

DOING BUSINESS IN ETHIOPIA

A Brief Legal Guide



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Welcome to this 2015 edition of *Doing Business in Ethiopia*.

Ethiopia is one of the fastest growing countries in the world and it is becoming a continuously attractive destination for doing business and investment for foreign investors.

This handbook is meant to be a brief legal guide to foreign investors who are interested in doing business and investment in Ethiopia. In the following pages, you will find invaluable information on geography and demographics, vehicles for doing business, business rights and the regulatory environment, employment, corporate governance, banking and finance, investment regulation, tax, dispute settlement and exiting investment.

About MLA

Mehrteab Leul & Associates Law Office (MLA) was founded by Mr. Mehrteab Leul Kokeb in 1997. Mr. Mehrteab was a former High Court Judge, one time government lawyer and counsel to a major private insurance company before he went on to setting up his own private legal practice.

MLA, a full service law Office operating in Ethiopia, provides first class legal services to clients on wide range of areas including investment, corporate, taxation, company registration, merger and acquisition, intellectual property, employment, aviation, power and energy, arbitration and NGOs law.

With more than 15 years in private practice and in recognition of its distinguished legal services, MLA joined DLA Piper Africa Group in 2012. One of the largest law firms in the world, DLA Piper created a strong network of independent law firms in Africa under the aegis of DLA Piper Africa Group with a view to providing seamless and efficient legal services throughout the continent of Africa. DLA Piper Africa Group foot print is now seen in many African countries, including Ethiopia, Kenya, Uganda, Rwanda, Burundi, Tanzania, Ghana, Egypt and South Africa.

With more than 4200 lawyers located in 30 countries and 76 cities in the world and along with the DLA Piper Africa Group, DLA Piper offers a unique opportunity to MLA to tap into the wealth of experience of DLA networks throughout the world to fulfil MLA's mission of providing legal services marked by excellence, integrity and accountability.

We are delighted that in 2015 we continued to be recognized as 'leaders in their practice' by Chambers & Partners. We are also the only law office in Ethiopia to have appeared on Legal 500.

We hope you will find this Doing Business in Ethiopia Guide both interesting and informative and we look forward to working with you.



**Mehrteab Leul Kokeb
Principal**

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1 COUNTRY OVERVIEW

- 1.1 **Name**– Federal Democratic Republic of Ethiopia
- 1.2 **Capital city** – Addis Ababa
- 1.3 **Total land area** – 1,127,127 km²
- 1.4 **Population (2013)** – 94.1 Million
- 1.5 **Population growth (2013)** – 2.6%
- 1.6 **Urban population (2013)**– 16,675,000
- 1.7 **Languages spoken (three most widely spoken)** – Amharic, Afan Oromo and Tigrigna
- 1.8 **Neighbouring countries** – Somalia, Kenya, South Sudan, Sudan, Eritrea and Djibouti
- 1.9 **Independence** – never colonized

1.10 Government Structure

- 1.10.1 **Head of State** – President Mulatu Teshome
- 1.10.2 **Term of Office** – Six years
- 1.10.3 **Type of Government** – Parliamentary Democracy
- 1.10.4 **Head of Government** – Prime Minister Hailemariam Dessalegn
- 1.10.5 **Term of Office** – Five years
- 1.10.6 **Main political party** – Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF)
- 1.10.7 **Main opposition parties** – Forum for Democratic Dialogue in Ethiopia/Unity for Democracy and Justice
- 1.10.8 **Administrative divisions** – Ethiopia has a federal system of government constituted by 9 National Regional States and two city administrations which are – Tigray, Afar, Amhara, Oromia, Southern Nations, Nationalities and Peoples (SNNP), Somali, Harari, Gambella and Benishangul Gumuz regions and Addis Ababa and Dire Dawa city administrations respectively.
- 1.10.9 **Legal System** – civil law legal system

1.11 Economy (at 2013)

- 1.11.1 **GDP** – US\$ 46.87 Billion
- 1.11.2 **Percentage of Africa’s GDP** – 2.15%
- 1.11.3 **GDP Growth Rate** – 9.7% (MOFED¹ 2012/2013)

1 Ministry of Finance and Economic Development of Ethiopia

- 1.11.4 **Per capita GDP PPP** – US\$ 550 (2013 MOFED)
- 1.11.5 **Inflation Rate** – (2013 I-MF): 7%
- 1.11.6 **GDP by sector (percentage)**
 - 1.11.6.1 Agriculture 45.8 % (AEO² 2013)
 - 1.11.6.2 Manufacturing 3.9 % (AEO 2013)
 - 1.11.6.2.1 Electricity, Gas and water – 1 % (AEO 2013)
 - 1.11.6.2.2 Construction – 5 % (AEO 2013)
 - 1.11.6.2.3 Wholesale and retail trade, hotels and restaurants – 18.8 % (AEO 2013)
 - 1.11.6.2.4 Transport, storage and communication – 5.3 % (AEO 2013)
 - 1.11.6.2.5 Finance, real estate and business services – 9.8% (AEO 2013)
 - 1.11.6.2.6 community, social and personal services – 3.4% (AEO 2013)
 - 1.11.6.2.7 Other services – 5.7 % (AEO 2013)
- 1.11.7 **Net Inflow of FDI (2013)** – 953 Million Dollars (World Investment Report)
- 1.11.8 **Top three exports by value (2013)** – Coffee, Oilseeds and Gold (MoFED)
- 1.11.9 **Top three import sources (2013)** – China, India and Saudi Arabia (MoFED)
- 1.11.10 **Top three export destinations (2013)** – China, Germany and United States (MoFED)
- 1.11.11 **Imports** – capital goods, consumer goods, fuel and semi-finished goods (MoFED)
- 1.11.12 **Currency** – Ethiopian Birr (ETB)

1.12 Infrastructure

- 1.12.1 Major international airport – Addis Ababa Bole International Airport
- 1.12.2 Ports – Land locked but relies mainly on Port Djibouti and Port Sudan.

2 BUSINESS VEHICLES /STRUCTURES FOR DOING BUSINESS

2.1 Introduction

- 2.1.1. Business can be set up in the form of sole proprietorship, business organizations incorporated in Ethiopia (a private limited company, a share company or partnerships), branch of a foreign company, public enterprises and cooperative societies. Partnerships are associations of persons whose liability is unlimited (except limited partners in limited partnerships). Limited liability companies could take the form of a share company or

² The African Economic Outlook (AEO) is a product of collaborative work by the African Development Bank, the OECD Development Centre and the United Nations Development Programme.

a private limited company.

- 2.1.2 The laws that regulate formation of business entities in Ethiopia are the Ethiopian Commercial Code of 1960, Ethiopian Civil Code of 1960, Investment Proclamation of 2012 (as amended in 2014), Investment Regulation of 2013, Public Enterprises Proclamation of 1992, Cooperative Societies Proclamation of 2003, Commercial Registration and Business Licensing Proclamation of 2010 (as amended).

2.2 Presence of foreign entities

- 2.2.1 Incorporating a subsidiary company and opening a branch of a foreign company are the main vehicles for foreign entities to trade in Ethiopia. Foreign companies may also promote their business in Ethiopia by opening a commercial representative office. A branch of a foreign company is treated as an extension of its parent foreign company. In contrast, a subsidiary of a foreign company is treated as separate from its parent company.
- 2.2.2 Foreign investors that come to operate in Ethiopia by winning international bids can also set up a project office to perform a specific contract. There is no minimum capital requirement for a project office. It can be used for the life of the contract engaged. The disadvantage of project office is that it will only be limited for a registered contract and cannot be used for multiple contracts.
- 2.2.3 The Investment Proclamation of 2012 (as amended), the Commercial Registration and Business Licensing Proclamation of 2009 and the Ethiopian Commercial Code of 1960 regulate the requirements for incorporation of a subsidiary or registration of a branch or a commercial representative office in Ethiopia.

2.3 Registration requirements and level of protection offered to shareholders of the various business vehicles

2.3.1 Companies

- 2.3.1.1 A share company and a private limited company are associations of capital formally established by the signing of a memorandum of association and articles of association.
- 2.3.1.2 A private limited company and a share company require a minimum of two and five shareholders respectively. The maximum number of shareholders in a private limited company cannot exceed 50.
- 2.3.1.3 Once shareholders have signed the memorandum and articles of association before a public notary and the same are deposited in the commercial register, the company becomes a legal person. After registration, obtaining a business license is necessary to start business operations.
- 2.3.1.4 Companies are legal persons whose liabilities are met by their assets only. Shareholders of companies are liable only to the extent of their contributions.

- 3.3.1.5 Both legal and physical persons can be shareholders of either a share company or a private limited company. Foreign nationals are not allowed to invest in certain areas of investment reserved for either Ethiopian nationals or the Ethiopian Government. Foreign nationals may however be allowed to invest in reserved areas of investment with the approval of the Ethiopian Investment Board. Some areas of investments can only be carried on in joint venture with the Government of Ethiopia.
- 2.3.1.6 Private limited companies are not subject to detailed regulations when compared to a share company, which the law regulates strictly. A private limited company is more of a family company while a share company is a public company. A share company is required to have a board of directors and auditor/s and it should also conduct a general meeting of shareholders at least once a year. A private limited company is not required to have an auditor unless the number of its shareholders exceeds twenty. A private limited company cannot issue transferable securities like bonds, debentures, while a share company can issue transferable securities.

2.3.2 Branch of foreign entities

- 2.3.2.1. Foreign incorporated companies can register a branch in Ethiopia to undertake business activities.
- 2.3.2.2. The requirements for registering a branch of a foreign company include the submission of:
- notarized and authenticated minutes of a resolution passed by an authorized organ of a foreign business organization authorizing the opening of a branch in Ethiopia
 - certificate of incorporation of a foreign parent company
 - copies of memorandum and articles of association or similar documents of the business organization.

2.3.3 Partnerships

- 2.3.3.1. There are four types of partnership recognized under Ethiopian law. These are ordinary partnership, general partnership, limited partnership and joint venture. Partnerships should be formed by a partnership agreement and registration is a prerequisite for a partnership to obtain legal personality. However, these requirements do not apply to joint ventures which have no legal personality.
- 2.3.3.2. Partners are liable jointly and severally for the activities of a partnership except for limited partners in a limited partnership. Partnerships are associations of persons and usually they are not recommended for foreign investors.

2.3.4 Sole proprietor

A sole proprietor is a person who conducts a business in his/her own name with unlimited liability. For a sole proprietor to operate a business, he/she has to obtain a commercial registration certificate and a business license.

2.3.5 Trade Representative Office

2.3.5.1 Foreign investors who are not interested in trading activities can register a commercial representative (liaison) office and appoint a commercial representative to undertake promotional activities in Ethiopia.

2.3.5.2 Before starting its operation, the commercial representative should be registered with the Ministry of Trade and get a certificate of commercial representative. To secure the certificate, among other things, a minimum of 100,000.00 USD has to be brought into Ethiopia which is expected to cover salaries and operational expenditures of the office for a year. After the issuance of a valid certificate, a commercial representative can promote the products and services of the principal foreign company, study projects that will enable the principal to make investments in Ethiopia and to promote export products of Ethiopia in the country of origin of the principal company.

2.3.5.3 The commercial representative certificate should be renewed annually. Renewal requires the transfer of a minimum of 100, 000.00 USD every year to a bank account of the commercial representative office in Ethiopia.

2.3.6 Registration requirements

Registration is a requirement for companies to do businesses in Ethiopia. Operating a business without obtaining a business license entails administrative and criminal liabilities.

3 BUSINESS RIGHTS AND REGULATORY ENVIRONMENT

3.1 Licenses & Regulation

3.1.1 Requirements to trade

Various kinds of permits, registrations and licenses may be required to operate business in Ethiopia. These include investment permit, business license, commercial and tax registrations. No person may carry out a commercial activity without obtaining a valid business license.

3.1.2 Anti-money laundering, anti-bribery and corruption

The Proclamation on Prevention and Suppression of Money Laundering and the Financing of Terrorism of 2009 established the National Financial Intelligence Unit which is the organ responsible for the prevention and suppression of money laundering and financing of terrorism in Ethiopia. Ethiopia ratified the United Nations Anti-Corruption Convention in 2007. It is a crime to give or receive bribes in Ethiopia. The Ministry of Justice and the Federal Ethics and Anti-Corruption Commission are the bodies responsible for combating and prosecuting corruption.

3.1.3 Competition

- 3.1.3.1 The Trade Competition and Consumers' Protection Proclamation No. 813/2013 aims to promote competitive practices in the local market and eliminate or prevent anti-competitive and unfair trade practices. It also regulates anti-competitive practices such as price-fixing, collusive tendering, market and consumer segregation, refusals to deal to sell or render services, practices intended to eliminate competitors, and practices regarded as abuse of dominance.
- 3.1.3.2 The Trade Competition and Consumers Protection Authority was established as an autonomous Federal Government body having its own legal personality accountable to the Ministry of Trade. The Authority has the mandate to promote trade competition and protect the business community from anti-competitive and unfair market practice and consumers from misleading market conducts.
- 3.1.3.3 Regarding mergers, the law requires the consent of shareholders and the amendment of memorandum and articles of associations for mergers to take place. Two or more firms may merge, either by taking over or by the formation of a new firm. A decision to merge shall be taken by each of the firms concerned. Special meetings of shareholders of different classes or meetings of debenture holders shall approve the taking over or being taken over. The claims and liabilities of the firms that have been merged shall pass to the firm taking over as a result of the merger.

3.1.4 Consumer Protection

The Trade Competition and Consumers' Protection Proclamation No. 813/2013 established the Trade Competition and Consumer Protection Authority. Under this Proclamation, consumers have the right to be provided with accurate information on the quality and type of goods or services, and to claim for remedies in relation to problems associated with such transactions. There are also provisions dealing with consumer protection scattered in various legislations.

3.1.5 Data Protection & Privacy

Ethiopia does not have a comprehensive law which is specifically meant to regulate privacy and data protection issues. However, there are a set of rules contained in various pieces of legislation that guarantee the right to privacy in an indirect fashion. These are the Ethiopian Constitution, international human rights instruments ratified by Ethiopia, the Civil Code of 1960, the Criminal Code of 2004, the Freedom of Mass Media and Access to Information Proclamation No. 590/2008, Registration of Vital Events and National Identity Card Proclamation No. 760/2012.

3.1.6 Environmental Law

The Environmental Pollution Control Proclamation No. 300/2002 and the Environmental Impact Assessment Proclamation No. 299/2002 provide for rules intended to control pollution and to govern environmental impact assessment in Ethiopia. The Ministry of Environment and Forest and regional environmental authorities set environmental standards and ensure compliance with those standards, review environmental impact study reports of projects and notify their decision to the concerned licensing agency and, as may be appropriate, audit and regulate their implementation in accordance with the conditions set out in the standards.

3.1.7 Intellectual Property (IP)

- 3.1.7.1 Ethiopia acceded to the Convention establishing the World Intellectual Property Organization (WIPO) in 1998. The Ethiopian Constitution of 1995 provides the foundation for protection of intellectual property rights. Additionally the Inventions, Minor Inventions and Industrial Designs Proclamation No. 123/1995, the Copyright and Neighbouring Rights Proclamation No. 410/2004 and Trademark Registration and Protection Proclamation No. 501/2006 are in place to protect intellectual property rights.
- 3.1.7.2 The Ethiopian Intellectual Property Rights Office, established in 2003, is responsible for the administration of patents, trademarks, copyrights, and other intellectual property policy and legal issues. Patents are protected for 10 to 15 years, with an additional five years of protection if there is proof that it is properly utilized. Industrial designs are protected for five years, with two possible five year extension. Once registered, trademarks have to be renewed every 7 years.

3.2 Land Rights

- 3.2.1 The Constitution of Ethiopia provides that ownership over land belongs to the state and the nations, nationalities and peoples of Ethiopia. The Constitution similarly provides that the Government will ensure the right of private investors to use land on a leasehold basis.

- 3.2.2. The Urban Land Lease Proclamation of 2011 gives investors the right to use of land on leasehold for periods of 15 years up to 99 years. The land cannot be mortgaged or sold, but the lease value of the land and the fixed assets thereon may be mortgaged or transferred to third parties. Regional governments and municipal administrations are authorized to allocate rural and urban land on lease in accordance with their respective laws.
- 3.2.3. An investor who acquires land through lease has to conclude a land lease agreement with the government and then obtain a lease holding certificate issued in its name.

4 EMPLOYMENT

4.1 Introduction

- 4.1.1 The principal legislations on employment relationship include the Ethiopian Civil Code of 1960, the Labour Proclamation No. 377/2003 (as amended), and the Private Enterprise Employees Social Security Proclamation No. 715/2011. These sets of laws are supplemented by different decisions of the Cassation Division of the Federal Supreme Court.
- 4.1.2 The Labour Proclamation applies to employment relations based on a contract of employment that exists between a worker and an employer. The Proclamation, however, does not apply to managerial employees (defined as employees vested with a power to formulate and execute management policies, to hire, transfer, suspend, assign or take disciplinary measures against other employees). Relevant provisions of the Civil Code apply to managerial employees. The law accords greater protection to non-managerial employees by laying down the minimum conditions that should always be complied with from the employer's side.
- 4.1.3 The Labour Proclamation provides that, except for a contract of employment concluded for a definite period or for piecework, all other types of employment contracts are deemed to have been concluded for an indefinite period. The Proclamation prescribes an exhaustive list of instances whereby a contract of employment can be concluded for a definite period or for piecework.

4.2 Employment of foreign nationals

Any investor can employ duly qualified expatriates required for the operations of its business. A foreign investor can employ expatriates for top management positions without any restriction. A foreign investor or a domestic investor who wishes to employ an expatriate for non top management positions must show that the skills required of the expatriate are not available in the domestic labour market. If it is likely that the local labour market is in a position to supply the required profiles and expertise, the law

gives priority to the employment of Ethiopian nationals. In addition, the right to employ expatriates for non-top management positions is limited by the law's requirement that foreign investors should replace, within a limited period, such expatriate personnel by Ethiopians by arranging the necessary training thereof.

5 CORPORATE GOVERNANCE

5.1 Laws Governing Corporate Governance

- 5.1.1 The Ethiopian Commercial Code of 1960, the Banking Business Proclamation No. 592/2009, the Insurance Business Proclamation No. 746/2012 and the Commercial Registration and Business Licensing Proclamation No. 686/2010 are the principal sources on corporate governance.
- 5.1.2 Only shareholders can be appointed as a member of a board of directors. The minimum number of directors is three and the maximum is twelve.

6 BANKING AND FINANCE

- 6.1 The Commercial Code of 1960, the Banking Business Proclamation No. 592/2009, the Insurance Business Proclamation No. 746/2012 and different directives of the National Bank of Ethiopia regulate the financial services sector in Ethiopia.
- 6.2 Financial services are reserved for Ethiopian nationals. Foreign financial institutions are not allowed to operate in Ethiopia and foreign nationals and companies are prohibited from owning shares of local financial institutions.
- 6.3 A foreign company may open a local bank account through its subsidiary or branch or representative offices duly registered in Ethiopia.

7 FOREIGN EXCHANGE REGULATIONS

- 7.1 Ethiopia has a number of exchange control directives issued by the national bank of Ethiopia at various times. All capital brought in and invested in Ethiopia should be registered by the Ethiopian Investment Commission and the National Bank of Ethiopia. Technology transfer agreements should also be registered with the Ethiopian Investment Commission to avoid difficulties during repatriation.

- 7.2. It is very important to comply with this requirement as subsequent requests for repatriation of profits and dividends and other payments depend in large part upon compliance with this requirement.
- 7.3 Foreign investors having business in Ethiopia have the right to repatriation of profits and dividends accruing from their investments, principal and interest due on foreign loans, payments related to technology transfer, payments related to collaboration agreements, capital gains proceeds from transfer of shares or transfer of partial ownership to a domestic investor, proceeds from the sale or liquidation of the business and compensation paid to an investor under the investment laws.
- 7.4 The foreign exchange regulations of the National Bank of Ethiopia allow expatriate employees to remit their salaries subject to certain restrictions. The local currency, the Ethiopian Birr, is not freely convertible. Since 2004, the National Bank has permitted non-resident Ethiopians and non-resident foreign nationals of Ethiopian origin to establish and maintain foreign currency accounts of up to USD 50, 000.
- 7.5 There are strict regulations governing access to foreign loans. Payment of interests on foreign loans is allowed only if the National Bank approves the foreign loan in the first place. The National Bank of Ethiopia will not authorize the repatriation of interest and principal payments on the loan or credit facilities which have not been approved by it.

8 PRIVATE EQUITY

The law requires that foreign investors should obtain approval from the Ministry of Trade to acquire shares of existing companies. The approval of Trade Competition and Consumer Protection Authority is also a requirement.

9 TAX, DUTIES AND TARIFFS

- 9.1 The principal taxes currently in place are corporate income tax, value added tax (VAT), customs duty and excise taxes. A number of final withholding taxes are imposed on income such as income from employment, dividend and royalties.
- 9.2 Ethiopia follows a classical corporate income taxation system in which tax is imposed both at corporate and shareholder level. Corporate income tax rate is 30% and dividend tax rate is 10%. All entities (except those currently enjoying income tax holidays) are subject to corporate tax, provided that they are established to operate a business or a trade. A business or a trade is defined as any industrial, commercial, professional or vocational activity or any other activity recognized as trade by the Commercial Code of Ethiopia and carried on by any person for profit.

- 9.3 Partnerships are treated as entities for tax purposes and are therefore subject to the corporate income tax. However, unlike company shareholders, partners in partnerships are not subject to dividend tax on profits distributed to them from the partnership.
- 9.4 Distribution of dividends is subject to 10% withholding tax at the time of declaration of dividends by companies. Ethiopian income tax laws are not as detailed as one would wish, but the tax authorities have recently held the view that companies are liable for dividend taxation regardless of whether they have distributed dividends or not as long as the companies have not transferred their profits into the capital account in accordance with the Commercial Code of Ethiopia. Interest on bank deposits is subject to 5% withholding tax, which is final. Interest paid on loan from foreign lender recognized as a financial institution by the National Bank of Ethiopia is subject to a 10% withholding tax, which again is final. The borrower in Ethiopia must withhold the 10% tax on a foreign loan in order to obtain deduction of the interest in Ethiopia.
- 9.5 The withholding tax rates may be reduced by the provisions of an applicable double taxation treaty for non-resident shareholders. Ethiopia has ratified double taxation treaties with countries like France, Israel, Romania, Russia, Turkey, South Africa, Tunisia, Algeria, Yemen and Czech Republic.
- 9.6 The issuance of new shares by companies does not attract capital gains tax, but the transfer of shares attracts capital gains tax. The capital gains tax rate on transfer of shares is 30% of the gain. Similarly, income tax shall be payable on gains obtained from the transfer (sale or gift) of building held for business, factory or office. The capital gains tax rate on transfer of buildings held for business, factory or office is 15% of the gain.
- 9.7 The supply of goods and services by registered persons is subject to the value added tax (VAT) at the rate of 15%. Some supplies are exempted from the VAT. These include financial services, educational, health and transportation services. Some supplies, most notably exports and international transport services, are zero-rated under the VAT regime of Ethiopia.

9.8 Import and Export Tariffs

Customs duties are payable on imports by all persons and entities which have no duty-free privileges. The rate of customs duty ranges from 0% to 35%. Other taxes may also be imposed on imports: excise duties on selected goods (e.g., tobacco); sur-tax on many imports and the value added tax (15%).

Most export products and services from Ethiopia are free from export tariffs. Some exports from Ethiopia such as raw hides and skins are subject to export duties.

9.9 Tax Incentives

Ethiopia's investment and tax laws grant tax incentives in the form of duty free privileges for imports, income tax holidays and in some cases income tax deductions. The tax incentives depend on the type, size and location of investments.

10 DISPUTE RESOLUTION

10.1 Types of courts and how long it takes to resolve a dispute

10.1.1 Federal Courts

- 10.1.1.1 As a federal state, Ethiopia has a dual structure of courts. The Ethiopian Constitution divides judicial power between the federal government and the nine regional states that constitute the federation. Federal courts have jurisdiction over matters specifically listed as federal matters under the Ethiopian Constitution and the Federal Courts Establishing Proclamation No. 25/96 (as amended) while state courts have judicial power over state matters.
- 10.1.1.2 Both federal and state courts have a three level court structure. The federal judicial system has federal first instance courts, federal high courts, and a Federal Supreme Court which also has a cassation division that reviews decisions that are purported to contain fundamental error of law. Similarly, the state judicial systems have their own respective state first instance courts, state high courts and state supreme courts. State supreme courts have a cassation division entrusted with entertaining fundamental errors of law committed by state lower courts on state matters.
- 10.1.1.3 Apart from federal and state courts, there are two municipal courts in the city administrations of Addis Ababa and Dire Dawa. These municipal courts entertain matters that specifically fall under their establishing laws.
- 10.1.1.4 The Cassation Division of the Federal Supreme Court is vested with the highest judicial power in the country. Its decisions on the interpretation of laws are binding on all lower federal, state and municipal courts.
- 10.1.1.5 Most federal and state courts have three distinct specialized benches which are civil, criminal and labour benches. Apart from some matters brought to court under summary procedures, it would take 6 to 18 months to resolve most civil and criminal cases on average at the trial level. Appellate court proceedings may take longer. Courts are required by law to dispose labour disputes within two months, but this time line might not be complied with in practice.

10.2 Alternative Dispute Resolution (“ADR”)

- 10.2.1 Ethiopia is not a member to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
- 10.2.2 Ethiopian law encourages the voluntary resolution of disputes out of courts. The 1960 Ethiopian Civil Code provides for substantive and procedural rules for ADR mechanisms. The three major ADR mechanisms recognized under Ethiopian law are conciliation, compromise and arbitration.

- 10.2.3 The Ethiopian Labour Proclamation No. 377/2003 also provides for the possibility of mediation between parties in labour disputes. The Labour Conciliation Office established under this Proclamation is authorized to find amicable settlement of labour disputes provided that the parties voluntarily submitted to its mediation efforts.

11 EXITING AN INVESTMENT

11.1 Disposal of Investment

- 11.1.1 Shareholders can dispose their shares in companies through a direct sale to willing third party purchasers. There is also a possibility under the Ethiopian Commercial Code for companies to redeem their own shares.
- 11.1..2 Shareholders may also agree to contractually provide for call options in company bylaws or shareholders/investment agreement in accordance with which the sale or purchase of shares can be enforced under specified conditions.

11.2 Listing

- 11.2.1 There is no stock exchange market in Ethiopia though the National Bank of Ethiopia is studying the possibility of establishing a stock market in Ethiopia.

11.3 Stock Acquisition, Asset Acquisition, Business Acquisition

- 11.3.1 The Ministry of Trade must approve the acquisition of shares of existing companies by foreign investors and the Ethiopian Trade Competition and Consumer Protection Authority should approve an acquisition of share interests in existing companies in Ethiopia.
- 11.3.2 Under Ethiopian Labour Proclamation No. 377/2003 amalgamation, division or transfer of ownership of an undertaking would not have the effect of either modifying or terminating the contract of employment.

11.4 Investment Protection

- 11.4.1 In Ethiopia, no investment can be expropriated or nationalized by the government except for public interest and then, only in conformity with the requirements of the law. The Constitution of Ethiopia protects private property. The Investment Proclamation also provides investment guarantees against measures of expropriation and nationalization. In the event of expropriation or nationalization, adequate compensation has to be paid in advance.

- 11.4.2 Ethiopia is a member of the World Bank affiliated Multilateral Investment Guarantee Agency (MIGA) which issues guarantees to investors against non-commercial risks such as expropriation. Moreover, Ethiopia has also concluded bilateral investment promotion and protection agreements with various countries. Ethiopia has also signed (but not ratified yet) the Convention on Settlement of Investment Disputes between States and nationals of other states.

12 OFFICE OVERVIEW

12.1 Introduction

Mehrteab Leul & Associates Law Office is the leading business law office in Ethiopia. It is staffed with dedicated and highly qualified legal professionals and is based in Addis Ababa.

12.2 Practice Areas

- 12.2.1 Mehrteab Leul & Associates Law Office specializes in and provides legal advisory and representation services in the following areas:
- 12.2.1.1 Investment
 - 12.2.1.2 Corporate and Commercial
 - 12.2.1.3 Contract Negotiation and Drafting
 - 12.2.1.4 Tax
 - 12.2.1.5 Intellectual Property
 - 12.2.1.6 Employment and Immigration
 - 12.2.1.7 Aviation
 - 12.2.1.8 Mining
 - 12.2.1.9 Construction and Real Estate
 - 12.2.1.10 Hospitality and Leisure
 - 12.2.1.11 Private Equity
 - 12.2.1.12 Power and Energy
 - 12.2.1.12 Sovereign Debt
 - 12.2.1.14 Nonprofits Sector and NGO
 - 12.2.1.15 Finance and Banking
 - 12.2.1.16 Mergers and Acquisitions
 - 12.2.1.17 Arbitration and Litigation

12.3 Clients

Our clients include national and multinational companies across a broad range of different economic sectors. We have strong private sector client base, especially among foreign national and multinational investors.

13 CONTACT INFORMATION

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