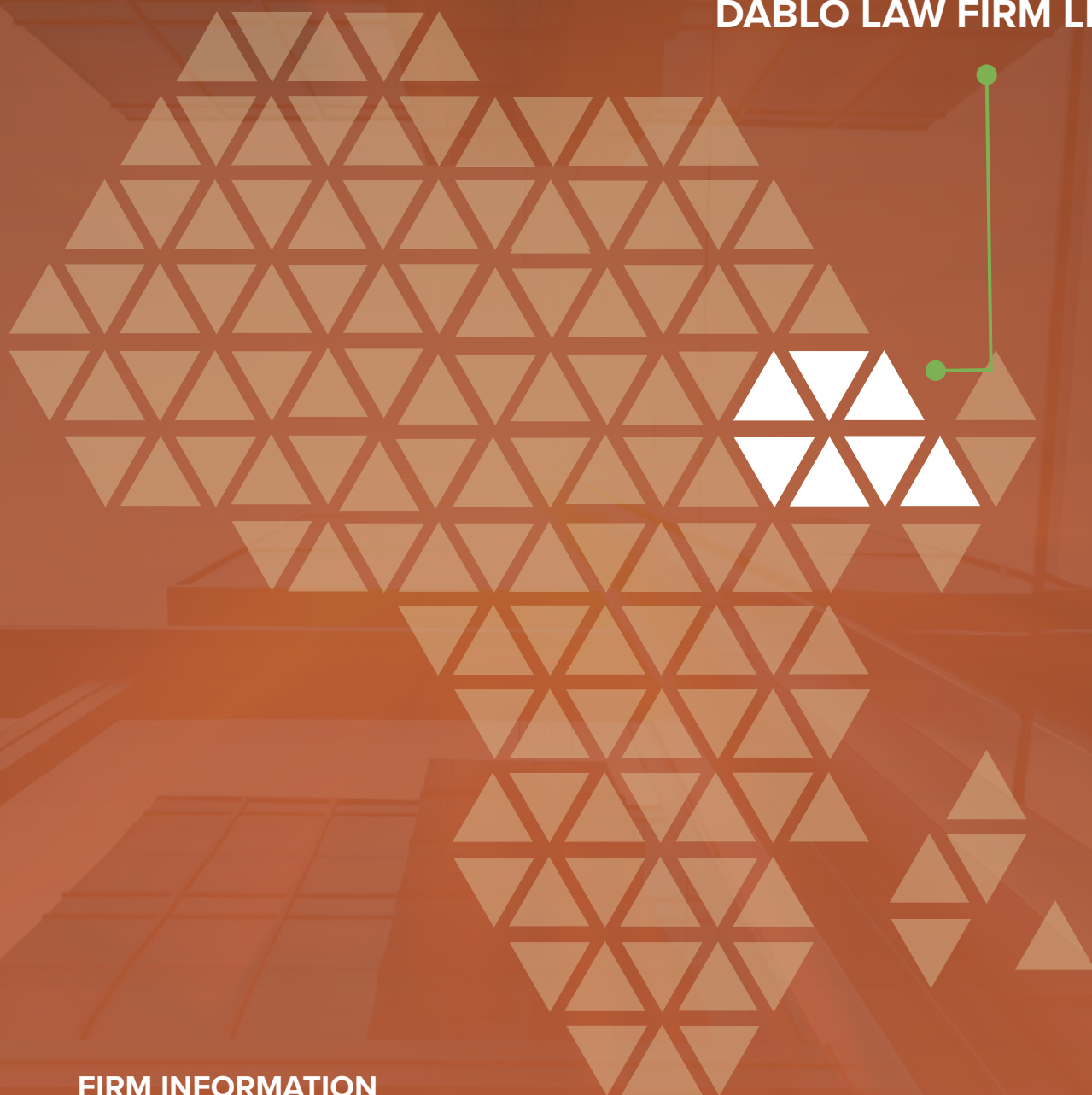




ETHIOPIA DABLO LAW FIRM LLP



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COUNTRY INFORMATION

The Federal Democratic Republic of Ethiopia is Africa's second-most populous country and one of its fastest-growing economies. Located in the Horn of Africa, it borders Eritrea, Djibouti, Somalia, Kenya, South Sudan and Sudan. Ethiopia has a rich history, diverse culture and strategic position for regional and international trade. The capital is Addis Ababa and Ethiopia covers 1.1 million square kilometres. Amharic is the primary federal working language and English is widely spoken. The currency is the Ethiopian Birr (ETB), and the time zone is GMT+3 (EAT). The climate varies: highlands have temperate weather (20°C to 30°C) and lowlands can reach 45°C. Rainfall ranges from 200 mm to 2000 mm annually, supporting agriculture. Major cities include Addis Ababa, Dire Dawa, Mekelle, Bahir Dar, Adama and Hawassa.

POLITICAL SYSTEM

The Constitution establishes a federal parliamentary republic. The Federal Republic comprises the Federal Government, 12 autonomous Regional States and two city administrations. Both the federal and regional governments are organised into three branches of government – legislative, executive, and judicial.

The Federal legislative organ constitutes two houses: the House of People's Representatives (HPR) and the House of Federation (HOF). The highest legislative authority is vested in the HPR whose members are elected by a plurality of votes cast in general elections every five years. The State Council is the highest organ of the state legislative authority.

The highest federal executive power rests with the Prime Minister and the Council of Ministers. The Prime Minister is the chair of the Council and the Commander-in-Chief of the National Armed Forces. The President, on the other hand, is the Head of State.

The Federal Supreme Court holds the highest judicial authority of the independent judiciary. The Court's President and Vice President are nominated by the Prime Minister for appointment by the House of People's Representatives.

KEY ECONOMIC INDICATORS

Ethiopia, the fifth-largest economy in Africa by GDP, is among Africa's rapidly expanding economies, with a GDP estimated at USD163.7 billion for 2023 and a growth rate of 6.5% in 2023 (World Bank estimate). The country's Foreign Direct Investment (FDI) inflow was USD3.26 billion in 2023, ranking it as the third largest FDI destination in Africa.

BUSINESS AND INVESTMENT CLIMATE

Ethiopia has implemented significant macroeconomic reforms, including the privatisation and liberalisation of key sectors such as banking, telecommunications, logistics, retail and wholesale. These reforms are intended to increase private investment and attract foreign investors. In 2020, Investment Proclamation No. 1180/2020 and Regulation No. 474/2020 opened multiple sectors by repealing the previous investment law that restricted foreign investors to selected business activities. The law lists some business activities reserved for domestic investors and allows foreign investors to engage in all other investments not reserved for Ethiopians, indicating a shift towards a more liberal policy.

Significant developments include Safaricom Ethiopia becoming the first private telecom operator. Additional policy changes to enhance the investment climate involve revising the commercial code, flexible investment policies, multi-year visas, one-stop shop services, better investment protection, speedy grievance handling and developing the financial sector and capital market. Ethiopia's 2024 banking law allows foreign participation and permits foreign banks to operate. This opened the financial sector to foreign involvement after decades of being limited to local entities. Additionally, the import, wholesale, retail and export sectors have been opened to foreign investors, creating more opportunities for global business engagement and promoting competitive markets within these industries.

INFRASTRUCTURE & CONNECTIVITY

Major International Airport and leading Airline Addis Ababa Bole International Airport is a regional hub for Africa and Africa's world-class and Star Alliance member Ethiopian Airlines flies to over 142 international passenger and cargo destinations, including 70 African cities, with daily and multiple flights with a minimum layover in Addis and over 70 cargo only destinations. It also flies to over 23 domestic passenger destinations.

Railways and road Networks The Addis Ababa-Djibouti Railway connects Ethiopia to Djibouti port and there are over 144 328km of roads and 301km of motorways and toll roads with ongoing expansion projects.

Energy Supply is primarily driven by hydropower with over 16 plants currently in operation. The Grand Ethiopian Renaissance Dam – the largest hydroelectric power dam in Africa – is currently under construction (close to 95% completed) and is expected to generate an additional 6000 MW of electricity. This is expected to boost electricity exports. There is huge investment potential in renewable energy including in wind and geothermals.

Telecommunications State-owned Ethio Telecom and Kenyan Safaricom are major players and with ongoing market liberalisation, a third private telecom service provider is expected.

Special Economic Zones (SEZs) Ethiopia has developed 29 modern industrial parks and so far, 11 of them are designated as Special Economic Zones (SEZs) with quality infrastructure in Addis Ababa, Hawassa, Dire Dawa, Adama and Mekelle.

FORMS OF BUSINESS STRUCTURES

- Sole Proprietorship
- General Partnerships
- Limited Partnerships
- Limited Liability Partnership (LLP)
- Joint Venture
- One-Member private Limited Company
- Private Limited Company (PLC)
- Share Company (S.C)
- Branch offices.

FORMATION OF COMPANY

Businesses are required to register and acquire the appropriate licenses to operate within the bounds of the law. Non-compliance can result in significant consequences including criminal, civil and administrative liabilities. Key federal institutions such as the Ministry of Trade and Regional Integration (MOTRI) and the Ethiopian Investment Commission (EIC) oversee business licensing and investment permits. The Ethiopian Ministry of Revenue and the Ethiopian Customs Commission are responsible for tax-related certifications. Additionally, businesses operating in regulated sectors must obtain competency certificates from relevant ministries or bureaus to ensure adherence to sector-specific regulations. At the regional level, licensing and taxation authorities work in conjunction with federal bodies, particularly concerning natural resource-based operations, as mandated by the 1995 Constitution.

Foreign investors seeking to establish a business in Ethiopia have several options including creating new entities, acquiring existing ones or establishing branch offices, all overseen by the Ethiopian Investment Commission (EIC). The Commission acts as a central hub, offering a One-Stop Service to streamline the process of obtaining essential permits, registrations and licenses. Investment capital requirements are sector-dependent, ranging from USD50 000 for specific joint ventures to USD200 000 for sole foreign investments. The initial stages involve meticulous document preparation including applications, passports, project proposals and financial proofs.

Company formation necessitates the authentication of documents like the Memorandum and Articles of Association,

followed by obtaining an investment permit, visa and Tax Identification Number (TIN). Environmental compliance is crucial with certain sectors requiring a Certificate for Environmental Clearance. Further steps include opening a local bank account, depositing the required capital, securing an office lease and registering commercially.

Ethiopia categorises business licenses under nine primary industries with some sectors demanding additional competency certifications. The final stage involves securing the business license which requires certificates of commercial registration and authenticated company documents. The EIC and the Ministry of Revenue, alongside sector-specific authorities, play vital roles in ensuring adherence to Ethiopian investment laws, with the entire incorporation process generally taking 3 to 5 weeks.

TAX

To foster economic growth and align with global norms, Ethiopia's tax framework is structured around its federal system, distributing tax authority between federal and regional levels. The Ministry of Revenue and Customs Commission, operating at the federal level, oversees the system, which is defined by crucial statutes such as the Income Tax and Value Added Tax (VAT) laws.

Businesses encounter obligations like corporate income tax, VAT and customs duties, but can also access incentives designed for key industries such as manufacturing and agriculture. Ongoing reforms are focused on modernising tax administration and broadening the tax base, highlighting the importance of both compliance and strategic tax planning for investors.

Ethiopia's tax system encompasses both direct and indirect taxes. Direct taxes, which include progressive personal income tax and a flat-rate corporate income tax, directly target income. Specifically, personal income tax rates span from 0% to 35%, while corporate income tax is typically fixed at 30%.

The capital gains tax rate for gains from the transfer of buildings used for business, factory or office purposes is 15%, while a 30% capital gains tax applies to gains from the transfer of company shares.

Additional direct taxes include withholding tax, deducted at source on payments like imports (3%) and domestic transactions (2%). Indirect taxes, such as the 15% VAT, excise tax on products like alcohol and tobacco and customs duties on imports, are imposed on transactions and goods. These taxes generate revenue and customs duties provide protection for domestic industries.

Non-resident tax rates vary, with 5% on insurance premiums and royalties, 10% on dividends and interest and 15% on management and technical fees. Additionally, there is a 15% tax on income from games of chance and casual rentals, a

windfall profit tax determined by the Minister, a 10% tax on undistributed profits and a 10% tax on repatriated profits.

Tax Compliance

Ethiopia's tax system distinguishes between individual and business taxpayers, with declaration processes varying by category and business size. Larger businesses, categorised as "A" and "B" taxpayers, utilise a self-assessment system to calculate and declare their tax liabilities. In contrast, individual employees primarily operate under the Pay-As-You-Earn (PAYE) system, where employers handle tax withholding and remittance, minimising direct self-assessment. Smaller businesses, categorised as "C" taxpayers, may face estimation-based assessments by tax authorities. Businesses registered for VAT are required to file periodic returns, which involves self-assessment of VAT liabilities. Consequently, while self-assessment is a component of Ethiopia's tax system, its application varies across taxpayer categories and tax types. The system also incorporates audits and oversight by the Ministry of Revenue to ensure compliance. Ongoing digitalisation efforts are influencing the implementation of self-assessment, and it is essential to recognise the Ministry of Revenue's pivotal role in enforcing tax regulations. In essence, Ethiopia employs a mixed approach, with self-assessment playing a role but not being the sole method of tax collection.

Tax Crimes and Penalties

Common tax crimes and their penalties include -

- tax evasion, which involves underreporting income, falsifying records and hiding income, punishable by fines of up to 200% of the evaded tax and imprisonment for up to 15 years
- tax fraud, which includes submitting false information and using false documents, with penalties of fines and up to 10 years in prison
- failure to file returns as mandated by the Federal Income Tax Proclamation No. 979/2016, leading to fines, additional penalties and interest on overdue amounts
- failure to pay taxes by the due date, resulting in fines, interest charges and potential imprisonment
- obstruction of the tax administration, such as refusing to provide information or obstructing audits, which can lead to fines and imprisonment for up to 5 years.

The Ethiopian Revenue and Customs Authority (ERCA) and the federal police and the Ministry of Justice (MOJ) are responsible for enforcing tax laws and ensuring compliance. They conduct audits and investigations and prosecute tax crimes.

INVESTMENT INCENTIVES

Ethiopia offers a range of fiscal and non-fiscal incentives to attract both domestic and foreign investors, aiming to stimulate economic growth and development. These incentives are designed to create a favorable investment climate and attract high-quality foreign direct investment to

Ethiopia.

New investments and expansions/upgrades of existing investments are eligible for income tax exemption of up to 9 years, depending on the sector and location. Investors in areas far from the centre or with low infrastructure development can receive a 30% deduction on income tax for three consecutive years in addition to the standard exemption. Additionally, star-designated hotels, lodges, and resorts in selected tourist destinations may receive a five-year income tax exemption. Special Economic Zones (SEZs) developers are exempt from corporate income tax for up to 15 years. SEZs offer a range of benefits including tax holidays, customs duty exemptions and simplified administrative procedures.

Investors can import capital goods, construction materials, and spare parts duty-free. This includes machinery, equipment and other tangible goods necessary for production. Spare parts can be imported duty-free for up to 15% of the total value of the capital goods within five years from the date the investor becomes eligible for the incentives.

Companies producing for export markets are granted a one-time, two-year income tax exemption in addition to the exemptions mentioned above.

Investors who incur losses during the income tax exemption period can carry forward the loss for half of the exemption period, up to a maximum of five years.

Investors have the right to open and operate foreign currency accounts in authorised local banks. They can retain up to 50% of their export earnings in foreign currency indefinitely.

Non-fiscal incentives include expedited visa procedures, one-stop shop services, customs facilitation, a guarantee against expropriation, the right to own immovable property and subsidised utility rates.

Ethiopian investment laws allow foreign investors to repatriate profits, dividends, principal and interest payments on external loans, proceeds from the sale or liquidation of an enterprise and compensation paid.

Mining, petroleum and geothermal works have specific incentives.

OTHER INVESTMENT INCENTIVES AND INTERNATIONAL TRADE AGREEMENTS

Under the Everything But Arms (EBA) initiative, Ethiopian companies can export manufactured goods to the European Union without paying duties or quotas. Over 8800 products manufactured in Ethiopia are eligible for zero-tariff access to the Chinese market of 1.4 billion consumers. Ethiopian products can be traded with the UK market under the

Developing Countries Trading Scheme (DCTS), which aims to increase trade with developing countries and opens new opportunities for Ethiopian companies. These incentives are designed to create a favorable investment climate and attract high-quality foreign direct investment to Ethiopia.

EXPATRIATES VISA AND WORK PERMITS

Foreigners intending to enter Ethiopia for investment purposes must secure a support letter from the Ethiopian investment commission to obtain a business visa. Owners and shareholders are eligible for a five-year multiple-entry visa, while general managers and top management receive a three-year multiple-entry visa. Additionally, foreign investors may hire expatriates after confirming that no qualified Ethiopian candidates are available for the position.

To facilitate the employment of expatriates, the employing enterprise must apply for a work permit on behalf of the foreign employee, which can be issued for up to three years and is renewable annually under certain conditions. Special provisions allow for the hiring of foreigners in key positions like Chief Executive Officer, Chief Operating Officer and Chief Financial Officer without needing to demonstrate the unavailability of local candidates. Following the registration of a company, the next step involves acquiring a residence permit. This necessitates the submission of required documentation to the Immigration and Citizenship Service (ICS), including incorporation documents and evidence of commercial representation in Ethiopia.

INVESTMENT OPPORTUNITIES

Agriculture

The agriculture sector in Ethiopia is a cornerstone of the country's economy, contributing 32.4% to its GDP and employing approximately 75% of the workforce. It is responsible for 80% of the nation's exports, with significant potential for growth and investment. Ethiopia boasts 75 million hectares of land suitable for agriculture, with over 4.3 million hectares available for irrigation. The sector offers diverse opportunities, including commercial farming of premium organic arabica coffee, floriculture and honey production. Ethiopia's strategic location and favourable climate make it an ideal destination for agricultural investments, providing access to major international markets in Africa, the Middle East and Europe.

Manufacturing Sector

Ethiopia aims to become a manufacturing hub in Africa with increased manufacturing activity and strong private sector involvement expected to fuel the country's economic transformation. Despite significant progress in the textile, apparel, IT and leather sectors, manufacturing still accounts for only 4% of Ethiopia's GDP. The Government offers "plug-and-play" Special Economic Zones (SEZs) that simplify

the investment process, boost operational efficiency and maintain international standards. Ethiopia's large, young and trainable workforce, along with affordable energy rates, makes it a promising destination for manufacturing investments.

Information and Technology (ICT)

Ethiopia's ICT sector is a promising field that can create many job opportunities while serving the global IT outsourcing market. The Government has set ambitious plans to enhance the ICT manufacturing industry, modernise infrastructure and encourage private sector involvement. The Digital Ethiopia 2025 strategy aims to establish an all-inclusive digital economy including setting up a state-of-the-art Special Economic Zone devoted to ICT.

The recent liberalisation of the telecom sector and the entry of Safaricom as the second operator are expected to promote market competition and expand digital services throughout the country.

Mining

Ethiopia has significant untapped mineral resources, creating opportunities for investment in upstream and downstream mining activities. The country has substantial deposits of rare earth metals, such as lithium, tantalum, cobalt and nickel. Ethiopia is a significant exporter of gold and well-positioned to benefit from its mining sector in the future. The Government has implemented policy reforms to promote investment in the mining sector by simplifying the process, encouraging exploration and mining and unlocking the sector's full potential and value.

Tourism

Ethiopia, known as the "Land of Origins," boasts an abundance of natural wonders and 13 UNESCO World Heritage sites, making it Africa's leading tourist destination. The country offers diverse landscapes, flora and fauna, from high mountains to the Danakil Depression and a live volcano at Erta Ale. The tourism sector in Ethiopia is seeing a rise in demand for various types of accommodation, convention centres, duty-free outlets and cultural and thematic villages. The Government provides different incentives to encourage investments in the tourism sector.

Energy

Ethiopia is a resource hub with 60 000 megawatts total capacity of electric power generation of renewable energy, offering opportunities in hydro, solar, wind and geothermal power generation. The increasing economic activity across various sectors has created a significant demand for energy solutions. The Grand Ethiopian Renaissance Dam (GERD) is expected to generate 5 150 megawatts of electricity, contributing to the country's industrialisation and benefiting neighbouring countries.

The Government plans to expand installed power generation capacity from 4 500 megawatts to 19 900 megawatts by 2030, with private sector participation through public-private partnerships (PPPs) and independent power producers (IPPs).

Transport and Logistics

Historically closed to foreign direct investment, Ethiopia's transport and logistics sector has recently opened up, presenting transformative opportunities. The Government plans to invest over USD70 billion in building transport and logistics infrastructure and services over the next decade. Key investment and policy shift areas include developing logistics infrastructure such as logistics cities, dry ports, cargo terminals and services, the separation of the policy and regulatory frameworks from railway operations as well as the facilitation of private sector competition in freight and wagon provision. The industry aspires to establish itself as a regional trade hub by capitalising on Ethiopia's strategic location and its rapidly growing annual import-export trade.

Banking & Financial Services

In late 2022, Ethiopia approved a landmark policy shift to liberalise its finance and banking sector, opening doors for global financial institutions. This was further solidified in 2024 with the approval of a new Banking Business Proclamation No. 1360/2024, which allows foreign investors and banks to invest in the Ethiopian market. This Proclamation allows foreign banks to establish subsidiaries, branches or representative offices, and to acquire shares in existing or new domestic banks, with foreign ownership capped at 40%. This reform presents lucrative opportunities for foreign investors to establish new banking entities or engage in profitable partnerships with existing institutions. The Ethiopian Securities Exchange (ESX) launched in early 2025, provides an innovative alternative capital market for small and medium-sized enterprises (SMEs). Investment opportunities include specialised financial sector consulting, marketing, merger & acquisition services, financial transaction services and training courses for finance sector professionals.

Healthcare

Ethiopia's healthcare sector offers enormous growth potential, with a significant unserved market for specialised medical services. The Government is committed to improving healthcare and partnering with investors to enhance private investment in strategic areas. Investment opportunities include establishing tertiary hospitals, advanced diagnostics and laboratories, high-impact public health services and developing healthcare professionals. Ethiopia has the potential to become a regional healthcare hub in Africa, catering to the growing demand for advanced healthcare and diagnostics.

FinTech

The FinTech sector in Ethiopia is experiencing rapid growth, driven by a young, tech-savvy population and increasing mobile penetration. The Government's commitment to digital transformation is evident through initiatives like the "Digital Ethiopia 2025" strategy which aims to leverage digital technologies for inclusive development. In December 2022, Ethiopia's Parliament approved the entry of foreign FinTech companies, opening avenues for investment in mobile money services, digital payment platforms and related technologies. The National

Bank of Ethiopia (NBE) has introduced directives to enhance interoperability and consumer protection, creating a conducive environment for FinTech innovation. The launch of services like Safaricom's M-Pesa in August 2023 exemplifies the sector's potential with projections indicating significant growth in digital financial inclusion.

Ethiopia's technology and innovation ecosystem is also rapidly evolving through strategic reforms and telecom liberalisation. Initiatives like Digital Ethiopia 2025, Ethio Telecom's Tele birr and Safaricom's market entry are driving growth in mobile money, e-government and digital infrastructure despite challenges in rural connectivity and sector GDP. A supportive regulatory framework and startup incentives foster private investment in fintech, aggrotech, health-tech, and IT infrastructure such as data centres and cell towers. With the digital economy projected to contribute over USD23 billion to GDP by 2028, Ethiopia offers compelling long-term investment opportunities for foreign investors in areas like fintech, IT equipment manufacturing and software development.

Real Estate

Ethiopia's burgeoning real estate sector is witnessing substantial growth, fuelled by rapid urbanisation, population expansion and Government reforms that aim to liberalise the market. Projections indicate a near 10% annual growth rate between 2024 and 2028 driven by escalating demand for residential, commercial, and industrial properties, particularly in urban hubs like Addis Ababa. Governmental investment in infrastructure strengthens the sector's appeal fostering a conducive environment for foreign investment.

To safeguard buyers and encourage responsible development, Ethiopia has enacted the Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024. This legislation requires that all developers, both domestic and international, secure a Real Estate Developer's Qualification License, which is granted based on specific criteria. Notably, the law favours large-scale developments by making Government land accessible to licensed developers who meet stipulated conditions. Current industry trends (including urban expansion, robust infrastructure development, affordable housing initiatives and increased public-private partnerships) collectively enhance the sector's attractiveness to foreign investors.

Partnering and investing in and with State Owned Entities

Ethiopian Investment Holdings (EIH), one of the largest Sovereign Wealth Funds in Africa with 40 subsidiaries under its portfolio, serves as the Government's strategic investment arm. Its primary objectives include contributing to sustainable economic development through professional management of funds and assets, maximising their value for the benefit of current and future generations, and attracting foreign investment. EIH aims to consolidate and monetise underutilised assets, establish co-investment platforms and bring the highest possible return on investment.

EIH offers investment opportunities in various strategic sectors, including logistics, manufacturing and services. Joint ventures are welcomed subject to proposal vetting and business case review. Greenfield investments are open outside state-owned enterprises (SOEs), while brownfield investments include projects like Akobo Gold Mining in Gambella region. Upcoming privatisations include Ethiopian Insurance Corporation, Berhan and Selam Printing Press and Tour & Trading Enterprise. EIH's recent agreements with FDI entities involve the United Kingdom's Asset Green Company and Toppan Security Share Company with Toppan Gravity Ethiopia.

Following the Government's liberalisation policy and the coming into operation of the Ethiopian Securities Exchange, the Government intends to privatise these SOEs on a rolling basis by listing them on the Securities Exchange. Foreign investors are encouraged to participate in these privatisation efforts. Recent legal reforms, such as the Public Enterprises Law Proclamation No. 1314/2024, enhance the autonomy and financial transparency of SOEs, facilitating their transformation into competitive entities and creating a robust environment for private-sector participation. EIH offers more than 40 investment opportunities across six major areas:

- **Agriculture & Food Security:** primary agriculture, fertiliser, seed multiplication, reforestation/carbon trading and sugar
- **Logistical Infrastructure:** trucking, oil tank farms, special economic (free trade) zones, cold chain, warehousing and Ethiopian Railways capacity enhancement
- **Renewable Energy:** solar, wind and electric vehicles
- **Manufacturing/Processing:** security printing, animal feed, cement, pulp processing, computer tablets assembly and mining
- **Real Estate:** wellness sector and underutilised urban land
- **Health Services:** tertiary hospital development and pharmaceutical/ vaccine production.

These opportunities are designed to attract foreign capital, technology and expertise, contributing to Ethiopia's sustainable economic development and offering investors a chance to engage in large-scale projects with Government-backed guarantees and shared-risk models.

Public-Private Partnership (PPP) Framework

Ethiopia has embraced the Public-Private Partnership (PPP) model to accelerate infrastructure development and service delivery. The PPP Proclamation No. 1076/2018 provides a legal framework for collaboration between the public and private sectors aiming to attract investment in critical areas such as energy, transportation, healthcare and education. The Government offers incentives including tax holidays, customs duty exemptions and guarantees to mitigate investment risks. Several PPP projects are underway, particularly in renewable energy, real estate and road construction, reflecting the framework's effectiveness in mobilising private capital for public infrastructure. This approach not only addresses infrastructure deficits but also fosters economic diversification and job creation.

Ethiopia's Special Economic Zones (SEZs)

Ethiopia recently enacted a new SEZ Proclamation No. 1322/2024 which aims to boost investment by establishing designated zones with customs controls, business-friendly policies, infrastructure and tax incentives. It covers industrial parks, free trade zones and agricultural hubs. 10 industrial parks have recently been upgraded to Special Economic Zones. SEZs are a key part of the Government's strategy to establish the country as a large-scale manufacturing hub within Africa. These zones are designed to attract foreign investment, create jobs and boost the country's manufacturing and export capabilities. SEZs offer a range of incentives including tax holidays, duty-free imports of capital goods and streamlined customs procedures. They are equipped with modern infrastructure and are strategically located to facilitate access to major markets. The Government is actively promoting private sector participation in the development and management of SEZs through public-private partnerships (PPPs). This initiative aims to enhance the commercial sustainability of SEZs and create linkages with the broader economy particularly small and medium-sized enterprises (SMEs).

Integrated Agro-Industrial Parks (IAIPs)

in Ethiopia are strategically located in key agricultural regions including Amhara, Oromia, Sidama, and Tigray. These parks are designed to add value to local agricultural produce by processing it close to the source. IAIPs aim to reduce post-harvest losses, create jobs and spur rural economic growth. They offer a holistic framework that integrates input supply, on-farm production, market linkages and raw material sourcing. The parks are equipped with modern infrastructure and provide a range of services to support agro-processing activities. Investment opportunities in IAIPs include agro-inputs, agro-infrastructure, agro-food processing and capacity-building entities. These parks are seen as vital nodes connecting farmers to processing plants and are expected to play a significant role in transforming Ethiopia's agricultural sector.

MEMBERSHIP OF INTERNATIONAL AND REGIONAL ORGANISATIONS

Ethiopia is an active member of several regional organisations and trade treaties that enhance its economic integration and trade opportunities. As a founding member and the seat of the African Union (AU), Ethiopia plays a significant role in promoting regional cooperation and development across the continent. The country is also a member of the Common Market for Eastern and Southern Africa (COMESA), Intergovernmental Authority on Development (IGAD), African Continental Free Trade Area (AFCFTA), World Bank, International Monetary Fund (IMF), the New Partnership for African Development (NEPAD) program, the United Nations and its agencies and BRICS. Ethiopia has observer status at the World Trade Organisation and accession negotiations are ongoing.

INTELLECTUAL PROPERTY

Intellectual property (IP) protection is overseen by the Ethiopian Intellectual Property Authority (EIPA) which manages the registration, enforcement and dispute resolution of IP rights, including patents, trademarks, copyrights, and industrial designs. In 2024, the Ethiopian Parliament approved both the Madrid Protocol and the Paris Convention and Ethiopia signed the Riyadh Design Law Treaty. Trademark registration, governed by Proclamation No. 501/2006, requires a business registration license, application form, fees and adherence to the WIPO Nice Classification system, with protection lasting 7 years before renewal. Copyright protection, under Proclamation No. 410/2004, is automatic upon the creation of an original work although registration is recommended for evidentiary purposes and to establish moral and economic rights, which extend for the author's lifetime plus 50 years. For patents and industrial designs, Proclamation No. 123/1995 mandates novelty and industrial applicability with protection periods of 15 years for patents, 10 years for patents of introduction and 5 years for utility models and industrial designs.

IP enforcement in Ethiopia primarily relies on registration although non-registered IP owners can pursue infringement claims under unfair competition laws. Enforcement actions may include injunctions, administrative or criminal penalties, compensation for damages and the seizure of infringing goods. Border measures, such as injunctions, are also available to prevent the import or export of infringing products, requiring coordination between the EIPA, customs offices and judicial authorities. These measures reflect Ethiopia's commitment to strengthening IP protection and fostering a secure environment for innovation and creativity. By aligning with international standards and establishing robust enforcement mechanisms, Ethiopia is building a more reliable and transparent IP ecosystem. The EIPA further ensures fairness and transparency through its quasi-judicial body for resolving IP disputes..

LABOUR

Ethiopian labour law, primarily defined by Labour Proclamation No. 1156/2019, focuses on establishing balanced employer-employee relations. Key features include detailed regulations for employment contracts specifying obligations and termination procedures with provisions for severance and compensation. It mandates fair working conditions, including regulated working hours, rest periods and an emphasis on occupational safety and health. The law protects the right to form trade unions and engage in collective bargaining and explicitly prohibits workplace discrimination and provides provisions for resolving labor disputes, ensuring a degree of protection for workers' rights within the Ethiopian workforce. Social security contributions by employers and employees fund essential benefits such as retirement, invalidity, incapacity and survivors' pensions

or gratuities. Employers contribute about 11% of employees' salaries to a pension fund, while employees contribute around 7%, with contributions made monthly.

CAPITAL MARKETS

Ethiopia's capital market is undergoing a significant transformation following the enactment of Capital Market Proclamation No. 1248/2021 which established the Ethiopian Capital Market Authority (ECMA) to regulate market participants and ensure investor protection. With a robust legal framework now in place, ECMA is driving transparency, compliance and financial stability in the emerging securities market. The recent launch of the Ethiopian Securities Exchange (ESX) in January 2025 marks the revival of formal securities trading since the 1970s, creating a structured platform that aims to mobilize capital and boost economic growth.

This evolving environment offers attractive investment opportunities for both domestic and foreign investors. Government reforms, such as EIC board Directive No. 1001/2024 and the Banking Business Proclamation, have opened previously restricted sectors to foreign investment, paving the way for public listings of major state-owned enterprises like Ethio Telecom and private banks. As Ethiopia privatises key enterprises and expands its market with up to 90 new listings anticipated over the next decade, the capital market is set to become a dynamic and investor-friendly ecosystem, providing significant long-term growth potential. A few local companies and Deloitte have been licensed as Investment Advisors with options to buy stocks, list their companies and/or be a licensed capital market service provider available to foreign investors.

LAND TENURE SYSTEM

Ethiopia's land tenure system, grounded in the 1995 Constitution, mandates public ownership of all land, precluding private ownership rights. Instead, individuals and entities secure use rights through lease agreements with varying durations based on urban or rural land use. Urban leases drive residential, commercial and industrial development, while rural land use primarily supports agriculture. The legal framework (including proclamations on rural land administration, urban land leases, and the Expropriation of Landholdings for Public Purposes and Payment of Compensation) regulates land use, protects rights and fosters investment. The process of registering land titles involves several steps to ensure legal recognition and protection of land use rights. Notably, the Expropriation Proclamation provides the legal foundation for land expropriation for public projects ensuring fair compensation for affected individuals. While Ethiopia's land laws facilitate investment through leases, a thorough understanding and adherence to all legal requirements are crucial for investors.

In urban centres, particularly Addis Ababa, the Government actively promotes investment through initiatives and public-private partnerships, creating significant opportunities in residential, commercial and industrial real estate development.

FOREIGN EXCHANGE CONTROL

In July 2024, the National Bank of Ethiopia (NBE) introduced the Foreign Exchange Directive No. FXD/01/2024, marking a significant shift towards a market-based foreign exchange system. This directive allows banks and authorised dealers to set exchange rates through free negotiation, moving away from the previously fixed rates set by the NBE. The directive allows non-bank entities to join the foreign exchange market with a license from the NBE, promoting competition and transparency. The directive also revises foreign exchange retention policies, enabling exporters to retain 50% of their earnings in foreign currency accounts, an increase from the previous 20%. The remaining 50% must be converted into local currency at freely negotiated rates. The directive also eliminates prior surrender requirements to the NBE, allowing businesses greater flexibility in managing their foreign exchange resources. The directive gives investors the right to repatriate their profits in foreign currency and also permits foreign investors to obtain external loans for their investments in Ethiopia, subject to specific preconditions set by NBE. Investors who secure such loans in compliance with these conditions will be allowed to repay them in foreign currency.

DATA PROTECTION

Ethiopia has recently addressed the absence of a comprehensive data protection framework by enacting the Personal Data Protection Proclamation No. 1321/2024 (PDPP) on 24 July 2024. The PDPP applies to all data controllers and processors operating within Ethiopia, as well as those outside the country who process personal data of individuals residing in Ethiopia. Exemptions include processing for personal or household activities and certain Government functions. It imposes obligations on organisations handling personal data such as mandatory registration with the Ethiopian Communications Authority (ECA), the appointment of a Data Protection Officer for large-scale or sensitive data processing and conducting Data Protection Impact Assessments for high-risk activities. The Proclamation also regulates cross-border data transfers, allowing them under specific conditions and requiring certain personal data to be stored within Ethiopia, thereby reinforcing data sovereignty. For businesses, compliance with the PDPP necessitates a thorough assessment of data practices, the implementation of appropriate measures and active engagement with the ECA to ensure adherence. Proactive compliance not only fosters consumer trust but also mitigates legal risks associated with data breaches and non-compliance.

CORPORATE GOVERNANCE AND COMPLIANCE

Corporate governance is primarily governed by the Commercial Code of Ethiopia (Proclamation No. 1243/2021), which outlines fundamental principles and requirements for corporate conduct. This Code emphasizes the importance of exercising shareholder rights and ensuring equitable treatment for all shareholders. It also recognises the rights of stakeholders and mandates timely and accurate disclosure of financial performance, ownership, and governance information.

The role of the board of directors is central to corporate governance in Ethiopia, particularly in companies with dispersed ownership. The board is tasked with representing shareholders, controlling company operations and directing strategic initiatives. Directors are expected to act with loyalty, good faith and due diligence, ensuring that their decisions align with the best interests of the company and its stakeholders. Managers handle the daily operations, implement board strategies, oversee staff, manage resources and ensure compliance with both company policies and legal requirements.

To ensure transparency and accountability, companies in Ethiopia must produce annual financial statements that comply with local accounting standards and undergo independent audits. The country has also implemented anti-corruption laws to combat unethical practices like bribery and embezzlement, allowing shareholders to remove board members involved in such behavior. Additionally, measures such as asset disclosure and comprehensive financial reporting have been introduced to strengthen anti-corruption efforts and promote a culture of integrity within the corporate sector.

Beyond the Commercial Code, a comprehensive understanding of Ethiopian corporate governance necessitates a consideration of additional legal frameworks. These include the Commercial Registration and Licensing Proclamation, the Capital Markets Proclamation, and specific legal frameworks governing State-Owned Enterprises (SOEs), such as those pertaining to Ethiopian Investment Holdings (EIH). These laws contribute to the broader regulatory landscape and provide further context for corporate governance practices in Ethiopia.

CONSUMER PROTECTION

Ethiopia's consumer protection framework is primarily governed by the Trade Competition and Consumer Protection Proclamation No. 813/2013 and the Ethiopian Civil Code of 1960. These laws ensure consumers receive accurate information about goods and services, have the freedom to choose and are protected from misleading practices. Consumers are entitled to claim compensation

for defective goods or services and sellers bear the risk of damage to goods until delivery. The Civil Code also enforces fair contract interpretations, preventing businesses from imposing unclear terms on consumers. In cases of non-performance, consumers can seek remedies for delayed or undelivered goods and services. The Ethiopian Ministry of Trade and Regional Integration oversees the enforcement of these laws, ensuring a fair business environment by prohibiting unfair trade competition, deceptive marketing and false advertising. Businesses must comply with regulations such as displaying accurate pricing, labeling goods with essential details and maintaining transaction records. Consumers have the right to redress grievances and demand transparency from businesses. The legal framework aims to protect consumers from exploitation while promoting fair competition in the market.

PROTECTION OF THE ENVIRONMENT

Ethiopia has developed a comprehensive environmental legal framework to promote sustainable investment practices including adherence to international agreements such as the Kyoto Protocol and the Rio Conventions. The cornerstone of this framework is the Environmental Impact Assessment (EIA) Proclamation No. 299/2002 which mandates that any project likely to have significant adverse environmental impacts must undergo an EIA before implementation. Additionally, the Environmental Pollution Control Proclamation No. 300/2002 emphasises the prevention of environmental pollution, holding investors accountable for maintaining environmental standards. The Environmental Protection Authority (EPA) enforces environmental standards and mandates impact assessments for projects with potential ecological effects. The Ethiopian Investment Proclamation No. 1180/2020 further reinforces this commitment by requiring all investors to consider social and environmental sustainability, including adherence to environmental protection standards, in their operations. Collectively, these laws create a robust framework that balances economic development with environmental stewardship, providing clear guidelines for foreign investors to operate responsibly within Ethiopia.