



# INVESTING IN ETHIOPIA: BRIEFING FOR TOUR OPERATORS



Ethiopia has much to offer international tourists. It is a land of natural contrasts, ranging from the peaks of the rugged Simien Mountains to the depths of the Danakil Depression, which at more than 400 feet below sea level is one of the lowest points on earth. Ethiopia's natural beauty includes a varied abundance of landscapes, including Afro-Alpine highlands that soar to more than 14,000 feet, moors, mountains, deep gorges, the largest cave in Africa (Sof Omar), the Great Rift Valley, tropical forests, whitewater rivers, savannahs, giant waterfalls and volcanic hot springs.

While Ethiopia sits near the equator, its climate is tempered by altitude, creating an idyllic spring-like climate throughout the year for most of its regions. In its vast area of 436,000 square miles, Ethiopia possesses tourist attractions that appeal to a wide range of interests. The combination of attractions is rare in a single country and includes a wealth of historical, cultural, archaeological and anthropological sites, as well as numerous areas rich in wildlife.

Ethiopia's main tourist destinations are situated on the northern tourist circuit known as the "historic route." This encompasses the historical and cultural sites of Bahir Dar, Gondar, Axum, Makalle and Lalibela. Addis Ababa – the nation's capital, principal gateway and business center and conference venue—is also a major destination in its own right. Other main attractions include the wildlife centers along the Great Rift Valley in the southwest, and the historic area of Harar in the east.

Ethiopia's various attractions and mix of people and cultures give it great potential for anthropological and educational tourism, photo and hunting safaris, bird watching, water sports, desert trekking, mountain hiking, camping and general ecotourism. Another area with great growth potential is conference tourism. Existing facilities have been developed as a result of a number of international organizations operating out of Addis Ababa, including the African Union and the Economic Commission for Africa.

A climate conducive to growth in the tourism/hospitality sector has been created by economic policies implemented by the current Government. Investments have already been made by the Hilton and Sheraton groups and the number of international tourist arrivals grows each year. The government is keen to attract other major international hotel chains to the country to address the shortage of high-quality hotel facilities currently available.

## Current tour operator environment

There are approximately 60 tour operators working in Ethiopia today. Considering the vast array of attractions and sites the country has to offer, this is not a crowded marketplace. Independent /specialist tour companies have huge potential for growth and could offer vacation packages with a variety unmatched by any other African country.

## Infrastructure

Ethiopia's tourism sector is poised to benefit from an upgrade program taking place across the country that includes constructing airports, road and communication networks, and upgrading the country's electric power generation and water works. Airport improvements are underway at Lalibela, Axum, Gondar, Bahir Dar, Makalle, Arba Minich and Dire Dawa, while the international airport at Addis Ababa is being modernized and expanded. Road rehabilitation, upgrades and new construction projects are in progress across Ethiopia.

## Opening up to tourism

The Ethiopian Government has removed constraints relating to visa and customs regulations, which will liberalize and facilitate growth in Ethiopia's tourism trade. Ethiopia's Ministry for Culture and Tourism works closely with the regional bureaus, tour operator associations and hotel associations. It has a pivotal role in bringing together the private sector and regulatory authorities, and is eager to work with private investors to position Ethiopia as a top-notch African tourist destination.

## Transportation

The chief mode of travel to Ethiopia for tourists is currently by air, with the main carrier being Ethiopian Airlines (EAL). EAL links the country with 60 cities across Africa, Asia, the Middle East, Europe and the United States. One of the few profitable African airlines, EAL has a strong safety record, a modern fleet,



# INVESTING IN ETHIOPIA: BRIEFING FOR TOUR OPERATORS



Embassy of Ethiopia  
Economy and Business Section  
3506 International Drive N.W.  
Washington, D.C. 20008  
Tel-202-364-6385  
Fax-202-587-0195  
economy@ethiopianembassy.org  
www.ethiopianembassy.org

*Continued from other side of page*

and was voted African airline of the year in 2006 and won the 2007 African Achievement Award for its efforts to develop air transport on the continent. Other major international carriers including British Airways, Emirates, Lufthansa, Alitalia and Saudi also land at Addis Ababa and several other airlines are planning to add service to Ethiopia. Meanwhile, domestic air travel has also seen increased competition with the introduction of two, new private operator firms.

## Trainable labor

One of Ethiopia's most valuable natural resources is its people. The country has a large pool of trainable manpower with a strong cultural disposition for warm hospitality. Ethiopia currently turns out more than 10,000 university graduates per year, with particular strengths in business, accounting, management, economics and law. The Ethiopian Ministry for Culture and Tourism has committed itself to expanding hospitality training and runs an institute that provides great opportunities for practical training. The average private sector wage is about \$25 per month, with graduate salaries ranging from approximately \$85 to \$108.

## The economic environment

- Ethiopia has achieved macro-economic stability;
- Stable annual economic growth in double digits since 2003;
- Stable exchange rate;
- Strong government commitment to private sector investment;
- Safe and secure working and living environments, identified by the U.N. and the International Chamber of Commerce (ICC) as key assets for investors in Ethiopia;
- Absence of corruption – Ethiopia is described by the U.N. and the ICC as “exceptional in its almost complete absence of routine corruption.”

## A conducive tax environment

- Corporate income tax is 30%;
- Excise tax is levied (minimum 10%) on selected local or imported products;
- Income taxes range from 0-35% on monthly income of \$16.50 and above;
- Capital gains tax – share of companies 30%; business 15%;
- Rental income tax (on annual rental income) is 0 -35%, dependent upon the level of rental income;
- Stamp duty-leasing is 0.5% of value;
- Export duty is zero; and tax treaties to avoid double tax payment are signed with several countries, along with bilateral treaties for the protection and promotion of investments.

## Security of investment

- The Government guarantees constitutional protection from expropriation;
- Ethiopia is a signatory to the main international investment related institutions, such as the Multilateral Investment Guarantee Agency (MIGA);
- It is also a signatory to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States;
- A professional, one-stop-shop for foreign investment is offered through the Ethiopian Investment Agency (EIA).

## Land

Land is available on a leasehold basis of up to 99 years. In response to the country's drive to attract foreign investment, regional governments are now expected to allocate land to investors within 60 days of receiving their applications. The lease of urban and rural land varies according to location, type of investment and class of land. In the capital city of Addis Ababa, prices range from approximately \$1.50-\$13.25 per square foot in the Central Business Zone. The Government generally is willing to negotiate with individual business to provide incentives to get the capital investment required.

## Security

Ethiopia is politically stable and its popular tourist destinations are safe and secure.