

## **GUIDE ON HOW TO DO BUSINESS IN ETHIOPIA**

This document is intended to provide you with some general information on doing business in Ethiopia.

### **BASIC FACTS ABOUT ETHIOPIA:**

Ethiopia, with an area of 1.1 million square kilometer (444,000 square miles), is the ninth largest country in Africa. This is slightly less than twice the size of Texas. In July 2000, the population was estimated at 60 million with a growth rate of 2.9 percent. The rural to urban population ratio is 4:1. The Ethiopian economy is largely based; agriculture on average accounts for about 40 percent of GDP, 85 percent of exports, and 85 percent of total employment.

Ethiopia's main imports include petroleum products, civil aircraft, vehicles, spare parts, construction equipment, medical and pharmaceutical products, industrial equipment and machinery, both agricultural and industrial chemicals, agricultural machinery, hybrid seed, fertilizers, irrigation equipment, and durable and non durable consumer goods.

Ethiopia's main exports are coffee, chat, leather and leather products, pulses, gold, live animals and processed meat, oilseed cake, and fruits and vegetables. Among these products, coffee is by far the most important, constituting an average of 55 percent of total exports by value during the last twenty three years and reaching as high as 60 percent in 1999/2000.

The major manufacturing sub-sectors in Ethiopia are food, beverages, textiles, clothing, and leather, all of which are also related to the agricultural sector.

The unit of currency in Ethiopia is the birr (ETB). As of November 2000, the exchange rate is 8.23 birr to 1 US dollar.

### **Banks:**

The National Bank of Ethiopia (NBE) is the central bank of the Government responsible for foreign exchange control.

Foreign exchange permits from the NBE are required for all imports. The Commercial Bank of Ethiopia (CBE), also Government-oriented, and the newly established private banks deals in commercial activities, including the arrangement of letters of credit, bid bonds, and performance bonds, etc.

The presently operating banks can be reached at the following addresses or telephone/fax numbers:

National Bank of Ethiopia - P. O. Box 5550, Addis Ababa, Ethiopia, Tel: 251-1-517430, Fax: 251-1-514588

Commercial Bank of Ethiopia - P. O. Box 255, Addis Ababa, Ethiopia, Tel: 251-1-515004, Fax: 251-1-514522

Awash International Bank - P. O. Box 12638, Addis Ababa, Ethiopia, Tel: 251-1-612919, Fax: 251-1-653685

Dashen Bank - P. O. Box 12752, Addis Ababa, Ethiopia, Tel: 251-1-654073, Fax: 251-1-653037

Bank of Abyssinia - P. O. Box 12947, Addis Ababa, Ethiopia, Tel: 251-1-159966, Fax: 251-1-514754

Wegagen Bank - P.O. Box 1018, Addis Ababa, Ethiopia, Tel: 251-1-655015, Fax: 251-1-654870

**Investment Opportunities:**

In May 1992, the government issued a detailed proclamation on investment and established and Investment Authority accountable to the Board of Investment. This proclamation was further revised in June 1996. Ethiopia's investment code provides incentives for development-related investments, reduces capital entry requirements for joint ventures, permits the duty free entry of capital goods (except computers and vehicles), opens the real estate sector to expatriate investors, extends the losses carried forward provision, cuts the capital gains tax from 40 to 10 percent, and gives priority to investors in obtaining land for lease.

The investment code identifies certain sectors that are reserved for the government retains the exclusive right to generate and supply electricity, other than from hydropower, above 25 megawatts. Other investment areas exclusively reserved for the government include air transport service using aircraft with a seating capacity of more than 20 passengers or with a cargo capacity greater than 2700 kilograms, rail transport services, and telecommunication services, including the internet, only in partnership with the government.

The investment areas reserved for Ethiopian nationals include banking and insurance, the generation and supply of electricity other than hydropower up to 25 megawatts, air transport services with seating capacity up to 20 passengers or cargo capacity up to 2700 kilograms, and forwarding and shipping agency services.

Ethiopia reserves many businesses in the service and trade sectors for domestic investors. These areas include: broadcasting, retail and wholesale trade (except in petroleum and locally produced goods), import trade, export trade of local agricultural products, small and medium-scale construction, bars and nightclubs, small hotels and restaurants, travel agencies, car and taxi services, bakery products, grinding mills, barber shops and beauty salons, goldsmith shops, tailoring services, building and vehicle maintenance services, saw milling, customs clearance, museums and theaters, and printing.

The Ethiopian government reviews investment proposals in a non-discriminatory manner; the screening process is not regarded as an impediment to investment, a limit to competition, or a means of protecting domestic interests.

Foreign firms are welcome to invest in privatization efforts of the Ethiopian government, although in some instances it promotes joint ventures with Ethiopian private concerns rather than outright sales. Foreign firms participate through consultancy services preparatory to privatization or through tendering on advertised privatization opportunities.

There are no discriminatory or excessively onerous visa, residence, or work permit requirements against foreign investors. Foreign investors do not face unfavorable tax treatment, denial of license, discriminatory import or export policies, tariff or non-tariff barriers, etc.

### **General Import/Export Regulations:**

All importers and exporters must be registered with the Ministry of Trade and Industry and obtain a trading license. The Ministry regulates imports. Foreign exchange permits are required for all importers.

### **Tariff System:**

Highly protective tariffs are applied on certain items such as textile products, leather goods, etc. to protect local industries.

### **Customs duties and taxes:**

Ethiopia, being a member of the Customs Co-operation Council, ratified the harmonized Commodity Description and Coding System in August 1993. Duties are levied on C.I.F. value. A maximum of 12 percent sales tax is also imposed on all imports. A few import commodities such as cigarettes, alcohol, etc. are further liable to an excise tax.

### **Import Policies:**

Ethiopia has significantly reduced customs duties on a wide range of imports over the last three years. The most recent tariff reductions in January 1997 offer considerable cuts in most duties and especially target imported goods that enhance exports. Tariff rates range from 0 to 50 percent, with an average tariff rate approximately 20 percent. The government plans to reduce the maximum rate to 30% and the average tariff rate to 17-18 percent with in the next three years. Sales tax rates are 4 percent for a selected list of agricultural goods and "essential" goods such as pharmaceuticals, books and printed materials, hides and skins, and cotton. For all other goods, the sales tax rate is 12 percent. There are ten excise tax brackets, applied

equally to domestically produced and imported goods, ranging from 10 percent for textiles and electronic products to 200 percent for alcoholic beverages. Neither quantitative restriction on imports nor import licensing requirements present a notable trade barrier although customs clearance remains a hindrance to the business of importing. Not only is the clearance process slow, the imported goods are sometimes charged at attributed values instead of at invoice values, even when the invoices have been certified by trade officials of the exporting country. The government requires that all imports be channeled through Ethiopian national registered as official import or distribution agents.

### **Documentation:**

Documents, which should accompany exports from the United States to Ethiopia, include the commercial invoice certified by the U.S. Chamber of Commerce, the bill of lading, and a packing list. Ethiopian customs officials require the presentation of documents showing proof of ownership of goods. These documents must be produced on demand and must contain a proper description of the goods with their value. Failure to produce these documents may lead to the refusal of clearance.

Advertising and trade promotions are important in the Ethiopian market. The Government-owned mass media (radio, television, and newspapers), and privately-owned magazines and newspapers are the major means of advertising.



### **Patents and Trademarks:**

Regulations for the registration of patents and trademarks do not exist in Ethiopia. Some protections can be secured through registration of patents and trademarks with the Ministry of Trade and Industry and the publication of cautionary notices in local newspapers in Ethiopia. Two copies of the newspaper notices should be sent to the Ministry of Trade and Industry.

### **Business Travel:**

#### **Link to Ethiopian**

Business infrastructure: Ethiopia's surface transport infrastructure, primarily consisting of roads, is inadequate and underdeveloped. In fact, Ethiopia has the lowest road density per capita in the world. Only 21 percent of the highway network is paved, with few interconnecting links between adjacent regions, and a grossly insufficient feeder road network. As a result, large parts of Ethiopia remain isolated and largely dependent on pack animals or human carriers for transport. Limited rail service links Addis Ababa with Djibouti via the eastern Ethiopian city of Dire Dawa. Passenger and cargo air transport service is provided by Ethiopian Airlines. Its international flights link the country with 44 cities on three continents, and its domestic service links 43 airfields and 21 landing strips with Addis Ababa.

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

Internally, direct microwave telephone links are available to most regional cities; a number of smaller towns also have automatic telephone services. International communications links are maintained through two satellite earth stations, providing telephone, telex, and television services. Digital telephone exchanges mobile telephone and Internet services have also been installed recently. Generally, telecommunication systems in Ethiopia are good by African standards.

Prophylaxis against malaria (not necessary in Addis Ababa due to its elevation) is advisable if trips are planned to lower elevations, including Dire Dawa. Throughout Ethiopia, it is essential to drink only boiled, filtered water or bottled mineral waters, which are widely available.

### **Agency/Representation:**

To conduct business effectively and participate in local tenders, U.S. firms should appoint local agents to represent their products in Ethiopia. Major purchases are made by Government tenders, which are often financed by the World Bank (IBRD) through the International Development Association (IDA) or the African Development Bank (AFDB).

### **Export Programs:**

Trade Opportunities Program (TOP); Export Contact List Service (ECLS); Agent/Distributor Service (ADS); International Company Profile (ICP); Gold Key Service (GKS), and Major Projects Program (MPP) are all offered by the U.S. Embassy.

To understand fully what these programs are, you may contact the Economic/Commercial office of the American Embassy. Please note that Ethiopia is 7-8 hours ahead of EST, depending upon the time of the year.

The staff of the Economic/Commercial Office is ready to assist you to benefit fully from your trip to Ethiopia.

Government organizations responsible for trade and investment are as follows:

Ministry of Economic Development & Cooperation - P. O. Box 2428, Addis Ababa, Tel: 251-1-519684, Fax: 251-1-517988

Ministry of Trade and Industry - P. O. Box 2559, Addis Ababa, Tel: 251-1-518200, Fax: 251-1-514288

Ethiopian Investment Authority - P. O. Box 2313, Addis Ababa, Ethiopia, Tel: 251-1-510033, Fax: 251-1-514396

Ethiopian Chamber of Commerce - P. O. Box 517, Addis Ababa, Tel: 251-1-518240, Fax: 251-1-517699

Ethiopian Private Industries Association - P. O. Box 8739, Addis Ababa, Ethiopia, Tel: 251-1-512384, Fax: 251-1-552633

Ethiopian Export Promotion Agency - P. O. Box 6945, Addis Ababa, Ethiopia, Tel: 251-1-504164, Fax: 251-1-504766

### **Other Business Information:**

Currency: The monetary unit of Ethiopian currency is "Birr" with a par value of 8.23 to U.S. \$1.00 (as of November 2000), but subject to change every week. Copper coins are circulated in values of 1, 5, 10, 25, and 50 cents. Currency notes are printed in denomination of 1, 5, 10, 50 and Birr 100.

**Currency Regulations:** There is no restriction on the amount or kind of foreign currency, travelers checks, or letter of credit which may be imported to Ethiopia but only a maximum of 100 Birr may be taken out. Visitors are not allowed to export foreign currency that exceeds the amount they have originally brought in. Only the National Bank of Ethiopia and its authorized agents are entitled to exchange foreign currency against receipts.

**Customs:** Duty free items are allowed to visitors. However, the amount allowed is limited. Professional articles and samples, including those imported by businesspersons and commercial travelers, such as cameras and radio equipment and items imported by visitors requires special permits which must be obtained from the Ministry of Information and Culture and Environmental and the Wildlife Protection Authority.

**Visas:** Visas may be secured upon application to an Ethiopian diplomatic or consular mission abroad. Visitors who stay for more than 30 days must report to the Immigration Department to obtain an identity card.

**Residence Permit:** A resident permit will be issued to a foreign investor upon submission of an investment permit issued by the Ethiopian Investment Authority to the Security Immigration and Refugee Affairs Authority.

Calendar & Time: Ethiopia uses the Julian Calendar which divides the year in 12 months of 30 days each, with the remaining five days or six days in a leap year constituting a short 13th month. The Ethiopian new year commences on the 10th or 11th of September every year. Ethiopia is in the GMT +3 time zone.

Business Hours: The government offices have 39 working hours are 8:30 AM to 12:30 PM and 1:30PM to 5:30 PM from Monday through Thursday. Working hours on Friday are 8:30 AM to 11:30 AM and 1:30 PM to 5:30 PM. Most private businesses also work on Saturdays.

Source [US Embassy](#)