

INVESTMENT

Looking at the investment licensing profiles of the Ethiopian Investment Agency and Regional Investment Offices, a total of 19,363 investment projects with capital of Birr 229.3 billion were licensed during 1992/93 – 2005/06. Of the total investment projects, 17167 (88.7 percent) were domestic, 2117 (10.9 percent) foreign, and 79 (0.4 percent) public. In terms of investment capital, Birr 133.0 billion (58 percent) was domestic, Birr 61.3 billion (26.8 percent) foreign and Birr 34.9 billion (15.2 percent) public.

In 2005/06 alone, 5,859 investment projects with a capital outlay of over Birr 80 billion were approved, the highest number in a single year since 1992/93. Domestic investment projects (5100) accounted for more than 87 percent of the total projects approved during 2005/06. The number of foreign projects at 753, was 21.1 percent higher than the same period of last year.

Meanwhile, the number of public sector projects was a mere 0.1 percent of the total approved projects.

With regard to investment capital, domestic private investment projects constituted Birr 41.8 billion or 52.3 percent of the total investment capital approved, followed by

foreign projects comprising Birr 20.0 billion (25.0 percent) during FY 2005/06.

The investment projects during the review fiscal year, when implemented, are expected to create job opportunities for 211,112 permanent and 339,732 temporary workers (table 9.3).

Table 8.1 Number and Investment Capital of total Approved Projects by Ownership

(Investment capital in millions of Birr)

Fiscal Year	Project Ownership							
	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	3,983.00
1993/94	521	2,926.00	4	438	1	57	526	3,421.00
1994/95	684	4,794.00	7	505	2	39	693	5,338.00
1995/96	897	6,050.00	10	434	1	6	908	6,490.00
1996/97	752	4,447.00	42	2,268	1	7	795	6,722.00
1997/98	816	5,819.00	81	4,106	1	14	898	9,939.00
1998/99	674	3,765.00	30	1,380	9	4,915	713	10,060.00
1999/00	561	6,740.00	54	1,627	9	5,760	624	14,127.00
2000/01	635	5,675.70	45	2,923.3	7	257	687	8,856.00
2001/02	756	6,117.30	35	1,474.1	10	1,598.8	801	9,190.20
2002/03	1127	9,362.93	84	3,368.8	6	706.1	1217	13,437.86
2003/04	1862	12177.74	347	7205.22	16	1837.04	2225	21,220.00
2004/05	2240	19571.66	622	15405.12	10	1486.48	2872	36,463.26
2005/06	5100	41841.14	753	19980.06	6	18215.08	5859	80,036.28
Cumulative	17167	133037.5	2117	61347.62	79	34898.51	19363	229283.6

Source: Ethiopian Investment Agency

Fig 8.1 Approved Investment Projects by Source

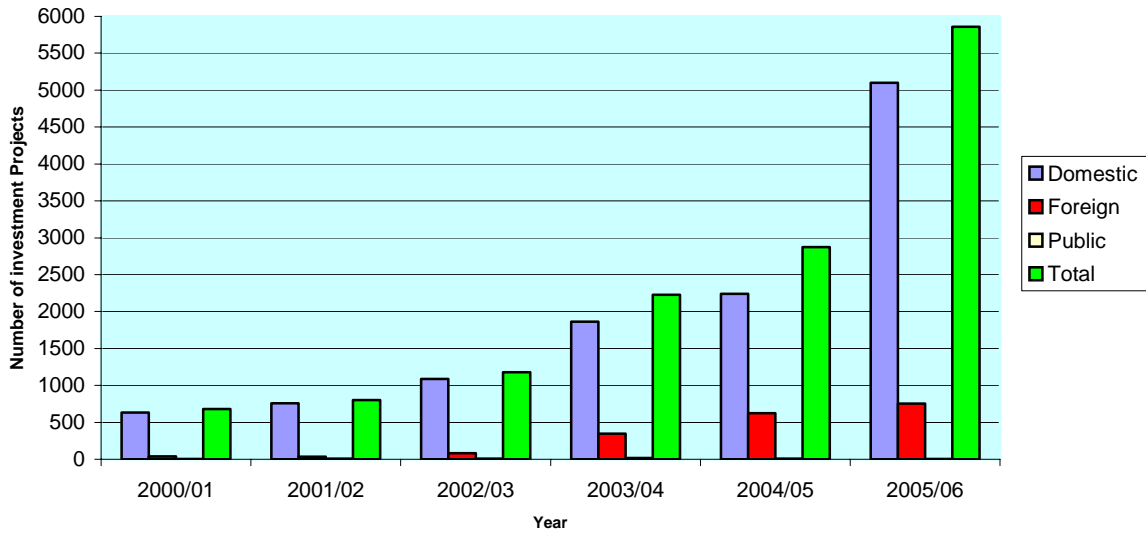


Fig 8.2 Capital Outlay of Approved Investment Projects by Source

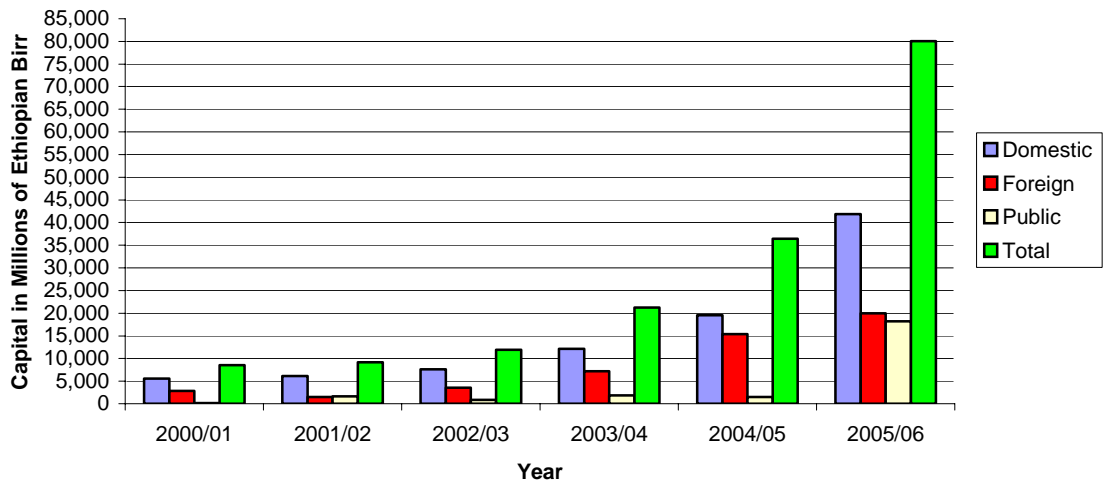


Table 8.2: Number, Capital and Expected Employment Creation Capacity of Approved Projects
(Capital in millions of Birr)

Investment Type	Item	Year				
		2003/04	2004/05	2005/06	Percentage change	
		A	B	C	C/A	C/B
1. Total	Number	2225	2872	5859	163.33	104.00

Investment	Capital	21220	36464.26	80036.27	277.17	119.49
	Permanent Workers	153125	146233	211112	37.87	44.37
	Temporary Workers	132305	580957	339732	156.78	-41.52
2. Domestic	Number	1862	2240	5100	173.90	127.68
	Capital	12177.74	19571.66	41841.14	243.59	113.78
	Permanent Workers	100808	87810	140347	39.22	59.83
	Temporary Workers	99235	415000	256063	158.04	-38.30
3. Foreign	Number	347	622	753	117.00	21.06
	Capital	7205.22	15405.12	19980.06	177.30	29.70
	Permanent Workers	50427	52654	70724	40.25	34.32
	Temporary Workers	31775	65292	78619	147.42	20.41
4. Public	Number	16	10	6	-62.50	-40.00
	Capital	1837.04	1486.48	18215.08	891.54	1125.38
	Permanent Workers	1890	5769	41	-97.83	-99.29
	Temporary Workers	1295	100665	5050	289.96	-94.98

Source: Ethiopian Investment Agency

8.1 Investment by Sector

Sector-wise, 2345 (about 40 percent) of the total projects licensed in 2005/06 were in real estate, renting and business activities followed by manufacturing (22.7 percent), agriculture (12.4 percent), hotel and restaurants (8.5

percent) and construction (5.7percent). Manufacturing, electricity and real estate appeared to dominate in terms of approved investment capital with a respective share of 41 percent, 23 percent and 13 percent.

Table 8.3: Number and Capital of Investment Projects by Sector

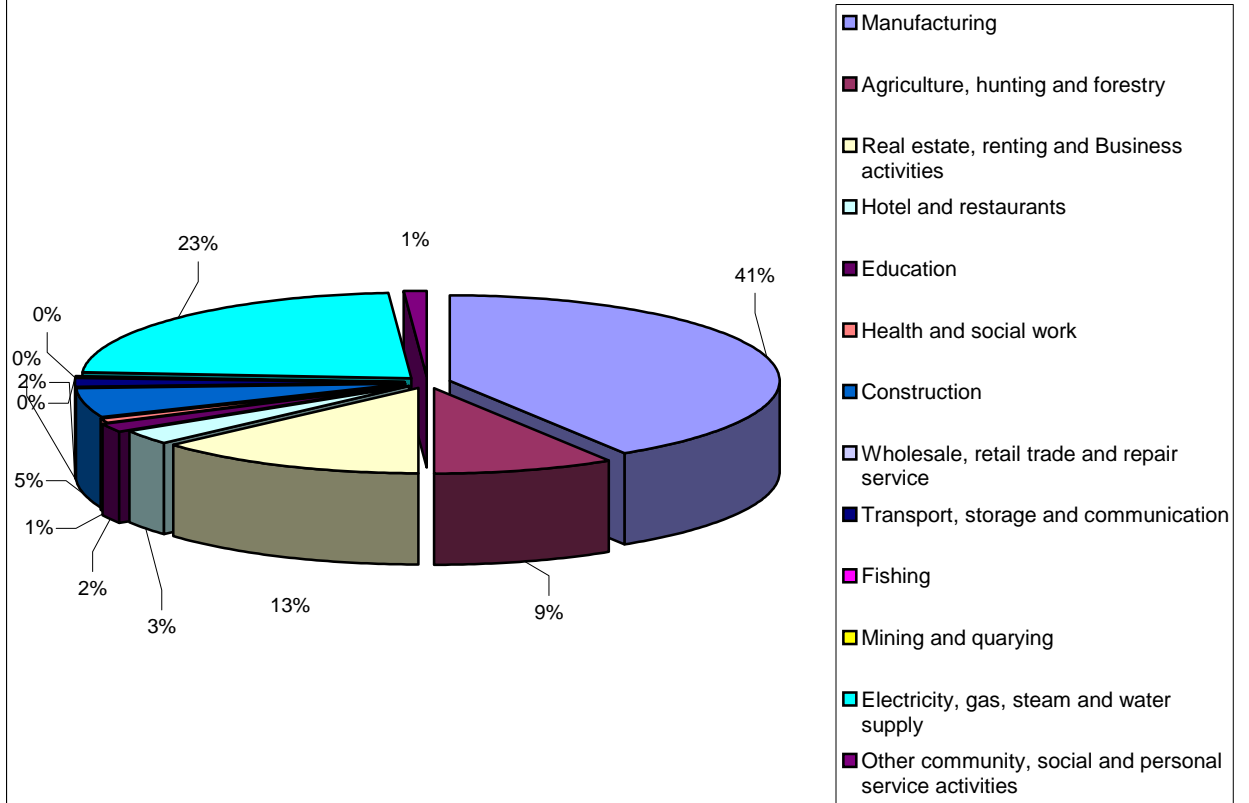
(Capital in millions of Birr)

Sector	Year							
	2003/04		2004/05		2005/06		2005/06	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	%age share to Total	
							No. of Projects	Investment Capital
Manufacturing	822	8,507	919	10,520	1,331	32,882	23	41
Agriculture, hunting and forestry	254	4,142	463	7,657	729	7,149	12	9

Real estate, renting and Business activities	100	947	167	4,126	2,345	10,633	40	13
Hotel and restaurants	134	801	269	1,594	497	2,228	8	3
Education	182	863	175	1,077	262	1,456	4	2
Health and social work	60	484	46	1,278	89	620	2	1
Construction	138	1,379	150	2,084	333	4,289	6	5
Construction Machinery Leasing	384	2,321	512	6,061	-	-	-	-
Wholesale, retail trade and repair service	41	400	68	377	94	181	2	0
Transport, storage and communication	7	24	20	49	98	1,343	2	2
Fishing	-	-	-	-	2	4	0	0
Mining and quarrying	9	72	1	39	15	123	0	0
Electricity, gas, steam and water supply	7	882	10	633	8	18,268	0	23
Other community, social and personal service activities	87	399	72	973	56	861	1	1
Grand Total	2,225	21,220	2,872	36,467	5,859	80,036	100	100

Source: Ethiopian Investment Agency

Fig 3 Distribution of capital outlay of approved investment projects by sector in fiscal year 2005/06



8.2 Distribution by Region

Closer look at the regional distribution of the approved investment projects revealed that Addis Ababa, the capital city with relatively better infrastructure, enjoyed the largest share (about 51 percent) of the total approved projects. Its share in investment reached Birr 22.8 billion or 28.5 percent of the total

investment capital followed by Oromia, Amhara and Afar with respective shares of 23.3 percent, 10.9 percent and 8.5 percent in total investment capital (Table 8.4).

The continued concentration of most of investment projects in urban areas and

non agricultural activities and the insignificant share of other regions such as Somali, Benishangul Gumuz, Gambella and Harari from the total approved investment projects highlight

the importance of developing infrastructure in these regions while at the same time enhancing promotion activities.

Table 8.4: Number and Capital of Approved Projects by Region

Region	Fiscal Year							
	2003/04		2004/05		2005/06		% share to Total	
	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital	No. of Projects	Investment Capital
Tigray	56	325	93	868	201	899	3	1
Afar	4	610	8	41	15	6,814	0	9
Amhara	100	896	277	6,507	422	8,717	7	11
Oromia	340	6,961	846	8,754	1,026	18,676	18	23
Somali	8	289	4	31	2	43	0	0
Ben.Gumuz	8	90	18	80	17	40	0	0
SNNPR	204	1,105	92	506	887	3,273	15	4
Gambella	-	-	1	6	1	2	0	0
Harari	40	36	17	40	74	125	1	0
Addis Ababa	1,426	10,581	1,420	15,839	2,989	22,834	51	29
Dire Dawa	37	310	50	2,076	70	2,540	1	3
Multiregional Projects	2	16	46	1,719	155	16,073	3	20
Grand Total	2,225	21,220	2,872	36,467	5,859	80,036	100	100

Source: Ethiopian Investment Agency