) and education (5.1

percent). Manufacturing, real estate, renting and business activities and agriculture appeared to dominate in terms of approved investment capital with a respective share of 39.9 percent, 26.2 percent and 15.4 percent.

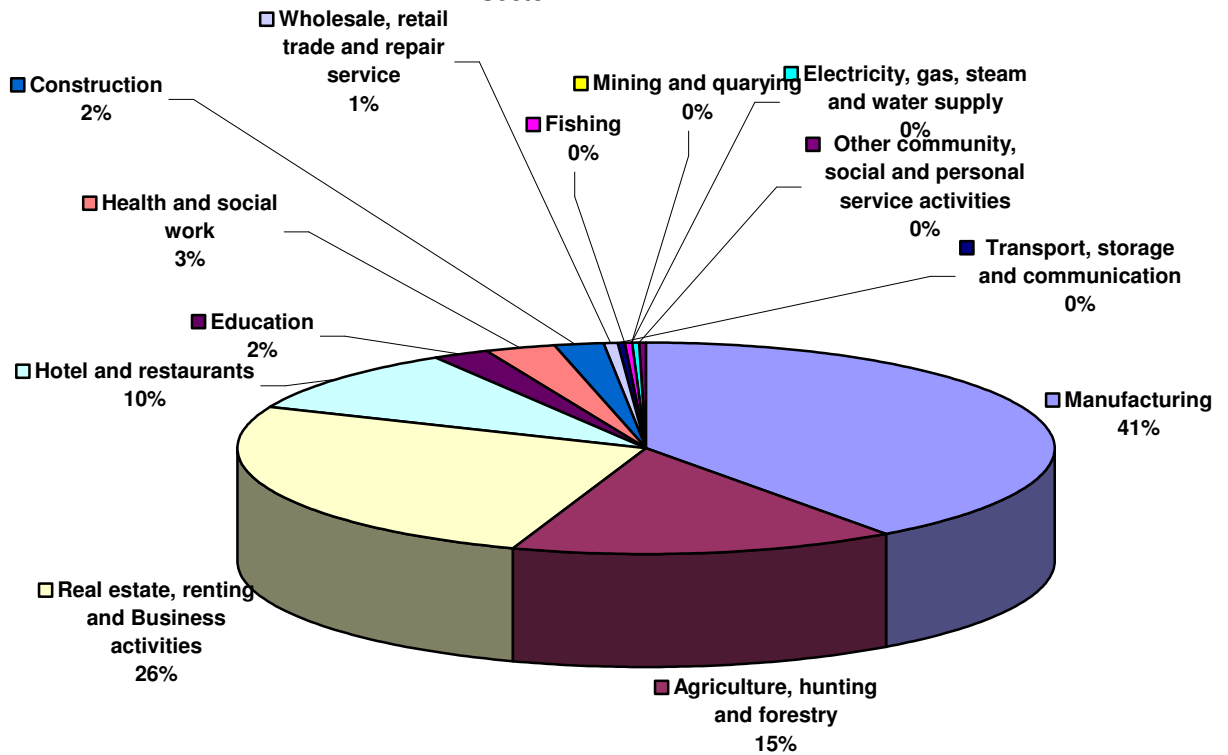
**Table 8.3: Number and Capital of Investment projects Approved by sector**

(Capital in millions of Birr)

Sectors	2004/05		2005/06		2006/07		Percentage share	Percentage share
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Manufacturing	919	10520.01	1331	32881.51	1260	37382.24	19.47	39.95
Agriculture, hunting and forestry	463	7657.15	729	7149.46	1103	14379.60	17.04	15.37
Real estate, renting and Business activities	167	4125.83	2345	10632.52	2568	24523.46	39.68	26.21
Hotel and restaurants	269	1593.84	497	2227.99	515	9205.80	7.96	9.84
Education	175	1076.56	262	1456.23	327	2037.99	5.05	2.18
Health and social work	46	1277.79	89	620.48	149	2700.50	2.30	2.89
Construction	150	2084.08	333	4289.11	283	1878.30	4.37	2.01
Construction Machinery Leasing	512	6060.93	-	-			0.00	0.00
Wholesale, retail trade and repair service	68	377.30	94	181.04	115	504.96	1.78	0.54
Transport, storage and communication	20	48.64	98	1342.69	86	270.32	1.33	0.29
Fishing			2	4.06	5	100.30	0.08	0.11
Mining and quarrying	1	38.59	15	122.83	13	179.11	0.20	0.19
Electricity, gas, steam and water supply	10	633.26	8	18267.50	4	37.79	0.06	0.04
Other community, social and personal service activities	72	972.67	56	860.86	44	378.55	0.68	0.40
<b>Grand Total</b>	<b>2872</b>	<b>36466.66</b>	<b>5859</b>	<b>80036.27</b>	<b>6472</b>	<b>93579</b>	<b>100</b>	<b>100</b>

Source: Ethiopian Investment Agency

**Fig. VIII. 3 Distribution of Capital Outlay of Approved Investment Projects by Sector**



## 8.2 Distribution by Region

Closer look at the regional distribution of the approved investment projects revealed that Addis Ababa, the capital city, attracted 336.4 projects (about 52 percent the total approved projects) and Birr 38.1 billion investment capital (40.8 percent) during the review fiscal year.

**Table 8.4: Number and Capital of Approved projects by Region**

(Capital in millions of Birr)

Regions	2004/05		2005/06		2006/07		Percentage share	Percentage share
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Tigray	93	868.0858	201	899.41	375.00	4614.66	5.79	4.93
Afar	8	40.68052	15	6813.95	28.00	102.97	0.43	0.11
Amhara	277	6507.313	422	8717.04	662.00	12643.20	10.23	13.51
Oromia	846	8753.921	1026	18676.27	899.00	25477.20	13.89	27.23
Somali	4	30.72	2	43.00	9.00	43.40	0.14	0.05
Benishangul-Gumuz	18	80.33195	17	40.15	97.00	370.97	1.50	0.40
SNNPR	92	505.603	887	3273.32	634.00	5552.36	9.80	5.93
Gambella	1	5.5	1	1.60	10.00	9.99	0.15	0.01
Harari	17	40.28977	74	124.73	34.00	97.84	0.53	0.10
Addis Ababa	1420	15838.8	2989	22834.31	3364.00	38161.60	51.98	40.78
Dire Dawa	50	2075.986	70	2539.90	121.00	1194.40	1.87	1.28
Multiregional Projects	46	1719.428	155	16072.58	239.00	5310.26	3.69	5.67
<b>Grand Total</b>	<b>2872</b>	<b>36466.66</b>	<b>5859</b>	<b>80036.27</b>	<b>6472.00</b>	<b>93578.85</b>	<b>100</b>	<b>100</b>

Source: Ethiopian Investment Agency