

# Ethiopian Diaspora Homecoming; facts and regulations



## Overview

Data from the 1970s shows Ethiopians migrated much less than back then. Fast forward, in the 2010s Ethiopians are the second-largest diaspora community from Africa in the United States. An estimated 2.5 million Ethiopians have migrated mostly to, Northern America, Europe, and the Middle East. Ethiopians are well known for taking Ethiopia everywhere they go. Even more so, they know how to give back to the motherland.

A report in February 2021 shows Ethiopia secured 1.4 billion USD from remittance in four months between October 2020 to January 2021. During the 2019/2020 fiscal year, foreign currency obtained from remittance was nearly half of the total foreign currency earned that year. The Ethiopian diaspora contributed 1.9 million USD to the Great Ethiopian Renaissance Dam in six months between July 2020 and December 2020.

Despite challenges, a good number of Ethiopian diaspora are investing in the country. According to a report, between July 2020 and December 2020, 800 Ethiopian diasporas, submitted project proposals to invest in Ethiopia while 900 other investors were involved in trading activities. Ethiopian diaspora community is establishing two commercial banks currently under formation with cumulative capital of 400 million USD.

The Ethiopian diaspora community has been contributing to the socio-economic development of the country through the Ethiopian Diaspora Trust Fund (ETDF) and Ethiopian Diaspora Fellowship (EDF). In March 2021 the contribution to the ETDF stood at 7.8 million USD. The fund supported 21 projects nationally and has been contributing to COVID mitigation efforts. EDF is another initiative by the diaspora community in the USA where the millennial diaspora engages in 6 months fellowship program in Ethiopia. Apart from economic and social engagements, the Ethiopian diaspora has been playing immense role in the political and diplomatic front.

## **Institutional Structures to Assist Ethiopian Diaspora**

Ethiopia is praised for its active diaspora engagement policy in Sub-Saharan Africa. The Ministry of Foreign Affairs has a Diaspora Engagement Affairs Directorate General focused on facilitating visit, investment, and reintegration of the Ethiopian diaspora in Ethiopia. The Foreign Service Proclamation no. 790/2013 provides that one aspect of foreign service is strengthening the ties of Ethiopians in the diaspora with Ethiopia so as to ensure development and democratization. The Ministry of Foreign Affairs has the mandate to organize a national coordination forum to ensure active diaspora participation. Ethiopian embassies have diaspora officers who assist with services and queries of the Ethiopian diaspora.

With the aim of strengthening the engagement of the diaspora community, the Council of Ministers of Ethiopia established the Ethiopian Diaspora Agency in October 2018 with regulation no. 432/2018. The Agency, among others, has the power to engage in the facilitation of knowledge and technology transfer and to support and encourage diaspora Ethiopians to engage in investments in Ethiopia.

## **Ethiopian Diaspora Policy**

The Ministry of Foreign Affairs adopted Diaspora Policy in 2013. The policy entails the duty of the Ethiopian mission abroad to gather data on investment and promote the same to the diaspora. The policy encourages the Ethiopian diaspora to involve in investment in collaboration with domestic investors as well as invest in industrial parks. The policy also provides the Ethiopian government will put a system in place whereby the diaspora community can legalize their businesses abroad in Ethiopia.

The policy encourages the diaspora to participate in trading activities in areas of import-export, to establish tour organization, market intelligence, brokerage, and sales businesses. The policy asserts a special policy promotion package and credit package to be set aside for members of diaspora with the desire to engage in the manufacturing and distribution of Ethiopian products, especially Ethiopian artifacts.

## **Diaspora as a foreign or domestic investor**

A diaspora who is a foreign national has the option to invest as a foreign or domestic investor subject to the fulfillment of the requirements of the law. Ethiopian national diasporas are considered domestic investors.

### **o Diaspora as domestic investors**

Foreign nationals of Ethiopian origin as defined under the law have the right to be considered domestic investors. As per proclamation 270/2002 foreign nationals of Ethiopian origin are foreign nationals who were Ethiopians before acquiring foreign nationality or at least one of their parents or grand-parents or great-grandparents are Ethiopians. Among the rights and privileges for a foreign national of Ethiopian origin are, the right to be considered as a domestic investor subject to the issuance of an identification card commonly known as a yellow card.

A spouse of a foreign national of Ethiopian origin has the right to apply for a yellow card and is entitled to all the rights and privileges under proclamation 270/2002. A yellow card can be

issued at Ethiopian embassies abroad or Immigration, Nationality, and Vital Events Agency in Ethiopia.

The right to be considered as a domestic investor enables foreign national diaspora to invest in sectors that are otherwise restricted to foreign investors. The most prominent investment areas are banking and other financial sectors, tour and travel sector, some import and export sectors, and other low investment services.

Yellow card holders and domestic investors shall submit their applications at the Addis Ababa Investment Agency or the respective regional or city investment agencies in the 10 regional states and Dire Dawa City Administration. The Addis Ababa Investment Agency issues investment permits for investments with a minimum capital of 1.5 million birr. Investments below this threshold shall apply at the sub-city or woreda trade and investment bureau.

#### **o Diaspora as foreign investors**

Ethiopian origin foreign nationals are not obliged to invest as domestic investors. Those who opt to invest as foreign investors will be subject to restrictions on investment areas and minimum capital requirements. Foreign investors shall deposit 200,000 USD. The minimum capital requirement is lowered to 150,000 USD when the investor jointly invests with domestic investors. The minimum capital requirement for architectural or engineering works or related technical consultancy services, technical testing, and analysis or in publishing works is 100,000 USD for wholly foreign-owned investments and 50,000 USD for joint investment with a domestic investor.

Despite recent liberalization, foreign investors are restricted from investing in certain sectors. One possible advantage of registering as a foreign investor is the repatriation of profit in foreign currency. Foreign investors shall be issued with an investment permit at Ethiopian Investment Commission. The commission has a one-stop service to render the investment permit issuance. Any business in Ethiopia is required to secure a business license prior to the commencement of the sale of goods or services. Some sectors are required to obtain competence certificate from the respective offices. For instance, investments in the engineering consultancy sector shall obtain certificate of competence from the Ministry of Urban Development and Construction.

#### **Form of Entity**

The form of a business entity is largely regulated under the commercial code. In April 2021, Ethiopia amended its more than half a century-old commercial code. The new commercial code provides business can be conducted either as a sole proprietor or in form of business organizations. Business organizations are further divided into seven types; namely general partnership, an ordinary partnership, limited liability partnership, joint venture, share company, private limited company, and limited liability partnership. The minimum requirement for company establishment, company governance, rights and obligations of shareholders, and other matters are regulated under the code.

#### **Foreign currency account**

In November 2020 the National Bank of Ethiopia issued a directive to encourage the diaspora and local residents to open a saving account denominated in foreign currency. Ethiopian

residents, non-resident nationals, and non-resident Ethiopian origin (yellow card holders) can open a foreign currency account. The eligible customers can open three types of accounts; fixed deposit account, current account, and non-repatriable birr account. The minimum deposit and withdrawal for these account types are regulated under the directive.

### **Diaspora Mortgage Loan**

The Commercial Bank of Ethiopia has a diaspora mortgage loan program aimed at encouraging the diaspora community to own property in Ethiopia. The beneficiary shall deposit a minimum of 20% of the value of the property and the bank covers up to 80% of the property. The mortgage loan shall be paid in foreign currency within 20 years. The interest rate ranges from 8.5% to 11.5%.

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