

# Doing Business in Ethiopia

INCREASING SUSTAINABLE BUSINESS BETWEEN THE NETHERLANDS AND ETHIOPIA

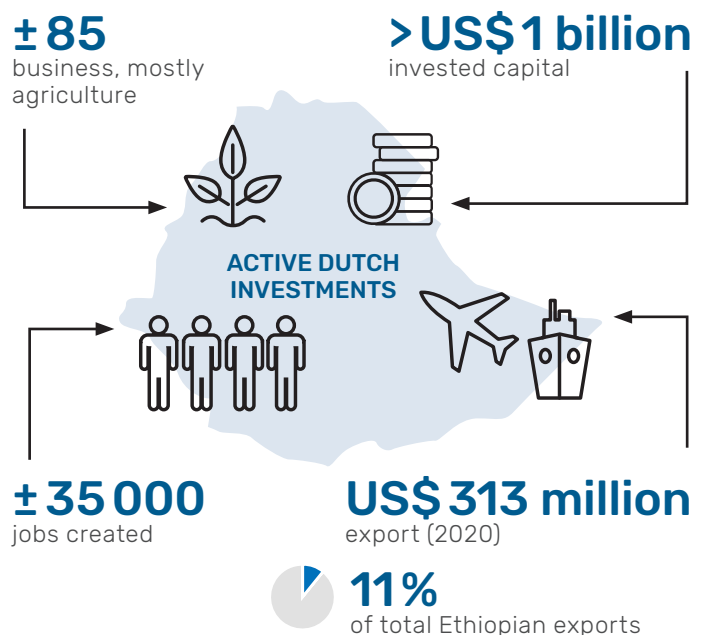


Ethiopia is the second largest African market with one of the fastest growing economies in the world. Ethiopia is currently undergoing fast-paced economic, political, and social reform. The country has taken the first steps to unlock future markets by liberalizing strategic industries (e.g., telecom, finance, logistics) and by exploring easier access to international markets (e.g., COMESA, WTO, AfCFTA). Ethiopia's largely untapped demand, big population (>110 million), and abundant natural resources, presents boundless business opportunities for dedicated investors.

## Dutch business in Ethiopia

Dutch businesses in Ethiopia already play a key role in the transition from aid to trade by creating jobs, exchanging knowledge, building local capacity, introducing new technologies, and engaging in Responsible Business Conduct (RBC).

As one of the biggest export destinations and 10th largest investor, the Netherlands is an important business partner for Ethiopia. The ±85 Dutch investments have already created ±35 000 jobs and are responsible for a large portion of Ethiopia's (scarce) hard currency reserves.



## Sectors to explore

Dutch companies are mostly active in horticulture, agriculture, and FMCG. But a new wave of privatization hints towards untapped opportunities in promising sectors, such as:



## Areas to consider

Doing business in Ethiopia is tough and companies should expect challenges. You can therefore count on our local support to deal with challenges, such as:

- Accessing finance and forex
- Accessing land and infrastructure
- Availability of inputs
- Bureaucracy
- Instability
- Recruitment of personnel
- Taxes
- Transparency



# About Ethiopia



## OFFICIAL NAME

Federal Democratic Republic of Ethiopia



## LOCATION

Ethiopia is in the north-eastern part of Africa known as the 'Horn of Africa'. It enjoys a unique location at the crossroads between Africa, the Middle East and Asia.



## CAPITAL CITY

Addis Ababa. Both the African Union (AU) and the United Nations Economic Commission for Africa (UNECA) are headquartered in Addis Ababa.



## AREA

1.13 million square kilometres



## ARABLE LAND

513,000 square kilometres (45%)



## POPULATION

Ethiopia is the second most populous nation in Africa, after Nigeria, with a population size of 114,963,583.<sup>1</sup>



## PEOPLE LIVING IN EXTREME POVERTY

23,703,403 (21%)



## POVERTY THRESHOLD

US\$1.90



## CURRENCY

Ethiopian Birr (ETB)



## FOREIGN CURRENCY

The National Bank of Ethiopia is the central bank of the country which, among other activities, regulates foreign currency matters. Traders as well as manufacturers face difficulty obtaining foreign exchange to import goods for domestic sale and manufacturing inputs. The forex shortage is aggravated by the low export performance of the country and international debt.

In the foreign currency sector of the country, it is important to keep in mind that the National Bank of Ethiopia regularly announces changes in foreign currency management and utilisation regulations. In recent years, this has been an ongoing issue for traders, manufacturers and other businesses.



## LANGUAGE

Amharic is the working language of the federal government. Oromiffa, Tigrigna, Somali, Sidaama, and many other languages, are widely spoken. English is taught in schools and is the main business language.



## POLITICAL SYSTEM

Federal state with a multi-party system



## CORRUPTION PERCEPTION INDEX

87th out of 180 countries<sup>2</sup>



## POLITICAL STABILITY

Ethiopia has been troubled by unrest since 2015. A range of actors have been trying to gain control of the political landscape, which has repeatedly affected peace and stability. The resulting social unrest has affected (Dutch) businesses in different ways. The recent conflict in the northern region of Tigray has had significant country-wide socioeconomic impacts, and peace and reconciliation efforts have been slow to materialise. Although doing business in Ethiopia is not easy, there are ample examples of (Dutch) businesses expanding their operations. These companies have proven to be knowledgeable about the local context and have mitigated risks through their Responsible Business Conduct (RBC).

<sup>1</sup> United Nations Population Division. (2020). World Population Prospects: 2019 Revision.

<sup>2</sup> Transparency International. (2021). Corruption Perceptions Index 2021.



## How to do business

You are free to trade with Ethiopia and are likely to find local demand for Dutch products and services.

### Do you want to set up your business in Ethiopia?

The Ethiopian Investment Commission (EIC) provides one-stop-shop services and is your first point of entry when starting your investment journey in Ethiopia.

Investors can choose three legal entities:

1. Sole proprietorship
2. Private limited company
3. Branch company

Please note that relevant steps, procedures, and mandated institutions will differ per investment type and activity. Although more due diligence is required, the most relevant documents are Investment proclamations *no. 1180/2020* and investment regulations *no. 474/2020*.

TRAIDE Ethiopia is funded by and implemented in close collaboration with the Embassy of the Kingdom of the Netherlands in Addis Ababa. We work closely with the Ethiopian Netherlands Business Association (ENLBA) to assist Dutch businesses in Ethiopia and to serve as a point of entry for new Dutch investors.

## Ready to proceed?

Over 80 Dutch companies are already active and are even expanding their operations. Are you also interested in doing business in Ethiopia? We are dedicated to support any Ethio-Dutch initiatives that are committed to responsible investments and trade.

Please reach out to us to spot opportunities, deal with challenges, and enjoy a soft landing.

### CONTACT:

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