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U.S. Country Commercial Guides

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Ethiopia

U.S. Department of Commerce | International Trade Administration

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Doing Business in Ethiopia

Market Overview

Ethiopia has its own unique calendar year. The Ethiopian calendar has 13 months, 12 months with 30 days each and one month of 5 or 6 days depending on whether the year is a leap year or not. The Ethiopian calendar year begins on 11th September, which is the Ethiopian New Year, and ends on 10th September. The government fiscal year starts on 8th July and ends on 7th July. Both Ethiopian calendar and fiscal years fall in two Gregorian calendar years. This is important for U.S. companies organizing their visits to Ethiopia. Companies should avoid the Ethiopian New Year as many government officials, offices and key private sector companies are not available. Companies should be aware of the Ethiopian fiscal year when approaching the government to finance goods and services to ensure funding and appropriate approval timeline.

Ethiopia has a large domestic market of close to 100 million people, making it the second most populous country in Africa after Nigeria. Over the last decade, Ethiopia has had one of the fastest growing economies in the world, with average annual growth rates ranging from 7% to 12% (depending on data sources). In 2015/16, the Government of Ethiopia (GOE) announced that real Gross Domestic Product (GDP) expanded by 8 percent. In an October 2016 consultation press release, the International Monetary Fund (IMF) estimated Ethiopia's GDP growth at 6.5% and projected a 7.3% -7.5% % growth rate over the medium term.

While the economy is growing rapidly, presenting many opportunities, there are also hurdles to doing business in Ethiopia. The 2017 World Bank's Ease of Doing Business report (EODB) ranked Ethiopia 159th out of 189 countries; a drop of 11 rankings from that of last year.

The World Economic Forum (WEF) identified burdensome customs administrative procedures, the high cost of logistics, and access to credit and foreign exchange as major challenges to small and medium-sized enterprises (SMEs) in Ethiopia.
According to the United Nations Development Program (UNDP's) 2015 Human Development Index (HDI), Ethiopia is one of the top 10 countries that has realized the most gains, particularly between 2010 and 2015. This report applauded Ethiopia's achievement in improving life expectancy at birth, education, and Gross National Income per capita. It also noted that strong economic growth over the past decade has enabled Ethiopia to lift close to 10% of the population out of poverty.
The agriculture sector has historically been the engine of the Ethiopian economy, but it has recently given way to the service sector. The National Bank of Ethiopia (NBE) notes agriculture, industry and services have contributed 36.7%, 16.7% and 47.3%, respectively, to GDP in 2015/2016. The agricultural sector's share of GDP shrank by more than 25% between 2005 and 2016, while the service sector's share grew by 27% during the same period. The construction industry, particularly roads, railways, dams and homes, is the main driver of growth in the industrial sector, contributing more than half of the sector's growth. Service sector growth is mainly

dominated by expansion in communication and transport services, hotel and restaurant businesses, as well as wholesale and retail trading.

In December 2016, Moody's reaffirmed Ethiopia's credit worthiness at 'B+', while S&P and Fitch gave Ethiopia a 'B'. These ratings reflect Ethiopia's stable outlook and prospects for continued economic growth in the short and medium-term, and are on par with neighboring Kenya and Uganda. Since August 2011, Ethiopia has managed to contain yearly inflation at a single digit through strict monetary and fiscal policy. However, in 2015/2016, Ethiopia was hit by El Nino related drought, which drove food prices up and had more than over 7.7 million people seeking food aid. In June, 2016, Ethiopian inflation stood at 9.7 percent. The 2017 Standard Bank Africa report forecasted an average inflation of 8.9% year on year (y/y) in 2017 and 7.9% y/y in 2018.

Real interest rates are largely negative. The minimum bank deposit rate of 5.00%, bond yield of 3.67%, and Treasury bill yield of 3.67% are lower than the inflation rate. Only the real average lending rate is positive, standing at 11.88 percent.
The NBE controls the exchange rate and has officially devalued the Birr by approximately 97% against the U.S. dollar between January 2009 and January 2016. As of April 2017, the official exchange rate stood at 22.84 Birr per dollar. The Birr has continued to follow a steady depreciation, with the NBE following a controlled floating exchange rate policy. The parallel black market exchange rate for the same period was approximately 26.80 Birr per dollar, a premium of 17% over the official rate.

Ethiopia faces a growing trade deficit with total imports steadily increasing on average by 12.5% per year between 2004/05 and 2015/16. The rise in imports has aggravated the trade deficit, which ballooned from $3.6 billion in 2010/11 to $13.85 billion in 2015/2016. Ethiopia's total exports were $2.87 billion in 2015/2016, while imports for the same period expanded to $16.72 billion.
A large trade deficit, lower commodity prices coupled with ambitious government projects, which enjoy priority in allocation of foreign currency, highly limited the private sector access to foreign exchange.

According to the NBE annual report, 35% of total imports ($4.8 billion) was spent on capital goods and 27% ($3.7 billion) on consumer goods. According to the U.S. Department of Commerce Trade Winds Africa summary, Ethiopia's imports from the US have increased throughout the past few years, representing approximately a fivefold increase from 2009 to 2015. However, in monetary value, U.S. exports to Ethiopia in 2016 were $827 million accounting for only 7% of Ethiopia's total imports.

In 2015/2016, Ethiopia's major exports included coffee (28%), oil seeds (17%), gold (10%), chat (9%), and meat and pulses (7%). Ethiopia's total export earnings by value declined by 8.5% in 2015/2016 from the previous year. A fall in global commodity prices is the main reason for this drop.

Major destinations for Ethiopia's exports in 2015/2016 were: Asia 37% (China accounted for 32%), Europe 34% (Switzerland accounted for 29%) and Africa 21% (Somalia, accounted for 58%). In FY 2015/2016, Ethiopia's exports to the US represented 7% of total exports, registering a 1% increase from the previous year. Ethiopia primarily exports coffee, leather, and leather products to the United States. The vast majority of Ethiopia's imports come from Asia (63%) followed by Europe (25%), Africa (21%) and the United States (8%). Imports from China accounted for 38%, followed by India (7%). Italy, Turkey and Germany are the three major sources of Ethiopia's imports from Europe, jointly accounting for 8% of Ethiopia's total imports. U.S. exports to Ethiopia are primarily aircraft sales, construction equipment, equity investments, real estate, agricultural machinery, farming, and engineering services. Aircraft and aviation parts represented a majority of total U.S. exports to Ethiopia.

Many U.S. companies based in the United Arab Emirates (UAE) do business in Ethiopia, using Dubai as an intermediary export platform due to proximity and availability of reliable air shipping and air services. Please refer to the following table of US -Ethiopia bilateral trade figures.

Table 1: U.S. – Ethiopia Bilateral Trade
Unit: U.S. Dollars

Year	Ethiopia imports from the U.S	Ethiopia exports to the U.S.
2009	266,866,655	112,911,249
2010	773,159,838	127,946,985
2011	689,890,633	144,417,834
2012	1,274,672,068	183,126,469
2013	688,507,736	193,566,884
2014	1,668,507,736	207,209,040
2015	1,554,718,478	310,269,077
2016	827,291,280	236,183,914

Source: Department of Commerce, Trade Policy Information Systems

According to Ernst and Young, Foreign Direct Investment (FDI) from the US to Ethiopia reached $4 billion in 2013/14. It should be noted that this figure represents projects planned but not necessary implemented. Other sources reported, however, that Ethiopia's fast-growing economy attracted only $2.2 billion in U.S. FDI in 2014/15.

Chinese companies, supported by Chinese export trade and project finance agencies, are active in Ethiopia and aggressively pursue projects in the infrastructure and textile sectors. Indian and Saudi Arabian firms are mainly involved in the agricultural sector. Many Indian companies have also begun to invest in the government-sponsored industrial textile parks. Dutch companies play a prominent

role in the floricultural industry and Turkish companies are increasingly engaged in manufacturing, particularly textiles and garments, as well as in construction.
Ethiopia held parliamentary elections on May 24, 2015, with 58 political parties participating in the electoral process. The ruling party, the Ethiopian Peoples' Revolutionary Democratic Party (EPRDF), and its affiliates won all of the 547 parliamentary seats in national and regional elections. The EPRDF and its allies have been in power since 1991. The next parliamentary elections are to take place in 2020.
Ethiopia's economic development vision is encapsulated in the government's Growth and Transformation Plan (GTP). The growth objectives of the first phase, GTP I (2011-2015), were revised to formulate GTP II. GTP II (covering 2016-2020) was approved by parliament in December 2015. GTP II lays out a plan for dramatic structural transformation, shifting from an agrarian economy to one more geared towards manufacturing and services, with the overarching goal of making Ethiopia a middle income country by 2025. GTP II envisages 11% average annual economic growth with an improved trade balance and higher foreign reserves. The GOE is also committed to building a climate resilient green economy and reaching U.N. sustainable development goals. Ethiopia will focus on mitigating greenhouse gas emissions by expanding electric power generation from renewable sources for domestic and regional markets.

The private sector is expected to play an increased role in the economy under GTP II, despite public investment remaining strong. The GOE reaffirmed its commitment during the Corporate Council on Africa (CCA) Summit, held in February 2016, to put in place an enabling business environment and a framework designed to attract more foreign businesses and investment.

The GOE has investment incentives aimed at attracting FDI, particularly export-oriented projects. U.S. companies that invest in Ethiopia can take advantage of tariff and duty free incentives through Ethiopia's eligibility for the African Growth & Opportunity Act (AGOA) trade preference program, now extended until 2025, and Ethiopia's membership in the regional bloc, Common Market for Eastern and Southern Africa (COMESA).

On April 5, 2016, the Ethiopian Parliament ratified a bill that approved Ethiopia's membership to the African Trade Insurance Agency (ATI). Ethiopia has also secured funding with soft loans from the African Development Bank to cover the $7.5 million required for ATI subscription. ATI provides specialized services that cover political and trade risks. ATI will also enable Ethiopian insurance and other companies to benefit from the sale of goods on a letter of credit, while limiting trade and political risks related to losses due to nationalization, breach of concession agreements, import or export embargoes, inconvertibility or transfer risks, political violence, terrorism, confiscation, license cancellation and sabotage. ATI membership can help Ethiopia attract much-needed foreign direct investment, especially given that the insurance industry is closed to foreign companies. In 2013, ATI came up with a new service package that insures banks' lending activities so that they can extend loans to SMEs without requiring the latter to avail collaterals. In 2015, ATI

supported $1.7 billion worth of insured trade and investments within member countries.

The top five reasons why U.S. companies should consider doing business in Ethiopia are:

- Ethiopia is the second most populous country in Africa and has one of the fastest-growing economies in the world, which should result in an expanding middle class with more purchasing power.
- U.S. products and services are highly respected among most Ethiopians for their quality and dependability.
- The GOE is engaged in massive infrastructure expansion projects that create attractive business opportunities for U.S. companies in the full value chain.
- In 2016, the U.S. EXIM bank approved Ethiopia for long term financing. Armed with U.S. EXIM financing, there are tremendous opportunities for U.S. companies' participation in Ethiopia's mega infrastructure projects. EXIM can extend up to $10 Million until it has a fully functional board.
- Factors of production in Ethiopia such as land, labor, and energy costs are comparatively low compared to other countries in Africa and around the world.

Market Challenges

While Ethiopia offers a number of opportunities, the market is also riddled with challenges. The government is engaged in a slow process of economic reform and liberalization, and the state remains heavily involved in most economic sectors. The Government of Ethiopia (GOE) retains control over the utilities sector, such as telecommunications, and prohibits foreign ownership of banking, insurance, and financial services. State-owned enterprises (SOEs) and ruling political party-owned entities dominate the economic landscape, reducing room for the private sector to flourish. SOEs actively encourage joint venture and equity partnerships with foreign companies.

The state-owned telecommunications company, Ethio Telecom, offers slow, expensive, and unreliable phone and internet services. In 2015, Ethio Telecom began to roll out 4G wireless service in Addis Ababa and more extensive 3G services in other parts of the country. As of 2015/16, Ethiopia had 46 million (46% of total population) mobile subscribers, 1.1 million fixed telephone lines (1% of total population), and 13.6 million (about 14% of total population) internet subscribers.
Foreign exchange shortages, largely the result of weak export performance and high demand for foreign currency, notably for GOE infrastructure priority projects, will continue to present difficulties for firms in Ethiopia. Businesses can usually expect delays in foreign exchange supply extending up to a year, and it is especially common to expect slow-downs and down-time in manufacturing.
Electricity demand continues to outpace supply as new hydropower dams struggle to produce at full capacity. Power transmission lines and distribution facilities are inadequate to the demand. The GOE is investing significantly in construction of very large-scale hydroelectric generation projects, with the objective of doubling the

current near 4000 MW power supply. If successfully completed, these projects could meet domestic electricity demand and produce a significant surplus of power for export. The GOE is open to proposals for power development projects using Independent Power Purchase (IPP) agreements for the sale of renewable energy resources (geothermal, solar, wind and biomass). USAID Power Africa is supporting the development of a regulatory framework for IPP agreements. The first 1000 MW IPP geothermal power generation project agreement is being negotiated with the U.S. company, Corbetti, under a BOOT (build, own, operate and transfer) agreement. The Ethiopian economy has made great strides over the past decade, but extreme weather and drought will drive down growth and increase inflation. In addition, there has been a decrease in the demand and price of Ethiopia's primary export commodities due to a downturn in the global economy. This has a direct impact on Ethiopia's export earnings.

Government procedures and paperwork are usually bureaucratic and time-consuming, although some improvements have been made in recent years. While the customs clearance process is still very slow, the GOE is committed to improving its World Bank's Ease of Doing Business EODB ranking and has been engaged in reviewing its Commercial Code, which has remained unchanged for the past fifty years. The first draft of the Commercial Code was released for review in 2016. Areas targeted for revision include the business tax code and the registration process. The Ethiopian Investment Commission set up a Doing Business in Ethiopia review committee that started conducting commercial dialogues with foreign private companies to identify the major stumbling blocks to trade and investment in Ethiopia.

Ethiopia's judicial system is poorly staffed and inexperienced, particularly with respect to commercial disputes. The judiciary is overburdened and subject to political influence by the executive branch. Lengthy pretrial detention is common, closed court proceedings occur, and detainees are sometimes denied the constitutional right to access to legal counsel and visits from family members. A particularly egregious case in point is an American citizen detained for a commercial dispute who remains in custody after nearly two years without bail.

In 2002, the GOE established a new court system dedicated to resolving commercial disputes more efficiently. Under this new system, if a company includes an arbitration clause in its contract, it can apply for assistance from the Addis Ababa Chamber of Commerce Arbitration Institute and bypass some inefficiencies in the judicial system. The 2016 World Bank's EODB report showed that Ethiopia has performed better than its sub-Sahara African peers in contract enforcement and dispute settlement, ranking 2nd after Uganda. Globally, Ethiopia ranked 84th out of 189 economies in this area.

Lack of access to finance is a major constraint for local businesses, especially for SMEs. Since January 2011, the National Bank of Ethiopia (NBE) has required banks to purchase five-year central bank bills, at 3% interest rate to the value of 27% of all

new loans. As a result, private commercial banks' liquidity and capacity to supply credit to the private sector have been sharply reduced, with SMEs at the bottom of the priority list.

While domestic savings has increased, it remains well below the investment target of roughly 40% of GDP, and the increasing demand for funds remains unmet. Ethiopia's performance in ease of accessing credit is significantly below the Sub-Saharan Africa average at 167 out of 189 countries.
Globally, SMEs are believed to be the driving force of economic growth and generation of employment, especially, in the manufacturing and services' sectors. Due to limited access to finance, difficulty in processing letters of credit (LOC) and shortage of foreign exchange, SMEs in Ethiopia have not grown as expected. The bottom line is American firms need to finance their exports and investments to compete in this market. They face the challenge of carrying the costs until their buyers can access forex to pay for purchases. SMEs do not have the legal and administrative support, nor the capital resources, to sustain the long and often bureaucratic procedures of processing goods and services through the Ethiopian customs system.

Market Opportunities

The primary U.S. exports to Ethiopia include aircraft, aircraft parts, trucks, vehicle and machinery car parts, medical equipment, as well as construction and agricultural equipment. The most promising commercial opportunities in Ethiopia, are in agriculture and agro processing, infrastructure, energy, aviation, healthcare, and tourism sectors.

Government Tenders

The Government of Ethiopia (GOE) and its public institutions are the number one buyers as the economy is based on huge public investment. GOE invests heavily in large social and economic infrastructure projects, including power generation, industrial zones and parks, housing construction, water and irrigation, roads and railways, airports and dry ports, telecommunication and internet networks as well as fertilizer factories. There are prospects for U.S. companies to participate in government tenders for these mega projects. U.S. companies heavily rely on high level advocacy support to win government tenders or overturn unfair or non-transparent tender awards associated with potential corruption or irregularities in the tender process. There has been an increase in these cases over the past year.

The GOE welcomes tender bid proposals accompanied by financing options. Bidders who do not include 100% financing options are usually at a competitive disadvantage. Also there have been reported issues of lack of transparency and fairness in the tender evaluation process. Therefore bidders should consider working with CS Ethiopia and using the U.S. Commerce advocacy process (see export.gov) to develop a strategy for bidding prior to the tender evaluation process. The U.S. Export-Import Bank (EXIM) is now offering long-term financing for Ethiopia, which makes U.S. exports more competitive in the Ethiopian market. EXIM's

capacity to finance U.S. exports is currently limited to only $10 million as it does not have a full running board with one board member missing. The U.S. Overseas Private Investment Bank (OPIC) has shown renewed interest in financing projects in Ethiopia with U.S. equity investment.

Agriculture
Ethiopia is endowed with abundant agricultural resources and has diverse ecological zones for agricultural production. Investment licenses can be obtained from the Ethiopian Investment Commission and land can be leased for up to 99 years from regional and city administration bureaus. Recently, land allocation, compensation, and relocation have posed significant issues for the GOE in terms of equity and transparency. U.S. companies should do their due diligence in advance of making investments requiring land use and/or relocation.

Energy
Energy is one of the most significant sectors for Ethiopia's economic growth and development. GTP II targets an increase in power generation capacity from its current near 4000 MW to over 17,000 MW by 2020. Ethiopia possesses significant renewable energy potential, especially hydroelectric, and seeks to exploit these resources by increasing installed capacity of renewable energy sources. The GOE has recently issued tenders for several renewable energy projects with the tender evaluation process focused on quality and project experience.

Light Manufacturing and Industrial Parks
Thousands of Ethiopian goods are eligible for duty-free access to the U.S. market under the African Growth and Opportunity Act (AGOA). The GOE offers incentives for priority export sectors, particularly in textiles, garments, leather, horticulture/floriculture and agro processing. The GOE has established duty-free industrial parks such as the Bole Lemi industrial park, just outside of Addis Ababa, and the recently inaugurated Hawassa Industrial Park to produce textile and garment products for export under AGOA. The GOE actively seeks foreign direct investment in local manufacturing as a means of import substitution and eventual reduction of its trade deficit as a national development priority.

ICT
The GOE has developed a list of approximately 200 electronic services for development in coming years. This is also an opportunity for U.S. companies with Information and Communications Technology (ICT) expertise to partner with local companies for market access in this sector.

Mining
Mining is also an important sector that GOE plans to attract FDI. The GOE identified gold, tantalum, iron, potash and coal as priority minerals.

Opportunities in privatized public enterprises
Nearly all tenders issued by the Privatization and Public Enterprises Supervising Agency (PPESA) are open to foreign participation. Most of the 280 public enterprises sold since 1994 have been SMEs in the trade and service sectors. However, there are also several examples of large privatized enterprises, such as four breweries acquired by foreign entities, including Heineken (Holland) and Diageo (UK).

COMESA Opportunities
The Tripartite Free Trade Area (TFTA) launched in June 2015 will unite Africa's largest market in eastern and southern Africa, bringing together the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC). Ethiopia has ratified the TFTA, facilitating trade between 26 countries, with a combined GDP of more than $1.2 trillion dollars and a population exceeding half a billion. This is another opportunity for U.S. companies to use Ethiopia as a regional trade hub to reach neighboring markets.

African Union Opportunities
The African Union (AU), headquartered in Addis Ababa, Ethiopia, replaced the Organization of African Unity in 2002 and serves as the region's preeminent intergovernmental organization, grouping Africa's 55 member states. The United States has been accredited to the AU as an observer since 2006, currently represented by Ambassador Mary Beth Leonard leading the U.S. Mission to the African Union. As enshrined in its long term strategy Agenda 2063, the AU has the mandate to pursue continental integration as one of its top priorities. In pursuit of this goal, the AU is coordinating ongoing member state negotiations for a Continental Free Trade Area (CFTA), with an agreement on trade in goods and services expected in December 2017.
The AU is currently in the early stages of an extensive organizational restructuring, opening up multiple opportunities over the next few years for U.S. firms to compete for management consulting and other contracts related to the reorganization. The AU hosts dozens of high-level and sector-specific conferences each year, both in Addis Ababa and in other African capitals, requiring significant hospitality and other support services.
U.S. companies interested in bidding on African Union contracts can find a list of open tenders and the AU's procurement manual on the AU's website. For additional information on AU procurement, contact: Carine Toure Yemitia, AU Commission Head of Procurement Travel and Store Division, Tel: +251 (0) 11 551 7700 – Ext 4305, Email: tender@africa-union.org
For more information on U.S.-AU economic and commercial affairs, contact: Meredith Metzler, Economic Officer, U.S. Mission to the African Union, Tel: (+251) 11-130-6174, Email: MetzlerMT@state.gov

Market Entry Strategy

The first major steps to accessing the Ethiopian market are the following: undertaking a judicious assessment of the market opportunities, conducting extensive due diligence, and develop personal relationships. U.S. firms should consider appointing experienced and reliable local agents or distributors to represent their products and services in Ethiopia. Ethiopian-Americans, living in the United States or in Ethiopia, often serve as good resources in establishing U.S.-Ethiopian partnerships. Hiring a local lawyer to review documents and contracts is essential for any investor. The Government of Ethiopia (GOE) requires that all commodity imports be channeled through Ethiopian nationals registered as official import or distribution agents with the Ministry of Trade (MOT). There is no substitution for conducting meetings in person and spending time on the ground to build relationships and form business partnerships. Email communication should not be substituted for in-person meetings.

A significant portion of Ethiopia's imports are solicited through government tenders, primarily issued by the Public Procurement & Property Disposal Service (PPPDS). The tender announcements are made accessible to all interested potential bidders, regardless of the nationality of the supplier or origin of the products/services. Some U.S. companies complained about a lack of transparency in the PPPDS tender bid evaluation processes. In 2015/16, the U.S. Trade and Development Agency (USTDA), under its Global Procurement Initiative (GPI), conducted a capacity-building program for Ethiopian procurement officers and senior executives in order to enhance the efficiency and transparency of major GOE institutions, particularly in handling bids and tenders. The training focused on transparency and how these public enterprises should focus on value for money rather than the lowest price. This approach, with greater emphasis on quality and sustainability, should benefit U.S. companies in the bidding process.

Political Environment

U.S. Relations with Ethiopia

More information about Ethiopia is available on the Ethiopia Page and from other Department of State publications and other sources listed at the end of this fact sheet.

U.S. – ETHIOPIA RELATIONS

The United States first established diplomatic relations with Ethiopia in 1903, and has maintained them ever since, despite changing forms of government.

The current regime was established in May 1991 when a coalition of guerrilla groups seized control of the capital city Addis Ababa after seventeen years of armed insurrection against a Marxist military dictatorship known as the Derg. This coalition, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF),

established a federally organized state, with nine regions based on the ethnicity of the population, and two chartered cities (Addis Ababa and Dire Dawa). The country today is officially known as the Federal Democratic Republic of Ethiopia. Prime Minister Hailemariam Desalegn took office in 2012, following the death of his predecessor, Meles Zenawi. Ethiopia has a bicameral Parliament consisting of the House of Federation (upper house) and the House of People's Representatives (lower house). The PM leads an EPRDF government, and party, that is consensus-based, bureaucratic, and follows an ideological brand—"developmental democracy"—that prioritizes economic development over political rights. The EPRDF, a coalition of four parties representing the regions of Oromia, Amhara, Southern Nations, Nationalities and Peoples (SNNPR), and Tigray, controls all aspects of the government, economy, and security sector, and supports rapid, broad-based modernization intended to transform Ethiopia from a poor, rural, agricultural state to a middle income, urban, and industrialized powerhouse by 2025.

The diplomatic relationship between Ethiopia and the United States is important and complex, and Ethiopia is a key partner. The United States and Ethiopia work together to enhance food security, improve health services, strengthen education, promote trade, and expand development. Ethiopia is important to peace and stability across the volatile Horn of Africa region, particularly in weakening al-Shabaab in Somalia and helping mitigate conflicts in the Sudans.

Latent anger about the lack of democratic space erupted into sporadic but widespread political protests in 2015-2016. After a state of emergency was declared in October 2016, the unrest was suppressed. Some Cabinet and lower-level government officials have since been replaced, an anti-corruption campaign launched, and talks with opposition parties undertaken. All these initiatives are in their infancy, however, and it is too soon to say whether they will lead to greater political freedom and more fundamental reforms.

Bilateral Economic Relations

Ethiopia is eligible for preferential trade benefits under the African Growth and Opportunity Act (AGOA). U.S. exports to Ethiopia include aircraft, wheat, machinery, low-value shipments and repaired products, and vegetables. U.S. imports from Ethiopia include coffee, oil seeds, textiles and garments. The United States has signed a trade and investment framework agreement with the Common Market for Eastern and Southern Africa, of which Ethiopia is a member.

Ethiopia's Membership in International Organizations

Ethiopia and the United States belong to a number of the same international organizations, including the United Nations, International Monetary Fund, and World Bank. Ethiopia is an observer to the World Trade Organization. Ethiopia is

currently serving on the UN Security Council as a non-permanent member until December 2018.

Bilateral Representation

The Embassy is headed by Charge d'Affaires Peter H. Vrooman. Other principal embassy officials are listed in the Department's Key Officers List.

Ethiopia maintains an Embassy in the United States at 3506 International Drive, NW, Washington, DC 20008 (tel. 202-364-1200).
More information about Ethiopia is available from the Department of State and other sources, some of which are listed here:

Department of State Ethiopia Page
Department of State Key Officers
CIA World Factbook Ethiopia Page
U.S. Embassy Ethiopia
USAID Ethiopia Page
History of U.S. Relations With Ethiopia
Human Rights Reports
International Religious Freedom Reports
Trafficking in Persons Reports
Narcotics Control Reports
Investment Climate Statements
Office of the U.S. Trade Representative Country Page
U.S. Census Bureau Foreign Trade Statistics
Export.gov International Offices Page
Library of Congress Country Studies
Travel Information

Selling US Products & Services

Using an Agent to Sell US Products and Services

It is strongly advised that U.S. companies appoint a local agent to represent their products and services in Ethiopia. It is much easier when a U.S. company is represented by a local agent to coordinate agency questions and collect market intelligence, documents and follow-up activities. Local partners help U.S. companies by providing customer support service, undertaking local market research, and obtaining customers feedback. Agents also facilitate the purchase of tender bid documents and provide payments for bid security and performance bonds. Local agents represent U.S. companies in government tender openings and in courts at time of litigation. Having a local partner is essential, as conducting business in some sectors is fully reserved for Ethiopians.
On May 18, 2016, the steering committee for the American Chamber of Commerce (AmCham) in Ethiopia signed a cooperative agreement with the Ethiopian

Investment Commission. The agreement allowed the steering committee to formally form a registered AmCham in Ethiopia. At present, the Am Cham has hired a full time General Manager and registered several active members. The new AmCham will serve as a very useful point of contact for U.S. companies wishing to do business in Ethiopia. In addition, local chambers of commerce and the U.S. Foreign Commercial Service are initial points of contact for U.S. companies wishing to do business in Ethiopia.

Establishing an Office

The Ethiopian Investment Commission (EIC), which is accountable to the Prime Minister, is one of the first stops for an investor wishing to apply for an Ethiopian business and investment license. EIC provides detailed information on investment promotion incentives. All business entities operating in Ethiopia must first be registered with the Ministry of Trade and obtain a tax identification number (TIN) from the Ethiopian Revenue and Customs Authority (ERCA).

According to World Bank's Doing Business 2017 report, starting a new business in Ethiopia takes 35 days. Although, companies have indicated a longer period. A foreign company seeking to open an office in Ethiopian must go through the following procedures:

- Reserve a unique company name or authenticate a company's international name.
- Authenticate the company documents and the office lease agreement at the Documents Authentication and Registration Office (DARO) under the Ministry of Justice:
- Obtain a TIN
- Submit documents and obtain a letter from the Ministry of Trade's Commercial Registry to open a bank account.
- Open a bank account.
- Register and obtain the commercial registration certificate from the Ministry of Trade.
- Make a company seal.
- Register company and employees with the Private Organization Employees' Pension Fund.
- Register with Ethiopian Revenue and Customs Authority for Value Added Tax (VAT).
- Obtain a certificate of competence.
- Publish trade name in nationwide newspaper.
- Reserve a unique trade name.
- Obtain a business license from the Ministry of Trade.
- Install a cash registration machine (if you generate over 500,000 birr – roughly $22,600 - in annual revenue).

A U.S. firm wishing to establish a branch, representation or project office in Ethiopia must also submit the following documents for registration:

- A notarized copy of the registration of a parent company in the U.S.
- A copy of the U.S. Memorandum and Articles of Association.
- An authenticated decision of the parent company's board of directors or a similarly authorized body for the establishment of a branch in Ethiopia. The decision should indicate the types of activities of the branch, the individuals appointed by the parent company to act on its behalf, and the capital allocated for its operation.
- An authenticated power of attorney issued by an authorized organ of a company for the permanent representative in Ethiopia.
- A letter of financial reference from the company's bank.
- A notice published in a local newspaper announcing the establishment of a branch company in Ethiopia.

Please refer to the World Bank's Doing Business in Ethiopia report link for more information.

Franchising

In July 2016, the Ethiopian Parliament approved a Commercial Registration and Business License Proclamation which allowed registration of Franchises. However difficulties in enforcing intellectual property rights, product quality control, cumbersome banking regulations, and continuing foreign exchange convertibility issues make franchising difficult.

In spite of the challenges, several branded U.S. companies have franchise operations in Ethiopia, including Pepsi-Cola and hotels such as Sheraton, Hilton, Marriott, Radisson Blu, and Ramada. In May 2017, Pizza Hutt signed a franchise agreement with the Ethiopian Belayab Food and Franchise Plc to open the first Pizza Hut stores in Ethiopia. The first Pizza hut store will start operation in the coming six months.

Direct Marketing

Direct marketing of U.S. products in Ethiopia is limited as the use of local agents is required for most types of businesses. Nevertheless, U.S. companies can open a representation or project office in Ethiopia to promote and support sales of their products through their local agents or distributors.

Joint Ventures/Licensing

Foreign investment inflows through joint ventures especially with the Government of Ethiopia (GOE) are encouraged by the ruling party. The following are the major criteria for GOE approval of joint venture proposals:

- Transfer and adaptation of needed technology into the country.
- Improvement of the country's foreign exchange position via exports.

- Enhanced import substitution for local industries that reduce the pressure on foreign exchange demand.
- Utilization and development of the country's resources, mainly the generation of local employment opportunities.
- Development of forward and backward linkages, and increased added value in various economic sectors.

Many Ethiopian private sector companies welcome joint venture opportunities with U.S. companies as they seek western technologies and equity investment.

Selling to the Government

In Ethiopia, the Government of Ethiopia (GOE) and its public institutions are the foremost buyers of foreign goods and services. This is due to the Ethiopian economy being largely dominated by large public investments in infrastructure and the State Owned Enterprises (SOEs) being very active in many areas of business. Public Procurement and Property Disposal Service (PPPDS) handles public institutions procurement from the international market. Government procurement is conducted by a competitive bidding process and authorization of the bidding company is required to be eligible for participation.

There are two types of government tenders i.e. national and international. National tenders are restricted to local companies' participation while international tenders are open for foreign companies. U.S. companies that do not have a local office in the country should have a local agent in order to successfully bid on international tenders. Local agents sometimes represent competing foreign companies resulting in inadequate support to U.S. companies in international tenders. It is advisable for U.S. companies to carefully select their local partners running a thorough due diligence on their local partners. The U.S. Foreign Commercial Service office in Addis Ababa can provide support in helping U.S. companies select the right local partner.

Bureaucratic procedures and delays in the decision making process often impede participation in tenders and expose bidding companies to unnecessary costs and delays. In tenders involving large infrastructure projects, bidders presenting attractive financing options enjoy preference.

Though the GOE has privatized several public companies, certain sectors are still dominated by SOE market leaders. These areas include energy (a partial monopoly), fabrication and heavy engineering, defense contracting, and telecommunication (monopoly). Businesses operating in these sectors may be required (either by law, or by market realities) to partner with these entities.

The GOE established a consumer goods trading company called ALLE, with the aim of containing consumer inflation and controlling the monopolistic effect of few dominant private importers on consumer goods prices. The company has more than 3,000 registered retailers and plans to increase its annual turnover to more than $300 million by 2021.

When negotiating with Ethiopian SOEs or government entities, U.S. companies are recommended to find linkages between their products and long-term GOE targets

under the GTP. Projects that advance GTP priorities are much more likely to find a positive reception from government leaders.
Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the "Project Financing" Section in "Trade and Project Financing" for more information.

Distribution & Sales Channels

Ethiopia requires that all imports be channeled through Ethiopian nationals registered with the Ministry of Trade (MOT) as official importers or distribution agents. The importer or agent is required to apply for an import license, and register with the MOT as well as the National Bank of Ethiopia (NBE) for a foreign exchange permit. Access to foreign exchange is one of the biggest hurdles for the Ethiopian private sector to freely import goods and services from the international market. Importers often wait for months to open a letter of credit for imports as a result of a serious shortage of foreign exchange.
Most distribution in Ethiopia, particularly to regional towns, is done through informal business arrangements. For example, after being cleared through customs, many goods will be sold to wholesalers in Addis Ababa's largest open market (Merkato) and then distributed to retailers and small vendors.
As a landlocked country, Ethiopia relies heavily on the port of neighboring Djibouti for the import and export of goods. Port Sudan in neighboring Sudan and Berbera in neighboring Somalia are used to a lesser degree. Ethiopia has built seven inland ports in Modjo, Kallity, Semera, Mekelle, Diredawa, Gelan and Kombolcha with an installed handling capacity of 22,000 containers. The dry ports, notably the dry port in Modjo, approximately 70 kilometers from Addis Ababa, serve as intermediate logistics destination for cargo. Most goods are transported by trucks from the ports to Addis Ababa and other parts of Ethiopia. Ethiopia's ruling party-owned companies dominate the truck transportation market. The overall number of trucks is presently insufficient to meet demand.

A Chinese-led infrastructure project to revamp Ethiopia's rail system, which connects Djibouti port to Addis Ababa is well underway with the construction work completed and currently conducting test runs. The new rail system transported its first cargo of wheat in 2016 for distribution to drought affected regions. This new railway is expected to be fully operational during the 2017 fiscal year. This rail system has the capacity to move 3,500 tons of cargo on a single trip. Achieving this capacity can significantly reduce freight costs as well as cargo delivery delays from more than three days to 10 hours. Currently, logistics costs constitute 30 % of Gross Domestic Product (GDP) and the Government of Ethiopia (GOE's) goal is to reduce it to less than 22% by 2020 and to reduce port dwell time from 40 days to 3 days. Ethiopia has recently signed a memorandum of understanding with Somalia that will enable it to use port Berbera for shipment of goods. The port of Berbera is finalizing preparation to handle this trade.
The construction of the road linking Kenya to Ethiopia will also be completed soon and this will provide significantly improved access for landlocked Ethiopia to the

Port of Mombasa. The road corridor will also be key in supporting the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) corridor.
Cut flowers and fresh fruits and vegetables are transported via air from Addis Ababa's Bole International Airport. Ethiopian Airlines is a leading airline in Africa with 92 international destinations. Ethiopian Airlines has direct flights to major destinations in the United States, namely Washington D.C., Los Angeles, and a flight to New York that commenced in July 2016. The Addis Ababa Bole International Airport is the major gateway for air shipments and the airport has cold storage facilities that facilitate shipment of perishable goods such as cut flowers, fruits and vegetables.

Express Delivery

The state owned Ethiopian Postal Service Enterprise is the only indigenous courier service in Ethiopia. The Ethiopian Postal Service Enterprise provides both international as well as domestic express delivery services under its program called Express Mail Service (EMS). Other foreign courier service providers such as UPS, Fed Ex and DHL have offices in Ethiopia and provide express delivery services. A typical express delivery from a major U.S. city to Ethiopia could take 3 to 10 days.

Selling Factors & Techniques

The most important consideration for the majority of Ethiopian consumers is price rather than life-cycle cost. Durability is seen by a minority as an important purchasing factor. Since price is important, businesses tend to import low cost goods with a high turnover. However, for capital/durable items, buyers tend to prefer reliable, quality equipment, with dependable after-sales service. Presenting sales materials in the official local language, Amharic, in addition to English, is an effective way to reach a broader customer base. However, the use of English is prevalent in the business community.

In 2016, the U.S. Trade and Development Agency (USTDA) organized a two phase training program for major Ethiopian public agencies under the Global Procurement Initiative: Understanding Best Value (GPI) program. The first phase was training presented in Addis Ababa to procurement experts while the second phase involved an 11 day study tour for Ethiopian senior public procurement officials in the United States to receive advanced training in life-cycle cost analysis, best value determinations and risk management. The presenters were experts from the George Washington University's Government Procurement Law Program and technical specialists form industry. The GPI team also met with U.S. procurement officials at the federal, state and local levels, and considered case studies in value-based procurement as commonly used in Virginia and Pennsylvania.

This visit marked the second phase of USTDA's partnership with Ethiopia under the GPI. USTDA is supporting the GOE's efforts to incorporate life-cycle cost analysis and value-for-money elements in their public procurement practices to obtain the best value for government funds and to improve overall procurement outcomes. Such initiatives and programs are intended to bring about transparency and level the

playing field allowing U.S. companies to effectively bid and compete in GOE tender based public procurement programs.

eCommerce

Electronic commerce is still in its infancy in Ethiopia and is rarely used. The Government of Ethiopia (GOE) is preparing a draft national law to govern e-Commerce. Ethiopian banks use debit cards and automated teller machines (ATM) but have not yet started issuing credit cards. Most Ethiopians do not have credit cards and internet connections are slow, expensive and unreliable. However, internet service has recently improved as a result of Ethiopia's connection to Seacom's underground/sea fiber optic cable through Djibouti. In 2016, Ethio Telecom announced the launch of a fourth generation Long Term Evolution (4G LTE) service in the city of Addis Ababa. Automated Teller Machines (ATMs) are also finally interconnected, in May 2016, enabling an ATM cardholder to withdraw funds from any ATM machine of the 18 commercial banks operating in Ethiopia. ET Switch S.C, a shared ownership company with the commercial banks, was created to improve bank-to-bank integration. According to sources at ET Switch S.C., the service is expected to be used by over 5 million ATM card users across the country.
Ethiopian banks have started using primary internet transactions through mobile and card banking services. These technologies followed the launch of centralized, online real-time, electronic banking solutions that have increased customers. There is still a long way to go to improve the digital financial services delivery system. Currently, foreign firms are engaged as technology service providers for various financial inclusion projects of the GOE.

Trade Promotion & Advertising

Advertising and trade promotion are important in the Ethiopian market. Government-owned mass media outlets (radio, television, and newspapers) and privately-owned magazines, newspapers, radio stations and billboards are the major means of advertising. Annually, the Addis Ababa Chamber of Commerce organizes several international trade fairs in Ethiopia. These events attract many Chinese, Indian, European and local exhibitors.
U.S. companies can contact the U.S. Foreign Commercial Service Addis Ababa office for a Single Company Promotion (SCP) service to brand their company's products and services.
Please refer to the following list for more information:

Disclaimer: This list is not comprehensive and inclusion does not constitute an endorsement or recommendation by the U.S. Government.

Ethiopian American Chamber of Commerce
Mina Building, Addis Ababa
Rebecca Araya
Tel/Direct:
Mobile +
E-mail: araya.rebecca@gmail.com

Addis Ababa Chamber of Commerce and Sectoral Associations
P.O. Box 2458
Addis Ababa, Ethiopia
Tel: +251-11-551-8055
Fax: +251-11-551-1479
Email: aachamber1@ethionet.et

Ethiopian Chamber of Commerce and Sectoral Associations
Tel: +251-011-551-8240
Fax: +251-011-551-7699
E-mail: ethchamb@ethionet.et

Advertising agencies

B.T. Digital Advert
Addis Ababa, Ethiopia
Tel: +251-11-663-1717
Fax: +251-11-662-6545
Email: btta@ethionet.et

Champion Communications
Addis Ababa Ethiopia
Tel: +251-92-440-9569
ebr.magazine@gmail.com

Cactus Advertising
Addis Ababa, Ethiopia
Tel: +251-11-554-4901
Fax: +251-11-554-4907
Email: cactusplc@ethionet.et

Flawless Events
Addis Ababa, Ethiopia
Tel: +251-11-6186915
E-mail: Naomi@flawless.net

I Print Digital Advertising Plc
Addis Ababa, Ethiopia
Tel +251-11-554-5777
Fax +251-554-5778
Mobile +251-911-62-5779/+251-911-52-3398
Emial:info@iprintadvert.com

251 Communications
Addis Ababa, Ethiopia

Tel +251 911 25 96 94
Email: info@251communications.com

Horizon Ethiopia
P.O. Box 26782/1000
Addis Ababa, Ethiopia
Tel: +251-11-618-4045
Email: advertising@addisconnexion.com

Ozzie Business and Hospitality Group
Tel: +251-934-240443
Info@hotelshowethiopia.com

Lion Advertising and Public Relations Organizations
P.O. Box 5372
Addis Ababa, Ethiopia
Tel: +251-11-552-7835 / 552-7836
Fax: +251-11-551-2499
Email: lionadpr@ethionet.et

Mono 2000 PLC
Addis Ababa, Ethiopia
Tel: +251-11-663-3060
Fax: +251-11-663-3061
Mob: +251-91-121-2091
Email: monoplc@yahoo.com

Sonic Screen Advertising Plc
Addis Ababa, Ethiopia
Tel:+251-11-661-6104
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Mobile: +251-911-20-8335
Email: onscreen@ethionet.et

Zeleman Productions
P.O. Box: 17629
Addis Ababa, Ethiopia
Tel: +251-11-663-2800/01/02/03/04
Mobile: +251-91-124-5627
Fax: +251-11-662-6238
E-mail: info@zelemanproductions.com

Newspapers
Addis Business
P.O. Box 2458
Addis Ababa, Ethiopia

Tel: +251-11-551-8882
Fax: +251-11-551-1479
Email: aachamber1@ethionet.et

Addis Zemen (Daily Amharic Newspaper)
P.O. Box 30145
Addis Ababa, Ethiopia
Tel: +251-11-662-5466
Fax: +251-11-661-2261
Email: info@ethpress.gov.et

Capital (Weekly)
P.O. Box 95 Code 1110
Addis Ababa, Ethiopia
Tel: +251-11-618-3253 / +251-11-651-3375
Fax: +251-11-618-5206
Email: syscom@ethionet.et

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Fax: +251-11-554-6450

Fortune (Weekly)
P.O. Box 1110, Code 259
Addis Ababa, Ethiopia
Tel: +251-11-662-7150
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Email: Phoenix.Universal@t.ethionet.et

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Fax: +251-11-156-0515
E-mail: themonitor@ethionet.et

The Ethiopian Herald
P.O. Box 30701
Addis Ababa, Ethiopia
Tel: +251-11-156-9983
Fax: +251-11-156-9862
Email: et.press@ethionet.et

The Reporter
P.O Box 7023
Addis Ababa, Ethiopia
Tel: +251-11-661-6188
Fax: +251-11-661-6189
Email: mcc@ethionet.et

Government Media
Ethiopian News Agency
P.O. Box 530
Tel: +251-11-155-0011
Fax: +251-11-155-1609
E-mail: ena@ethionet.et or enas@ethionet.et

Ethiopian Radio and Television Agency
P.O. Box 1020/5544
Tel: +251-11-550-5483 / 553-6566
Fax: +251-11-550-5174
E-mail: etv2@ethionet.et

Radio Fana
Addis Ababa, Ethiopia
Tel: +251-11-551-6777
Fax: +251-11-551-5039
E-mail: rfana@radiofana.com

Walta Information and Public Relation Center S.C.
P.O. Box 12918
Addis Ababa, Ethiopia
Tel: + +251-11-416 9032
Fax: +251-11-4670302

Pricing

Commercial imports are subject to up to five separate import taxes, which are all collected by the Ethiopian Revenues and Customs Authority (ERCA). These taxes are

charged in a compounding, sequential order as follows: customs duty, excise tax, value added tax, surtax and withholding tax (not compounding). All taxes are payable at the time of import.
Custom duties range from 0% to 35% and are levied on CIF (cost, freight and insurance) price applied based on (Harmonized System (HS) codes. The calculation of the total customs duty is based on the CIF (Cost + insurance + freight) value of the imported good.
The excise tax is for luxury items and demand inelastic products. The tax is product dependent and ranges between 10 to 100 percent. Excise tax is only applied to 19 specified item classes outlined by the Ethiopian Revenue and Customs Authority.
The value added tax (VAT) is a flat 15 percent tax on all imports, unless otherwise exempted.
The surtax is a flat tax of 10 percent on all imports, unless otherwise exempted.
The withholding tax is a flat tax of 3 percent on the CIF value of all imports, unless otherwise exempted. A withholding tax may be offset against qualified business income taxes.

The pricing formula for a product that is liable to all the five duties will be as follows:

Selling Price =CIF price + custom duties + Excise Tax + VAT + Sur tax + Withholding tax + Profit margin

ERCA has developed an import tax calculator in order to assist traders in determining the applicable taxes for their products. The calculator requires entry of the following information: six or eight-digit Harmonized Tariff Schedule (HTS) code, cost of the imported item, freight, and insurance, as well as any other cost. The HTS code along with the associated import taxes can be found in ERCA's HTS. Separately, ERCA also publishes monthly trade statistics. Please visit ERCA website.
The Government of Ethiopia (GOE) sets prices for local transportation fares, petroleum, and fertilizer; with periodic reviews on the prices to reflect prevailing local market situation.

Prices of locally produced products have increased significantly in recent years. Prices of imported goods are also high, due to customs duties, transportation costs, and continued drop in value of the local currency Birr against the U.S. dollar.
For more information on customs, please refer to the Ethiopian Revenue and Customs Authority website.
For more information on African Growth Opportunity Act.

Sales Service/Customer Support

Sales service is available for most products, but customer service levels are poor in comparison to international standards. Service providers that rely on imported parts often face delays in obtaining the foreign exchange to purchase these goods. Consumer advocacy or protection associations operate in Ethiopia have weak enforcement capacity. Ethiopia has a consumer protection law.

Protecting Intellectual Property

The Ethiopian Intellectual Property Office (EIPO) oversees Intellectual Property Rights (IPR) issues. Ethiopia has not signed a number of major IPR treaties, such as the Paris Convention for the Protection of Industrial Property, the World Intellectual Property Organization (WIPO) copyright treaty, the Berne Convention for Literary and Artistic Works, the Madrid System for the International Registration of Marks, and the Patent Cooperation Treaty. The government expressed its intention to accede to the Berne Convention, Paris Convention, Marrakesh Protocol and Madrid Protocol, and currently EIPO is drafting a ratification proclamation. EIPO has been tasked primarily to protect Ethiopian patent rights and copyrighted materials, and to fight pirated software. Generally, EIPO is weak in terms of staff and budget, and does not have law enforcement authority. Abuse of U.S. trademarks is rampant, particularly in the hospitality and retail sectors. The government does not publicly track counterfeit goods seizures, and no estimates are available. Ethiopia is not listed in USTR's Special 301 report and notorious market report.
EIPO contact and office information is available at EIPO.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on Protecting Intellectual Property and also Corruption.

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Due Diligence

Due diligence and project analysis are highly recommended for every sector and level of engagement. U.S. companies interested in securing land and investing in Ethiopia are encouraged to run due diligence as land use and allocation is increasingly becoming a very sensitive and political issue. U.S. companies interested in partnership, hiring a local agent or forming any form of business partnership are advised to check the background of the companies they are dealing with by running a thorough due diligence on their potential partners. The U.S Foreign Commercial Service office, offers the following fee-based services to assist in these efforts:

- International Company Profile (due diligence report on an individual company)
- Gold Key Service (arranging appointment schedule with relevant parties)
- International Partners Search (compiling information on potential strategic partners)

If U.S. firms require extensive and detailed market research or project analysis, the Foreign Commercial Service office in Addis Ababa can provide a list of local consultancy firms. However, the U.S. Foreign Commercial Service office does not endorse any particular company.

Local Professional Services

The following list includes companies that render general professional services (see Web Resources section below for website and email links).

Ethiopian Attorney Information

Disclaimer: This list is not comprehensive and inclusion does not constitute an endorsement or recommendation by the U.S. Government.

Banking and Finance

Ethiopia's commercial banks include Abay Bank, Addis International Bank, Awash International Bank, Bank of Abyssinia, Berhan International Bank, Bunna International Bank, Commercial Bank of Ethiopia, Construction and Business Bank, Cooperative Bank of Oromia, Dashen Bank, Development Bank of Ethiopia, Enat Bank, Lion International Bank, Nib International Bank, Oromia International Bank, United Bank, Wegagen Bank, and Zemen Bank.

Hotels and Meeting Facilities

Ethiopia has a number of international standard hotels in Addis Ababa, including: Capital Hotel and Spa, eLilly Hotel, Golden Tulip Hotel, Ghion Hotel, Harmony Hotel, Hilton Addis Ababa, Jupiter Hotel, Marriott Executives Apartment, Ramada Addis, Radisson Blu, and Sheraton Addis Ababa.

Tour Operators

Several tour operators served the country including: Abyssinian Tours, Altour-Ethiopia, Ethiopia Travel, Ethiopian Rift Valley Safaris, Experience Ethiopia Travel, GETTS Travel, and Travel Ethiopia.

Others

Other entities pertinent to doing business in Ethiopia include: American Chamber of Commerce in Ethiopia, Association of Ethiopian Microfinance Institutions, Construction Contractors Association of Ethiopia, Deloitte Ethiopia, Encore Employment Training Services, Ernst & Young, Grant Thornton, Ethio-Jobs, Ethiopian Bar Association, Ethiopian Cotton Producers and Ginners Association, Ethiopian Business Development Services Network, Ethiopian Economics Association, Ethiopian Horticulture Producer Exporters Association, Ethiopian Information Technology Professional Association, Ethiopian Leather Industries Association, Ethiopian Medical Association, Gazebo International, Grant Thornton Ethiopia, HST Consulting, Precise Consult International.

Principle Business Associations

The Ethiopian Investment Commission drafted a directive to establish foreign chambers of commerce for approval by the Council of Ministers. This regulation allows the formation and formal registration of a foreign Chamber of Commerce in Ethiopia. On May 18 2016, the Steering Committee for the American Chamber of Commerce (AmCham) in Ethiopia signed a cooperation agreement with the Ethiopian Investment Commission that allowed for the formal establishment of the AmCham and registration as a legal entity. The AmCham was officially launched in

December, 2016. They have hired a full time General Manager and currently have several registered members.
Other business associations include Ethiopian Chamber of Commerce and Sectoral Association and the Addis Ababa Chamber of Commerce and Sectorial Association, Ethiopian Entrepreneurs Association, Ethiopian Women Entrepreneurs Association, Addis Ababa Women Entrepreneurs Association, Ethiopian Coffee Exporters Association, and Ethiopian Bankers Association are some of the business associations currently operating in Ethiopia. All these business associations share a similar goal of promoting trade. Ethiopian business associations have a favorable outlook for U.S. companies and are interested in working with them to attract U.S. trade and investment to Ethiopia.

Limitations on Selling U.S. Products and Services

The investment and business environment in Ethiopia have considerable limitations and market challenges. Major challenges are lack of finance, high logistics cost, shortage of foreign currency, bureaucratic approval procedures and slow decision-making, unreliable internet connectivity and power supply and a low level of customer service, and closed service sectors. U.S. companies interested in selling their products and services in this market will generally need to bring their own financing and have patience to obtain payment from buyers.

Web Resources

Ethiopian Investment Commission

Ethiopian Revenue and Customs Authority

Ethiopian Commodity Exchange

Ethiopian Cotton Producers, Ginners and Exporters Association

Beam IT Solutions PLC

Ethiopian Airlines

Banking and Finance

Awash International Bank

Bank of Abyssinia

Berhan International Bank

Bunna International Bank

Commercial Bank of Ethiopia

Construction and Business Bank

Cooperative Bank of Oromia

Dashen Bank

Development Bank of Ethiopia

Debub Global Bank

Enat Bank

Lion International Bank
Nib International Bank

Oromia International Bank
Email: oib@ethionet.et

United Bank

Wegagen Bank

Zemen Bank

Hotels and Meeting Facilities
Ghion Hotel

Harmony Hotel

Hilton Addis Ababa

Jupiter Hotel

Marriott Executives Apartment

Radisson Blu

Ramada Hotel

Sheraton Addis Ababa

Tour Operators
Abyssinian Tours

Altour Ethiopia

Ethiopia Travel

Ethiopian Rift Valley Safaris

Experience Ethiopia Travel

GETTS Travel

Travel Ethiopia

Other Web Resources and Links
Association of Ethiopian Microfinance Institutions

Ethiopian Bar Association

Ethiopian Business Development Services Network

Ethiopian Economics Association

Ethiopian Medical Association

Ethiopian Information Technology Professional Association

Ethio-Jobs

Precise Consult International

Construction Contractors Association of Ethiopia

Encore Employment Training Services

Ethiopian Information Technology Professionals Association

Ethiopian Horticulture Producer Exporters Association

Ethiopian Leather Industries Association

Ernst & Young

HST Consulting

Deloitte
Email: Sgizaw@deloitte.com

Grant Thornton
Email: ron.stott@gtethiopia.com

Leading Sectors for US Exports & Investments

Energy

Overview

Ethiopia has abundant renewable energy resources and has a potential to generate over 60,000 megawatts (MW) of electric power from hydroelectric, wind, solar and geothermal sources. Despite Ethiopia's huge energy potential, the country is experiencing energy shortages as it struggles to serve a population of over 95 million people and meet growing electricity demand which is forecasted to grow by approximately 30% per year.

Energy Resource Potential of Ethiopia

Resource	**Unit**	**Exploitable Reserve**	**Exploited Percent**
Hydropower	MW	45,000	<5%
Solar/day	kWh/m^2	4 – 6	<1%
Wind: Power Speed	GW m/s	100 >7	<1%
Geothermal	MW	<10,000	<1%
Wood	Million tons	1120	50%
Agricultural waste	Million tons	15-20	30%
Natural Gas	Billion m^3	113	0%
Coal	Million tons	300	0%
Oil shale	Million tons	253	0%

Source: Ethiopian Electrical Power (December 2016)

Ethiopia's Growth and Transformation Plan (GTP) outlines a 15 year plan with three 5-year phases to transform from a developing country to a lower-middle income country by 2025. Under GTP I (2010-2015), hydro power projects were constructed to increase the installed generation capacity from 2,000 MW to 10,000 MW. Currently the country has approximately 4,290 MW of installed generation capacity. GTP II (2015-2020) aims to increase generation capacity by more than 10,000 MW to over 17,000 MW. Ethiopia Electric Power (EEP) is charged with maintaining more than twelve hydropower and three wind power plants located in different parts of the country.

Approximately 90% of the installed generation capacity is from hydropower while the remaining 8% and 1% is from wind and thermal sources respectively. The hydro dominated systems has been severely affected by drought, and the Government of Ethiopia (GOE) is now diversifying the generation mix with other sources such as solar, wind and geothermal that will result in a more climate-resilient power system.

The Grand Ethiopian Renaissance Dam (GERD), with a 6,000 MW generation capacity, is reportedly 60% completed. Ethiopia is exporting electricity to Djibouti (up to 60 MW) and to Sudan (up to 100 MW) and has concluded power export deals with Kenya and South Sudan. Construction of an Ethio-Kenya-Tanzania transmission line is expected to be completed in 2018. Ethiopia has plans to export up to 400 MW of electricity to Tanzania.

The GOE has plans to construct an additional 9,000 kilometers of distribution lines and to complete, in the next few years, construction of 102 kilometers of 66 KV transmission line, 3,706 kilometers of 132 KV transmission line, 4,546 kilometers of 230 KV transmission line, 2,947 kilometers of 400 KV transmission line and 61 kilometers of 500 KV transmission line. Only 58% of the country has access to electricity. Out of this, only 25% of the households are connected to the grid.

The GOE recognizes that engagement with the private sector as Independent Power Producers (IPP) for power generation is crucial to meet the country's needs. Ethiopia Electric Power (EEP) is developing procurement processes to select contractors and is awarding projects using a competitive bidding process. Under the Global Procurement Initiative (GPI), Crown Agents International, a U.S. based firm, is developing a procurement manual for EEP using a U.S. Trade and Development Agency (USTDA) grant. Power Africa has been assisting EEP with development of IPP tender documents and the legal and regulatory IPP framework. Ethiopia is drafting its feed-in tariff bill, which should offer independent power producers the option to sell renewable energy power to the national grid at specified rates. Engineering Procurement Contracts (EPC) are still considered as an unsolicited contract when companies are providing turnkey solutions and bring the finance. Most EEP projects are tendered.

EEP and a Chinese firm, TBEA Contractor Ltd, signed an agreement amounting to $98 million for a power transmission project to provide power to apartment buildings, industrial parks, real estate and other demand around the areas of Koye Abo, Koye-Fitche, Kilinto and Bole Lemi of Addis Ababa. These projects are expected to be completed in 2017.

Power Africa Support:

Power Africa is supporting Ethiopia's energy development strategy through wide-ranging technical assistance in cooperation with international finance institutions and development partners. In supporting the entry of the private sector, Power Africa has assisted with new IPPs and the transition to competitive tendering, as well as strengthened the energy regulator. Power Africa is supporting the introduction of smart grid technology, and developing the national grid code. Power

Africa has worked on advancing negotiations towards financial closure for Ethiopia's first Independent Power Purchase (IPP) geothermal projects at Corbetti and Tulu Moye that will generate up to 1,000 MW. Power Africa is working on access to off-grid electricity primarily through the technical support of the National Rural Electric Cooperative Association (NRECA).

The Power Africa team in Ethiopia is working on addressing different power generation and distribution issues which includes:

- Assisting the Ministry of Finance and Economic Cooperation in setting up an IPP unit at Ministry of Water Irrigation and Energy (MoWIE).
- Assisting Ethiopia Electric Utility on reducing commercial losses in the distribution network to below 10 percent.
- Providing capacity building for Ethiopia Electric Power and Ethiopia Electric Utility to operate as self-sufficient utilities.
- Providing a support to Ethiopia Electric Utility to focus on off grid solutions. NRECA will focus on data collection and analyzing the technical and environmental aspects of the off-grid project sites in Ethiopia. For more information on Power Africa strategy to address key challenges in Ethiopia's electricity sector and their support for private sector investment in energy, please refer to: USAID.

Sub-Sector Best Prospects

- Engineering services to supply more renewable energy sources, such as wind, solar, geothermal, biomass (municipal landfills, organic waste) as well as hydropower, are highly desired in Ethiopia.
- Supply and/or manufacturing of drilling rigs and associated equipment, sub stations, hydro turbines, electric and electrical cables, transformers, transmission equipment, electric meters, and expertise are desired.

Opportunities

The GOE has opened the renewable energy sector for private sector involvement in competitively tendered IPP hydro and solar projects.

In addition to the generation of power from renewable energy sources, existing old power plants, substations and transmission lines require substantial maintenance and overhaul so as to increase the overall efficiency. This maintenance works are priority business opportunities for U.S. businesses or investors.

Upcoming Tenders

No.	Projects	Capacity (MW)	Status	Source
1	Tekeze II	450	Under tender preparation	Hydro power

No.	Projects	Capacity (MW)	Status	Source
2	Gojeb	150	Under tender preparation	Hydro power
3	Lower Dedesa	550	Under tender Preparation	Hydro power
4	Lower Dabus	250	Under tender Preparation	Hydro power
5	Additional Solar	500	Under IFC scaling solar program	Solar
6	Additional wind	1000	Under discussion to collect data	Wind
7	Biomass	420	Under early stage	Biomass

For specific details on the tender announcements and instructions, please refer to Ethiopian Electric Power Company.

Please refer to the Project Financing section of Chapter 7: Trade and Project Financing for specific project opportunities.

Renewable Energy Market

Unit: USD '000	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	2,465,633	2,270,770	2,587,634	2,955,383
Total Local Production	320,073	502,972	553,904	615,756
Total Exports	1,966	15,228	16,750	18,425
Total Imports	2,147,526	1,783,026	2,050,480	2,358,052
Imports from the U.S.	57,897	42,393	48,751	56,063
Exchange Rate:	20.55 Br	21.58 Br	21.87	-

Source: National Bank of Ethiopia and EEP

Web Resources

U.S. Foreign Commercial Service

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USAID Power Africa

Ethiopian Electric Power

Ethiopia Electric Utility

Ministry of Mines

Ministry of Water, Irrigation, and Energy

The World Bank

Aviation

Overview

Aviation in Ethiopia is a high-growth sector as there is increased demand for air transportation, both passengers and cargo, with the sector growing at an annual average of 20 percent.

The Ethiopian Airports Enterprise (EAE) awarded a $250 million contract which later increased to $345 million to China Communications Construction Company (CCCC) to expand the Addis Ababa Bole International Airport. The objective is to triple the capacity of the airport from seven million passengers per year to 21 million. EAE also has future plans to build a new mega airport city with a capacity of 120 million passengers per year at a cost of $4 billion. EAE hired a French consultant, Aéroports de Paris International (ADPI) to undertake a feasibility study and identify a suitable site for the project. ADPI picked three potential sites, on the outskirts of Addis Ababa: Abusera, Alem Tena, and Tefki. In 2016, ADPI concluded its feasibility study and submitted its final report to EAE. EAE and the Ministry of Transport submitted their proposal to the Council of Ministers for final approval.

The Government of Ethiopia (GOE) is also focusing on building other airports across the country. The construction of Hawassa International Airport was completed in 2016 and Ethiopian Airlines flew its first (four times a week) flight to the city in April, 2016. Local contractor. YOTEK Construction built the airport at a cost of nearly

$21 million. This airport was built to support the new textile industrial park in the region. The GOE also plans to build other airports in different cities such as Nekemte, with the goal of increasing the number of total airports in the country to 25 by 2020. EAE plans to modernize its IT infrastructure and build large commercial development at its airports.

In 2016, the U.S. Trade and Development Agency (USTDA) hosted four senior executives from EAE and the Ethiopian Civil Aviation Authority in the United States as part of the East African Airports Modernization and Security Reverse Trade Mission (RTM). The East African Airports RTM delegation visited airports in Washington, DC and Atlanta, Georgia, among others, and met with aviation technology providers and U.S. firms in related fields. The Ethiopian aviation executives also held a roundtable meeting with USTDA officers, identifying the new airport project, ICT infrastructure, and commercial development as areas for future collaboration.

Since 2004, Ethiopian Airlines (EAL) has grown by over 20% each year. EAL has been following an aggressive 15 year plan, called vision 2025, with the goal to make EAL the most competitive aviation group in Africa. According to center for aviation.com, EAL has the largest number of aircrafts in Africa at 82 aircrafts followed by Egypt Air and South African Airways; with the latter two operating 68 and 64 passenger aircrafts respectively. EAL aspires to retain its leading African airline position in both passenger and cargo loads.
Under Vision 2025, EAL seeks to double its fleet numbers, increase the number of destinations to 100, carry more than 18 million passengers and 800,000 tons of cargo, and improve its current $2.5 billion annual revenue to $10 billion by 2025. EAL is looking to renew and expand its flight operations using the following aircraft:

- Bombardier Q400 airplanes for domestic flights, Boeing 737 for mid-range flights and

- Boeing 787 (replacing both Boeing 757 and Boeing 767) for the long range and

  Boeing 777 and Airbus A350 for the extra-long range.
  According to this expansion plan, EAL will buy a large number of new airplanes in the years to come.

EAL continues to open new destinations. It began service to Los Angeles, California, and Cape Town, South Africa in June 2015 and New York-Newark in July 2016. The flight to Los Angeles will provide an opportunity to expand Ethiopia's cut flowers exports to the United States as LAX is well-equipped with cold storage, sanitary, and logistical facilities required for perishable commodities. It will also facilitate greater commercial linkages between the two countries, particularly with the vast number of U.S. firms and Ethiopian diaspora in the area.
EAL has invested $100 million in expanding and upgrading its Aviation Academy. The scale and scope of the expansion seals the Academy's position as the largest and the most advanced Aviation Academy in Africa with an annual intake capacity of 4,000 students training in piloting, aircraft mechanics and technicians, cabin crew,

ticket agents and procurement officials. In addition, EAL has allocated $100 million for the first phase of a new cargo terminal that will have an annual storage capacity of 1.2 million tons, for both dry and perishable goods, The new cargo terminal will be inaugurated at the end of June, 2017 and is expected to be fully operational by the end of 2017.

Boeing aircraft with GE engines constitute a majority portion of EAL's current operating fleet. EAL operates over 50 Boeing airplanes at the moment. However, in 2016, EAL made its first order of 343-seater Air Bus A350. EAL will operate 14 A350 XWB, of which 12 will be directly purchased from Airbus and two on lease from AerCap. Ethiopian Airlines became the first African A350 XWB operator when it took delivery of the Air Bus aircraft in 2016. In the past 25 years, small private airways emerged with small aircrafts carrying less than 50 passengers. These private airlines usually provide local flight services, mostly chartered flights, to remote locations to the diplomatic community, private entities and humanitarian non governmental organizations.

There are several market opportunities for U.S. companies in airport security, aircraft and other aviation support equipment and aviation infrastructure development.

Sub-Sector Best Prospects

- Aircraft and engine sales and leasing to both EAL and smaller charter companies; replacement parts; and airport equipment, including transportation security technology.
- Flight and cargo management information systems.
- Engagement in Airport infrastructure development and airport safety and security systems.
- Engagement in airports commercial development and modernization projects.

Opportunities

Addis Ababa Bole International Airport is undergoing renovation and expansion of its terminals with completion estimated by the end of 2017. In addition, EAE carried out a feasibility study and location reviews for a new mega airport hub city. There are a number of opportunities for U.S. companies to bid on the design and construction of the mega airport hub city. Additionally, the new airports will need equipment, machinery, and structures related to indoor and outdoor facilities, including new headquarters, baggage handling, shopping, a new cargo terminal, transfers, a new catering facility, and parking. Other domestic airports will also require communication, safety, and security equipment as planned upgrades occur in the near future. EAE requires ICT infrastructure and a commercial development plan, which should pave the way for U.S. companies to bid on upcoming tenders.

Aircraft and parts Unit: USD

	2015	2016 (estimated)	2017 (estimated)	2017 (Estimated

	2015	2016 (estimated)	2017 (estimated)	2017 (Estimated
Total Market Size	1,555,249,376	827,291,280	2,000,000,000	2,500,000,000
Total Local Production	-	-		
Total Exports	-	-		
Total Imports	1,555,249,376	827,291,280	2,000,000,000	
Imports from the U.S.	1,330,044,000	451,494,707	1,000,000,000	1,500,000,000

Source: Department of Commerce: Trade Policy Information System (TPIS)

Web Resources

U.S. Foreign Commercial Service
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Ministry of Transport

Ethiopian Airlines

Abyssinian Flight Services

National Airways

Air Ethiopia

Zemen Flight Services

Ethiopian Airlines

Ethiopian Airports Enterprise

Ethiopian Civil Aviation Authority

Ethiopian Airports Enterprise

Ethiopian Civil Aviation Authority

Road and Railways

Overview

Ethiopia's road network has been improving each year. As of the end of FY 2016, Ethiopia had 113,066 kilometers (70,256 miles) of all-weather roads – about 30% of the required road network in the country. In FY 2015/16, the Government of Ethiopia

(GOE) invested 47.5 billion Birr ($2.11 billion) in road construction. In the past fifteen years, the GOE has been vigorously engaged in new road construction as well as expansion of the existing road network through Ethiopia's Road Sector Development Programs (RSDP).

In 2011, the GOE embarked upon RSDP Phase IV, the largest program undertaken in the sector. RSDP-IV is considered a strategic pillar of GOE's Growth and Transformation Plan (GTP), which plans to increase the road network from 49,000 kilometers (30,447 miles) to 136,000 kilometers (84,506 miles) over a five year period. Unlike earlier phases of the RSDP, Phase IV places a high emphasis on improved access, specifically the construction of feeder/linking roads and lower volume roads. According to 2014 UNDP Human Development report, Ethiopia has invested 142 billion Birr ($7.1 billion) on road construction projects over the past 16 years; out of which $ 5.4 billion (77%) was funded from internal sources.
During the GTP II period covering 2015/16 to 2019/20, the GOE anticipates a further expansion of the country's road network to 220,000 kilometers (136,701 miles). In the past, U.S. firms have bid on tenders for road design, construction and supervision services. However, most of them have not been price competitive. Ethiopia will continue to need construction vehicles (bulldozers, cranes, trucks, and forklifts), vehicle attachments, and mechanized and non-mechanized equipment to level and pour construction materials. Most projects open for international competitive bidding are funded either by the GOE or major international financial institutions, such as the World Bank's International Development Association (IDA) and the African Development Bank (AFDB).

In the railway sector, the Addis Ababa 34 kilometers light rail project was completed and began operation in late 2015. Ethiopia is aggressively working on building an extensive rail network. As a landlocked country, Ethiopia primarily uses the port of Djibouti as a gateway for the vast majority of its internationally traded goods (90% to 95%), with most of the goods essentially transported to and from the port by trucks. This situation has made Ethiopia's trade logistics very expensive and uncompetitive.

In response to this challenge, the GOE established the Ethiopian Railways Corporation (ERC) under the Ministry of Transport with a mandate to create a modern nationwide railway network, replacing the Franco-Ethiopian railway that is no longer in service. ERC has launched a 656 kilometers railway network construction project that links the capital city Addis Ababa to the port of Djibouti. This railway expansion project was carried out by two Chinese companies, State-owned China Railway Group and the China Civil Engineering Construction Corporation, with the project construction work recently completed. ERC is conducting test runs. ERC began regular test runs on the route connecting Ethiopia to Djibouti. A total of 30 locomotives, – fifteen each for passengers and freight, will be used for the test. The test runs will be conducted in two directions between the capital, Addis Ababa and the eastern city of Dire Dawa and then from Dire Dawa to Djibouti. The two Chinese companies will undertake the operation and management

of the $3.4 billion railway line for the next six years as local employees are trained to takeover in due course.

This infrastructure project is expected to bring about significant improvement in facilitating Ethiopia's international trade by reducing traders' logistical cost and time of delivery. The new electric railway currently under test runs would cut transport time from Djibouti to Modjo (a dry port city 70 kilometers away from Addis Ababa) from the current 84 hours to just 10 hours. Cargo trains operating on this rail network will have a capacity to carry some 3500 to 4000 tons of freight, with ERC anticipating 6 to 7 million tons of cargo per year in its first year of operation. The volume of shipment will be scaled up to 10 million tons in the mid-term. U.S. companies have several market opportunities in this sector, including transit oriented planning, development, and design for railway projects, and the supply of rail technologies such as locomotives and smart rail ticketing systems.
The Addis Ababa Modjo rail network is the first phase of a master rail network development plan that aims to connect Ethiopia with all its neighboring countries (except Eritrea) and provide access to three ports (Djibouti and Tadjoura in Djibouti, and Mombasa in Kenya) in two phases. The second leg of this network, the railroad from Awash (one of the stops on Addis –Djibouti railway line) to Mekelle is currently under construction by a Turkish company, Yapi Merkezi, and a Chinese contractor, China Communications Construction Company (CCCC) with completion expected by 2018. The third leg is the connection between Weldeya and Tadjoura; the contract have been awarded to two contractors, one Chinese firm, CCCC, and one Indian company, Overseas Infrastructure Alliance (OIA). Financing for this project has not yet been finalized. The fourth step will be to connect Addis Ababa with Konso via Hawassa and Arba Minch, for extension in phase II to Mombasa, Kenya, via Moyale and Nairobi. The final leg of Phase I is the link from Addis Ababa via Ambo, Ejaji and Jimma to Bedele (to be extended to South Sudan in the second phase). In phase II, the network would be extended to Axum, Shire, Bahir Dar and Assosa and, in addition to the links to Kenya and South Sudan mentioned above, to Metema and Kurmuk on the border to North Sudan. Priorities have been set based on the need to move commodities such as potash and coffee out of the country and import capital and consumer goods.

In 2015, the GOE drafted a $2 billion National Logistics Development (NLD) strategy, which was incorporated into GTP II to alleviate trade logistic hurdles. Under this strategy, the GOE aspires to expand its rail network, targeting enhancement of the country's export competitiveness by significantly reducing trade logistic costs. As a part of the NLD plan, the GOE will further expand its railway network to roughly 1,545 km (960 miles) linking all the seven major dry ports and towns of the country. U.S. companies can bid for upcoming projects in railway design, construction, and supervision services. As these infrastructure projects have limited financial resources, foreign bidders with project financing proposals get preference. U.S. companies can approach The U.S. Overseas Private Investment Corporation (OPIC) and the U.S. EXIM Bank to develop an attractive funding proposal for these upcoming projects.

Sub-Sector Best Prospects

- U.S. firms have opportunities in the road and railway construction sectors and may also offer engineering design, consultancy and supervision services in partnership with a local company.
- U.S. exports of construction machinery, chemicals, locomotives, railway machinery and equipment and building materials are highly valued in Ethiopia.

Opportunities

There are opportunities for U.S. companies through government tenders for road and railway construction projects. U.S. companies can also provide engineering design, consultancy and construction supervision services in the road and railways sector to the administrating agencies or the contracted companies. Other potential opportunities are the sale of railways locomotives, machineries and equipment, construction vehicles (bulldozers, cranes, trucks, and forklifts), vehicle attachments, and mechanized and non-mechanized equipment to level and pour construction materials.

Companies should refer to the Project Financing section of Chapter 7: Trade and Project Financing for specific project opportunities.

Road Network Unit: Kilometers

	2015	2016	2017 (Estimated)	2018 (Estimated)
Total Market Size	110,414	113,066	115,000	120,000
Total Local Production*	53,350	65,000	65,000	70,000
Total Exports	-		-	
Total Imports**	57,064	48,066	49,000	48,000
Imports from the U.S.***	-		1,000	2,000

Source : National Bank of Ethiopia

'* indicates length of road projects carried out by local contractors.

'** indicates length of road projects carried out by foreign companies.

'*** indicates estimated length of road projects that can be constructed by U.S. companies.

Web Resources

U.S. Foreign Commercial Services
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African Development Bank

Export-Import Bank of the United States

Country Limitation Schedule

Overseas Private Investment Corporation (OPIC)

Trade and Development Agency

SBA's Office of International Trade

U.S. Agency for International Development

Ministry of Transport

Ethiopian Roads Authority

Ethiopian Railways Corporation

The World Bank

Tourism

Overview

Ethiopia has immense natural, cultural and historical resources. Many argue that the country is the birthplace of humanity. Ethiopia has many different UNESCO world heritage sites and is known for its interesting landscape, ancient religions, and unique alphabet and calendar. There are also more than 80 different ethnicities, with their own distinct culture and language.

Ethiopia's tourism potential is largely untapped and should be of enormous interest to foreign and local visitors interested in historic, cultural, or eco-tourism expeditions. Ethiopia has a diversity of wildlife (with many unique, indigenous plant, bird, and mammal species), exotic landscapes, prehistoric sites, and architectural ruins of historical and religious significance. Currently, tourism and travel contributes only 1.2% to the Gross Domestic Product (GDP) and is planned to reach 9.0% of Ethiopia's GDP by 2024. Many tourist sites in Ethiopia are completely undeveloped and lack the major facilities such as toilets, shops, drinks and resting areas. The relative lack of infrastructure (hotels, restaurants and tour facilities) is a primary inhibiting factor for the development of the tourism sector. With a high volume of transit passengers transferring through Addis Ababa Bole International Airport to global and regional destinations, there is a need for increased international standard accommodation near the airport. Additionally, as Ethiopia is the headquarter of the African Union and United Nations Economic Commission for Africa (UNECA), the city of Addis Ababa serves as a frequent venue for international

conferences and events. Ethiopian Tourism Organization (ETO) is focused on developing the tourism sector over the next few years.

To accomplish this, the GOE has established two new entities, the Tourism Transformation Council (ETC) and ETO. ETO is the marketing and promotion agency for tourism and its main aim is to form partnerships with other tourism stakeholders in Ethiopia, the region and the international community at large to meet the GOE's interest in developing the tourism sector. For example, ETO is working closely with Ethiopian Airlines (EAL) to create a joint platform for and to connect the country with the rest of Africa and the world. Currently, EAL covers 19 domestic points, including the newly opened route to Hawassa, which opened to serve tourists and the new textile industrial park. EAL also covers 56 cities in Africa, 18 cities in Europe and America, and 25 cities in Gulf Middle East and Asia. EAL begun a direct flight to Los Angeles via Dublin and to Newark, creating new commercial opportunities for U.S. firms interested in doing businesses in Ethiopia. EAL significantly scaled up its flight operations by opening different new destination routes such as Victoria Falls, Antananarivo, Oslo, and Conakry in 2017 between January and May. There is also a plan to open a new route to Chindu, China in May 2017 and Singapore in June 2017. EAL is among the few leading airlines in the world and the second Star Alliance member by investing in latest technology and most efficient flying machine, Airbus', A350-900 XWB.

EAL has inaugurated a new catering facility which has a capacity to prepare more than 80,000 meals a day as compared to 36,000 EAL used to produce. It has also renovated the existing lounges to include ample seating areas, traditional Ethiopian coffee ceremonies, IT corners, bars, quite rooms and other amenities.

Despite the vast potential for the tourism sector, the lack of accessibility to attractive destination areas, largely due to inadequate infrastructure, power and other facility issues, and relatively high cost of transportation and lodging, remain a deterrent factor. ETO is primarily focusing on marketing and promotion, as well as destination development in terms of service, quality and access. Last year they launched a ranking of the hotels across the country.

According to the Growth and Transformation Plan II (GTP) plan, ETO aspires to make Ethiopia one of the top five destinations in Africa by 2020. As such, they have identified five main focus areas: natural and cultural heritage conservation and development, culture and tourism marketing, better service, improved culture and tourism research, and enhanced information systems and collaboration with development partners.

Sub-Sector Best Prospects

- Equipment for new hotels and travel agencies.
- Construction of modern tourist hotels and recreation facilities.
- Construction equipment.
- Hospitality services.
- Processed food and agricultural products for hotels.
- Engineering services to supply more renewable energy sources.

- Vans and buses.
- Products for improving and maintaining key infrastructure.
- Security equipment
- Franchise specialized restaurants

Opportunities

There are several opportunities for U.S. companies to do business in the tourism sector in Ethiopia. There is a great need for quality hotels and specialized restaurants. Having branded hotels has been considered as an attraction as hotels are part of a country prestigious development. In 2016, several new franchised U.S. hotels such as Marriott and Ramada opened in Addis Ababa. Additional opportunities for U.S. companies are available to provide lodging facilities, security equipment, camping gear, hotel furniture and equipment, and vehicles for tour operators to reach these new hotels.

U.S. companies can benefit from relaxed taxation incentives in the tourism and hospitality sector such as duty free import of vehicles for tour operators. There is also an open opportunity for specialty restaurants to do business in Ethiopia. The annual National Restaurant Association Show (NRA), hosted in May in Chicago, Illinois, is one venue to meet with local Ethiopian companies in the hotel and tourism sector. There is also a yearly hospitality exposition and a trade show in Ethiopia hosted in early June: Meetings, Incentives Travel, Conferences and Exhibitions (MICE) Show, which brings local and international companies in the sector to Addis Ababa. (Please see the following link for more information: Meetings, Incentives Travel, Conferences and Exhibitions). These shows provide great opportunities for U.S. companies to meet with the operators in the hotel and tourism sector and to exhibit their products and services to potential buyers and business partners.

Please refer to the Project Financing section of Chapter 7: Trade and Project Financing for specific project opportunities.

Web Resources

Ministry of Culture and Tourism

Ethiopia Tourism Organization

Ethiopian Airlines

Healthcare

Overview

The Government of Ethiopia (GOE) is working to strengthen the healthcare system to align it with the Millennium Development Goals of the country. Ethiopia has a large, predominantly rural, and impoverished population with poor access to safe water, housing, sanitation, food and health service. The government has made significant investments in the public health sector which have led to improvements in the health status of the population. However, communicable diseases like HIV/AIDS, TB, malaria, respiratory infection, diarrhea and nutritional deficiencies

remain a serious challenge in most communities. High fertility rates, and low contraceptive prevalence continue to drive a rapidly increasing population in Ethiopia. With an increasing middle class, the GOE is facing an increase in non-infectious diseases such as cancer, diabetes, heart diseases, and high blood pressure which need to be addressed.

Under the second Growth and Transformation Plan (GTP II), the Ministry of Health (MOH) is planning to upgrade different aspects of the healthcare system. This program will encourage the introduction of new technology as well as technology transfer. The government has increasingly decentralized management of its public health system to the Regional Health Bureau levels. The Food, Medicine and Health Care Administration and Control Authority (FMHACA) is being strengthened to provide increased regulatory oversight for the registration, importation and quality of medicines in the Ethiopian Market. The Pharmaceutical Fund and Supply Agency (PFSA) is tasked with procurement and distribution of medicines to 19,000 service delivery sites throughout the country. In the coming few years under GTP 2, further improvements will be made to further ensure proximity of PFSA distribution hubs to health facilities and to establish efficient systems for inventory, fleet and information management. These improvements are targeted to increase efficiencies and improve the availability of commodities throughout the public sector.

The following list is the 2020 impact-level targets for the Health System Transformation Plan (HSTP):

- Reduce infant and neonatal mortality rates.
- Decrease HIV contraction by at least 60% and achieve zero new infections among children.
- Lessen the number of TB deaths and incidence rate by 35% and 20% respectively.
- Diminish malaria case incidence and mortality rate by at least 40 percent.
- It has also set targets to stabilize and reduce deaths and injuries from road traffic accidents, which are significantly high in Ethiopia.

Currently, more than 12,000 private health facilities are providing health services in Ethiopia. The GOE is playing a facilitation role and supports private sectors in the area of quality of care and quality services. The government is also working with private sectors in order to build advanced tertiary care hospitals to attract medical tourism. The Ethio-American Hospital, which has begun construction in April 2017 and is expected to begin operating by December 2019. This is an example of the government's commitment to support modernized health care facility projects and their interest to see a state of the art medical facility in Ethiopia.

The Ethiopian Orthodox Church has also signed a memorandum of understanding with a U.S. company to build a modern hospital in the capital city of Ethiopia with the capacity of accommodating up to 600 patients at a time.

The government also plans to make a significant investment to improve the capacity for health emergency risk management. This will focus on building capacity to prevent, detect, and contain potential outbreaks.

The MOH is committed to reform agencies such as the Pharmaceuticals Fund and Supply Agency (PFSA) for providing consistent and reliable services to the healthcare system. The MOH is also working to establish cancer diagnosis centers at seven hospitals and to strength the services at 48 health facilities.

Some of the upcoming priorities for accomplishment in the health care sector are:

- Improve the management of human and infrastructural resources
- Improve resource mobilization
- Improve research and evidence based decisions
- Enhance the use of technology and innovation by supplementing with deployment of appropriate information system
- Facilitate the procurement of drugs, supplies and equipment and create availability of essential drugs at the health centers
- Increase patient satisfaction and address good governance
- Work on an early warning system, risk assessment and multi-sectorial coordination mechanisms that can improve response time for epidemics.

The GOE's efforts to address the challenge of high out of pocket costs for the use of health services includes the introduction of community-based health insurance (CBHI) and social health insurance (SHI) for the informal and formal segments of society, respectively. The Ethiopian Health Insurance Agency (EHIA) has already been established and is undertaking the necessary preconditions to offer SHI.

Food, Medicine and Health Care Administration and Control Authority has a mandate to regulate practices, facilities, professionals and products in the health sector. This agency is responsible for promoting and protecting the public health by ensuring safety and quality of products and health service through registration, licensing and inspection of health professionals, pharmaceuticals and health institutions, and provision of up-to-date regulatory information while promoting rational use of medicine. There is a plan to transform FMHACA to make its operations more efficient with the aim of ensuring 100% availability of vital and essential drugs at all levels of healthcare delivery system without stock shortages.

Sub-Sector Best Prospects

- Equipment and services to new hospitals and health centers.
- Construction of modern hospitals and health care facilities.
- Pharmaceuticals and supplies.
- IT support.
- Cold storage facilities.
- Knowledge and skill transfers.

Opportunities

The GOE is keen to acquire service, equipment, supplies, information management systems, and knowledge and skill transfers to improve the quality of the healthcare

system. This is an opportunity for U.S. companies that are providing equipment and supplies, hospital furniture, ambulances for emergency, pharmaceuticals, vaccinations and other services. U.S. companies can benefit from relaxed taxation incentives in the health sector.

Healthcare Market

Unit: USD '000	2015	2016	2017 (estimated)	2018 (estimated)
Total Market Size	127,656	155,527	171,080	188,187
Total Local Production	-	35,650	39,215	43,136
Total Exports	-	-	-	-
Total Imports	127,656	119,877	131,865	145,051
Imports from the U.S.	91	122	136	148
Exchange Rate	20.55 Br	21.87 Br		

Source: National Bank of Ethiopia and Ministry of Health

Refer to the Project Financing section of Chapter 7: Trade and Project Financing for specific project opportunities

Web Resources

Ministry of Health

Food, Medicine and Health Care Administration and Control Authority

Pharmaceutical Fund and Supply Agency (PFSA)

Information and Communication Technology (ICT)

Overview

The state-owned Ethio Telecom (ET), formerly known as the Ethiopian Telecommunications Corporation, maintains a monopoly on wired and wireless telecommunications and internet service, although private investors are allowed to

enter into joint ventures with the Government of Ethiopia (GOE). The service is very expensive, unreliable, and since the state of emergency has several intentional government cuts, and censorship, and unintentional drops in service. Although, the GOE appears to have no immediate plan to liberalize the telecom sector in terms of service provision, opportunities exist in the area of value-added services. GOE has developed a list of approximately 200 eServices or electronic services needed for development in the next several years. Under GTP II, the GOE plans to expand the Information and Communication Technology (ICT) manufacturing industry, modernize the infrastructure, and increase private sector participation. It also plans to increase the number of mobile, broadband and internet data users, enhance narrowband internet and fixed telephone services, and expand international link capacity.

The GOE has started to put infrastructure in place for an "IT Park" to attract ICT service companies, particularly those involved in outsourcing. This IT Park, located approximately 18 miles outside of Addis Ababa in Bole Lemi, is now officially open. ET will move its operation to this area and private IT companies are expected to set up shops there soon. The GOE also has plans to manufacture and export IT equipment from this park.

Ethiopia's ICT landscape is rapidly evolving. The current contribution of the communication sector to the GDP is a little over 2% versus the 4% average in the East Africa region. Ethiopian wireless penetration stands at about 44% as compared to the sub-Saharan average of 53%. Fixed and mobile line tele density, which shows mobile plus fixed telephone subscribers per 100 inhabitants, was 1% and 44%, respectively, in 2016. Most services, such as mobile, fixed, IP, VolP, and VSAT, are government-owned and/or operated by ET. The only two sectors fully open for competition are equipment provision and downstream services such as call and data centers, messaging, and applications.

The GOE is placing great emphasis on deploying and using ICT as a tool to reach goals and targets outlined in the GTP and other key initiatives. For example, the 2014/15 target for rural telecom services access was set at 100% (up from 62% in 2009/10).

ET continues to invest in expanding and upgrading the country's telecommunication system. According to National Bank of Ethiopia annual report, by the end of 2015/16, there were 46 million mobile phone users (a 33% increase from the previous year), 1.1 million fixed lines (a 33% increase), and 8.4 million General Packet Radio Service (GPRS) subscribers (a 14% jump) in a country of over 95 million people.

ET has reached the final phase of infrastructure build-out under its Expansion Telephone Plan I (ETP I), with China's ZTE and Huawei Corporation and the Swedish firm Ericsson all taking part. This expansion is focused on providing telecom services to all of Ethiopia's 15,000 rural villages, with dedicated lines for agriculture, education, health, and consumer use. As part of GTP II, ET will soon float a tender for ETP II, a massive telephone infrastructure development program that seeks to increase telephone users from 40 million to 103 million. ETP II has an estimated value of $1.6 billion.

In an effort to boost its international connectivity, ET connected to the Seacom fiber optic cable in 2010. Seacom's fiber optic cable connects Ethiopia, via Djibouti, to the global network spanning down the Eastern coast of Africa and reaching India and Europe. This has reduced Ethiopia's reliance on expensive satellite connections.
In 2015, ET officially launched its Fourth Generation Long Term Evolution (4G LTE) service in the city of Addis Ababa for internet users. The 4G LTE service is expected to expand to other major cities in the coming years. In 2016, ET reduced the rates for internet usage. The new mobile Internet service scheme and tariff revision on offer is set to attract new subscribers, incentivize current users, and facilitate modernization. The Ministry of Communication and Information Technology is finalizing preparation to launch its first International ICT EXPO in Addis Ababa in late June 2017 in order to attract international players in the ICT sector.

Sub-Sector Best Prospects

- IT infrastructure development projects.
- Mobile banking services and outsourcing services.
- Sale of satellites.
- International Financial Reporting Standards (IFRS) and related financial standards.
- Website software and technologies.
- Data center development.
- Software development for E-government services.
- Call center development.
- IT business park management.
- Web-based/mobile market information sharing.
- ICT training services.
- Business linkages with universities.

Opportunities

As Ethiopia's broadband capacity expands, e-Services and mobile services are expected to grow significantly in the coming years.

<u>Telecommunication service</u>
Unit: in Millions of Birr

	2015	2016	2017 (estimated)	2018 (Estimated)
Total Market Size	21,500	28,371	31,153	40,000
Total Local Production	17,358	21,508	24,000	30,000
Exchange Rate: 1 USD*	19.67 Br	20.55 Br	22.00 Br	23.00 Br

Data for 2015 and 2016 are taken from NBE report while the rest are estimates.
* Exchange rate for 2015 and 2016 are taken from NBE Mid-Market Rates.

Web Resources

U.S. Foreign Commercial Service
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Ministry of Information and Communication Technology
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Ethio Telecom

Ethiopian Information Technology Professional Association

Agriculture

Overview

Ethiopia is endowed with abundant agricultural resources and has diverse ecological zones. Agriculture is the mainstay of the economy. The Government of Ethiopia (GOE) has identified increasing productivity of smallholder farms and expanding large-scale commercial farms as two of its priority areas. In addition, as part of the second Growth & Transformation Plan (GTP II), the government is looking to the agro-processing sector as one engine to spur future economic growth.

With respect to increasing productivity, the GOE alongside its international partners have made a number of interventions to support the development of the country's agriculture sector. These activities have contributed towards higher yields and increased production of both crops and livestock. At the same time, in an effort to accelerate the country's agricultural development, the government established the Agricultural Transformation Agency (ATA) to address systemic bottlenecks in the agriculture sector by supporting and enhancing the capability of the Ministry of Agriculture and Natural Resources (MoANR) and other public, private, and non-governmental implementing partners.

In order to promote commercial-scale farming, the MoANR created the Ethiopian Agricultural Land and Investment Administration Agency dedicated to overseeing any new large-scale commercial farm deals. The directorate's goal is to increase productivity, employment, technology transfer, and foreign exchange reserves by attracting investors with incentives and favorable land lease terms. Some of the land targeted for commercial development is considered marginal, prone to conflict, and/or has limited access to water. Land ownership is also a complicating factor. Therefore, investment in commercial farming requires considerable due diligence. Separately, the Ministry of Livestock & Fisheries (MoLF) is supporting the development of the country's livestock sector, which is one of the largest in Africa.

According to the GTP II, Ethiopia's future economic growth in part depends on the development of agro-processing sector (e.g. processed food, beverages, and livestock products – meat, milk, and eggs), as well as the textile/apparel and leather industries. Some of these products, especially the textiles, apparel, leather goods,

and finished meat products are targeted for export markets in order to generate foreign exchange. Agro-processed products, which are relatively new to the local market, such as chicken, cheese, butter, eggs, biscuits, bread, juice, etc. will go to help satisfy local demand. In the case of the textile and apparel sector, a shortage of locally-produced cotton suggests a need for cotton imports, including from the United States. In addition, the GOE continues to invest heavily in the expansion of the state-owned sugar industry, with the aim of become one of the top ten sugar producers in the world over the next decade.

In addition, some of Ethiopia's cash crops show potential for growth and offer possible investment opportunities in areas such as coffee, oilseeds, pulses, fruits and vegetables, honey, cut flowers, tea, and spices. Most of these crops are exported to generate foreign exchange. In the future, the government intends to work with the private sector to develop capacity to process some of these commodities, like fruits and vegetables, in order to add value and capture higher export prices.

To attain the agro-processing objective, the GOE is building Integrated Agro-Industrial Parks (IAIP) in four pilot areas: Amhara, Oromia, SNNP, and Tigray regional states. The pilot areas selected for establishment of the Agro-Industrial Parks are mainly based on existing agricultural resources and allied sectors potential, infrastructure, and facilities. Total required investment costs for the IAIPs stand at US $ 870 million and initial investment costs are estimated at US $ 266 million. The project implementation phase is expected to be accomplished in three phases with the first phase kicked-off in February 2016.

As the economy grows and the population expands, consumer demand for certain types of foods is expected to increase. In particular, demand for cooking oil, sugar, meat, eggs, dairy products, wheat-based products, such as pasta and bread, alcoholic and non-alcoholic beverages, among others, are forecast to climb upward. The increased production coming from existing and anticipated investments in the local agro-processing sector, as well as imports, are expected to help satisfy this growing demand.

The expected growth from these above-mentioned agriculture-related industries offers numerous opportunities for agricultural input sales, such as tractors and harvesters, farm trucks, fertilizer, irrigation equipment, grain handling systems, food and livestock processing equipment, as well as cold storage facilities, among others. There are also expanding opportunities for grocery sales to retail and wholesale outlets that are starting to spring up all over Addis Ababa.

With Ethiopia facing its worst drought in several decades, the GOE is renewing its emphasis in developing the country's irrigation systems and water-harvesting methodologies. There is considerable room for investment when considering that about 95 percent of Ethiopia's crop production is rain fed. It is anticipated that there will be growing demand for water supply and drainage systems, pumps, and drilling equipment.

Sub-Sector Best Prospects

- Agricultural equipment and systems, such as tractors, irrigation equipment, grain handling systems, silos, cold storage facilities, etc.

- Agro-processing, such as beverages, biscuits, bread, milk, meat, chicken, cooking oil, fruit and vegetables, etc.

- Agro-processing equipment (e.g. extruders for soybean oil production).

- Grocery exports.

- Cotton exports.

Wheat and Soybeans

Overview
Unit: '000 Metric tons

Wheat	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	4,740	6,000	5,400	5,300
Total Local Production	3,790	3,500	3,900	4,100
Total Exports	0	0	0	0
Total Imports	950	2,500	1,500	1,200
Imports from the U.S.	120	458	0	0

Source: USDA Foreign Agriculture Service Addis Ababa
Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

After livestock, grain production is the second most important sector in the country's agriculture-based economy. It accounts for nearly 80 percent of the land under cultivation and employs 60 percent of the rural workforce, most of which work on less than one hectare of land. Grain yields are relatively low due to the country's rugged topography, small-scale landholdings, irregular rainfall, limited mechanization, and insufficient supplies of fertilizer and improved seed. The government and the international community are working together to address many of these challenges.

Grain is an essential part of the Ethiopian diet. In fact, over 50 percent of the daily caloric intake of an average household is from wheat, sorghum, and corn. Households spend an average of 40 percent of their total food budget on cereals. Grain consumption, especially for wheat and wheat-based products like biscuits,

bread and pasta, continues to climb as incomes rise and more people move to urban centers.

The GOE imposes limits on grain trade, and local prices are often higher than what they are on the international market. Except maize grain exports are currently restricted, though some informal trade is probably occurring in production areas located along borders. However, since April 2017 the GOE has lifted export ban for maize, which has been enforced for the past couple of years. The rationale for lifting the export ban is mainly GOE's claim that there has been a bumper harvest and surplus maize. At present, a maize export permit has been given to a single privately owned enterprise and official news sources reported that maize is being exported to neighboring East African countries such as Kenya, Uganda, and Tanzania. But, the fact that the export permit is given to a single enterprise has created wide discontent among private grain traders who want to export maize.

Grain imports are almost exclusively limited to wheat, nearly all of which the GOE's state-trading arm purchases off the international market and later distributes in the local market at a subsidized price. With the GOE looking to partially liberalize the wheat import market, local millers are beginning to explore opportunities to import wheat directly. For this to happen, the government will need to guarantee sufficient allocations of foreign exchange for these potential purchases.

In addition to wheat, the demand for oilseeds, such as soybeans and Niger seed, is expected to grow as Ethiopia's demand for both cooking oil and livestock feed increases. In fact, the soybean crushing and soybean oil refining industry is quickly emerging. The anticipated growth in these subsectors could open niche opportunities for sales of U.S. grain and oilseed commodities, as well as processing and storage equipment, such as feed mills and soybean extruders.

More details on the latest grain and oilseed situation in Ethiopia can be found in our Grain & Feed and our Oilseed Reports from 2016.

Sub-Sector Best Prospects

- Potential niche market for wheat and soybean exports.
- Milling and extruding equipment.
- Baking and food processing equipment.

Opportunities

Ethiopia's current level of wheat and soybean production is insufficient to satisfy domestic demand. The country, therefore, is expected to import wheat and soybeans in the coming years. Depending on international market conditions and local demand factors, there may be opportunities in the future for U.S. wheat and soybean sales to Ethiopia. There may also be future opportunities for equipment and systems to process theses commodities.

Web Resources

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Ethiopian Grain Trade Enterprise

Ministry of Agriculture

Agricultural Transformation Agency

Ethiopian Agricultural Research Institute

Cotton

Overview

Unit: '000 Metric tons

Cotton	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	48	48	58	56
Total Local Production	40	38	45	50
Total Exports	0	0	1	2
Total Imports	8	10	14	8
Imports from the U.S.	1	3	4	4

Source: USDA Foreign Agriculture Service Addis Ababa

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Under the second Growth & Transformation Plan (GTP II), the GOE intends to make the textile and apparel industry one of the economic engines that will propel future growth. In fact, the Ethiopia Investment Commission considers the textile and garment sector as a "strategic sector." To that end, the government has made significant investments in cotton production, infrastructure to support manufacturing, including the recent establishment of industrial zones, and has gone to great lengths to provide incentives to attract foreign manufacturers to set up operations in the country.

This government led outreach, combined with low labor and electricity costs, has already yielded fruits with a number of Turkish, Indian, Chinese, Indonesian and other foreign firms opening their business in Ethiopia in recent years. A couple of

U.S. investors have also entered the market. Additional investment opportunities are expected in the textile and garment sector as well as cotton production. Investments in cotton production, as well as any other agricultural commodity, require considerable due diligence because of a variety of complicated issues, including landownership rights and the potential for conflict.

Ethiopia has considerable potential for producing cotton. However, production is constrained in part by the limited availability of quality inputs, including seed, fertilizer, and pest control agents. For instance, in the case of seed, the current varieties are more than 20 years old and are degraded. Land tenure rights as well as natural disasters, such as floods, hamper the country's ability to quickly expand cotton production.

One way the government is hoping to improve cotton yields is by introducing genetically-engineered (GE) cotton in the next several years. The particular GE cotton variety of interest is a product that is resistant to cotton bollworm, which is a pest challenge many farmers struggle to manage. Currently, Confined Field Trials (CFT) for Bt Cotton is being carried out and the introduction of this technology is still believed to be several years away.

For the foreseeable future, the demand for cotton is expected to outstrip local supplies, making imports necessary. Ethiopia sources cotton from several international suppliers, including the United States. As the textile and apparel industry grows, there will likely be more opportunities for US cotton sales.

More details on the latest cotton situation in Ethiopia can be found in our Cotton Report from 2016.

Sub-Sector Best Prospects

- Cotton exports.
- Agricultural inputs, seeds, machinery and equipment used in cotton production.
- Textile and apparel manufacturing and equipment.

Opportunities

Ethiopia's cotton production is insufficient to meet the growing demand from the textile and apparel sector. Increased production as well as imports is required to close this gap. Ethiopia has previously imported cotton from various international suppliers, including the United States. Increased sales of U.S. cotton are expected as demand increases. Opportunities also exist for agricultural inputs and systems used to grow and process cotton into textile and apparel.

Web Resources

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Textile Industry Development Institute

Ethiopian Cotton Producer, Ginners, and Exporters Association

Livestock

Overview

Ethiopia is home to one of the largest livestock populations in Africa. According to government statistics, there are approximately 50 million cattle, 50 million goats and sheep, plus an assortment of horses, donkeys, camels and chickens. The GOE, as part of its Livestock Master Plan (LMP), intends to transform this sector and increase production and exports of meat in order to generate foreign exchange. The LMP also calls for increases in dairy, chicken (i.e. broiler), and egg production to satisfy increasing consumer demand for affordable livestock proteins.

Ethiopia's commercial red meat (beef, mutton and goat) industry has made remarkable progress to date and shows considerable growth potential for the future. The GOE encourages investments in meat processing, especially those that are focused on exporting value-added products abroad. A couple of U.S. companies have already invested in the red meat sector and others have expressed interest. A large chunk of this commercially-produced red meat, most of which is currently mutton and goat meat is largely going for export to the Middle East in order to generate foreign exchange. Beef exports are also growing, with additional market opportunities on the horizon.

In addition to red meat, there are emerging opportunities in chicken, egg, and dairy production and processing. At the moment, there are a couple U.S. and foreign firms that have partnered with local companies in the milk business, which has considerable room for growth as milk consumption is still very low. The chicken business also shows promising opportunities. The GOE is focusing on expanding chicken meat production in order to reduce the country's longstanding dependence on the livestock sector, minimize the sector's environmental footprint, and provide more affordable protein to the masses. However, even with this anticipated increase in chicken meat production, demand is expected to outstrip supply, thereby creating potential opportunities for imports. In fact, Ethiopia recently started importing chicken meat from Ukraine and Brazil.

Many of the existing and anticipated increases in livestock production, as envisioned under the LMP, are linked to the consistent availability of quality livestock feed, animal genetics, and veterinary care. As such, investment opportunities in feed, genetics and veterinary care and the supporting industries are expected to grow in the coming years.

Sub-Sector Best Prospects

- Meat and poultry processing, and supporting equipment and systems.
- Milk and dairy processing, and supporting equipment and systems.
- Feed manufacturing, feed ingredients and feed milling equipment.
- Livestock genetics.
- Cold storage facilities.
- Chicken meat exports.
- Veterinary services.

Opportunities

Ethiopia is home to abundant livestock resources. There are opportunities to manufacture livestock products for both local and export markets. Local demand for meat, milk and eggs is growing as the economy and population grow. This growth is expected to create investment and trade opportunities for certain commodities and open doors for veterinary and other livestock services. Potential opportunities exist for sales of U.S. livestock genetics and chicken meat.

Web Resources

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Ministry of Livestock & Fisheries
Website under development

Agricultural Transformation Agency

Volume in '000 Metric Tons

Cotton	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	48	48	58	56
Total Local Production	40	38	45	50
Total Exports	0	0	1	2

Cotton	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Imports	8	10	14	8
Imports from the U.S.	1	3	4	4
Wheat	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	4,740	6,000	5,400	5,300
Total Local Production	3,790	3,500	3,900	4,100
Total Exports	0	0	0	0
Total Imports	950	2,500	1,500	1,200
Imports from the U.S.	120	458	0	0
Coffee	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	179	186	193	194
Total Local Production	389	390	391	393
Total Exports	210	204	198	199
Total Imports	0	0	0	0
Imports from the U.S.	0	0	0	0
Oilseeds	**2015**	**2016**	**2017 (estimate)**	**2018 (estimate)**
Total Market Size	653	590	544	575
Total Local Production	1,000	1,023	912	980
Total Exports	347	433	368	405
Total Imports	0	0	0	0
Imports from the U.S.	0	0	0	0

Source: USDA, Addis Ababa Foreign Agriculture Service

Trade Regulations, Customs, & Standards

Import Tariffs

Revenue generation, not protection of local industry, appears to be the primary purpose of Ethiopia's tariffs. Goods imported from the Common Market for Eastern and Southern Africa (COMESA) members are granted a 0 to 10% tariff preference, (depending on the type of goods) under the Free Trade Agreement

(FTA). Ethiopia plans to become a full COMESA FTA member in five phases by 2021. In addition, COMESA, the South African Development Community (SADC), and the East African Community (EAC) Tripartite FTA membership will allow zero tariff and duty. Customs duties are payable on imports by all persons and entities that have no duty-free privileges. The rate of customs duty ranges from 0% to 35% with an average rate of 17 percent. In recent years, Ethiopia has reduced customs duties on a wide range of imports but duties still remain exorbitantly high on certain items such as vehicles. Other taxes may also be imposed on imports. These are excise duties on selected goods (e.g., tobacco), sur tax on many imports and the value added tax (15%).
With the vision to make Ethiopia a leading manufacturing hub in Africa by 2025, the GOE places high focus on industrial park development and expansion. The Government of Ethiopia (GOE) offers duty-free import incentives for investors in certain sectors, especially for those located in at the industrial zone and planning to export goods and generate foreign currency.

Both Value-Added Tax (VAT) and excise taxes are imposed on imports. The supply of goods and services by registered persons is subject to the value added tax (VAT), at the rate of 15% for all goods and services. Some products and services are exempted from VAT. These include financial services, educational service, and healthcare and transportation services. Excise tax is assessed on eighteen classes of goods, applied equally to domestically produced and imported goods, and range from 10% for textiles and most other goods, to as high as 100% for alcoholic beverages. Average import tariff rates for selected key sectors are indicated below.

Table 1: Average Import Tariff for Key Sectors

S. No	Key Sector	Average Import Tariff (%)
1	Power	19
2	Health	5
3	Financial and Banking	12
4	Tourism	25
5	Consultancy	3
6	Construction	5
7	Agricultural products	5
8	Leather	5
9	Textile	18

S. No	Key Sector	Average Import Tariff (%)
10	Processed food	30

Source: Ethiopian Revenue and Customs Authority

Trade Barriers

There are no special regulatory barriers to U.S. trade and investment in Ethiopia, though some sectors still remain closed to foreign investment (namely telecom and financial services). Some U.S. companies have complained about unexplained cancellations of government tenders and lack of transparency in the procurement system. Increased trade and investment are constrained by poor infrastructure, bureaucratic procedures, non-transparent manual systems, shortage in foreign exchange and high transportation & transaction costs.

Importers face difficulty in obtaining foreign exchange, particularly those that import goods for domestic sale. The National Bank of Ethiopia (NBE) administers a strict foreign currency control regime and must approve all foreign currency transactions. While larger firms, state-owned enterprises, and manufacturing industries have not faced major problems in obtaining foreign exchange, the remaining firms face burdensome delays in arranging trade-related payments. An importer must apply for an import permit and obtain a letter of credit for the total value of the imports before an order can be placed.

In 2009, the GOE enacted Proclamation No. 655/2009, establishing a regulatory framework for biosafety in Ethiopia. The stated objective of the proclamation is to protect biodiversity, as well as human and animal health, from the "adverse effects of modified organisms." This law places a significant regulatory burden on those who seek to import food commodities containing "modified organisms". The biosafety law is more onerous than internationally accepted norms on biosafety outlined in the Cartagena Protocol on Biosafety. For example, it makes no distinction between viable (i.e., able to reproduce in the environment) and non-viable organisms. Enforcement has been minimal to date. The Proclamation, may potentially result in a significant barrier to trade in both processed and raw food products, as well as a variety of agricultural products. Corn, soy, and cotton derivatives are among the affected products.

Following wide spread critiques of the bio safety law from researchers and other stake-holders, the GOE drafted a revised bio safety law that relaxes some of the more stringent clauses in the Proclamation. On May 22nd, 2015, the Ethiopian Parliament approved the revised bio safety law which reduce some of the trade barriers on agricultural commodities in particular on Bio Technology (BT) cotton.

Import Requirements & Documentation

Imports to Ethiopia require:

(1) Agency agreement;

(2) A bank permit;

(3) A bill of lading or airway bill;

(4) Certificate of origin;

(5) Commercial invoices;

(6) Customs import declaration;

(7) Foreign exchange authorization;

(8) Import license ;

(9) Insurance certificate;

(10) Packing list;

(11) Tax identification number(TIN) certificate;

(12) Pre shipment inspection clean report of findings;

(13) Transit document;

(14) Value added tax (VAT) Certificate.

Medicines, medical supplies, and medical equipment must be registered with the Food, Medicine and Health Care Administration & Control Authority of Ethiopia (FMHCA). A Certificate of Analysis (COA) is also required for processed food and pharmaceuticals.

Plants or plant products, including seeds, agricultural inputs such as chemicals, pesticides and fertilizers cannot be imported to Ethiopia unless registered and duly authorized for import by the Ministry of Agriculture.

Labeling/Marking Requirements

Shipping markings and labeling are required on all imported goods and should be identical on all documents. All imported goods must include product-related information such as expiration date of the product, name of the manufacturing company and name of the product. The Ethiopian Standards Agency oversees these requirements (Refer to contact information in the Standards section).

U.S. Export Controls

U.S. companies exporting to Ethiopia must adhere to the requirements of the U.S. Department of Commerce's Bureau of Industry and Security (BIS) and Department of Treasury's Office of Foreign Asset Control (OFAC).

BIS is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial

items. Items that BIS regulates are often referred to as "dual-use" items that have both commercial and military or proliferation applications. There are also purely commercial items without an obvious military use that are subject to the EAR.

Other U.S. Government agencies regulate exports that are more specialized. For example, the U.S. Department of State has authority over defense articles and defense services. Other agencies involved in export controls include OFAC, which administers controls against certain countries that are the object of sanctions, affecting not only exports and re-exports, but also imports and financial dealings. A list of other agencies involved in export controls can be found in Supplement No. 3 to Part 730 of the EAR, which is available on the GOE Printing Office website.

Temporary Entry

Bonded warehouse storage facilities are available for periods of up to 60 days. An insurance bond must be submitted to customs for items temporarily entering into the country. For warranty and non-warranty items entering into Ethiopia for repair, tariffs will be paid for the repair cost or the value added on the product.

Prohibited & Restricted Imports

The Ministry of Trade has the power to restrict and/or limit imports and exports. There are few restrictions on the importation of some products that compete with locally produced goods.

The following goods are prohibited imports to Ethiopia:

- Used clothes is prohibited.
- Arms and ammunitions, except by the Ministry of Defense.
- Goods of a commercial nature and quantity that are not imported through formal bank payment mechanisms.

Customs Regulations

Customs clearance time has been reduced to less than 21 days, down from more than 40 days in recent years. The Government of Ethiopia (GOE) is working towards establishing an electronic single-window service delivery for international trade and a One Stop Border Posts, at the Ethio-Kenya, and Ethio-Djibouti borders. The New Customs Proclamation No. 859/2014 has been reformed under the Revised Kyoto Convention (RKC), and focuses more on facilitating goods at the port than controlling licensed traders. The customs procedures allowed authorized importers to finalize customs procedures using minimum available documentation and significantly reduced time.

Contact information:

Ethiopian Revenues and Customs Authority:

P.O. Box 2559,

Addis Ababa, Ethiopia; Tel: +251-11-662-9887; Fax: +251-11-662-9818;

Email: erca@ethionet.et.

ERCA website

Trade Standards

Overview

The Ethiopian Standards Agency (ESA) has undergone several structural and name changes since its creation in 1972. It was established in 2011 by splitting the former Quality and Standards Authority of Ethiopia (QSAE) into four organizations:

- The Ethiopian Standards Agency (ESA),
- The Ethiopian Conformity Assessment Enterprise (ECAE),
- The Ethiopian Metrology Institute (EMI), and
- The Ethiopian National Accreditation Office (ENAO).

The ESA collaborates with a wide range of institutions including government bodies and national higher education institutes. Internationally, ESA represents Ethiopia in international organizations such as the International Organization for Standardization (ISO), the International Electro-technical Commission (IEC), and the Codex Alimentarious Commission (CODEX). ESA also contributes to the regional standards harmonization activities of COMESA, and is a member of African Regional Organizations for Standardization (ARSO).

Standards

NIST Notify U.S. Service

Ethiopia is not a member of the World Trade Organization (WTO), but has long been in the accession process. Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: Notify Us

Conformity Assessment

ECAE was established in February 2011 as a federal Public Enterprise, governed by the Ministry of Science and Technology. ECAE is the major conformity assessment organization in the country providing inspection, laboratory testing and certification services to the public and to industry.

Product Certification

Imports that are required to have product certification i.e. Certificate of Analysis, are food stuffs, construction materials, chemicals, textiles, and pharmaceuticals. ESA is working on requirements to certify additional products in areas where there is strong consumer interest and a competitive market environment.

Accreditation

ENAO was established in 2011 to accredit, by formal third-party recognition, the competence of Conformity Assessment Bodies (CABs) to perform specific activities, such as test, calibrations, certifications or inspections. Through the ENAO, the first Ethiopian Management Systems Certification Body has been accredited by the German Association for Accreditation based on the ISO 9001 standard in areas of agriculture and fishing; food, beverage, and tobacco products; textile products; leather products; chemical products and fibers; rubber and plastic products; concrete, cement, lime, plaster, and other construction products; and educational products. ENAO also provides accreditation service to laboratory certified bodies and inspection bodies both domestic and foreign.

Publication of technical regulations

Proposed technical regulations are regularly published by the ESA. U.S. companies should contact the ESA with comments on any proposed regulations. Final regulations are published in the national gazette, the Negarite Gazetta, after they are passed into law.

Contact Information

Ethiopian Standards Agency

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Fax: +251-11-646-0880

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Ethiopian Conformity Assessment Enterprise

P.O. Box 11145

Addis Ababa, Ethiopia

Tel: +251-11-646-0569/+251-11-651-1381

Fax: +251-11-645-9720

Email: info-cs@eca-e.com

Ethiopian National Accreditation Office

Tel: +251-11-618-8440/+251-11-830-2469

Fax: +251-11-618-4154

U.S. Embassy Addis Ababa

U.S. Foreign Commercial Service

Entoto Road

P.O. Box 1014

Addis Ababa, Ethiopia

Tel: +251-11-130-6839

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Trade Agreements

Ethiopia originally signed a Treaty of Amity and Economic Relations with the United States in 1951, which was updated in 1994. Ethiopia has no bilateral trade or investment agreement with the United States. However, it is eligible for preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA). In 2015, Ethiopia was approved for AGOA privilege extension for the coming 10 years until 2025.

Ethiopia is a signatory to the following trade agreements:

- Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) (Kampala, 5 November 1993)
- Agreement Establishing Intergovernmental Authority on Development (IGAD) (Nairobi, March 1996)
- African, Caribbean, and Pacific Group States (ACP)-European Union (EU) Economic Partnership Agreement (Cotonou, 23 June 2000)
- At the continental level, Ethiopia has signed and ratified the Abuja Treaty that aims to establish an Africa Economic Community among the continents 54 countries.

Ethiopia's accession to the World Trade Organization (WTO) has been underway since 2003. Ethiopia has held three working party meetings with the WTO Secretariat, submitted its goods offer in early 2012 and is still working on its services offer. At present, Ethiopia is preparing for the fourth working party meeting.

Licensing Requirements for Professional Services

Services such as banking, insurance and logistics are closed sectors for foreign companies. The Ethiopian Investment Commission and the Ministry of Trade are the first contact points to obtain professional licenses.

Trade Regulation Web Resources

Common Market for Eastern and Southern Africa

Ethiopian Revenue and Customs Authority

Ethiopian Standards Agency

Ethiopian Conformity Assessment Enterprise

Ethiopian National Accreditation Office

Ethiopia Investment Commission

Investment Climate Statement

Executive Summary

Ethiopia has had one of the fastest growing economies in the world with GDP growth averaging 10.1 percent in 2010/11–2014/15, according to the World Bank. The drought that was caused by el-Niño slowed growth in 2015/16 to 6.5percent. The IMF estimates growth will rebound to above 7 percent from 2017 to 2020. Ethiopia is the second most populous country in sub-Saharan Africa after Nigeria, with a population of roughly100 million.

The government of Ethiopia follows integrated five-year plans to guide its state-led industrial development. The second of these Growth and Transformation Plans (GTP II), covering 2016–2020, is now being implemented. GTP II targets an average growth rate of 11percent in the next five years with the objective of achieving middle income status by 2025. To realize these ambitious goals, the government continues to pursue consistent and prudent macroeconomic policies and to invest heavily in large-scale social, infrastructural and energy projects. GTP II includes incentives for international investors such as: 1) facilitation of repatriation of investment and profit, 2) ease in hiring expatriate personnel, 3) temporary income tax exemptions for investments in selected sectors, and 4) duty-free imports of capital goods, components and raw materials for exporting industries and manufacturers in priority sectors.

However, while public sector infrastructure projects can provide significant investment opportunities, they also absorb the lion's share of the available capital, creating a scarcity of capital for the private sector. The World Bank estimates that public infrastructure spending has accounted for approximately 19 percent of Ethiopia's total GDP since fiscal year 2011-2012.

Priority sectors identified by GTP II include renewable energy, construction, healthcare, tourism, textile and apparel, leather products, telecommunications infrastructure and value-added services, and aviation support services and products. Low-cost labor, a strategic location on the African continent, an excellent national airline, the world's cheapest energy and growing consumer markets are key elements attracting foreign direct investment (FDI).

The last abrupt devaluation occurred in September 2010; however, the government maintains a policy of slow but steady devaluation, which has resulted in a 97 percent depreciation of the birr against the U.S. dollar over the past eight years. Chronic and often acute foreign exchange shortages are a far more serious challenge. In addition, companies often face long lead-times importing goods and dispatching exports due to logistical bottlenecks, high land-transportation costs, and bureaucratic delays. Ethiopia is not a signatory of major intellectual property rights treaties. Banking, insurance and accounting/assurance services, retail, telecommunications and transportation are closed to foreign investors.

All land in Ethiopia belongs to "the people" and is administered by the government. Private ownership does not exist, but "land-use rights" have been registered in most populated areas. The government retains the right to expropriate land for the "common good," which it defines to include expropriation for commercial farms, industrial zones and infrastructure development. While the government claims to allocate only sparsely settled or "empty" land to investors, some people have been resettled. In particular, traditional grazing land has often been considered "empty" and expropriated; leading to resentment, protests and, in some cases, conflict. Confusion with respect to registration of urban land-use rights, particularly in Addis Ababa, is commonplace; allegations of corruption in the allocation of urban land to private investors by government agencies are a root cause of popular discontent. Successful investors in Ethiopia conduct thorough due diligence on land title at both state and federal levels, and undertake consultations with local communities regarding the proposed use of the land.

Since applying for WTO accession in 2003, Ethiopia has conducted three rounds of discussions with the WTO working group in 2009, 2011 and 2012, but no progress has been made since then. Nevertheless, the national WTO steering committee has been restructured and is in the process of reviewing the services offer. The revised services offer is scheduled to be presented to the WTO working group in December 2017.

In 2016 Ethiopia revised its proclamations on commercial registration and business licensing, tax administration, and income tax to improve its investment climate by adopting more efficient processes to reduce red tape.

On October 8, 2016, a state of emergency (SOE) was declared that severely curtailed basic liberties. In March 2017, the government lifted some of the restrictions under the SOE. Parliament approved a four-month extension of the state of emergency from April 2017.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	108 of 176	Transparency Rankings
World Bank's Doing Business Report "Ease of Doing Business"	2017	159 of 179	Doing Business Rank
Global Innovation Index	2016	110 of 128	Global Innovation Index
U.S. FDI in partner country ($M USD, stock positions)	2016	$568	FDI in partner Country
World Bank GNI per capita	2015	$590	World Bank data

Openness To, and Restrictions Upon, Foreign Investment

Policies towards Foreign Direct Investment

Ethiopia's second five-year Growth and Transformation Plan (GTP II) covers the years 2016 to 2020 and was approved by the Ethiopian Parliament in December 2015.GTP II's overarching goals are to transform Ethiopia's subsistence agriculture-based economy to a manufacturing-led economy and to achieve middle income status by 2025. To achieve these goals, the government has focused on improving the quantity and quality of infrastructure, encouraging intensive investment in industrial parks, enhancing productivity in agriculture and manufacturing, and ensuring macro-economic stability to obtain a sustained annual GDP growth rate of at least 11 percent.

Given the scale of public investment required to support GTP II targets and low domestic savings rate, Ethiopia requires significant inflows of foreign financial resources. Tax incentives for investment in the high-priority sectors such as manufacturing, agribusiness, textiles, sugar, chemicals, pharmaceuticals, and mineral and metal processing underscore the government's focus on FDI.

Ethiopia's Investment Code prohibits foreign investment in banking, insurance, and financial services. Telecommunications, power transmission and distribution, and postal services, with the exception of courier services, are closed to the private sector entirely, both the foreign and domestic. The manufacture of weapons and ammunition can only be undertaken in joint ventures with the government.

Other areas of investment reserved for Ethiopian nationals include: broadcasting, air transport services (up to 50 seats capacity), travel agency services, forwarding and shipping agencies, retail trade and brokerage, wholesale trade (excluding supply of petroleum and its by-products as well as wholesale by foreign investors of their locally-produced products), most import trade, export trade of raw coffee, khat, oilseeds, pulses, the export of live sheep, goats, and cattle not raised or fattened by the investor, construction companies (excluding those designated as grade 1), tanning of hides and skins up to crust level, hotels (excluding star-designated hotels), restaurants and bars (excluding international and specialized restaurants), trade auxiliary and ticket selling services, transport services, bakery products and pastries for the domestic market, grinding mills, hair salons, clothing workshops (except garment factories), building and vehicle maintenance, saw milling and timber production, custom clearance services, museums, theaters and cinema hall operations, and printing industries. The government has indicated an interest in opening some of the restricted sectors to foreign private sector expertise and privatizing some state-owned enterprises. Foreigners of Ethiopian origin can obtain a resident card from the Ministry of Foreign Affairs that allows them to invest in many sectors closed to other foreigners. Foreign firms cannot partner in a joint venture in closed sectors, but can supply goods and services to Ethiopian firms in these sectors.

The Ethiopian Investment Commission (EIC) has the mandate to promote and facilitate investments in Ethiopia and its services include promoting the country's investment opportunities; issuing investment permits, business licenses and construction permits; issuing commercial registration certificates and renewals and issuing work permits. In addition, the EIC has

the mandate to advise the government on policies to improve the investment climate. Ethiopia's rank on the World Bank Ease of Doing Business Index dropped by eleven points in 2016, to 159 out of 190 countries, compared to 148 out of 189 countries in 2015. Concerned by continuing drops in its ranking, EIC has begun organizing workshops with the private sector to examine each criteria on the Doing Business Index and identify the factors that inhibit business in Ethiopia. The outcomes of these workshops will be concrete recommendations to government to improve the business climate.

In the past, the International Finance Corporation (IFC) funded a national dialogue with investors through the Public-Private Consultative Forum (PPCF), but the funding was cut in 2016. Private sector input from the forum had sparked reform of business and tax legislation enacted in 2016.

The Addis Ababa Chamber of Commerce organizes a monthly business forum, which enables the business community to discuss issues related to the investment climate with government officials by sector. The American Chamber of Commerce (AmCham) was launched in December 2016, and should provide a voice for U.S. firms.

In February 2017, the Special Economic Advisor to the Prime Minister launched a series of "export promotion" workshops to canvass opinion and collect policy recommendations from the private sector. The workshops are organized by the industrial sector and recommendations are presented to the Prime Minister. To date, no U.S. members of AmCham have been invited to these forums and their opinions and experience on investment challenges have not been canvassed.

In December 2016, Moody's reaffirmed Ethiopia's credit worthiness at 'B 1,' while S&P and Fitch maintained last year's rating of 'B.' The rating agencies underscored Ethiopia's stable outlook and positive prospects for continued economic growth in the medium term. The stable outlook emanated from the resiliency of economic growth despite the severe drought in 2016, the continued heavy investment in infrastructure and power generation, and Ethiopia's focus on improving trade logistics. Moody's noted that a number of large scale projects have been completed over the past two years, notably the Addis Ababa Light-Rail System, the Ethiopia-Djibouti railway, the 1,870-MW Gibe III hydroelectric dam and the Hawassa industrial park. In addition to supporting trade and economic activity, Moody's noted that these projects are likely to boost the country's export capacity and its ability to generate foreign exchange in the near term.

Risks, according to the rating agencies, stem from increasing external vulnerabilities, such as large current account deficits that result in extremely low-levels of foreign exchange reserves; a 30 percent overvalued exchange rate, and rising external indebtedness.

In December 2014, Ethiopia issued its first Euro-bond, raising $1 billion at a rate of 6.625 percent. The 10-year bond was oversubscribed, indicating continued market interest in high-growth sub-Saharan African markets. Ethiopia has exceeded the non-concessional borrowing threshold set by the World Bank, which could limit Ethiopia's access to additional concessional lending. According to the Ministry of Finance and Economic Cooperation, the bond proceeds are being used to finance industrial parks, the sugar industry, and power transmission infrastructure.

Limits on Foreign Control and Right to Private Ownership and Establishment

Both foreign and domestic private entities have the right to establish, acquire, own and dispose of most forms of business enterprises. However, there are a number of sectors (mentioned above) that are closed to foreign investors. There is no right to private ownership of land. All land is owned by the state, but can be leased for a maximum of 99 years. Small-scale rural landholders have an indefinite period of use rights, but cannot lease out holdings for a longer period of time, except in the Amhara Region. The 2011 Urban Land Lease Proclamation allows the government to determine the value of land in transfers of leasehold rights, in an attempt to curb speculation by investors. A foreign investor intending to buy an existing private enterprise or buy shares in an existing enterprise needs to obtain prior approval from the EIC.

While foreign investors have complained about inconsistent interpretation of the regulations governing investment registration (particularly relating to accounting for in-kind investments), they generally do not face undue screening of FDI, unfavorable tax treatment, denial of licenses, discriminatory import or export policies, or inequitable tariff and non-tariff barriers.

Other Investment Policy Reviews

Over the past three years, the EIC has undertaken an independent review of its investor services in an effort to streamline the investment process. According to the EIC, the Commission has already implemented at least 28 services pertaining to licensing and registration, customs duty-free importation approval for capital goods for investment in manufacturing. Additionally, in an effort to improve investor facilitation services, the EIC appointed three Deputy Commissioners each responsible for three divisions:

- Investment Operations;
- Industrial Parks Regulation; and
- Policy Research and Improvement.

EIC is hiring 30 additional staff, and has also introduced the Account Manager system to provide post-investment support to investors.

Business Facilitation

The EIC has established a one-stop shop service to cut the time and cost of acquiring investment and business licenses. If all requirements are met, it is now possible to obtain a business license in a single day, although this remains the exception rather than the rule. Meanwhile, the EIC has adopted a Customer or Account Manager system to build lasting relationships and provide post-investment assistance to investors. While U.S. investors report that the EIC often fails to meet its own stringent deadlines, a hiring and training initiative is underway to recruit 30 more employees. The EIC readily admits that many bureaucratic barriers to investment remain, but hopes to eliminate many of these in the future.

The 2017 World Bank Doing Business Report states that starting a business in Ethiopia requires 14 procedures and takes 35 days, but does not reflect new legislation and administrative changes that have significantly improved the situation in the past year. Online business registration is not yet available, but it is a long-term plan of the Ministry of Trade to migrate the paper-based registration process to a digital system. In 2016, the government revised its commercial registration and business licensing legislation, which eliminated some cumbersome and duplicative requirements, like the yearly renewal of business registrations and the 15,000 ETB (approximately $680) minimum capital requirement to set up limited liability companies.

The full Doing Business Report is available here Doing Business Reports

Outward Investment

There is no outward investment by domestic investors from Ethiopia as citizens or local investors are not allowed to hold foreign accounts.

Bilateral Investment Agreements and Taxation Treaties

Ethiopia has bilateral investment and protection agreements with Algeria, Austria, China, Denmark, Egypt, Germany, Finland, France, Iran, Israel, Italy, Kuwait, Libya, Malaysia, the Netherlands, Russia, Sudan, Sweden, Switzerland, Tunisia, Turkey and Yemen. Other bilateral investment

agreements have been signed but are not in force with Belgium/Luxemburg, Equatorial Guinea, India, Nigeria, South Africa, Spain, United Kingdom, United Arab Emirate, South Sudan and Morocco. Ethiopia signed a protection of investment and property acquisition agreement with Djibouti. A Treaty of Amity and Economic Relations, which entered into force in 1953, governs economic and consular relations with the United States.

There is no double taxation treaty between the United States and Ethiopia. Ethiopia has such taxation treaties with fourteen countries, including Italy, Kuwait, Romania, Russia, Tunisia, Yemen, Israel, South Africa, Sudan and the United Kingdom.

Legal Regime

Transparency of the Regulatory System

Ethiopia's regulatory system is generally considered fair, though there are instances in which burdensome regulatory or licensing requirements have prevented the local sale of U.S. exports, particularly health-related products. Investment decisions can involve multiple government ministries lengthening the registration and investment process.

The government engages the public for feedback before passage of draft legislation through public meetings, and regulatory agencies request comments on proposed regulation from stakeholders.

Most laws are available online House of People's Representatives and Ethiopian Legal Brief
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In 2011, Ethiopia's central bank, the National Bank of Ethiopia (NBE), issued a directive for all banks and insurance companies to adhere to International Financial Reporting Standards (IFRS).

Foreign investors have complained about the abrupt cancellation of some government tenders, a perception of favoritism toward vendors who provide concessional financing, and a general lack of transparency in the procurement system. In September 2009, the government established the Public Procurement and Property Administration Agency, an autonomous entity with its own judicial arm accountable to the Ministry of Finance and Economic Cooperation. Ethiopia participated in the U.S. Global Procurement Initiative, to improve the government procurement system.

A 2017 regulation requires the Auditor General's office to directly identify irregularities in the procurement process. The regulation provides for criminal charges against officials involved in procurement irregularities. Those who are found to have knowingly signed off on falsified or incorrectly prepared documents

will be punished with a 10-15 year prison sentence and a fine between ETB 25,000 to ETB 35,000.

Ethiopia is a member of UNCTAD's international network of transparent investment procedures. Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time and legal bases justifying the procedures.

International Regulatory Considerations

Ethiopia is a member of Common Market for Eastern and Southern Africa (COMESA), a regional economic block, which has 19 member countries and it has introduced 10% tariff reduction on goods imported from member states. However, Ethiopia has not yet joined the COMESA free trade area.
Ethiopian standards have a national scope and applicability and some of them which are related to human health and environmental protection are referred by Ethiopian regulations to be mandatory standards. The Ethiopian Standards Agency is the national standards body of Ethiopia.

Legal System and Judicial Independence

Ethiopia's civil law as well as criminal law are codified and it has written commercial and contractual law. According to the contractual law, the contract agreement between contracting parties shall be taken as law between the parties. If there is any dispute between the parties, the case can be taken to the court. There is no specialized court in Ethiopia's court structure, but there are specialized benches both at the Federal and state courts for criminal as well as civil matters.
There are allegations of executive branch interference in judiciary if a case has political implications, but there is no evidence of interference on purely commercial disputes. The country has a procedural code for civil and criminal court but the practice is minimal. Enforcement actions are appealable and there are at least three appealing processes from the lower to the Supreme Court. If the appealing body thinks that there is error of law on judge's ruling, he/she can appeal to the Cassation Division of the Federal Supreme Court. The Criminal Procedure Code follows the inquisitorial system of adjudication.

Companies that operate businesses in Ethiopia assert that the courts lack adequate experience and staffing, particularly with respect to commercial disputes. While property and contractual rights are recognized, with respect to commercial and bankruptcy laws judges often lack understanding of commercial matters and cases can face extended scheduling delays. Contract enforcement remains weak, though Ethiopian courts will at times reject spurious litigation aimed at contesting legitimate tenders.

Ethiopia is in the process of reforming the Commercial Code to bring it in line with international best practices. The draft legislation appears to address many concerns

raised by the business community, including creation of a commercial court under the regular court system to improve the expertise of judges in business practices as well as increase the speed with which commercial disputes can be resolved.

Laws and Regulations on Foreign Direct Investment

The following industrial sectors have been designated priorities: textiles and garments, leather and leather products, sugar and sugar-related products, cement, metals and engineering, chemicals, pharmaceuticals, renewable energy, and agro-processing. Investments in those areas receive tax and duty incentives as established in Proclamation 769/2012.

A 2014 amendment to the Investment Proclamation authorizes the EIC to adjudicate appeals submitted by foreign and domestic investors. The EIC Investment Board is empowered to authorize the granting of new or additional incentives other than those outlined under the regulations and to authorize foreign investment in areas otherwise exclusively reserved for domestic investors, if the exception is in the national interest. The EIC website outlines the government's focus sectors, registration processes, and provides regulatory details for investors.

The revised Commercial Registration and Business Licensing Proclamation eliminate some cumbersome and duplicative requirements, like the yearly renewal of business registrations and the minimum capital requirements to set up limited liability companies. The law removes the requirement to obtain a "competency certificate" except in technical sectors such as health and environment. The Proclamation now allows registration of franchises and holding companies.

Competition and Anti-Trust Laws

Ethiopia's Trade Practice and Consumers Protection Authority (TPCPA), under the Ministry of Trade, is tasked with promoting a competitive business environment by regulating anti-competitive, unethical, and unfair trade practices to enhance economic efficiency and social welfare. In addition, the Authority provides market information on some goods to the public using print and electronic media.

There are no restrictions for foreign companies or foreign-owned subsidiaries in the areas open to foreign investments. The EIC reviews investment transactions for compliance with FDI requirements and restrictions as outlined by the Investment Proclamation and its amendments. However, companies have complained that state-owned enterprises receive favorable treatment in the government tender process. As the public sector is heavily involved in economic development, this translates into a sizeable portion of the open tenders.

Expropriation and Compensation

Per the 2012 Investment Proclamation, no investment by a domestic or foreign investor or enterprise can be expropriated or nationalized wholly or partly, except when required by public interest in compliance with the law and with payment of

adequate compensation. Such investments may not be seized, impounded, or disposed of except under a court order.

The former Derg military regime nationalized many properties in the 1970s. The current government's position is that property seized lawfully by the Derg (by court order or government proclamation published in the official gazette) remains the property of the state. In most cases, property seized by oral order or other informal means is gradually being returned to the rightful owners or their heirs through a lengthy bureaucratic process. Claimants are required to pay for improvements made by the government during the time it controlled the property. Ethiopia's Ministry of Public Enterprises stopped accepting requests from owners for return of expropriated properties in July 2008.

Dispute Settlement

ICSID Convention and New York Convention

Since 1965, Ethiopia has been a non-signatory member state to the International Centre for Settlement of Disputes (ICSID Convention), but has not ratified the convention on The Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Investor-State Dispute Settlement

According to the Investment Proclamation, any investor shall have the right to lodge complaints related to his investment with the appropriate investment organ. If he/she has a grievance against the decision of the appropriate investment organ, he/she can appeal to the investment board or to the concerned regional organ as appropriate. However, if a dispute arises between foreign investors and the state, it will be settled based on the relevant bilateral investment treaty.
Due to an overloaded court system, dispute resolution can last for years. According to the 2017 World Bank's Ease of Doing Business report, it takes on average 530 days to enforce contracts through the courts.

International Commercial Arbitration and Foreign Courts

While disputes can be resolved by international arbitration at the agreement of both parties, enforcement is contingent on the Ethiopian court system. Both foreign and domestic investors involved in disputes have expressed a lack of confidence in the judiciary to objectively assess and resolve investment disputes. Ethiopia's judicial system is overburdened, poorly-staffed and inexperienced in commercial matters, although efforts are underway to strengthen its capacity. While property and contractual rights are recognized and there are commercial and bankruptcy laws, judges often lack understanding of commercial matters and case scheduling suffers from extended delays. The Addis Ababa Chamber of Commerce has an Arbitration Center to assist with arbitration. There is no guarantee that the award of an international arbitral tribunal will be accepted and implemented by Ethiopian authorities.

Bankruptcy Regulations

The Ethiopian Commercial Code (Book V) outlines bankruptcy provisions and proceedings and confirms that the Ethiopian court system has jurisdiction over bankruptcy filings and proceedings subject to international conventions. The primary purpose of the law is to protect creditors, equity shareholders and other contractors. Bankruptcy is not criminalized. In practice, there is limited application of bankruptcy procedures due to lack of knowledge on the part of the private sector.

According to the 2017 World Bank Doing Business Report, Ethiopia stands at 120 in the ranking of 190 economies with respect to resolving insolvency. Ethiopia's score on the strength of insolvency framework index is 7.0 out of 16. (The index ranges from 0 to 16 with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones).

Industrial Policies

Investment Incentives

The Investment Regulation 270/2012 and its amendment outline incentives for investors. New investors in the manufacturing, agro-processing, or production of selected agricultural products are entitled to income tax exemption ranging from two to five years depending on the location of investment. Any investor who exports or supplies to an exporter, or who exports at least 60 percent of his products or services shall be entitled to an additional two years of income tax exemption.

An investor who invests in an Industrial Development Zone is entitled to an additional two years of income tax exemptions, if in an industrial zone located in Addis Ababa or its immediate surroundings, and to four more years income tax exemption if the investment is made in an industrial park in other areas, provided 80 percent or more of production is for export or constitutes input to an exporter.

An investor who establishes a new enterprise in less prosperous areas (i.e. Gambella, Benshangul/Gumuz, Afar(except in areas within 15kilometers from each bank of the Awash River); Somali, Guji and Borena Zones of Oromia; or South Omo Zone, Segen, Bench Maji Zone, Sheka Zone, Dawro Zone, Kaffa Zone or Konta and Basketo Special Woredas of the Southern Nations, Nationalities and Peoples Region) shall be entitled to an income tax deduction of 30 percent for three consecutive years after the expiry of the regular income tax exemption period.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Industrial Park Proclamation 886/2015 designates industrial parks as duty-free zones, and operators in the parks are exempt from income tax for up to 10 years. They are also exempt from duties and other taxes on the import of capital goods, construction materials and raw materials for production of export commodities and vehicles.

The government has announced plans to construct 17 industrial parks in various locations around the country. The Proclamation awards the same privileges to privately financed industrial parks as to joint-ventures between government and private investors. As of March 2017, only four industrial parks were operational: Hawassa, Bole Lemi-I, East Industrial Park and George Shoe Park.

Trade through the Port of Assab in Eritrea has been prohibited since the 1998-2000 Ethiopian-Eritrean border war. In consequence, more than 95 percent of Ethiopia's trade passes through the Port of Djibouti, with residual trade passing through the Somaliland port of Berbera or Port Sudan. Unregulated exports of coffee, live animals, khat, fruit and vegetables, and imports of cigarettes, alcohol, textiles, electronics and other consumer goods continue despite Ethiopia's efforts to clamp down on smuggling.

Performance and Data Localization Requirements

Ethiopia does not formally impose performance requirements on foreign investors. However, investors in Ethiopia routinely encounter business visa delays and onerous paperwork.

Any foreign investor is required to allocate a minimum capital of $200,000 per project. If he/she is investing jointly with a domestic investor, the investment requirement is lowered to $150,000.

There are no forced localization or data storage requirements for private investors. Local content in terms of hiring, products and services is strongly encouraged but not required. An investor can employ qualified expatriate experts necessary to operations, but is responsible for replacing, within a limited period, expatriate personnel by locals by arranging the necessary training. However, a foreign investor may employ expatriate employees in top management positions without any restrictions.

In the case of joint ventures with state-owned enterprises, investors have reported informal requirements of up to 30percent domestic content in goods and/or technology.

Protection of Property Rights

Real Property

All land in Ethiopia belongs to "the people" and is administered by the government. Private ownership does not exist, but land-use rights have been registered in most populated areas. The government retains the right to expropriate land for the common good, which it defines to include expropriation for commercial farm, industrial zones and infrastructure development. While the government claims to allocate only sparsely settled or empty land to investors, some people have been resettled. In particular, traditional grazing land has often been defined as empty and expropriated leading to resentment, protests and, in some cases, conflict. Confusion with respect to the registration of urban land-use rights, particularly in Addis Ababa, is commonplace. Allegations of corruption in the allocation of urban-land to private investors by government agencies are a major source of popular discontent. Successful investors in Ethiopia conduct thorough due diligence on land titles at both state and federal levels, and conduct consultations with local communities regarding the proposed use of the land. Land leasehold regulations vary in form and practice by region. As land is public property, land cannot be mortgaged.

We encourage potential investors to make sure their needs are communicated clearly to the host government. It is important for investors to understand who had land-use rights preceding them, and to research the attitude of local communities to an investor's use of that land, particularly in region of Oromia, where conflict between international investors and local communities has occurred.

Intellectual Property Rights

The Ethiopian Intellectual Property Office (EIPO) oversees Intellectual Property Rights (IPR) issues. Ethiopia has not signed a number of major IPR treaties, such as the Paris Convention for the Protection of Industrial Property, the World Intellectual Property Organization (WIPO) copyright treaty, the Berne Convention for Literary and Artistic Works, the Madrid System for the International Registration of Marks, and the Patent Cooperation Treaty. The government expressed its intention to accede to the Berne Convention, Paris Convention, Marrakesh Protocol and Madrid Protocol, and currently EIPO is drafting a ratification proclamation. EIPO has been tasked primarily to protect Ethiopian patent rights and copyrighted materials, and to fight pirated software. Generally, EIPO is weak in terms of staff and budget, and does not have law enforcement authority. Abuse of U.S. trademarks is rampant, particularly in the hospitality and retail sectors. The government does not publicly track

counterfeit goods seizures, and no estimates are available. Ethiopia is not listed in USTR's Special 301 report and notorious market report.

EIPO contact and office information is available at EIPO contact

For additional information about treaty obligations and points of contact at IP offices, please see WIPO's country profiles from this page http://www.wipo.int/directory/en/details.jsp?country_code=ET

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Embassy POC: Economic Officer, Helena Schrader, USEmbassyPolEconExternal@state.gov

Financial Sector

Capital Markets and Portfolio Investment

Lack of access to finance impedes domestic private investment. While credit is available to investors on market terms, a 100percent collateral requirement limits the ability to take advantage of business opportunities. An April 2011 measure forcing non-government banks to invest the equivalent of 27percent of each loan in National Bank of Ethiopia (NBE) bonds has exacerbated liquidity shortages that further reduce the ability of banks to lend to the private sector.

Ethiopia does not have a securities market, and sales/purchases of debt are heavily regulated. The government is drafting legislation to regulate the over-the-counter market for private share companies. Moody's rated Ethiopia's credit worthiness a 'B+,' while S&P and Fitch gave it a 'B.'

The government offers a limited number of 28-day, 3-month, and 6-month Treasury bills, but prohibits the interest rate from exceeding the bank deposit rate. The government began to offer a one-year Treasury bill in November 2011 with yields below 2percent. This market remains unattractive to the private sector and more than 95percent of the T-bills are held by the state-owned Commercial Bank of Ethiopia and public enterprises. The National Bank of Ethiopia is planning to introduce a market for government securities at end of 2017, for corporate bonds at the end of 2018 and a stock market in 2019.

The Ethiopia Commodity Exchange (ECX), launched in 2008, trades commodities such as coffee, sesame seeds, maize, wheat, mung beans, haricot beans. The government launched ECX to increase transparency in commodity pricing, alleviate food shortages, and encourage the commercialization of agriculture. However, critics allege that ECX policies

and pricing structures are inefficient compared to direct sales at prevailing market rates.

Money and Banking System

Ethiopia has eighteen banks - two state-owned, and sixteen privately owned. The state-owned Development Bank of Ethiopia provides loans to investors in priority sectors. In September 2011, the NBE raised the minimum paid-up capital required to establish a new bank from ETB75 million to 500 million, which effectively stopped the entry of most new banks. Foreign banks are not permitted to provide financial services in Ethiopia, but since April 2007, Ethiopia has allowed some foreign banks to open liaison offices in Addis, to facilitate credit to companies from their countries of origins. Chinese, German, Kenyan, Turkish, and South African banks have opened liaison offices in Ethiopia, but the market remains completely closed to foreign retail banks.

Based on the most recently available data, the state-owned Commercial Bank of Ethiopia mobilizes more than 60percent of total bank deposits, bank loans and foreign exchange. The NBE controls the bank's minimum deposit rate, which now stands at 5percent, while loan interest rates are allowed to float. Real deposit interest rates have been negative in recent years mainly due to inflation.

Foreign Exchange and Remittances

Foreign Exchange

All foreign currency transactions must be approved by the NBE. Ethiopia's national currency (birr) is not freely convertible. A 2004 NBE directive allows non-resident Ethiopians and non-resident foreign nationals of Ethiopian origin to establish and operate foreign currency accounts up to $50,000.

Foreign Exchange reserves were heavily depleted in2012 and remain at low levels. By July 2016, gross reserves were $3.05 billion, covering approximately 1.7 months of imports. According to the IMF, heavy government infrastructure investment has fueled the need for foreign exchange. In addition, the decrease in foreign exchange reserves has been exacerbated by weaker-than-expected earnings from coffee exports and low international commodity prices for other important exports such as gold and oil seeds. Businesses usually expect delays in the foreign exchange supply of six weeks to three months. The foreign exchange crunch has intensified recently, with delays of more than a year, especially to investors in non-priority sectors, reported. Slow-downs in manufacturing due to foreign exchange shortages are common. Although government policy gives the

repatriation of profits "priority," in reality companies have experienced delays of up to 2 years in the repatriation of dollars for large sale volumes. Local sourcing of inputs and partnering with export-oriented partners are strategies employed by the private sector to address the foreign exchange shortage, but access to foreign exchange remains a problem that can limit growth, interfere with maintenance and spare parts replacement, and inhibit imports of adequate raw materials.

According to data from NBE, the birr depreciated approximately 97 percent against the U.S. dollar between January 2009 and January 2016, primarily through a series of controlled steps, including a 20 percent devaluation in September 2010. As of March 2017, the official exchange rate was approximately 22.65 birr per dollar. The illegal parallel market exchange rate for the same period was approximately 27.50 per dollar, a premium of 21percent over the official rate.

Ethiopia's Financial Intelligence Unit monitors suspicious currency transfers, including large transactions exceeding ETB200, 000 (roughly equivalent to U.S. reporting requirements for currency transfers exceeding $10,000). Only ETB 200 in cash can be carried out of the country.

Remittance Policies

Ethiopia's Investment Proclamation allows all registered foreign investors, whether or not they receive incentives, to remit profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments. The right of expatriate employees to remit their salaries is granted by NBE foreign exchange regulations.

Sovereign Wealth Funds

Ethiopia has no sovereign wealth funds.

State-Owned Enterprises

State-owned enterprises and ruling party-owned entities dominate major sectors of the economy. There is a state monopoly or state dominance in telecommunications, power, banking, insurance, air transport, shipping, and sugar. Ruling-party-affiliated endowment companies have a strong presence in ground transportation, fertilizer, and textile sectors. State-owned enterprises have considerable advantages over private firms, including access to credit and customs clearances. Ethiopian business

owners and foreign investors complain of the lack of a level playing field when it comes to state-owned and party-owned businesses. While there are no conclusive reports of credit preference for these entities, there are indications that they receive incentives such as priority foreign exchange allocation, preferences in government tenders, and marketing assistance. Ethiopia does not publish financial data for most state-owned enterprises, but Ethiopian Airlines and the Commercial Bank of Ethiopia have transparent accounts.

Ethiopia is not a member to the Organization for Economic Cooperation and Development (OECD) and does not adhere to the guidelines on corporate governance of SOEs. Corporate governance of state-owned enterprises is structured and monitored by a board of directors composed of senior government officials and politically-affiliated individuals, but there is a lack of transparency in the structure of SOEs.

Privatization Program

The government continues to privatize some government-owned entities, which were largely nationalized by the Derg military regime in the 1970s. The government's position is that property seized lawfully by the Derg (by court order or government proclamation published in the official gazette) remains the property of the state. Nearly all tenders issued by the Ethiopian government's Ministry of Public Enterprises are open to foreign participation. In some instances, the government prefers to engage in joint ventures with private companies rather than sell an entire entity. The government has sold more than 370 public enterprises since 1995, mainly small companies in the trade and service sectors. The Ministry privatized one enterprise and sold its minority share in two enterprises in 2016. Currently twenty two public enterprises remain under the Ministry's control. The government has also announced its plan to sell minority shares in the Ethiopian Shipping Lines and Logistics Enterprise and in ongoing sugar projects to foreign firms.

Responsible Business Conduct

Some larger international companies have introduced corporate social responsibility (CSR) programs; however, most Ethiopian companies do not practice CSR. There are efforts to develop CSR programs by the Ministry of Industry in collaboration with the World Bank, U.S. Agency for International Development, and others. CSR programs supporting workforce capacity-building and services, community-building and infrastructure investment programs by foreign corporations can align company objectives with the government GTP II development goals.

The government encourages CSR programs for both local and foreign direct investors but does not maintain specific guidelines for these programs, which are inconsistently applied and not controlled or monitored. In early 2015, the Ethiopian Chamber of Commerce & Sectorial Associations published a 'Model Code of Ethics for Ethiopian Businesses' that was endorsed by Ethiopian President Mulatu Teshome as a model for the business community.

Ethiopia was admitted as a candidate-member to the Extractive Industry Transparency Initiative (EITI) in 2014, but has not embraced the need for independent, non-governmental organizations. As a result, full-membership during the next scheduled review in March 2018 remains uncertain. Per the Commercial Code, extractive industries and other businesses are expected to conduct statuary audits of their financial statements at the end of each financial year. However, the financial statements are not available to the public, only to financial institutions and share companies.

Corruption

Transparency International's 2016 Corruption Perceptions Index, which measures perceived levels of public sector corruption, rated Ethiopia's corruption at 34 (with 0 indicating highly corrupt and 100 indicating very clean).Its comparative rank was108 out of 176 in 2016, compared to 103 out of 168 countries in 2015.

Businesses note corruption in areas such as government procurement, tax collection, customs clearance and land administration.

The Federal Ethics and Anti-Corruption Commission (FEACC) is charged with preventing corruption and is accountable to the Office of the Prime Minister. The Commission is mandated to provide ethics training and education to prevent corruption. The investigation and prosecution of corruption crimes are now the mandates of Federal Police Commission and Federal Attorney General respectively. The Ethiopian Federal Ethics and Anti-Corruption Commission reported increasing involvement of government officials in corruption in the last year.

In 2015 the government promulgated new legislation that broadens the coverage of corruption law to enable the Federal Police to investigate corruption crimes committed by "Public Organizations." The latter are defined as any organs in the private sector that administer money, property or any other resources for public purposes. Examples of such organizations

include share companies, real estate agencies, banks, insurance companies, cooperatives, labor unions, professional associations, and others.

In 2003, Ethiopia signed the UN Anticorruption Convention which was ratified in November 2007. It is a criminal offense to give or receive bribes, and bribes are not tax deductible.

Ethiopia is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Ethiopia is a signatory to the African Union Convention on Preventing and Combating Corruption. Ethiopia is also member of the East African Association of Anti-Corruption Authorities.

Resources to Report Corruption

Contacts at government agency or agencies are responsible for combating corruption:

ORGANIZATION: Federal Police Commission
ADDRESS: Addis Ababa
TELEPHONE NUMBER: +251 11 861-9595
EMAIL ADDRESS: N/A

Contact at "watchdog" organization:

ORGANIZATION: Transparency Ethiopia
ADDRESS: Addis Ababa
TELEPHONE NUMBER: +251 11 827-9746
EMAIL ADDRESS:TiratEthiopia@gmail.com

Political and Security Environment

Since 1991, Ethiopia has been relatively stable for investors. However, beginning mid-November 2015, violent protests destabilized towns throughout Oromia and security forces were deployed to quell the unrest. In January 2016, the government of Ethiopia stated it was halting implementation of the planned expansion of the City of Addis Ababa into the surrounding region of Oromia - a trigger for the protests - until the government carried out further consultation with Oromo communities. On October 2, the security forces' crowd control measures at a religious celebration in the town of Bishoftu (south of Addis Ababa) resulted in a stampede that killed at least 50 people, although opposition groups claim hundreds were killed. The resulting public anger triggered a wave of burning and looting of

factories and flower farms in Oromia, including some that were foreign-owned. In the Amhara region, in mid-July 2016, an ongoing dispute over identity and administrative boundaries triggered three days of protests and confrontations with security forces in Gondar. There continue to be periodic reports of clashes between security forces and local militias in the North Gondar Zone of Amhara. Throughout August and September 2016, there were reports of continued protests and violence in both Oromia and Amhara, including looting and burning of businesses and government offices. At least 500 protestors have been killed in the unrest since November 2015, although estimates vary and Amnesty International reports that more than 800 persons were killed between November2015 and October2016.

Since October 8, Ethiopia has been under a state of emergency (SOE) that severely curtails basic liberties but has tamped down the protests and unrest, according to citizens in Amhara and Oromia regions. Under the initial SOE directive, law enforcement could arrest and detain individuals without a court warrant and had greater latitude to search individuals and property. Individuals could also be detained for an indefinite period without reason. Public gatherings were prohibited without prior consent of the governing body of the SOE. Since the SOE declaration, more than 24,000 people have been arrested and detained in official and unofficial detention centers throughout the country where torture has allegedly occurred. The bulk of the detainees have since been released, and some of the most onerous provisions of the SOE, including the right to search and arrest without warrant and most curfews, have been lifted. Controls on social media, telecommunications and communication with foreign entities remain in place, as do curtailments of freedom of assembly and speech. Preceding the state of emergency, the government censored the internet and media. The government does not notify consular officers at the American Embassy when American citizens are arrested or detained, and in 2016 the validity and duration of Ethiopian visas issued American business travelers and tourists was severely limited and usually single-entry, in violation of the 1992 bilateral Visa Liberalization Agreement.

Occasional attacks by armed groups in the Somali Region of Ethiopia have disrupted travel in the region, and, in the past, armed groups have warned investors against exploring for oil or natural gas resources in that area. Some elements of the Ethiopian government-designated terrorist group, the Ogaden National Liberation Front (ONLF), continue to operate in parts of the Somali Region and there are reports of sporadic clashes with security forces.

Ahead of the May 2015 election, opposition parties across the country alleged widespread intimidation of its supporters by the ruling party. Political violence against opposition groups on election day and in the aftermath of the vote resulted in the deaths of six opposition party members, observers and one candidate. There were election-related protests in Oromia, Amhara and the Southern Nations, Nationalities and People's regions that resulted in deaths. Following student demonstrations in the Oromia region in 2014, the government has retained tight control on university campuses out of concern for the possibility of repeated

unrest. There were reports of student demonstrations at several universities in the Oromia and Tigray regions in 2016 and early 2017.

Ethnic conflict—often sparked by resource competition or land disputes—occasionally becomes violent. In the fall of 2016, there were reports of ethnic Tigrayans moving from the Amhara region into Tigray, to escape ethnically-based unrest in Amhara. Resource competition is alleged to be one cause of recent conflict along the border of Oromia and Somali regions. Since late 2016, there have been reports of raids and clashes, possibly involving Somali Region security forces, in neighboring Oromia that has resulted in civilian deaths. In January and February 2016, deadly violence between the Nuer and the Anuak ethnic groups in Gambella Region resulted in the loss of lives, revenge killings, destruction of property and general insecurity in the region. In April 2016, Murle tribesmen from neighboring South Sudan killed almost 200 Nuer and Anuak in Gambella region, and kidnapped more than 100 children. Throughout 2016 and continuing into 2017, the Murle periodically conducted smaller-scale raids into Gambella, killing Nuer and Anuak, and kidnapping children.

Labor Policies and Practices

More than 80 percent of Ethiopia's 100 million people work in agriculture, the second-most important employer after the government. If current population growth rates continue (2.5percent), Ethiopia will have more than 138 million people by 2030, 27 percent of whom will be urban. Almost 65 percent of the population is under the age of 25, and 2 million people are added to the workforce every year. The very high youth unemployment rate – estimated at anywhere from 25-50percent for the 15-24 year old age group – contributes to instability.

Although labor remains readily available and inexpensive in Ethiopia, skilled manpower is scarce. Approximately 50percent of Ethiopians over the age of 15 are illiterate according to UNESCO's definition. Primary school enrollment rate (age 7 to 14), on the other hand, has now reached 94 percent. To increase the skilled labor force, the government of Ethiopia has undertaken a rapid expansion of the university system in the last 20 years, increasing the number of higher public education institutions from three to 34, with eleven more under construction. It has adopted an education policy that requires 70 percent of the annual student intake in public universities to focus on science, engineering and technology, but many students are not well-prepared by secondary school to study in those fields.

Ethiopia boasts robust worker protections, but the country's federal and regional enforcement mechanisms struggle with low resources and capacity. Ethiopia has ratified all eight core International Labor Organization (ILO) conventions. The Ethiopian Criminal Code outlaws work specified as

hazardous by ILO conventions. There is no national minimum wage, and public sector employees – the largest group of wage earners – earned a monthly minimum wage of ETB420 (approximately $19).

Labor unions and confederations are separate entities from the government, although they are subject to a great deal of regulation and direct pressure/involvement from the government. The Confederation of Ethiopian Trade Unions (CETU) comprises well over two hundred thousand members in enterprise-based unions in a variety of sectors, but there is no formal requirement for unions to join the CETU. Much of the labor force remains in small scale agriculture/industry and thus is not covered by an enterprise union. The Ministry of Labor and Social Affairs' Directorate of Harmonious Industrial Relations provides labor dispute resolution services, although the caseload and the directorate's capacity are low.

The Constitution and other laws provide workers, except for civil servants and certain categories of workers primarily in the public sector, with the right to form and join unions, conduct legal strikes, and bargain collectively. Other laws and regulations that explicitly or potentially infringe upon workers' rights to associate freely and to organize include the Civil Society and Organizations (CSO) law, Council of Ministers Regulation No. 168/2009 on Charities and Societies to reinforce the CSO law, and Proclamation No. 652/2009 on Antiterrorism. Such laws and detailed requirements make legal strike actions difficult to carry out. In practice, labor strikes are rare and no strikes occurred in the last year. Employers offering contracted employment are required to provide severance pay. The vast majority of employees that work in small scale agriculture and textiles, however, do so without a contract. Large labor surpluses and lax labor law enforcement allow employers to retain employees without contracts that ensure strong worker protections.

Although the government actively engages with the international community to combat child labor and human trafficking, which includes forced/coerced labor, both remain widespread in Ethiopia. The Ethiopian Parliament ratified ILO Convention 182 on the Worst Forms of Child Labor in May 2003. While not a pressing issue in the formal economy, child labor is common in the informal sector, including construction, agriculture, textiles, manufacturing, mining, and domestic work. Child labor is present in both urban and rural areas. According to the International Labor Organization (ILO) International Program for the Elimination of Child Labor, more than 50percent of Ethiopia's child laborers work in the agriculture sector. Ethiopian traditional woven textiles are included on the U.S. government's Executive Order 13126 list of goods that have been known to be produced by forced or indentured child labor. Both NGO and Ethiopian government sources concluded that goods produced (in the agricultural sector and traditional weaving industry in particular) via child labor are largely intended for domestic consumption, and not slated for export. Employers are prohibited from hiring children under the age of 14, and for certain types of hazardous work the minimum age is 18. Ethiopia has a National Action Plan (NAP) on the Elimination of the Worst Forms of Child Labor, which it is currently updating. The Ministry of Labor and Social Affairs conducts

tens of thousands of targeted inspections on occupation safety and standards, although they are not legally empowered to assess fines for infractions and they do not make this data publically available. Due to the shortage of labor inspectors and other enforcement resources, and the fact that inspectors do not inspect informal work sites, most child labor goes unreported.

In 2015, the Ethiopian Parliament ratified an overhaul to its Anti-Human Trafficking and Smuggling criminal code (covered in the 2016 Trafficking In Persons report published by the Department of State). The government also passed an Overseas Labor Proclamation that legalizes and regulates the employment of Ethiopians in foreign countries, although there is still a ban on Ethiopians traveling to the Gulf States to engage in domestic work. Over the past few years, the government has become much more engaged in combatting trafficking in persons, and the number of arrests and prosecutions of traffickers has increased.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has offered risk insurance and loans to U.S. investors in Ethiopia in the past but not recently.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$61,539	2015	$61,540	Host GDP
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2016	$568	2016	N/A	Invest Ethiopia

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Host country's FDI in the United States ($M USD, stock positions)	2015	0	2015	0	Direct Investment
Total inbound stock of FDI as % host GDP	2015	13.8%	2015	17.3%	World Fact Sheets

*National Bank of Ethiopia and Ethiopian Investment Commission Table 3: Sources and Destination of FDI

Data regarding the inward direct investment from counterpart economy is not available for Ethiopia via IMF's Coordinated Direct Invest Survey so we have used data from Ethiopian investment Commission.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars*, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	8,570.0	100%	Total Outward**	N/A	
China	1,945.0	23%			
Saudi Arabia	1,285.1	15%			
Turkey	685.9	8%			
India	547.02	6%			
British & Netherlands	338.63	4%			

Source: Ethiopian Investment Commission, March 2017

*The yearly average exchange rate is used for each year from 1992-2017 to convert the amount of FDI from domestic currency into $.

** Total Outward investment data is not available

Table 4: Sources of Portfolio Investment

Data regarding the equity/debt breakdown of portfolio investment assets is not available for Ethiopia via the IMF's Coordinated Portfolio Investment Survey (CPIS) and is not available for external publication from the government of Ethiopia.

Contact for More Information

U.S. Embassy main number is +251 011 130 6000.

Senior Foreign Commercial Service Officer, Tanya Cole, Tanya.Cole@trade.gov

Economic Officer, Helena Schrader, USEmbassyPolEconExternal@state.gov

Trade and Investment Specialist, Abdulkader Hussen, USEmbassyPolEconExternal@state.gov

Trade & Project Financing

Methods of Payment

There are various methods of receiving payment for products sold in Ethiopia, the selection of which is usually determined by the degree of trust in the buyer's ability to pay. Payment alternatives that U.S. exporters might consider, in order of the most secure to the least secure, include:

- Confirmed irrevocable letter of credit (if concerned about the importer and international standing of his bank)
- Irrevocable letter of credit (if concerned only about the reliability of the importer)
- Documentary collection (cash against document)
- International Telegraphic Transfer (when the transaction is below $5,000 and for certain types of goods, such as urgent medicine).

As a general rule, U.S. exporters selling to Ethiopia for the first time are advised to transact business only on the basis of an irrevocable letter of credit, confirmed by a recognized international bank. Any other form of payment carries a high level of risk. Using Letter of Credit could sometimes result in delayed collection of receivables due to shortage of foreign exchange.

Banking Systems

The GOE allowed the establishment of private banks and insurance companies in 1994, but continues to prohibit foreign ownership in this sector. The Ethiopian banking sector is currently comprised of a central bank (The National Bank of Ethiopia or NBE), two government owned banks and sixteen private banks. In September 2011, NBE issued a regulation that increased the minimum paid up capital required to establish a new bank from 75 million Birr ($3.4 million) to 500 million Birr ($22 million), which effectively stopped the entry of most new banks to the market. Under the Growth and Transformation Plan II (GTP II) period, NBE further increased the minimum paid up capital for banks to 2 Billion Birr ($90 million) and advised all the sixteen currently operating private banks to increase their paid up

capital to that amount by 2020. Foreign banks are not permitted to provide financial services in Ethiopia and the market is closed to foreign retail banks. Currently, Ethiopia has allowed some foreign banks to open liaison offices in Addis, to facilitate credit to companies from their countries of origins. Chinese, German, Kenyan, Turkish, and South African banks have opened liaison offices in Ethiopia.
Based on the most recently data, Commercial Bank of Ethiopia (CBE) mobilizes more than 60 percent of total bank deposits, bank loans and foreign exchange. NBE controls the bank's minimum deposit rate, which now stands at 5 percent, while loan interest rates are allowed to float. Real deposit interest rates have been negative in recent years mainly due to inflation.

The state-owned Commercial Bank of Ethiopia (CBE) dominates the market in terms of assets, deposits, bank branches, and total banking workforce. In 2016, CBE merged with another state owned bank, the Construction and Business Bank. The other government-owned specialized bank is the Development Bank of Ethiopia (DBE). The state-owned DBE provides loans to investors in priority sectors. DBE extends short, medium, and long-term loans for viable development projects, including industrial and agricultural projects. DBE also provides other banking services such as checking and saving accounts to its clients.

NBE aims to foster monetary stability and a sound financial system, maintaining credit and exchange conditions conducive to the balanced growth of the economy. NBE may engage with banks and other financial institutions in the discount, rediscount, purchase, or sale of duly signed and endorsed bills of exchange, promissory notes, acceptances, and other credit instruments with maturity periods not exceeding 180 days from the date of their discount, rediscount, or acquisition by the bank. The bank may buy, sell, and hold foreign currency notes and coins and such documents and instruments, including telegraphic transfers, as they are customarily employed in international payments or transfers of funds. Lack of access to finance is a significant constraint for local businesses. A January 2011 NBE's directive forces banks to purchase central bank bills to the tune of 27% of their loans and advances at an interest of 3% (lower than the cost of funds at 5%) and a maturity of five years. This action constrains banks' liquidity and capacity to supply businesses with needed finance. There is a growing liquidity problem in Ethiopia that is impeding the private sector. To address these problems, NBE reduced reserve and liquidity requirements of banks from 15% and 25% to 10% and 20%, respectively in January 2012 and further reduced the reserve requirement to 5% in March 2013. In 2015, NBE allowed commercial banks to provide mobile banking service and agent banking. Pursuant to NBE's permit, many of the commercial banks added mobile and agent banking in their line of services.

Foreign Exchange Controls

Foreign Exchange reserves were heavily depleted in 2012 and remain at low levels. By July 2016, gross reserves were $3.05 billion which covers approximately 1.7 months of imports. In addition, the decrease in foreign exchange reserves has been exacerbated by weaker than expected earnings from coffee exports and low

international commodity prices for other important exports such as gold and oil seeds.

All payments abroad require permits and all transactions in foreign exchange must be carried out through authorized dealers supervised by the NBE. The NBE has delegated most of the foreign exchange transaction functions to the commercial banks but strictly dictates margins. Importers and exporters can obtain import/export permits through the commercial banks. In addition, exporters can retain indefinitely 10% of their foreign exchange proceeds, but must sell the remaining 90% to commercial banks within four weeks. Foreign investors may repatriate all of their profits abroad.

Foreign exchange shortages due to weak export performance and high demand for foreign currency will continue to present significant market challenges, particularly for potential Ethiopian buyers of U.S. goods and services. Private sector actors widely complain about the shortage of foreign exchange and point out the adverse implications on their businesses. As a result of the critical shortage of foreign currency, NBE set a directive that dictates the commercial banks to allocate foreign currency to importers based on priority projects with government mega projects as stated in GTP II. State owned enterprises and government sponsored infrastructure projects usually are given priority over the private sector while competing for access to foreign exchange. The foreign exchange crunch has intensified recently with delays of more than a year, especially to investors in non-priority sectors. Given the poor performance of exports in past years and growing demand for import of capital goods, foreign exchange availability will continue to be a challenge for businesses in the future. Local sourcing of inputs and partnering with export-oriented partners are strategies employed by the private sector to address the foreign exchange shortage.

US Banks & Local Correspondent Banks

U.S. banks are prohibited from operating in Ethiopia. The following are some Ethiopian banks with correspondent relationships with U.S. banks:

Awash International Bank

P.O. Box 12638

Addis Ababa, Ethiopia

Tel: +251-11-661 - 4682/662 7828

Fax: +251-11-661-4477

Email: awash.bank@ethionet.et

Bank of Abyssinia

P.O. Box 12947

Addis Ababa, Ethiopia
Tel: +251-11-551-4130
Fax: +251-11-551-0409
Email: info@bankofabyssinia.com

Berhan International Bank S.C.
P.O. Box 387 code 1110
Tel + 251- 11- 618- 57 32

Commercial Bank of Ethiopia (CBE)
P.O. Box 255
Addis Ababa, Ethiopia
Tel: ++251-11- 122 87 55/ 251-11-122 90 34 / 251- 115- 51 50 00
Fax: 251-111 22 85 84
E-mail: cbe_cc@combanketh.com

Dashen Bank
P.O. Box 12752
Addis Ababa, Ethiopia
Tel: +251 -11- 467 18 03
Fax: +251-11-465-3037
E-mail: dashen.bank@ethionet.et

Enat Bank
Phone: +251 115 158278 / 507074
Fax : +251 115 151338 / 504948
P.O.Box: 18401, Addis Ababa, Ethiopia
Address: Kirkos sub-city, woreda 8, in front of Yordanos Hotel.
Email: info@enatbanksc.com

Lion International Bank S.C

P.O. Box 27026 Code 1000
Addis Ababa, Ethiopia
Tel: +251-11-662-6000
Fax: +251-11-662 7114
Email: anbesabank@ethionet.et; lionbank@ethionet.et

National Bank of Ethiopia (NBE) (Central Bank)
P.O. Box 5550
Addis Ababa, Ethiopia
Tel: +251-11-551-7438
Fax: +251-11-551-4588
Email: nbe.edpc@ethionet.et

Nib International Bank
P.O. Box 2439
Addis Ababa, Ethiopia
Tel: +251-11-550-3288/550-3304
Fax: +251-11-550-4349
Email: nibbank@ethionet.et

United Bank
P.O. Box 19963
Addis Ababa, Ethiopia
Tel: +251-11-465-5222/465-5240
Fax: +251-11-465-5243
Email: hibretbank@ethionet.et

Wegagen Bank
P.O. Box 1018
Addis Ababa, Ethiopia
Tel: +251-11-552-3800

Fax: +251-11-552-3520/552-3521

E-mail: info@wegagenbanksc.com

Zemen Bank S.C

Addis Ababa, Ethiopia

Tel: +251-11-550-1111/011-554-0074/55

Fax: +251-11-553-9042

Email: customerservice@zemenbank.com

Project Financing

Access to finance is a challenge for the Ethiopian local market. Local private banks often require a large percentage of loans as collateral, which must usually consist of cash or durable capital physically located in Ethiopia. The National Bank of Ethiopia must approve loans from overseas institutions that require hard currency debt repayments.

The World Bank's International Finance Corporation provides some equity financing for private sector projects. African Development Bank also provides financing for some projects which are involved in production for exporting purpose. African Development Bank is working with Power Africa on energy generation, transmission and distribution projects. They also finance transportation and other infrastructure projects. Other European and Asian Development Finance Institutions are collaborating on the financing of infrastructure projects.

In 2016, the U.S. Export Import Bank (EXIM) Board of Directors approved Ethiopia for long term financing. EXIM Bank financing of long term projects could create significant business opportunities for U.S. companies' engagement in Ethiopia particularly in upcoming mega infrastructural projects. The U.S. Overseas Private Investment Corporation (OPIC) is also open for business in Ethiopia and is looking at financing options for the energy, agriculture and other infrastructure projects.

As a part of the Government of Ethiopia initiative to develop the manufacturing sector and export oriented investments, the Development Bank of Ethiopia (DBE) allocates funds to finance 70% of investment projects in selected sectors including commercial farms, agro processing, export oriented businesses and manufacturing sector with the remaining 30% covered by owner's equity.

Financing Web Resources

World Bank project source

African Development Bank

Export-Import Bank of the United States

OPIC

SBA's Office of International Trade

Trade and Development Agency

U.S. Agency for International Development

World Bank

Export-Import Bank of China

Business Travel

Business Customs

Business hours are usually from 8:00 a.m. to 5:00 p.m. Most businesses close for lunch for an hour anytime between 12:00 a.m. and 2:00 p.m. On Fridays, most government offices close for lunch from 11: 30 a.m. to 1:30 p.m. Most business attire is standard business suits and exchange of business cards is a standard practice. In some instances, small gifts are exchanged. U.S. firms should maintain close contact with local distributors and customers to exchange information and ideas. The understanding developed through periodic personal visits is the best way to keep distributors apprised of new developments and to resolve problems quickly. Ethiopians tend to be fairly formal during initial meetings and become less so once personal relationships are developed. Individuals are universally addressed by first name rather than by last name (no family name is used; the second name is the person's father's first name). For a man, the common title (comparable to "Mister") is "Ato". Women are generally addressed with “Woizero" (Mrs., if married) and “Woizerit” (Miss, if single). Business is often conducted at the office or during a meal. Business entertaining may be conducted at Ethiopian cultural restaurants (which include traditional dancing and food), international restaurants, or in personal residences. Most services must be paid for in cash (local currency). Credit cards can only be used in a few hotels and high-end shops. Addis Ababa has a handful of ATMs, many of which are often out of service due to connectivity problems.

Travel Advisory

Please visit the following websites for travel information and advisories:

State Department Travel Ethiopia

U.S. Embassy Ethiopia

Visa Requirements

Visas are required for all visitors to Ethiopia (with the exception of nationals of Djibouti and Kenya) and can be requested at the Ethiopian embassies abroad. Citizens of the United States and nationals of some other countries are eligible to obtain and purchase tourist visas at Addis Ababa Bole International Airport upon arrival ($50, paid in U.S. dollars), but it is advised to get a business visa prior to arrival to avoid any problems or delays. Passports must be valid for six months beyond the end of the traveler's stay in Ethiopia. Passengers transiting through Ethiopia holding confirmed onward flight bookings within 72 hours may be able to obtain transit visas on arrival. A departure tax of $20 is levied on all foreign travelers. The $20 departure tax fare is usually included in the airfare.

U.S. companies that require travel of foreign business persons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

U.S. Embassy visa Website:

U.S. Embassy Ethiopia on Visas

Currency

The Ethiopian official currency is Birr. The Ethiopian Birr is not freely convertible. All local businesses are usually transacted using Birr. The local commercial banks usually exchange U.S. dollar for Birr at daily exchange rate. Ethiopian commercial banks don't provide credit card service to their customers. Payment of bills on credit card is accepted only in luxury hotels and high end supermarkets. ATM machines are available at hotels, shopping centers and other recreational centers. ATM machines are sometimes out of service due to connectivity problems and power outage. Some of the ATM machines such as those operated by the Commercial Bank of Ethiopia, Dashen Bank, United Bank and Zemen Bank accept Visa and Master card debit cards but not all ATM machines accept debit cards. The banks operating the ATM machines usually indicate on the ATM machine which debit cards the machine accepts.

Telecommunications/Electric

There is only one telecommunication service provider in the country--the state-owned Ethio Telecom (ET) that operates all fixed, mobile, and internet services. Phone and Internet services are poor due to the lack of sufficient infrastructure and frequent power outages, although this capacity has improved with Ethiopia's connection to the undersea/ground fiber optic cable built by Seacom via Djibouti. As a matter of policy, Blackberry service does not currently work in the country except episodically during major international conferences in Addis Ababa. SIM cards and phone cards (for minutes) are available for sale through retail outlets, supermarkets, and hotels. There are pay phones available both inside the airport and in parts of the city. Internet service is available at major hotels (Although fees can be high) and at numerous Internet cafes throughout the capital and in some larger regional cities. Ethio Telecom has also officially launched its fourth generation Long Term

Evolution (4G LTE) service in the city of Addis Ababa for internet users. The 4G service has a better band width with faster connectivity to the internet. Free WiFi internet access is available in some hotels and restaurants. Since the state of emergency access to social media sites are often blocked.

Transportation

Many international major airlines use Addis Ababa's Bole International Airport including Lufthansa, Ethiopian Airlines, Turkish Airways, Egypt Air, Kenyan Airways and Emirates. Ethiopian Airlines, which is a member of the Star Alliance, operates domestically to reach major regional hubs within the country. Private charter plane services are also available for domestic travel. A few hotels operate reliable airport shuttles. In addition, individual taxis are widely available. Official airport taxis are yellow, while basic taxis are painted blue or yellow with a code at the side. Visitors are not advised to use public buses or collective taxies (minibuses) due to safety concerns. Taxi rates should be agreed upon before making the journey.

Language

There are more than 80 major language groups in Ethiopia. Amharic is the national language and is spoken throughout the country. Oromiffa and Tigrinya are other widely-used Ethiopian languages. English is the second official language and is understood in most towns among the more educated segments of the population.

Health

Addis Ababa is located 8,000 feet above sea level, which may cause health problems, even for otherwise healthy travelers. Individuals may experience shortness of breath on exertion, slow reaction times, fatigue, nausea, headaches, leg cramps, ringing in the ears, and insomnia. These symptoms may be worrisome at first, but adaptation to the altitude occurs in most people within a period of one to four weeks. Drinking large amounts of water sometimes relieves these symptoms. Visitors should only drink bottled water and exercise caution if choosing to eat uncooked vegetables or meat. Travel Diarrhea is a common occurrence and it is not a specific disease but describes symptoms of an intestinal infection cause by various bacteria, viruses, or parasites found in contaminated food or water. Health facilities are limited in Addis Ababa and inadequate outside of the capital. Many medications are not available. The central highlands of Ethiopia have very little malaria, due to the altitude. Malaria prophylactic measures are not necessary in Addis Ababa, however, many regions outside of Addis Ababa are in malaria zones. All travelers should possess a valid health certificate for yellow fever vaccination; this is required for travelers coming from yellow fever risk areas. Other recommended vaccinations includes: tetanus, hepatitis A, hepatitis B, typhoid, meningitis, poliomyelitis, and rabies.

Local Time, Business Hours and Holidays

Ethiopia is in the GMT +3 hours' time zone. Ethiopia follows the Julian calendar, which consists of twelve months of 30 days each and a 13th month of five or six days. The Ethiopian day starts at 6 a.m. (dawn) instead of 12 a.m. Ethiopians often quote

meeting times that are six hours different than an international clock. Be sure to confirm time and date schedules to avoid confusion.

Ethiopian Holiday Schedule 2017

Date	Significance
January 7	Ethiopian Christmas (Genna)
January 19	Epiphany (Timket)
March 2	Victory of Adwa
April 14	Ethiopian Good Friday
April 16	Ethiopian Easter (Fasika)
May 1	May Day (International Labor Day)
May 5	Patriots' Victory Day
May 28	Downfall of the Derg
June 26*	Eid al-Fitr (End of Ramadan)
September 2*	Eid al-Adha (Arefa)
September 11	Ethiopian New Year (Enkutatash)
September 27	Meskel
December 1*	Birthday of the Prophet Mohammed (Moulid)

* Holiday based on the lunar calendar. Date is subject to change.

Temporary Entry of Materials or Personal Belongings

Duty-free import is permitted for up to:

200 cigarettes or 50 cigars or 250g of tobacco

1L of wine or spirits.

500ml of perfume or eau de toilette.

Visitors may export religious artefacts, antiques and animal hides with the correct export certificates. Those wishing to take animal skins and hides out of the country must apply for a permit from the Ethiopian Wildlife Conservation Authority. For the export of antiques and religious artefacts, it is possible to obtain export certificates at the customs office.

Travel Related Web Resources

Ethiopian Ministry of Foreign Affairs

Ministry of Culture and Tourism

U.S. Embassy Addis Ababa

U.S. Embassy Addis Ababa Consular Section (U.S. citizen information)

U.S. Foreign Commercial Service

Ethiopia Investment Commission