Ethiopia

RISK & COMPLIANCE REPORT

DATE: February 2017

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Executive Summary - Ethiopia	
Sanctions:	None
FAFT list of AML Deficient Countries	Yes
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas	Non - Compliance with FATF 40 + 9 Recommendations

Major Investment Areas:

Agriculture - products:

cereals, pulses, coffee, oilseed, cotton, sugarcane, potatoes, khat, cut flowers; hides, cattle, sheep, goats; fish

Industries:

food processing, beverages, textiles, leather, chemicals, metals processing, cement

Exports - commodities:

coffee, khat, gold, leather products, live animals, oilseeds

Exports - partners:

China 13%, Germany 10.8%, US 7.9%, Saudi Arabia 7.8%, Belgium 7.7% (2012)

Imports - commodities:

food and live animals, petroleum and petroleum products, chemicals, machinery, motor vehicles, cereals, textiles

Imports - partners:

China 13.1%, US 11%, Saudi Arabia 8.2%, India 5.5% (2012)

Investment Restrictions:

Ethiopia's dependency on imported goods, and encourage investment in the export-oriented sectors of textiles/garments, leather/leather products, cut flowers, fruits and vegetables, and agro-processing. Given the scale of public investment needed to meet GTP targets, Ethiopia will need significant inflows of foreign direct investment.

The revised Investment Code of 1996, as well as the Investment Proclamation provide incentives for development-related investments, and have gradually removed most of the sectoral restrictions on investment; Ethiopia's investment code prohibits foreign investment in banking, insurance, and financial services. The remaining state-controlled sectors include telecommunications, power transmission and distribution, and postal services with the exception of courier services. Manufacturing of weapons and ammunition can only be undertaken as joint ventures with the government.

Other areas of investment reserved for Ethiopian nationals include: broadcasting; air transport services; 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; capital goods rentals; export trade of raw coffee, chat, oilseeds, pulses, hides and skins bought from the market; 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. However, the GOE has indicated an interest in bringing foreign private sector expertise to some of the above sectors.

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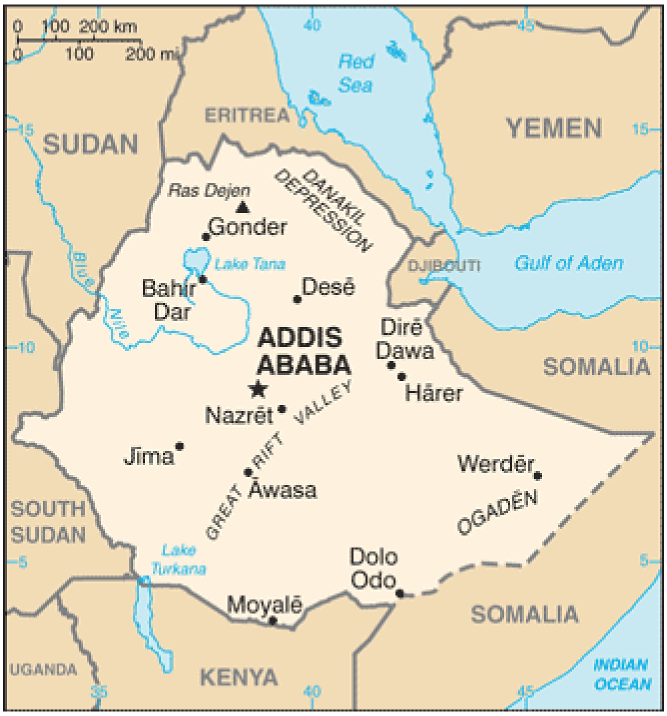
Section 1 - Background

Unique among African countries, the ancient Ethiopian monarchy maintained its freedom from colonial rule with the exception of a short-lived Italian occupation from 1936-41. In 1974, a military junta, the Derg, deposed Emperor Haile SELASSIE (who had ruled since 1930) and established a socialist state. Torn by bloody coups, uprisings, wide-scale drought, and massive refugee problems, the regime was finally toppled in 1991 by a coalition of rebel forces, the Ethiopian People's Revolutionary Democratic Front (EPRDF). A constitution was adopted in 1994, and Ethiopia's first multiparty elections were held in 1995. A border war with Eritrea late in the 1990s ended with a peace treaty in December 2000. In November 2007, the Eritrea-Ethiopia Border Commission (EEBC) issued specific coordinates as virtually demarcating the border and pronounced its work finished. Alleging that the EEBC acted beyond its mandate in issuing the coordinates, Ethiopia has not accepted them and has not withdrawn troops from previously contested areas pronounced by the EEBC as belonging to Eritrea.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Ethiopia is on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 24 February 2017

The 4th round mutual evaluation report of Ethiopia was adopted in March 2015. This report detailed some progress towards the development of an adequate AML/CFT legal framework, in line with the FATF standards. However, there is a lack of effective implementation in the country, including with regard to the recommendations provided in that report. Therefore, in February 2017, Ethiopia made a high-level political commitment to work with the FATF and ESAAMLG to strengthen its effectiveness and address any related technical deficiencies. Ethiopia will work to implement its action plan to accomplish these objectives, including by: (1) implementing the results of its national risk assessment; (2) fully integrating designated non-financial businesses and professions into its AML/CFT regime; (3) ensuring that the proceeds and instrumentalities of crime are confiscated; (4) consistently implementing terrorism-related targeted financial sanctions and proportionately regulating non-profit organizations in line with a risk-based approach; and (5) establishing and implementing WMD-related targeted financial sanctions.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Ethiopia was undertaken by the Financial Action Task Force (FATF) in 2015. According to that Evaluation, Ethiopia was deemed Compliant for 8 and Largely Compliant for 17 of the FATF 40 Recommendations.

Money Laundering/Terrorism Financing Risks (FATF Mutual Evaluation Report)

In the absence of a completed national risk assessment, the findings on ML and TF risks faced by Ethiopia are preliminary, predominantly based on interviews and not necessarily supported by data. The main sources of illicit proceeds generating activity in Ethiopia are corruption (specifically involving administration of land, procurement, tax, telecommunications and pharmaceuticals), tax fraud/evasion, human trafficking and migrant smuggling, arms trafficking and smuggling of contraband (coffee, 'khat' and livestock outbound; foreign exchange; textiles, electronics and pharmaceuticals inbound) and the profit made from providing illicit financial services. It is not entirely clear how these proceeds are laundered.

International organizations and counterparts in Ethiopia have noted corruption as an issue in the jurisdiction. Based on 8 surveys conducted, Ethiopia has received a rating of 33 out of 100 by the Transparency International's Corruption Perception Index 2013 (based on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean) and is ranked 111 out of 177 countries. Ethiopia is ranked at 32 by the World Bank Worldwide Governance indicator, for control of corruption in 2013 (where 0 corresponds to the lowest rank and 100 corresponds to the highest rank). A report by the World Bank in 2012 on Diagnosing Corruption in Ethiopia, finds that there is an emerging pattern in sector-level corruption, with interesting variations in the levels of corruption across the sectors studied. According to the study, in Ethiopia, the risk of corruption is greater in sectors such as construction, land and mining and particularly in "new" investment sectors which include telecommunications, pharmaceuticals, etc. According to the authorities, there have been violations of public procurement rules, regulations and directives. The Business Anti-Corruption Portal2 notes that practices of corruption are increasingly in the form of private to private corruption whereby private companies yield procurement contracts to other private companies, in return for bribes. The Portal also notes that land distribution and administration has been reported as a highly vulnerable sector to corruption, involving facilitation payments and bribes being paid to keep land that is leased from the state. The Ethiopian authorities indicated that they disagree with these findings. In addition, the Ethiopian authorities provided two reports on corruption conducted by Addis Ababa University and Kilimanjaro International Corporation Limited. The latter study found that "corruption remains a problem in the country, but it is not among the topmost problems faced by the citizens. There are other, more pressing, problems that threaten their daily struggles for survival, notably inflation and unemployment. However, inflation/increasing cost of living and unemployment create an environment that is conducive to corruption. The survey also found that, while the general perception is that corruption is a serious and worsening problem, the reality is perhaps not as bad as the perception" Furthermore, the World Bank study claims that "a specific finding that seems to span a number of sectors points towards the widely held concerns that there is favouritism towards members of the ruling political party". The World Bank study also noted that prosecutorial and judicial corruption was less of a common occurrence. Most reported cases are those of petty corruption involving payment or solicitation of bribes or other considerations to alter a decision or action, specifically bribes solicited by or offered to police to ignore a criminal offence, not to make an arrest and not to bring witnesses or suspects to court. The World Bank study notes that the Government has made important strides in dis-incentivizing corruption in the justice sector.

Ethiopia is located at the very center of a highly volatile region. Ethiopia shares long porous borders with its neighbours. Eritrea lies to the north, Somalia lies to the east, and there are regional terrorist groups (Al-Shabaab) and domestic armed opposition groups (Ogaden National Liberation Front (ONLF), Oromo Liberation Front (OLF)) operating in and around Ethiopia. Eritrea provides training facilities, and material and logistical support to OLF and ONLF and Al-Shabaab controls some areas in Somalia. "Both countries in very different ways serve as platforms for foreign armed groups that represent a grave and increasingly urgent threat to peace and security in the Horn and East Africa region."3 In addition there are believed to be several other armed rebel groups active in Ethiopian territory. More recent incidents include the pre-detonation of bombs by two suspected Al–Shabaab operatives in October 2013, a terrorist attack on tourists in January 2012 and the killing of several people by ONLF at an Ethiopian Oil Field in April 2007.

US Department of State Money Laundering assessment (INCSR)

Ethiopia was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Due primarily to its underdeveloped financial system and pervasive government controls, Ethiopia is not considered to be a regional financial center. Although Ethiopia's location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations, its limited integration in the global financial system, underdeveloped financial institutions, and strict currency controls make it highly unlikely such groups will use the financial sector to launder funds from abroad. Corruption, smuggling, tax fraud, and trafficking in narcotics, persons, arms, and animal products are the key proceeds-generating crimes. As the economy grows and becomes more open, Ethiopian law enforcement sources believe bank fraud, electronic/computer crime, and related money laundering activities could continue to rise. The financial services sector remains closed to foreign investment.

High tariffs encourage customs fraud and trade-based money laundering. Since strict foreign exchange controls limit the possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system, composed of three public banks and sixteen private banks. Law enforcement sources indicate money and value transfer systems, particularly hawala, are widely used. The Ethiopian government attempts to monitor informal value transfer networks within the country and has closed a number of illegal hawala operations. The Financial Intelligence Center (FIC), Ethiopia's financial intelligence unit, is currently conducting an assessment of the informal money transfer system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO KYC covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, accountants, real estate brokers/agents, precious metal dealers, brokers and investment advisors

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 1191: July 8, 2014 - November 13, 2015
Number of CTRs received and time frame: 1,411,166: July 8, 2014 - November 13, 2015 STR covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, real estate agents/brokers, precious metal dealers, brokers and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: NO

Ethiopia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ethiopia has taken important steps to improve its AML/CFT regime, including enacting additional AML/CFT legislation. Ethiopia is in the process of developing a directive to guide designated non-financial businesses and professions (DNFBPs) in their roles, responsibilities, and risks within the AML/CFT framework. Ethiopia continues to develop the FIC and has secured capacity-building training for both the FIC and its partner institutions. The FIC promotes a multilateral approach to AML/CFT and is overseen by a board of directors with representatives from the National Bank, Ministry of Justice, Federal Police, Federal Anti-Corruption Unit, Ministry of Finance and Economic Development, and the Prime Minister's Office. In 2015, the FIC developed a five-year action plan to address recognized deficiencies. In addition, the national AML/CFT risk assessment is ongoing and is expected to be finalized in 2016.

The FIC is developing its analytical, investigative, and referral capacity; however, with only eight analysts and few IT personnel, the FIC lacks the technical capacity to effectively sort through and store the approximate 24,000 currency transaction reports (CTRs) it receives weekly. Suspicious transaction reports (STRs) are still currently filed in hard copy. The FIC is planning to implement digital reporting procedures for STRs in the future and is in the midst of training and validation for this protocol. The FIC has conducted workshops for banks on how to identify suspicious transactions and has engaged with federal prosecutors to improve the prosecution of money laundering cases. In 2015, the FIC conducted awareness creation and sensitization workshops on AML/CFT issues for the law enforcement community and relevant institutions in four key regional towns and will conduct the same workshops in the remaining four regions in 2016.

Foreign currency controls are vigorously enforced and all financial institutions, by law, are fully owned by Ethiopians or Ethiopian legal entities. It is illegal (with a few minimal exceptions) to send money from Ethiopia to a foreign country, and non-resident foreigners are not allowed to have accounts in Ethiopian banks. Only those with a foreign currency account (which is only granted to Ethiopian diaspora and resident foreigners) can transfer money abroad using the bank's access to the SWIFT system. Thus, the only legal cross-border flow of funds through the formal sector relevant to overall risk are the inbound money transfers - predominantly from the Ethiopian diaspora to their relatives in Ethiopia. The restrictions encourage the use of hawala and underground value transfer systems.

Although Ministry of Justice officials have received training, the Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and how to address them. The government's poor record-keeping systems and lack of centralized law enforcement records hinder the federal police's ability to identify and investigate trends in money laundering and terrorism financing. Furthermore, inadequate police training and a lack of resources limit the federal police's financial investigative abilities, and the absence of a national risk assessment undermines the ability to focus on key risk areas.

The Government of Ethiopia should implement its five-year action plan to address the noted deficiencies. Additionally, there should not be an over-reliance on the filing of STRs to generate money laundering cases. Law enforcement and customs should be trained to initiate money laundering and value transfer investigations at the street, border, and port levels. Financial intelligence can then be used to buttress those findings.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Ethiopia does not conform with regard to the following government legislation: -

International Terrorism Financing Convention - States parties to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Ethiopia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Ethiopia is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012:

Ethiopia does not play a major role in the production, trafficking, or consumption of illicit narcotics or precursor chemicals associated with the drug trade. The country is, however, strategically located along major narcotics transit routes connecting Middle Eastern, Asian, and West African markets. The amount of drugs transiting Ethiopia continues to increase. Ethiopia's numerous airline connections also contribute to the increase in drugs transiting through the country. Ethiopia has witnessed an increase in illegal narcotics seizures (primarily heroin, cocaine, and cannabis) in recent years. Officials have also noted increased illegal drug consumption in Ethiopia, as well as drug exports originating from within the country. If domestic narcotics production, trafficking, and consumption continue to increase, Ethiopia risks becoming a larger player in the regional and intercontinental narcotics scene.

Cannabis is produced in rural areas throughout Ethiopia. An increasing amount of cannabis production is for export, primarily to neighboring countries, but with rising amounts trafficked abroad. Traffickers use the Ethiopian postal system and international courier services to move these drugs. Khat, a chewable leaf with a mild narcotic effect, is legal in Ethiopia and is the country's fourth-largest export, up from seventh-largest export only a few years ago. Khat is an illegal drug in the United States. Small, localized quantities of poppy are grown in the southwest of Ethiopia (around Tepi) for local consumption of poppy seeds. Upon discovery of illicit narcotic crop cultivation, police typically eradicate the fields and provide several days of training for the farmer. On the second instance, the farmer is arrested.

West African traffickers use Ethiopia as a transit point on a limited, but increasing basis. Apprehended traffickers have cited convenient flight routes and short layovers as their reasons for flying through Addis Ababa. Bole International Airport's Interdiction Unit continues to improve its ability to identify male Nigerian and Tanzanian drug mules who typically smuggle drugs through ingestion. Ethiopian authorities routinely pass information on suspected transiting drug traffickers to Nigerian authorities. At present, the Interdiction Unit is mostly dependent on tips from other countries to identify drug mules and has limited capabilities to identify suspects themselves.

Although it is not yet a major exporter of cannabis, Ethiopian cannabis exports continue to rise. Most seizures made by the Federal Police involved cannabis destined for the United Kingdom. Many of these seizures involved cannabis hidden inside typical souvenir items.

Drug abuse in Ethiopia is also increasing. Legal khat distribution networks simply add illegal marijuana and other narcotics available in Ethiopia to their shipments. Cannabis consumption is spreading outside the traditional Rastafarian demographic toward the general population. Hard drug use in Ethiopia remains limited, but DCD continues to see increases in heroin abuse.

Ethiopia is a party to the 1988 UN Drug Convention. Ethiopia is also a party to the UN Convention against Transnational Organized Crime, and the UN Convention against Corruption. The Ethiopian Federal Police maintains a dedicated police investigation unit for human trafficking and organized crime. The unit, established in 2009, also covers drug trafficking. Penalties for narcotics offenses are severe: five years in prison and a 100,000 Ethiopian birr (approximately $5,800) fines for convicted illegal drug users and dealers. The Ethiopian Federal High Court has established a separate drug court; an action the Federal Police's DCD applauds and calls a strong mechanism to deter repeat traffickers.

The Ethiopian Federal Police trains postal service employees and courier services in drug detection and makes weekly visits to post offices and courier services to monitor their performance.

The United Nations Office on Drugs and Crime (UNODC) is collaborating with the Ethiopian Government on the implementation of a multi-sector National Drug Control Master Plan for Ethiopia (2009-2013), as well as support for drug and HIV prevention and control. A major component of this joint plan is to curb drug trafficking activities at Bole International Airport and to build the investigative capacity of Ethiopian drug law enforcement.

The Federal Police DCD's ranks number fifty-five individuals targeted on drug enforcement. Approximately half of these personnel work at Bole Airport's interdiction team, which also includes one aging and increasingly ineffective drug-sniffing German Shepherd dog. The unit also continues to suffer a high turnover of senior officers. The DCD hopes for assistance in procuring and training additional sniffer dogs, as well as securing new vehicles. Lack of dedicated vehicular transport has forced officers to take intercity busses out into the countryside on recent raids, limiting their mobility and effectiveness. The DCD stated the intention of increasing public awareness of the drug problems in Ethiopia by partnering with anti-drug clubs in high schools had to be abandoned for lack of funds. The Government of Ethiopia does not encourage or facilitate illicit production or distribution of narcotic drugs and psychotropic substances, nor does it encourage or facilitate the laundering of proceeds from illegal drug transactions.

The Ethiopian law enforcement community remains aware of its budding drug problem and maintains a desire to curb the narcotics threat at an early stage. UNODC is collaborating with Ethiopia to create and implement a National Drug Control Master Plan. However, Ethiopia's counternarcotics capacity and resources remain limited.

US State Dept Trafficking in Persons Report 2014 (introduction):

Ethiopia is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Ethiopia is a source and, to a lesser extent, destination and transit country for men, women, and children who are subjected to forced labor and sex trafficking. Girls from Ethiopia's rural areas are exploited in domestic servitude and, less frequently, prostitution within the country, while boys are subjected to forced labor in traditional weaving, herding, guarding, and street vending. The central market in Addis Ababa is home to the largest collection of brothels in Africa, with girls as young as 8-years-old in prostitution in these establishments. Ethiopian girls are forced into domestic servitude and prostitution outside of Ethiopia, primarily in Djibouti, South Sudan, and in the Middle East. Ethiopian boys are subjected to forced labor in Djibouti as shop assistants, errand boys, domestic workers, thieves, and street beggars. Young people from Ethiopia's vast rural areas are aggressively recruited with promises of a better life and are likely targeted because of the demand for cheap domestic labor in the Middle East.

Many young Ethiopians transit through Djibouti, Egypt, Somalia, Sudan, or Yemen as they emigrate seeking work in the Middle East; some become stranded and exploited in these transit countries, and are subjected to detention, extortion, and severe abuses—some of which include forced labor and sex trafficking—while en route to their final destinations. Young women are subjected to domestic servitude throughout the Middle East, as well as in Sudan and South Sudan. Many Ethiopian women working in domestic service in the Middle East face severe abuses, including physical and sexual assault, denial of salary, sleep deprivation, withholding of passports, confinement, and even murder. Ethiopian women are sometimes exploited in the sex trade after migrating for labor purposes—particularly in brothels, mining camps, and near oil fields in Sudan and South Sudan—or after fleeing abusive employers in the Middle East. Low-skilled Ethiopian men and boys migrate to Saudi Arabia, the Gulf States, and other African nations, where some are subjected to forced labor. In October 2013, the Ethiopian government banned overseas labor recruitment. Preceding the ban, Ministry of Labor and Social Affairs (MOLSA) officials reported that up to 1,500 Ethiopians departed daily as part of the legal migration process. Officials estimated this likely represented only 30 to 40 percent of those migrating for work; the remaining 60 to 70 percent were smuggled with the facilitation of illegal brokers. Brokers serve as the primary recruiters in rural areas. Over 400 employment agencies were licensed to recruit Ethiopians for work abroad; however, government officials acknowledged many to be involved in both legal and illegal recruitment, leading to the government's ban on labor export. Following the ban, irregular labor migration through Sudan is believed to have increased. Eritreans residing in Ethiopia-based refugee camps, some of whom voluntarily migrate out of the camps, and others who are lured or abducted from the camps, face situations of human trafficking in Sudan and Egypt's Sinai Peninsula.

Since November 2013, the Saudi Arabian government has deported over 163,000 Ethiopians, including over 94,000 men working mostly in the construction sector and over 8,000 children working in cattle herding and domestic service; international organizations and Ethiopian officials believe thousands were likely trafficking victims. Many migrants reported not having repaid debts to those who smuggled them to Saudi Arabia, rendering some of them at risk for re-trafficking.

The Government of Ethiopia does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The Federal High Court convicted 106 traffickers and worked with international partners to shelter and provide emergency care to trafficking victims. In 2013, following an influx of trafficking victims returning to Ethiopia, the government recognized problems with its oversight of Ethiopian-based employment agencies, which were failing to protect workers sent overseas. In response, the government temporarily banned labor recruitment and began to revise the relevant employment proclamation to ensure improved oversight of these agencies and better protection of its citizens while working abroad. The government facilitated the return of thousands of Ethiopians, including many likely trafficking victims, deported from Saudi Arabia and elsewhere during the reporting period, and coordinated with NGOs and international organizations to provide services to the returning migrants. The government relied on NGOs to provide direct assistance to both internal and transnational trafficking victims and did not provide financial or in-kind support to such organizations. The government did not deploy labor attachés or improve the availability of protective services offered by its overseas diplomatic missions. The absence of government-organized trainings in 2013 was a concern. The government also did not effectively address child prostitution and other forms of internal trafficking through law enforcement, protection, or prevention efforts. It did not report on the number of victims it identified in 2013.

US State Dept Terrorism Report 2015

Overview: The continuing threat of al-Shabaab emanating from Somalia dominated the Government of Ethiopia's security posture and the Ethiopia National Defense Force's (ENDF's) counterterrorism efforts in Somalia. Therefore, the Government of Ethiopia's counterterrorism efforts focused on fighting al-Shabaab in Somalia and pursuing potential threats in Ethiopia. In 2015, the Government of Ethiopia collaborated with the United States on regional security issues and participated in capacity building trainings.

In April, the Government of Ethiopia denounced the Islamic State of Iraq and the Levant (ISIL) in response to a video released by ISIL in Libya that showed the beheading of 30 Ethiopian migrants. In October, the Government of Ethiopia arrested 20 Ethiopians alleged to support ISIL, which marked the first time the Ethiopian government arrested alleged ISIL supporters.

On December 11, an unknown attacker threw a hand grenade at a crowd that injured about 10 outside the Anwar Mosque in Addis Ababa. The motive and other details of the attack were unclear.

Countering the Financing of Terrorism: Ethiopia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body, and its mutual evaluation was adopted by that body in March 2015. Ethiopia has yet to finalize its National Risk Assessment for money laundering and terrorism finance. The Government of Ethiopia's poor recordkeeping system in general, and lack of centralized law enforcement records in particular, hindered the country's ability to identify and investigate trends in money laundering and terrorism financing.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	34
World Governance Indicator – Control of Corruption	43

US State Department

Ethiopia ratified the United Nations (UN) Anticorruption Convention in 2007. The UN Investment Guide to Ethiopia (2004) asserted that routine bureaucratic corruption is virtually nonexistent in Ethiopia. The guide added that bureaucratic delays certainly exist, but are not devices by which officials seek bribes. It is a criminal offense to give or receive bribes, and bribes are not tax deductible.

Transparency International's 2013 Corruption Perceptions Index, which measures perceived levels of public sector corruption, ranked Ethiopia as 33 (with 0 indicating "highly corrupt" and 100 indicating "very clean"). Ethiopia's rank on the corruption perception index was 111 out of 175 countries in 2013 and 113 out of 176 rated countries in 2012.

The Ministry of Justice and the Federal Ethics and Anti-Corruption Commission (FEACC) are charged with combating corruption. Since its establishment, the Commission has arrested dozens of officials on charges of corruption, including managers of the Privatization Agency, Ethiopian Telecommunications Corporation, National Bank of Ethiopia, Ethiopian Geological Survey, the state-owned Commercial Bank of Ethiopia, Ethiopian Revenue and Customs Authority and private businessmen.

Corruption and Government Transparency - Report by Global Security

Political Climate

In the May 2010 parliamentary elections, the ruling party, The People's Revolutionary Democratic Front (EPRDF) won a landslide victory, although EU observers noted that the election was tainted. Criticism of the government mounted in 2008, when new legislation was passed, giving the government mandate to restrict the influence of civil society as well as broader powers to pursue defamation cases against the media. The government's attitude in dealing with corruption largely reflects the overall system and character of governance in the country.

The government strategy is clearly top-down, dominating anti-corruption institutions, the anti-corruption debate, and the formulation of anti-corruption policy. Despite the introduction of anti-corruption initiatives in previous years, including the Federal Ethics and Anti-corruption Commission (FEACC) in 2001, corruption remains widespread at many levels of government administration in the country. According to the Bertelsmann Foundation 2012, Ethiopian society's deeply ingrained clientelism does not foster a culture of accountability and transparency. Two articles published by Ethiopian Review and the Daily Maverick in December 2011, respectively report that public assets are acquired by officials and regime supporters through means of fraud, the judiciary is corrupted through political interference and manipulation, and the Ethiopian government is allegedly spending millions of USD, acquired through the US food and anti-poverty aid program, on the basis of political favouritism. Furthermore, allegations are directed to the government for abusing USD 3 billion of development aid annually. In addition, a May 2013 article published by Ethiopian Media Forum reports that, according to Global Financial Integrity's latest findings Ethiopia has lost USD 16.5 billion in illicit financial outflows between 2001 and 2010. Nevertheless, some positive steps in the fight against corruption have been recorded. For instance, according to the US Department of State 2012, five members of the Dire Dawa City Administration Council were sentenced to one to seven years of prison for corruption. The crimes involved the manipulation of tender processes, giving away government land illegally and accepting bribes.

According to Transparency International's Global Corruption Barometer 2010/2011, 59% of the surveyed households perceived the government's fight against corruption as 'effective', while 41% perceived the level of corruption to have decreased over the past three years. In fact, the government has tried to curb corruption through the imposition of asset disclosure rules for government officials, as reported by the Bertelsmann Foundation 2012. Nevertheless, the report also notes that anti-corruption policies have not been successful; the integrity mechanisms put in place such as the FEACC and the annual audit of government finances are insufficient to curb corruption due to political influence. Furthermore, tolerance of corruption has to some extent become an instrument of the top leadership to ensure political loyalty. According to a June 2013 article by CBC News, protests broke out in front of a hotel in Addis Ababa where the Ethiopian Consul General was holding a presentation about a dam development project. The article notes that protesters feared corruption would be involved in the project as they a lack of transparency has plagued public spending. According to Freedom House 2011, Ethiopians paid the highest bribes, on average, for transactions involving driver's licences, property registration, and judicial and tax records.

Business and Corruption

Since the early 2000s, the federal government has continuously aimed at implementing an economic reform programme designed to stabilise the financial position of the country, promote private sector participation in the economy and attract foreign direct investment (FDI). The Ethiopian economy has grown at rates around 9-10% in recent years, mainly due to strong growth in the agriculture and service sectors as well as sustained inflows of official development assistance and FDI. This rapid growth of the Ethiopian economy has increased the size and importance of the private sector, but Transparency International's Global Corruption Report 2009 reports that it has also led to enhanced opportunities and incentives for corruption to occur.

Corruption has traditionally been perceived by foreign companies to be a major impediment to their operations in Ethiopia. For example, according to the World Bank & IFC Enterprise Surveys 2011, there are indications that corruption is a problem in Ethiopia, given that approximately 4% of the companies surveyed expect to pay facilitation payments to 'get things done', while 7.1% identify corruption as a major constraint. Freedom House 2011 reports that the state's active intervention in the economy affords low-level officials the discretion of soliciting bribes, while offering high-level officials the opportunity of self-enrichment by colluding with economic interests to evade regulations or commit fraud. This problem is also referred to in a December 2011 article by the Ethiopian Review which notes that some enterprises owned by officials enjoy bank loans of USD millions without sufficient collateral. Moreover, some businessmen allegedly make huge payments in the form of kickbacks and bribes to participate in procurement and contracting, and that import/export businesses complain about corrupt customs officials. Corruption is increasingly taking the form of private-to-private corruption whereby private companies yield procurement contracts to other private companies in return for bribes or other undue favours.

The constraints of corruption are also reflected in business executives' assessments of the business climate in Ethiopia. For example, the World Economic Forum Global Competitiveness report 2012-2013 reveals that corruption is the second most problematic factor after access to financing, to doing business in Ethiopia. Nevertheless, on a more positive note, the Enterprise Surveys 2011 reports that the average number of companies expecting to pay facilitation payments and identifying corruption as a major constraint is much higher in other Sub-Saharan countries than in Ethiopia. Furthermore, Global Integrity 2010 notes that it is forbidden for civil servants in Ethiopia to accept gift or hospitalities that may affect their decisions. Still, however, companies are generally advised to consult with experienced attorneys, to develop, implement, and strengthen integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in the country.

Regulatory Environment

According to the US Department of State 2013, Ethiopia's regulatory system is generally considered to be non-discriminatory, although there have been instances in which burdensome regulatory requirements have acted as obstacles to doing business in the country. Similarly, in the World Economic Forum Global Competitiveness Report 2012-2013, foreign companies rank difficult access to financing as the top constraints for doing business in Ethiopia. Other major constraints include inflation, inefficient government bureaucracy, as well as tax rates and tax regulations. According to the US Department of State 2013, however, the Government of Ethiopia has eliminated most of its discriminatory tax, credit and foreign trade treatment of the private sector as well as simplified administrative procedures and established guidelines regulating business activities. The persistence of corruption in Ethiopia can partly be explained in terms of a lack of coherent rules and regulations, extensive red tape and poorly trained public officials. According to the Bertelsmann Foundation 2012, high levels of corruption are present in the ruling party and its business affiliates who benefit from a lack of a regulatory framework to safeguard against the emergence of monopoly or oligopoly power. The report further notes that private traders and business people who are not affiliated with the ruling party often face harassment, which impedes market competition. State ownership and bureaucratic management still govern many sectors of the economy and the financial, construction, beverage, and transport sectors in particular, are subject to strong political pressures.

Although official and unofficial barriers, such as corruption, still deter foreign investment and certain sectors remain off-limits to foreign participation (e.g. banking), the country has taken several steps to liberalise its foreign investment laws to streamline the regulatory environment and registration process to obtain business licences. Furthermore, the government established the Ethiopian Investment Agency (EIA) provides investment information and a one-stop shop. The US Department of State 2013 and a July 2012 article by All Africa note that a new investment proclamation was approved aiming to give one-stop-shop services for the manufacturing sector, restructuring the Ethiopian Investment Agency (EIA) and establishing industrial development zones. The new proclamation requires the Agency process, on behalf of investors, major services that normally required going through different executive organs. Other investment and trade related information is provided by the Ethiopian Chamber of Commerce and Sectoral Association, which is an autonomous private sector organisation. According to the World Bank & IFC Doing Business 2013, the process of starting a company in Ethiopia takes an average of 15 days and 9 procedures, taking considerably less time than the regional average of 37 days and 8 procedures. Registration of property, building a warehouse and enforcing contracts can also be done faster and cheaper than in comparable Sub-Saharan countries.

The legal system is based on common law, but consistent enforcement is an issue. The rule of law consequently remains limited, due to the lack of checks and balances between state powers and a traditional interference of the executive branch in judicial matters. Moreover, according to the US Department of State 2013, judges often lack understanding of commercial matters and case scheduling suffers from extended delays. This constitutes a major impediment for settling commercial disputes and results in a weak understanding and enforcement of property and contractual rights. Both the Ethiopian Arbitration and Conciliation Centre and the Addis Ababa Chamber of Commerce provide commercial dispute services. International arbitration is also possible for foreign companies, but there is no guarantee that a decision made by an international arbitration body will be fully accepted and implemented by Ethiopian authorities, as reported by the US Department of State 2013. Ethiopia is not a member of the International Centre for the Settlement of Investment Disputes (ICSID) or of the New York Convention of 1958. Access the Lexadin World Law Guide for a collection of laws in Ethiopia.

Section 3 - Economy

Ethiopia's economy is based on agriculture but the government is pushing to diversify into manufacturing, textiles, and energy generation.. Coffee is a major export crop. The agricultural sector suffers from poor cultivation practices and frequent drought, but recent joint efforts by the Government of Ethiopia and donors have strengthened Ethiopia's agricultural resilience, contributing to a reduction in the number of Ethiopians threatened with starvation. The banking, insurance, telecommunications, and micro-credit industries are restricted to domestic investors, but Ethiopia has attracted significant foreign investment in textiles, leather, commercial agriculture and manufacturing. Under Ethiopia's constitution, the state owns all land and provides long-term leases to the tenants; land use certificates are now being issued in some areas so that tenants have more recognizable rights to continued occupancy and hence make more concerted efforts to improve their leaseholds. While GDP growth has remained high, per capita income is among the lowest in the world. Ethiopia's economy continues on its state-led Growth and Transformation Plan under the new collective leadership that followed Prime Minister MELES's death. The five-year economic plan has achieved high single-digit growth rates through government-led infrastructure expansion and commercial agriculture development. Ethiopia in 2014 will continue construction of its Grand Renaissance Dam on the Nile – a controversial five billion dollar effort to develop electricity for domestic consumption and export.

Agriculture - products:

cereals, pulses, coffee, oilseed, cotton, sugarcane, potatoes, khat, cut flowers; hides, cattle, sheep, goats; fish

Industries:

food processing, beverages, textiles, leather, chemicals, metals processing, cement

Exports - commodities:

coffee, khat, gold, leather products, live animals, oilseeds

Exports - partners:

China 13%, Germany 10.8%, US 7.9%, Saudi Arabia 7.8%, Belgium 7.7% (2012)

Imports - commodities:

food and live animals, petroleum and petroleum products, chemicals, machinery, motor vehicles, cereals, textiles

Imports - partners:

China 13.1%, US 11%, Saudi Arabia 8.2%, India 5.5% (2012)

Banking

The Ethiopian Government 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 (National Bank of Ethiopia or NBE), three government-owned banks, twelve private banks, and twelve insurance companies. In 2011, six more private banks are under formation but not yet issued licenses.

The state-owned Commercial Bank of Ethiopia (CBE) dominates the market in terms of assets, deposits, bank branches, and total banking workforce. CBE operates 331 branches, holding $4.4 billion in assets. The two government-owned specialized banks are the Development Bank of Ethiopia (DBE) and the Construction and Business Bank (CBB). 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. The CBB provides long-term loans for construction, acquisition or maintenance of dwellings, community facilities and real estate development. In addition, it offers all other commercial banking services to business.

The NBE aims to foster monetary stability and a sound financial system, maintaining credit and exchange conditions conducive to the balanced growth of the economy. The 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 maturities of not more than 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 are customarily employed in international payments or transfers of funds.

In efforts to combat inflation, the Ethiopian Government capped the lending limits of banks beginning in late 2008. This measure has restricted the private sector's access to finance.

Stock Exchange

Ethiopia does not have a securities market, although the government is drafting private share trading legislation to better regulate the private share market.

Section 4 - Investment Climate

Executive Summary

Ethiopia is one of the fastest-growing economies in the world. It has registered impressive GDP growth for several years, ranging between 6% and 12%, depending on source data. The World Bank and IMF forecast continued average growth of 7% over the next three years. With a population of roughly 90 million, Ethiopia is the second most populous country in sub-Saharan Africa, after Nigeria.

The government of Ethiopia follows an integrated 5-year development plan, the Growth and Transformation Plan (GTP), which aims to achieve 11.2 – 14.9% GDP growth annually as well as achieve the Millennium Development Goals and attain middle-class income status by 2025. To achieve these goals, the government is investing heavily in large-scale social, infrastructural and energy projects.

While these developments are positive indicators for future private sector development, it translates into the flow of significant amounts of capital into public sector projects. World Bank estimates show that infrastructure spending requires approximately 19% of Ethiopia's total GDP in fiscal year 2011 – 2012.

Competitive labor and energy costs as well as the budding consumer markets are key pulls for foreign direct investment. Current challenges to the private sector include foreign exchange shortages and limited access to finance capital, long lead-times for inputs and exports due to the current logistic infrastructure, and bureaucratic delays. Areas closed to foreign investment are banking, retail, tele-communications and transportation. Businesses interested in entering the market should focus on aligning operations to complement the overall goals of the GTP. Key growth sectors include renewable energy, construction, tourism, textile and leather products, tele-communication support services and products, and aviation support services and products.

The government of Ethiopia is currently working on World Trade Organization ascension with the goal of attaining least developed country status by 2015. It is actively pursuing improving the current investment climate through adopting more efficient bureaucratic processes in the areas of registration, logistic, and tax processes. Key energy generation and distribution projects as well as transportation infrastructure projects are scheduled for completion by the end of 2015.

1. Openness to, and restrictions upon, foreign investment

Ethiopia's five-year Growth and Transformation Plan (GTP) – 2010 to 2015, which was approved by the Ethiopian Parliament in November 2010 and is currently in its fourth year, is driving Ethiopia's demand for and openness to foreign investment. The GTP overarching goals are to achieve the Millennium Development Goals and middle-income status by 2025. The plan's overarching goals translate to a focus on improving the quantity and quality of social services and infrastructure, ensuring macro-economic stability with targeted GDP growth of 11 to 14.9%, and enhancing productivity in agriculture and manufacturing.

Given the scale of public investment required to support GTP targets, coupled with the current negative domestic savings rate, Ethiopia requires significant inflows of foreign financial resources. While tax incentives for investment in the high priority sectors of heavy and light manufacturing, agribusiness, textiles, sugar, chemicals and pharmaceutical and mineral and metal processing underscore the government's focus and openness to foreign direct investment (FDI), the recent credit worthiness ratings by the international rating agencies has opened up Ethiopia's access to commercial foreign loans.

After six months of research, Moody's rated Ethiopia's credit worthiness a 'B+', while S&P and Fitch gave a 'B' in May 2014. The rating agencies underscored Ethiopia's stable outlook and positive prospects for continued economic growth in the short and medium term. Key drivers of their ratings were the huge investments in infrastructure and power generation and its likely effect in improving trade conditions. The country's peace and stability was also positively influenced the rating. The rating agencies noted however that the private sector remained weak and access to domestic credit still restricted economic growth.

The government of Ethiopia is currently revising its 1960 commercial code in an effort to facilitate investment and ease of operations. Areas of focus include clarifying regulations for potential investors, standardizing appropriate accounting practices to more accurately assess tax and other operating liabilities, increasing protection for shareholders and provisions for bankruptcy filings as well as modernization of trade and registration processes.

The revised Investment Code of 1996, as well as the Investment Proclamation provide incentives for development-related investments and have gradually removed most of the sectorial restrictions on investment.

However, Ethiopia's investment code prohibits foreign investment in banking, insurance, and financial services. The remaining state-owned sectors include telecommunications, power transmission and distribution, and postal services with the exception of courier services. Manufacturing of weapons and ammunition can only be undertaken as joint ventures with the government.

Other areas of investment reserved for Ethiopian nationals include: broadcasting; air transport services; 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; capital goods rentals; export trade of raw coffee, chat, oilseeds, pulses, hides and skins bought from the market; live sheep, goats, and cattle not raised or fattened by the investor; construction companies excluding those designated as grade 1; tanning of hides and shins 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. However, the government of Ethiopia has indicated an interest in bringing foreign private sector expertise to some of the above sectors. Ethiopian-Americans can obtain a local resident card from the Ministry of Foreign Affairs that allows them to invest in many sectors closed to foreigners. Foreign firms can supply goods and services to Ethiopian firms in the closed sectors.

The 2012 amendment to Ethiopia's investment proclamation introduced provisions for the establishment of industrial development zones, both state-run and private, with favorable investment, tax, and infrastructure incentives. The amendment also raised the minimum capital requirement to US$200,000 per project for wholly-owned foreign investments and US$150,000 for joint investments with domestic investors (or US$100,000/US$50,000 respectively in the areas of engineering, architectural, accounting and auditing services, business and management consultancy services and publishing). A foreign investor reinvesting profits / dividends may not be required to allocate minimum capital.

In alignment with GTP goals to further develop medium and large scale industries, the government established the Ethiopian Industrial Zones Corporation under the Ministry of Industry in 2012 to oversee the construction and regulation of the zones. Bole Lemi industrial zone located on the outskirts of Addis Ababa is the first area scheduled for manufacturers to begin operations in the first half of 2014.

Under the GTP, key priority industries include: textile and garment industry, leather and leather products, sugar and sugar-related products, cement, metal and engineering, chemical, pharmaceutical and agro-processing. Investments in this area are accompanied with additional tax incentives as established in proclamation 769/2012.

The government continued to implement its **privatization program** for some government-owned entities, which were largely nationalized by the Derg military regime in the 1970s. The current government's position is that property seized "lawfully" by the Derg (i.e., 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 Privatization and Public Enterprises Supervising Agency (PPESA) 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 over 300 public enterprises since 1995. Most of these enterprises were small enterprises in the trade and service sectors. The agency privatized 3 Enterprises in 2013 and currently around 30 public enterprises remain under PPESA control.

With the exception of the restricted areas of investments, the regulations governing the investment registration policy is consistently referenced for foreign investors. While, investors have complained about different interpretations (particularly relating to accounting for in-kind investments) within the Ethiopian Investment Agency's staff , foreign investors 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.

The Ethiopian Investment Agency (EIA) is working to establish an expedited "one-stop shop" service that it hopes will significantly cut the time and cost of acquiring investment and business licenses. However, bureaucratic hurdles continue to affect project implementation and some U.S. investors report that the EIA still lacks capacity to meet its own stringent deadlines. A business license can be obtained in one day if all requirements are met, though in practice this is uncommon. A foreign investor intending to buy an existing private enterprise or buy shares in an existing enterprise needs to obtain prior approval from the EIA.

Currently, **within the sectors allowing foreign investment, there** are **no laws restricting to competition** for foreign companies or foreign-owned subsidiaries. The Ethiopian Investment Agency reviews investment transactions for compliance with FDI requirements and restrictions. However, companies have complained of favorable treatment of the state-owned enterprises in the governmental tender process. As the public sector is heavily involved in the economic development, this translates into a sizeable portion of the open tenders on the market.

Because of its consistent GDP growth of between 6% - 12 % over the past 10 years, its population of over 90 million and its stable investment climate, Ethiopia is becoming an increasing priority for foreign investment and foreign companies. **Investment trends** show the following two key features. Firstly, equity investment terms are usually for 8 – 10 years with inputs being not only capital inflows but also capacity building and knowledge transfer.

Secondly, manufacturing companies are taking advantage of the special industrial zones, skilled labor and tax incentives for initial start-up imports and export related expenditure. While foreign exchange shortages for import of inputs and logistic costs remain high both in actual cost and lead time requirements, most manufacturing companies still identify a cost advantage on the whole due to low power, labor and customs cost.

Ethiopia's ranking among key indices is as follows:

Measure	Year	Index/Ranking
TI Corruption Index	2013	33/111out of 177countries
Heritage Economic Freedom	2014	50/151st out of 178 countries
World Bank Doing Business	2014	125th out of 189 countries
MCC Gov't Effectiveness	2014	0.49/91st percentile
MCC Rule of Law	2014	0.24/73rd percentile
MCC Control of Corruption	2014	0.31/73rd percentile
MCC Fiscal Policy	2014	-1.4/70th percentile
MCC Trade Policy	2014	64.2/33th percentile
MCC Regulatory Quality	2014	-0.32/27th percentile
MCC Business Start Up	2014	0.831/36th percentile
MCC Land Rights Access	2014	0.76/87th percentile
MCC Natural Resource Mgmt	2014	93.2/79th percentile

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capital gross national income (GNI) of $4,085 or less. A list of countries / economies with MCC scorecards and links to those scorecards is available here. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/selection/scorecards. To access Ethiopia's scorecard, please use the following link: http://www.mcc.gov/documents/scorecards/score-fy14-english-et-ethiopia.pdf. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf.

2. Conversion and Transfer Policies

All foreign currency transactions must be approved by Ethiopia's central bank, the National Bank of Ethiopia (NBE). The local 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 US$50,000.

Ethiopia's Investment Proclamation allows all registered foreign investors, whether or not they receive incentives, to remit freely profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may also 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 in accordance with NBE foreign exchange regulations.

Forex reserves were heavily depleted during 2012 but showed signs of stabilizing towards the end of 2012. By the end of 2013 the gross reserve coverage was at 2 months. According to the IMF, the use of forex sales as a means of sterilizing local currency liquidity is the main cause of the shortfall; though it has been further exacerbated by weaker than expected exports of coffee, Ethiopia's main export crop, a trend that had begun to reverse by mid-2014. Businesses usually expect delays of foreign exchange supply of 6 weeks to 3 months. However, slow-downs in manufacturing due to foreign exchange shortages is common and delays of repatriation of high USD sales amounts of up to 2 years have been reported. Localization of inputs and partnering with export-oriented partners are strategies employed by the private sector to address the foreign exchange shortage.

The birr depreciated approximately 100% against the U.S. Dollar between November 2006 and November 2012, through a series of controlled step-downs, including 20% devaluation in September 2010. As of December 2013, the exchange rate was approximately 19.02 birr per dollar. The illegal parallel market exchange rate was approximately 19.61 birr per dollar, a premium of 3.11% over the official rate.

Ethiopia's Financial Intelligence Unit monitors suspicious currency transfers, including large transactions exceeding 200,000 birr (roughly equivalent to U.S. reporting requirements for currency transfers exceeding US$10,000).

3. Expropriation and Compensation

Per Ethiopia's 1996 Investment Proclamation and subsequent amendments, assets of a domestic investor or a foreign investor, enterprise or expansion cannot be nationalized wholly or partly, except when required by public interest and in compliance with the laws and with payment of adequate compensation. Such assets may not be seized, impounded, or disposed of except under a court order.

The Derg military regime nationalized many properties in the 1970s. The current government's position is that property seized "lawfully" by the Derg (i.e., 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 lawful owners or their heirs through a lengthy bureaucratic process. Claimants are required to pay for improvements made by the government during the time of its control over the property. Ethiopia's Privatization and Public Enterprises Supervising Agency (PPESA) stopped accepting requests from owners for return of these formerly expropriated properties in July 2008.

4. Dispute Settlement

According to the Investment Proclamation, disputes arising out of foreign investment that involve a foreign investor or the state may be settled by means agreeable to both parties. A dispute that cannot be settled amicably may be submitted to a competent Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the government and the investor's state of origin are contracting parties.

Both foreign and domestic investors involved in disputes have expressed a lack of confidence in the judiciary to objectively assess and resolve 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 dedicated to assist those with the arbitration process. There is no guarantee that the award of an international arbitral tribunal will be fully accepted and implemented by Ethiopian authorities. Ethiopia has neither signed nor ratified the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, commonly known as the “New York Convention.”

Ethiopia’s Trade Practice and Consumers Protection Authority (TPCPA), is accountable to the Ministry of Trade, and is tasked with promoting a competitive business environment by regulating anti-competitive, unethical, and unfair trade practices to enhance economic efficiency and social welfare. Some of the Commission's powers include: investigating complaints by aggrieved parties; compelling witnesses to appear and testify at hearings; and searching the premises of accused parties. Since 2011, the TPCPA has conducted 15 workshops for over 5000 government and private sector attendees. However, since its inception, the TPCPA has been primarily focused on self-organization and administrative work, and had not conducted any significant enforcement activities as of January 2013.

5. Performance Requirements and Investment Incentives

Ethiopia does not formally impose performance requirements on foreign investors.

The 2003 amendment to the Investment Proclamation outlines investment incentives for investors in specific areas. New investors engaged in manufacturing, agro-processing activities, or the production of certain agricultural products, who export at least 50% of their products or supply at least 75% of their product to an exporter as production inputs, are exempt from income tax for five years. An investor who exports less than 50% of his product or supplies his product only to the domestic market is income tax exempt for two years. Investors who expand or upgrade existing enterprises and export at least 50% of their output or increase production by 25% are eligible for income tax exemption for two years. An investor who invests in the "developing regions" of Gambella, Benishangul Gumuz, South Omo, Afar or Somali Region will be eligible for an additional one-year income tax exemption. An investor who exports hides and skins after processing only up to crust level will not be entitled to the income tax incentive.

A special loan fund through the Development Bank of Ethiopia (DBE) provides land at low lease rates for priority export areas such as floriculture, leather goods, textiles and garments, and agro-processing related products. An investor can borrow up to 70% of the cost of the project from this special fund without collateral upon presenting a viable business plan and 30% personal equity.

Investors are allowed to import duty-free capital goods and construction materials necessary for the establishment of a new enterprise or for the expansion of an existing enterprise. In addition, spare parts worth 15% of the value of the capital goods can be imported duty-free. This privilege may not be granted if comparable capital goods or construction materials can be produced locally and have competitive prices, quality, and quantity. Imported duty free capital goods can no longer be used as loan collateral. Travel agencies/tour companies have increased duty-free privileges for the importation of goods such as vehicles, provided they are used solely in tourism activities.

The Ministry of Agriculture's (MOA) Agricultural Investment Support Directorate offers grace periods of up to seven years on land rents. The Directorate is currently focused on land deals in the remote regions of Gambella, Benishangul Gumuz, Southern Nations, and Afar.

6. 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. There is no right of private ownership of land. All land is owned by the state and can be leased for up to 99 years. In November 2011, the government enacted a controversial urban land lease proclamation that allows the government to determine the value of land in transfers of leasehold rights, in an attempt to curb speculation by investors.

7. Protection of Property Rights

Secured interests in property are protected and enforced, although all land ownership remains in the hands of the state. Certain residents have been relocated (and usually compensated) when the government decides that the land they are living on should be used for a road or other public use. Land leasehold regulations vary in form and practice by region. Mortgages are uncommon as loan terms are generally quite short.

Ethiopia has yet to sign a number of major international intellectual property rights (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 GOE has expressed its intention to accede to the Berne convention and Madrid protocol by 2015. The Ethiopian Intellectual Property Rights Office (EIPO) has been tasked primarily to protect Ethiopian copyrighted materials and pirated software. Generally, EIPO has weak capacity in terms of manpower and none in terms of law enforcement. In addition, a number of businesses, particularly in the tourism and service industries, operate in Ethiopia freely using well-known trademarked names or symbols without permission.

8. 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. Government ministries often pass decisions and associated paperwork to various ministries before any decision is finalized. In many cases, this paperwork gets stuck in one ministry and no decision is made.

In 2011, the central bank 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 a new public procurement and property administration agency. This agency is an autonomous government organ, has its own judicial arm, and is accountable to the Ministry of Finance and Economic Development.

9. Efficient Capital Markets and Portfolio Investment

Access to finance is an impediment to increased Ethiopian domestic private investment. While credit is available to investors on market terms, a 100% collateral requirement limits the ability of some investors to take advantage of business opportunities. Additionally, an April 2011 measure forcing non-government banks to invest the equivalent of 27% of each loan made in National Bank of Ethiopia (NBE) bonds has contributed to liquidity shortages that have reduced the ability of banks to lend to the private sector.

Ethiopia currently has nineteen banks--three state-owned, and sixteen privately-owned. In September 2011, the NBE raised the minimum paid up capital required to establish a new bank from Birr 75 million to 500 million which effectively stopped the entry of most new banks into the market. Foreign banks are not permitted to provide financial services in Ethiopia. The state-owned Commercial Bank of Ethiopia mobilized 65.1% of the total bank deposits and provided more than 50.4% of total bank loans in the fiscal year 2012/13. Ethiopia does not have a securities market, and sales/purchases of debt are heavily regulated. The GOE is drafting legislation to regulate the over-the-counter market for private share companies. In addition, Moody’s rated Ethiopia’s credit worthiness a ‘B+’, while S&P and Fitch gave it a ‘B’.

The NBE controls the bank minimum deposit rate, which now stands at 5%, while loan interest rates are allowed to float. Real interest rates have been negative in recent years mainly due to high inflation. The government offers a limited number of 28 days, 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. The yields on these T-bills are below 2%. This market remains unattractive to the private sector and over 95% of the T-bills are held by the state-owned Commercial Bank of Ethiopia and public enterprises.

The Ethiopia Commodity Exchange (ECX), launched in 2008, trades commodities such as coffee, sesame seeds, maize, wheat, and haricot beans. The GOE 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 international rates.

10. Competition from State-Owned Enterprises

State-owned enterprises and ruling party-owned entities dominate major sectors of the economy. There is state monopoly or state dominance in sectors such as **telecommunications, power, banking, insurance, air transport, shipping, and sugar.** Ruling party-affiliated "endowment" companies have a strong presence in the **ground transport, fertilizer, and textile sectors**. Both state-owned enterprises and "endowment" companies dominate the **cement** sector.

State-owned enterprises have considerable advantages over private firms, particularly in the realm of Ethiopia's regulatory and bureaucratic environment, including ease of access to credit and speedier customs clearance. Local business owners as well as 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 to these entities, there are indications that they receive incentives such as priority foreign exchange allocation, preferences in government tenders, and marketing assistance. Ethiopia publishes aggregate financial data of state-owned enterprises, but detailed information is not included in the national budget, and few state-owned enterprises outside of Ethiopian Airlines publicly release detailed financial statements.

Corporate governance of state-owned enterprises is structured and monitored by a board of directors composed of senior government officials and politically-affiliated individuals. In 2010, the Ethiopian government "corporatized" state-owned enterprise Ethiopian Telecommunications Corporation (ETC) by turning over its management to France-Telecom per a two-year contract. As part of this process, a new company, Ethio Telecom (ET), was formed to replace ETC. In January 2013, France-Telecom handed back the management of Ethio Telecom after completion of the contract. Similar to the “corporatization” of ETC, a tender for the management of Ethiopian Electric Power Company (EEPCO) was advertised in 2011. After splitting the power corporation into two entities, the management contract of the Ethiopian Electric Utility has been given to an Indian company for two years contract beginning December 2013.

The Public-Private Dialogue Forum (PPDF), a joint consultative forum between the private sector and the government, held two meetings in 2013 focusing on Tourism sector and company registration and business licensing. The private sector was represented by the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) and the government by the Ministry of Trade (MOT). Additionally, Prime Minister Hailemariam Desalegn met with representatives of the private sector in June 2013 to discuss their commercial concerns.Nearly all tenders issued by the Ethiopian government's Privatization and Public Enterprises Supervising Agency (PPESA) 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 over 300 public enterprises since 1994. Most of these enterprises were small enterprises in the trade and service sectors. The agency privatized 3 Enterprises in 2013 and currently around 30 public enterprises remain under PPESA control.

11. Corporate Social Responsibility

Some larger international companies have introduced corporate social responsibility (CSR) programs; however, most local companies do not practice CSR. There is a movement 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 corporation can serve to further align company objectives with the government of Ethiopia's overall GTP development goals.

12. Political Violence

Ethiopia has been relatively stable and secure for investors. Insurgents operating in parts of the Somali Region of Ethiopia have warned investors against exploring for oil or natural gas resources in this area. Some elements of the outlawed Ogaden National Liberation Front continue to operate in parts of the Somali Region and there are reports of sporadic clashes with security forces.

Beginning in 2008, the government enacted a series of laws that effectively constrained opposition parties, the media, and civil society. The Ethiopian People's Revolutionary Democratic Front (EPRDF), which is the ruling party coalition, and its allied parties subsequently took close to 90 percent of the popular vote and won 545 out of 547 parliamentary seats in the 2010 national elections, which were judged to have lacked a level playing field. Regional-level elections (including for seats in the Addis Ababa and Dire Dawa city councils) were held in 2013 and national parliamentary elections are scheduled in 2015.

In 2009, the Ethiopian government passed the Anti-terrorism Proclamation (ATP), granting executive branch-controlled security services virtually unlimited authority to take unilateral action to disrupt suspected terrorist activities. Terrorist activities are broadly defined in the legislation. The law has been cited in the convictions of twelve Ethiopian journalists, political opposition leaders, and activists, and an Ethiopian employee of the UN. Two Swedish journalists were found guilty of "providing support for terrorists" and illegally entering the country in 2011 and were sentenced to eleven years in prison, but received a pardon in September 2012.

Five European tourists were killed and two were kidnapped in January 2012 by the Afar Revolutionary Democratic Unit Front (ARDUF), an extremist group backed by Eritrea. In retaliation, the Ethiopian military made incursions into Eritrea in March targeting the ARDUF and the Eritrean military. An attack on a farm operated by Saudi Star Development in the Gambella Region in April 2013 left five people dead, and was blamed on the Gambella Nilotic Union. The Ethiopian government regards these incidents as terrorist attacks.

In February 2012, the Ethiopian government announced that it had arrested al-Qaida operatives with links to Kenya, Sudan, the Philippines, Saudi Arabia, and South Africa in the Bale area of Oromia Region in December 2011. In October 2013, in Addis Ababa, two suspected al-Shabbab operatives died in an explosion thought to be a failed terrorist attack and were thought to have been targeting a crowded sports event occurring near the explosion.

Isolated protests broke out on several university campuses in Ethiopia's Oromia region in late April, resulting in at least eleven deaths, following reports that a draft development plan for

Addis Ababa would expand the capital's territory into the Oromia region. Ethnic conflict, including among university students, occurs at times and occasionally becomes violent.

13. Corruption

Ethiopia ratified the United Nations (UN) Anticorruption Convention in 2007. The UN Investment Guide to Ethiopia (2004) asserted that routine bureaucratic corruption is virtually nonexistent in Ethiopia. The guide added that bureaucratic delays certainly exist, but are not devices by which officials seek bribes. It is a criminal offense to give or receive bribes, and bribes are not tax deductible.

Transparency International's 2013 Corruption Perceptions Index, which measures perceived levels of public sector corruption, ranked Ethiopia as 33 (with 0 indicating "highly corrupt" and 100 indicating "very clean"). Ethiopia's rank on the corruption perception index was 111 out of 175 countries in 2013 and 113 out of 176 rated countries in 2012.

The Ministry of Justice and the Federal Ethics and Anti-Corruption Commission (FEACC) are charged with combating corruption. Since its establishment, the Commission has arrested dozens of officials on charges of corruption, including managers of the Privatization Agency, Ethiopian Telecommunications Corporation, National Bank of Ethiopia, Ethiopian Geological Survey, the state-owned Commercial Bank of Ethiopia, Ethiopian Revenue and Customs Authority and private businessmen.

14. Bilateral Investment Agreements

Ethiopia has bilateral investment and protection agreements with China, Denmark, Italy, Kuwait, Malaysia, Netherlands, Russia, Sudan, Switzerland, Tunisia, Turkey, Yemen, Spain, Algeria, Austria, UK, Belgium/Luxemburg, Libya, Egypt, Germany, Finland, India, and Equatorial Guinea and 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. Ethiopia also has avoidance of double taxation treaties with fourteen countries, including Italy, Kuwait, Romania, Russia, Tunisia, Yemen, Israel, South Africa, Sudan and the UK. There is no avoidance of double taxation treaty between the United States and Ethiopia.

15. 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. In past years, it has not originated any investment in Ethiopia however, recently, has begun to initial reviews for qualifying investment opportunities.

16. Labor

Approximately 85% of Ethiopia's 90 million people worked in agriculture. The Ethiopian government is the most important sector of employment outside of agriculture. According to the Central Statistical Agency's urban employment and unemployment survey result, urban unemployment was estimated to be 17.5 % as of 2012. (24.9% of people ages 15-24 are unemployed.)

Ethiopia has ratified all eight core ILO conventions, including most recently, the Palermo Convention. The Ethiopian Penal Code outlaws work specified as hazardous by ILO conventions. The Ethiopian Parliament ratified ILO Convention 182 on the Worst Forms of Child Labor in May 2003. The U.S. Government produces an annual report on labor conditions in Ethiopia, including an assessment of child labor.

According to the 2014 Index of Economic Freedom (produced by the Heritage Foundation), Ethiopia scored a 54.7 out of 100 for labor freedom, 0.6 points above the 2013 score and 0.8points above 2012. The index rating states that “The underdeveloped labor market traps much of the labor force in informal economic activity.” The Confederation of Ethiopian Trade Unions has been expanding its membership and, along with the Ethiopian Employers’ Federation, actively supports foreign direct investment.

Ethiopia generally enjoys labor peace. The right to form labor associations and engage in collective bargaining is constitutionally guaranteed for many workers, but excludes managerial employees, teachers, and civil servants. Although the constitution and law provide workers with the right to strike to protect their interests, detailed provisions make legal strike actions difficult to carry out. In practice, labor strikes are rare.

Child labor is widespread in Ethiopia. While not a pressing issue in the formal economy, child labor is common in rural agrarian areas and the informal economy in urban areas. 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 statutorily prohibited from hiring children under the age of 14. In 2013, Ethiopia produced a list of “Activities Prohibited for Young Workers” and launched its National Action Plan (NAP) on the Elimination of the Worst Forms of Child Labor. The laws defining what sectors may hire "young workers," defined as workers aged 14 to 18, are infrequently enforced due to the lack of capacity of labor inspectors within the country.

Labor remains readily available and inexpensive in Ethiopia. Skilled manpower, however, is scarce in many fields. Approximately 60% of Ethiopians over the age of 15 are illiterate (defined by UNESCO as “[in]ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts”). There is no national minimum wage standard.

To increase the skilled labor force, the government of Ethiopia has undertaken a rapid expansion of the university system in the last 8 years, increasing the number of higher education institution from one to 33. It has also adopted an education policy that 70% of the annual student intake in Public Universities must focus on science, engineering and technology.

17. Foreign Trade Zones/Free Ports

There are no areas designated as foreign trade zones and/or free ports in Ethiopia. Because of the 1998-2000 Ethiopian-Eritrean war, Ethiopian exports and imports through the Eritrean port of Assab are prohibited. As a result, Ethiopia conducts almost all of its trade through the port of Djibouti with some trade via the Somaliland port of Berbera and Sudan's Port Sudan. Despite Ethiopia's efforts to clamp down on small-scale trade of contraband, unregulated exports of coffee, live animals, chat (a mildly narcotic amphetamine-like leaf), fruit and vegetables, and imports of cigarettes, alcohol, textiles, electronics and other consumer goods continues.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign direct investment (FDI) flows into Ethiopia have gradually increased in the last few years. According to estimates by the World Bank (August 2012), the annual inflow of FDI increased from US$0.5 billion in 2007 to US$1.2 billion in 2011. Floriculture, horticulture, textile, and leather are the sectors that have attracted the most FDI. Recently, commercial farming has attracted Indian, Saudi, European, and U.S. investors. According to the Ethiopian Investment Agency, the stock of U.S. foreign direct investment since 1993 in Ethiopia reached nearly US$1.5 billion as of November 2013, which includes both projects under implementation and in operation.

U.S. companies with a presence and participation in Ethiopia's economy include (either through direct presence or licensing/distribution agreement): Boeing, Coca-Cola, Pepsi-Cola, Caterpillar, John Deere, Proctor & Gamble, Johnson & Johnson, Ford, Mack Trucks, General Motors, Deloitte, Ernst & Young, Grant Thorton, Radisson, Sheraton, Hilton, Motorola, Microsoft, IBM, Cessna, Bell Helicopters, Perkins, Massey Ferguson, Case III, 3M, Lucent Technologies, Cisco, Federal Express, United Parcel Service, Rank/Xerox Corporation, HP, Cargill, Navistar, Hughes Network, DuPont, Oracle, Pfizer, MWH and General Electric.

Table 2: Key Macroeconomic data, U.S. FDI in host country / economy

In USD millions, unless otherwise noted.	Per Ethiopian Government*		External Sources	
Economic Data	Year	Amount	Year	Amount
Gross Domestic Product (GDP)	2012 / 2013	$46,597	2013	$48,100*
Foreign Direct Investment (FDI)	2012/2013	$1,300	2012	$1,100**
U.S. cumulative FDI	1993 - 2013	$1,500	N/A	N/A
Ethiopia's FDI in the U.S.	N/A	N/A	N/A	N/A
Total inbound stock of FDI as % Ethiopia's GDP	2012/2013	2.8%	2012	2.6%

*) Per World Bank Economic Data

**) Per United Nations Conference on Trade and Development

Figures from the Government of Ethiopia cover the fiscal year of July 2012 to June 2013 while the international indicators measure performance by the calendar year.

Table 3: Sources of FDI (July 9, 2012 – July 5, 2013)

No	Country of Origin	No of Projects	Capital in '000' USD
1	Turkey	34	1,513,503
2	China	155	358,642
3	Saudi Arabia / Ethiopia	11	318,189
4	India	47	302,993
5	Sudan	97	125,008
6	Britain	2	114,326
7	South Africa / Ethiopia	2	112,494
8	Saudi Arabia	19	107,669
9	Germany/Ethiopia	5	100,693
10	Netherlands/Ethiopia	4	40,944
Total		376	3,094,461
Others		345	458,235
Grand Total		712	3,552,697

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Civil law system

International organization participation:

ACP, AfDB, AU, COMESA, FAO, G-24, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCS, IGAD, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NAM, OPCW, PCA, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNISFA, UNMIL, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

Ethiopia‟s central bank administers a strict foreign currency control regime and the local currency (Birr) is not freely convertible. While larger firms, state-owned enterprises, and enterprises owned by the ruling party do not typically face major problems obtaining foreign exchange, less well connected importers, particularly smaller, new–to-market firms, face delays in arranging trade-related payments.

Treaty and non-treaty withholding tax rates

Ethiopia also has double taxation treaties with fourteen countries, including Italy, Kuwait, Romania, Russia, Tunisia, Yemen, Israel, South Africa, Sudan and the UK.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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