

VII. INVESTMENT

The Ethiopian Investment Agency and Regional Investment Offices licensed 850 investment projects with an aggregate capital of Birr 12.1 billion during the second quarter of 2010/11. The number of approved investment projects declined by 49 percent compared to the same period of last fiscal year. Similarly, the amount of capital allocated for these projects decreased by 43 percent during the same period. (Table 7.1).

Of the total projects approved 849 projects were private. At the same time, of the private owned projects 660 projects (77.7 percent) were domestic and the remaining 189 (22.3 percent)

foreign direct investment. Domestic investment, in the stated period, depicted a 51 percent annual decline.

In addition, foreign direct investment, which amounted to Birr 7.0 billion, or 58.2 percent of the total investment capital dropped by 6 percent on yearly basis.

Upon commencement, the approved investment projects are expected to generate employment opportunities for 33,442 permanent and 65,448 casual/temporary employees.

Table 7.1 Performance of Approved Investment Projects

| Type of Projects | Items | 2009/10 | 2010/11 | | % changes | |
|-------------------------|--------------------------|---------|---------|--------|-----------|------|
| | | Q.II | Q.I | Q.II | C/A | C/B |
| | | A | B | C | | |
| 1.Total Investment | Number of projects | 1,678 | 2,294 | 850 | -49 | -63 |
| | Capital[in million Birr] | 21,213 | 39,013 | 12,087 | -43 | -69 |
| | Permanent Employment | 49,864 | 75,740 | 33,442 | -33 | -56 |
| | Temporary Employment | 120,766 | 146,761 | 65,448 | -46 | -55 |
| 2. Private Investment | Number of projects | 1,678 | 2,291 | 849 | -49 | -63 |
| | Capital[in million Birr] | 21,213 | 31,557 | 12,085 | -43 | -62 |
| | Permanent Employment | 49,864 | 75,365 | 33,422 | -33 | -56 |
| | Temporary Employment | 120,766 | 146,718 | 65,378 | -46 | -55 |
| 2.1 Domestic Investment | Number of projects | 1,353 | 1,940 | 660 | -51 | -66 |
| | Capital[in million Birr] | 13,727 | 13,219 | 5,054 | -63 | -62 |
| | Permanent Employment | 36,563 | 55,321 | 18,880 | -48 | -66 |
| | Temporary Employment | 88,697 | 103,099 | 29,875 | -66 | -71 |
| 2.2 Foreign Investment | Number of projects | 325 | 351 | 189 | -42 | -46 |
| | Capital[in million Birr] | 7,486 | 18,338 | 7,031 | -6 | -62 |
| | Permanent Employment | 13,301 | 20,044 | 14,542 | 9 | -27 |
| | Temporary Employment | 32,069 | 43,619 | 35,503 | 11 | -19 |
| 3. Public Investment | Number of projects | 0 | 3 | 1 | | -67 |
| | Capital[in million Birr] | 0 | 7,456 | 2 | | -100 |
| | Permanent Employment | 0 | 375 | 20 | | -95 |
| | Temporary Employment | 0 | 43 | 70 | | 63 |

Source: Ethiopian Investment Agency

With regard to sectoral distribution of investment projects, the lion's share was taken up by manufacturing (25.3%), followed by real estate, machinery equipment rental& consultancy services (23.4 %), construction contracting including water well drilling (15.6 %)

and agriculture, hunting and forestry (12.2%).

In terms of investment capital, 46.3 percent of the total capital was for manufacturing, 14.4 percent for agriculture, hunting and forestry, 11 percent for construction contracting

including water well drilling and 9.1 percent for hotel and restaurants (Table 7.2).

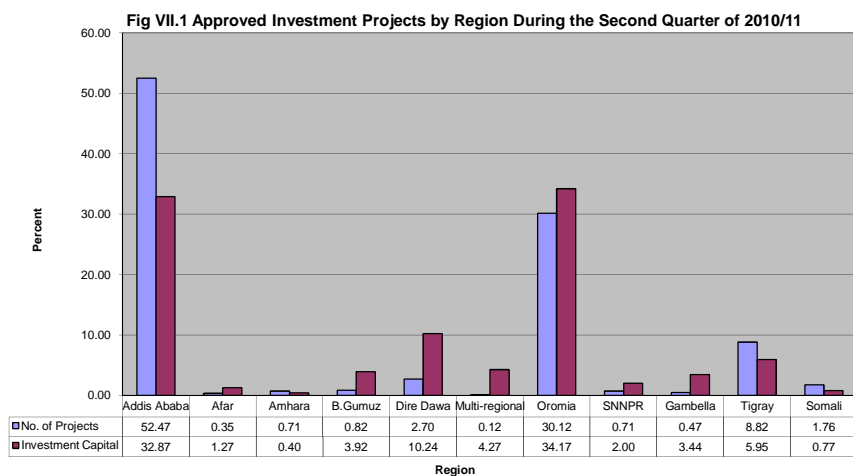
In relation to new jobs, the largest permanent employment opportunity is expected to be generated from manufacturing projects (34 percent),

seconded by agriculture, hunting and forestry (21 percent) and hotels (including, resort hotels, motels lodges) & restaurants (11 percent). At the same time, agriculture, hunting & forestry are expected to hire about half total casual workers required for the investment project.

Table 7.2 Summary Of Licensed Investment Projects During the Second Quarter of 2010/11 : By Sector

| Sector | | | | | | | | |
|---|----------------|----------|-----------------------|----------|-----------|----------|------------|----------|
| | No. of Project | Share(%) | Capital in '000' Birr | Share(%) | Per. Emp. | Share(%) | Temp. Emp. | Share(%) |
| Agriculture, hunting& forestry | 104 | 12.2 | 1,743,155 | 14.4 | 7,165 | 21 | 34,504 | 53 |
| Manufacturing | 215 | 25.3 | 5,598,178 | 46.3 | 11,536 | 34 | 14,164 | 22 |
| Mining | 3 | 0.4 | 54,225 | 0.4 | 115 | 0 | 170 | 0 |
| Education | 29 | 3.4 | 302,134 | 2.5 | 1,407 | 4 | 436 | 1 |
| Electricity, gas, steam and water supply | 1 | 0.1 | 20,000 | 0.2 | 15 | 0 | 20 | 0 |
| Health and social work | 11 | 1.3 | 52,207 | 0.4 | 328 | 1 | 449 | 1 |
| Hotels (including resort hotels, motels and lodges) and restaurants | 61 | 7.2 | 1,103,572 | 9.1 | 3,717 | 11 | 2,426 | 4 |
| Realestate, machinery & equipment rental & consultancy service | 199 | 23.4 | 914,219 | 7.6 | 2,255 | 7 | 2,048 | 3 |
| Tour operation, eco-tourism, cold storage service, etc. | 66 | 7.8 | 653,558 | 5.4 | 935 | 3 | 374 | 1 |
| Construction contracting including water well drilling | 133 | 15.6 | 1,338,254 | 11.1 | 3,120 | 9 | 10,044 | 15 |
| Others | 28 | 3.3 | 307,649 | 2.5 | 2,849 | 9 | 813 | 1 |
| Grand Total | 850 | 100.0 | 12,087,151 | 100.0 | 33,442 | 100 | 65,448 | 100 |

Source: Ethiopian Investment Agency



Source: Ethiopian Investment Agency

Looking at the regional distribution of investment projects, 52.5 percent were in Addis Ababa, 30.1 percent in Oromia and 8.8 percent in Tigray and the rest in other regions (Fig.7.1). Construction projects predominantly were in Addis Ababa while manufacturing and agriculture, hunting & forestry investment projects in Oromia (Table 7.3).

Table 7.3 Regional-Sector Nexus in the Number, Capital (in million Birr) and Employment Creation

| Investment Region | | | | | | | | | | | | |
|--|-------------|-------------|-------|----------|---------|-----------|----------|----------|----------|--------|----------|-------------|
| Sector | Indicators | Addis Ababa | Afar | Amhara | B.Gumuz | Dire Dawa | Oromia | SNNPR | Gambella | Somali | Tigray | Grand Total |
| Agriculture, hunting and forestry | No of Proj. | 2 | 4 | 4 | 8 | 5 | 131 | 22 | 5 | 5 | 24 | 210 |
| | Capital. | 4.0 | 172.5 | 44.4 | 556.3 | 26.3 | 1,161.9 | 296.7 | 497.3 | 45.0 | 142.5 | 2,947.1 |
| | Perm.emp. | 35 | 290 | 147 | 1,580 | 120 | 5,598 | 682 | 2,255 | 112 | 275 | 11,094 |
| | Temp.emp. | 280 | 778 | 535 | 7,103 | 573 | 15,709 | 2,327 | 12,770 | 92 | 1,560 | 41,727 |
| Construction | No of Proj. | 175 | 0 | 1 | 0 | 1 | 18 | 6 | 0 | 3 | 14 | 219 |
| | Capital. | 2,189.6 | 0.0 | 16.0 | 0.0 | 1.6 | 2,172.9 | 166.4 | 0.0 | 29.8 | 62.8 | 4,640.0 |
| | Perm.emp. | 3,266 | 0 | 0 | 0 | 9 | 760 | 457 | 0 | 72 | 315 | 4,887 |
| | Temp.emp. | 15,061 | 0 | 10 | 0 | 0 | 656 | 348 | 0 | 50 | 1,800 | 17,929 |
| Education | No of Proj. | 16 | 0 | 1 | 0 | 2 | 16 | 2 | 0 | 0 | 5 | 45 |
| | Capital. | 170.2 | 0.0 | 2.9 | 0.0 | 2.7 | 180.6 | 3.0 | 0.0 | 0.0 | 58.9 | 427.1 |
| | Perm.emp. | 1,018 | 0 | 18 | 0 | 26 | 417 | 25 | 0 | 0 | 194 | 1,773 |
| | Temp.emp. | 368 | 0 | 9 | 0 | 3 | 290 | 9 | 0 | 0 | 134 | 817 |
| Electricity, gas, steam and water supply | No of Proj. | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | Capital. | 20.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 |
| | Perm.emp. | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| | Temp.emp. | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| fishing | No of Proj. | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| | Capital. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 8.0 | 0.0 | 0.0 | 0.0 | 8.0 |
| | Perm.emp. | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 12 |
| | Temp.emp. | 0 | 0 | 0 | 0 | 0 | 0 | 40 | 0 | 0 | 0 | 40 |
| Health and social work | No of Proj. | 7 | 0 | 1 | 0 | 1 | 7 | 3 | 0 | 0 | 1 | 20 |
| | Capital. | 12,010.0 | 0.0 | 84,500.0 | 0.0 | 5,102.8 | 31,860.0 | 18,500.0 | 0.0 | 0.0 | 13,487.0 | 165.5 |
| | Perm.emp. | 78 | 0 | 100 | 0 | 28 | 289 | 36 | 0 | 0 | 25 | 556 |
| | Temp.emp. | 62 | 0 | 260 | 0 | 16 | 380 | 30 | 0 | 0 | 32 | 780 |
| Hotels and restaurants | No of Proj. | 26 | 0 | 2 | 0 | 1 | 41 | 7 | 0 | 13 | 17 | 108 |
| | Capital. | 879.9 | 0.0 | 11.0 | 0.0 | 2.1 | 2,309.0 | 47.4 | 0.0 | 114.5 | 294.8 | 3,663.0 |
| | Perm.emp. | 1,707 | 0 | 30 | 0 | 32 | 2,328 | 79 | 0 | 467 | 941 | 5,601 |
| | Temp.emp. | 1,140 | 0 | 120 | 0 | 0 | 1,460 | 47 | 0 | 748 | 819 | 4,345 |
| Manufacturing | No of Proj. | 148 | 1 | 3 | 0 | 12 | 157 | 12 | 0 | 4 | 27 | 366 |
| | Capital. | 1,886.1 | 7.0 | 1,736.4 | 0.0 | 1,223.5 | 8,594.7 | 49.4 | 0.0 | 27.3 | 432.6 | 13,985.2 |
| | Perm.emp. | 6,440 | 50 | 119 | 0 | 1,070 | 13,469 | 121 | 0 | 127 | 919 | 22,319 |
| | Temp.emp. | 8,301 | 100 | 70 | 0 | 1,655 | 10,101 | 1,181 | 0 | 257 | 911 | 22,609 |
| Mining and quarry | No of Proj. | 1 | 0 | 1 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 5 |
| | Capital. | 3.5 | 0.0 | 2.0 | 0.0 | 0.0 | 10.5 | 0.0 | 0.0 | 0.0 | 0.0 | 61.2 |
| | Perm.emp. | 15 | 0 | 4 | 0 | 0 | 126 | 0 | 0 | 0 | 0 | 145 |

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| Investment Region | | | | | | | | | | | | |
|---|-------------|---------------|------------|--------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|---------------|
| Sector | Indicators | Addis Ababa | Afar | Amhara | B.Gumuz | Dire Dawa | Oromia | SNNPR | Gambella | Somali | Tigray | Grand Total |
| | Temp.emp. | 20 | 0 | 2 | 0 | 0 | 150 | 0 | 0 | 0 | 0 | 172 |
| Real estate, renting and business activities | No of Proj. | 219 | 0 | 1 | 0 | 9 | 62 | 4 | 0 | 12 | 21 | 332 |
| | Capital. | 805.7 | 0.0 | 1.8 | 0.0 | 29.3 | 437.5 | 29.6 | 0.0 | 690.4 | 55.1 | 2,060.9 |
| | Perm.emp. | 1,524 | 0 | 6 | 0 | 175 | 1,373 | 59 | 0 | 571 | 164 | 3,886 |
| | Temp.emp. | 1,778 | 0 | 6 | 0 | 135 | 1,015 | 85 | 0 | 358 | 207 | 3,610 |
| Tour operation, eco-tourism, cold storage service, etc. | No of Proj. | 101 | 0 | 0 | 0 | 2 | 3 | 0 | 0 | 0 | 0 | 107 |
| | Capital. | 235.1 | 0.0 | 0.0 | 0.0 | 10.0 | 16.0 | 0.0 | 0.0 | 0.0 | 0.0 | 776.7 |
| | Perm.emp. | 750 | 0 | 0 | 0 | 30 | 50 | 0 | 0 | 0 | 0 | 1,268 |
| | Temp.emp. | 572 | 0 | 0 | 0 | 21 | 8 | 0 | 0 | 0 | 0 | 601 |
| Wholesale, retail trade & repair service | No of Proj. | 4 | 0 | 2 | 0 | 5 | 8 | 0 | 0 | 2 | 1 | 23 |
| | Capital. | 7.1 | 0.0 | 12.5 | 0.0 | 55.0 | 33.6 | 0.0 | 0.0 | 17.0 | 14.5 | 140.8 |
| | Perm.emp. | 30 | 0 | 11 | 0 | 180 | 113 | 0 | 0 | 1,710 | 86 | 2,130 |
| | Temp.emp. | 16 | 0 | 25 | 0 | 80 | 114 | 0 | 0 | 13 | 0 | 248 |
| Others | No of Proj. | 12 | 0 | 0 | 0 | 5 | 9 | | 0 | 0 | 1 | 27 |
| | Capital. | 198.9 | 0.0 | 0.0 | 0.0 | 14.1 | 51.9 | | 0.0 | 0.0 | 4.1 | 269.1 |
| | Perm.emp. | 471 | 0 | 0 | 0 | 113 | 517 | | 0 | 0 | 3 | 1,104 |
| | Temp.emp. | 686 | 0 | 0 | 0 | 65 | 240 | | 0 | 0 | 12 | 1,003 |
| | | | | | | | | | | | | |
| Total No of Proj. | | 712 | 5 | 16 | 8 | 43 | 454 | 57 | 5 | 39 | 111 | 1,464 |
| Total Capital. | | 6,412 | 180 | 131 | 556 | 1,370 | 15,001 | 619 | 497 | 924 | 1,079 | 29,165 |
| Total Perm.emp. | | 15,349 | 340 | 435 | 1,580 | 1,783 | 25,040 | 1,471 | 2,255 | 3,059 | 2,922 | 54,790 |
| Total Temp.emp. | | 28,304 | 878 | 1,037 | 7,103 | 2,548 | 30,123 | 4,067 | 12,770 | 1,518 | 5,475 | 93,901 |
| Percentage share | | | | | | | | | | | | |
| No of Proj. | | 49 | 0 | 1 | 1 | 3 | 31 | 4 | 0 | 3 | 8 | 100 |
| Capital. | | 22 | 1 | 0 | 2 | 5 | 51 | 2 | 2 | 3 | 4 | 100 |
| Perm.emp. | | 28 | 1 | 0 | 3 | 3 | 46 | 3 | 4 | 6 | 5 | 100 |
| Temp.emp. | | 30 | 1 | 0 | 8 | 3 | 32 | 4 | 14 | 2 | 6 | 100 |

Source: Ethiopian Investment Agency