



MASTERING YOUR MARKET UNDER AFCFTA - ETHIOPIA

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OVERVIEW OF ETHIOPIA

With a population of more than 100 million people, Ethiopia is the second most populous country in Africa after Nigeria. Over the past decade, Ethiopia's economy has experienced significant growth, with an average annual growth rate of 14%. In 2019, Ethiopia's real Gross Domestic Product (GDP) expanded by 9%, but due to the Covid-19 pandemic, growth is expected to decrease to 6.3% in 2020. Ethiopia was ranked 159th out of 190 countries in the World Bank's Ease of Doing Business report, an improvement of two positions from 2018. The country's new leadership is determined to improve this ranking by addressing challenges such as burdensome customs administrative procedures, high logistics costs, and limited access to credit and foreign exchange, which pose major obstacles to small and medium-sized enterprises (SMEs). Although the rapidly growing economy of Ethiopia presents many opportunities, there are also challenges to doing business in the country.



ECONOMIC SNAPSHOTS

Ethiopia is a country that faces many challenges as a low-income nation, with its citizens struggling to meet their basic needs. However, despite these obstacles, the country has a rich culture, diverse agricultural sector, and a rapidly growing economy. While ranked 159th out of sub-Saharan African countries in terms of ease of doing business, the country is taking steps to improve its position and attract more foreign investment. Ethiopia's official languages, Oromo and Amharic, reflect the cultural richness of the country, which produces a variety of agricultural products such as coffee, cereals, cotton, and sugarcane. Although its industrial sector is less developed, Ethiopia has industries in food processing, textiles, and more. What's more, the country has a young and vibrant population, with 60% of Ethiopians under the age of 25. Despite its challenges, Ethiopia is a land of oppor-



ECONOMIC SNAPSHOTS

tunity, and its people are working hard to overcome obstacles and build a brighter future. The vast majority of Ethiopian imports comes from Asia followed by Europe, the United States and other countries in Africa. Imports from China accounts for 26% of the country's total foreign supplies.



MARKET CHALLENGES

Ethiopia is a country with many opportunities but also has challenges. The government is gradually implementing economic reforms, but still heavily controls most economic sectors, with state-owned enterprises dominating the economic landscape. Businesses in Ethiopia face foreign exchange shortages, causing delays in foreign exchange supply, which can last up to a year. Ethiopia's economy has grown rapidly, but is vulnerable to commodity price volatility and periodic droughts.

cratic and time-consuming, but there have been recent improvements, and the government is committed to improving its World Bank's Ease of Doing Business ranking.



IMPORT PRODUCTS

In 2021, the total import volume of Ethiopia amounts to about \$11.8 billion. Some of the items imported and the amount include the following:

1.Machine -	\$2.58b
2.Chemical Product-	\$1.58b
3.Veg. Product-	\$1.29b
4.Transportation -	\$1.26b
5.Mineral Product-	\$919m
6.Metal -	\$860m
7.Textile -	\$806m
8.Plastic & Rubber -	\$640m
9.Animal Bi-Product-	\$469m
10.Food Stuff-	\$454m
11.Instrument-	\$227m
12.Paper Goods-	\$159m
13.Miscellaneous -	\$145m
14.Precious Metals—	\$141m
15.Stone & Glass-	\$103m
16.Foot & Head Ware-	\$66.7m
17.Animal Product.-	\$38.5m
18.Animal Hides-	\$30.4m
19.Wood Products -	\$28.9m
20.Weapons -	\$2.84m
21.Arts & Antiques -	\$528k

The total service import volume of Ethiopia in 2018 is about \$6.2 billion and some of the services imported include the following:

1.Transportation-	\$4.08b
2. Travels—	\$612m
3.Construction -	\$479m
4.Other Business-	\$466m
5.Computer Service-	\$257m
6.Insurance-	\$190m
7.Govt. Services-	\$74.3m
8.Royalties/license-	\$26.7m
9.Fin. Services -	\$15.3m



MARKET OPPORTUNITIES

In Ethiopia, price is a key consideration for the majority of customers, rather than the life-cycle cost of a product. This means that many businesses import low-cost goods with high turnover rates. However, for durable items, buyers tend to prioritize reliable and high-quality equipment, with dependable after-sales service. Presenting sales materials in both English and the official local language, Amharic, can be an effective way to reach a broader customer base. While English is prevalent in the business community, using Amharic can help businesses appeal to local customers.

The US Trade and Development Agency (USTDA) is supporting the Ethiopian government's efforts to incorporate life-cycle cost analysis and value-for-money elements in their public procurement practices. This is intended to ensure that the government

obtains the best value for its funds and improves overall procurement outcomes. These initiatives and programs aim to bring transparency to public procurement programs and level the playing field for exporting companies to effectively bid and compete in government tenders.



MARKET ENTRY

To access the Ethiopian market, businesses must conduct a thorough assessment of market opportunities and perform extensive due diligence. Personal relationships are also crucial, and firms may benefit from appointing experienced local agents or distributors to represent their products and services. Hiring a local lawyer to review documents and contracts is essential for any investor.

Import regulations require that all commodity imports are channeled through Ethiopian nationals registered as official import or distribution agents with the Min-

istry of Trade and Industry. Personal meetings are also essential, and email communication should not substitute for in-person meetings. The Ethiopian calendar differs from the Gregorian calendar, with 13 months, 12 of which have 30 days, and one with five or six days, depending on whether it is a leap year or not. The government fiscal year, on the other hand, begins on 8th July and ends on 7th July, falling in two Gregorian calendar years. This is important for companies organizing their visits to Ethiopia, as they should avoid the Ethiopian New Year when many government officials, offices, and key private sector companies are

not available. Moreover, businesses should be aware of the Ethiopian fiscal year when approaching the government to finance goods and services to ensure funding and an appropriate approval timeline. However, accessing the Ethiopian market can be challenging due to bureaucratic procedures and paperwork. The government remains heavily involved in most economic sectors, and state-owned enterprises dominate the economic landscape, reducing room for the private sector to flourish.

IMPORT DOCUMENTATIONS

To import goods into Ethiopia, various documents and permits are required, including an Agency agreement, bank permit, bill of lading or airway bill, certificate of origin, commercial invoices, customs import declaration, foreign exchange authorization, import license, insurance certificate, packing list, tax identification number (TIN) certificate, pre-shipment inspection clean report of findings, transit document, and value-added tax (VAT) certificate. Additionally, medicines, medical supplies, and medical equipment

must be registered with the Ethiopian Food and Drug Authority (EFDA), and processed food and pharmaceuticals require a Certificate of Analysis (COA). Some items may require specific agency permissions, and plant and plant products, as well as seeds and agricultural inputs such as chemicals, pesticides, and fertilizers, cannot be imported without registration and authorization by the Ministry of Agriculture. All imported goods must be properly marked and labeled, and include product-related information such as expiration date and name.

Certain imports, such as used clothing, are prohibited, while others, such as arms and ammunition, require special permission. Refurbished medical equipment for resale is not allowed, and commercial goods imported outside of formal bank payment mechanisms are also not permitted.



SELLING FACTORS

In Ethiopia, advertising and trade promotion are key aspects of marketing strategies for businesses. The country has a variety of government-owned and privately-owned mass media outlets that serve as the major means of advertising. These include radio, television, and newspapers, as well as magazines, satellite television stations, and billboards. In addition to traditional advertising methods, businesses can also participate in international trade fairs

that are organized by the Addis Ababa Chamber of Commerce on partnerships with other organizations. These events are open to exhibitors from all over the world, and they offer a unique opportunity for businesses to showcase their products and services to a diverse audience. Chinese, Indian, European, and local businesses are among the regular participants in these trade fairs, which attract a significant number of visitors from different regions of Ethiopia. This presents an excellent opportunity for businesses to net-

To learn more about upcoming trade fairs and other events organized by the Addis Ababa Chamber of Commerce, interested parties can visit the chamber's website for information and registration details.

PAYMENT & EXCHANGE DOCUMENTS

Ethiopia has low foreign exchange reserves, making it difficult for businesses to source from abroad. All transactions in foreign exchange must go through authorized dealers supervised by the National Bank of Ethiopia (NBE), and imports must be funded through accounts held in Ethiopia. NBE delegates most foreign exchange transactions to commercial banks but maintains authority to approve large allocations. Foreign exchange shortages

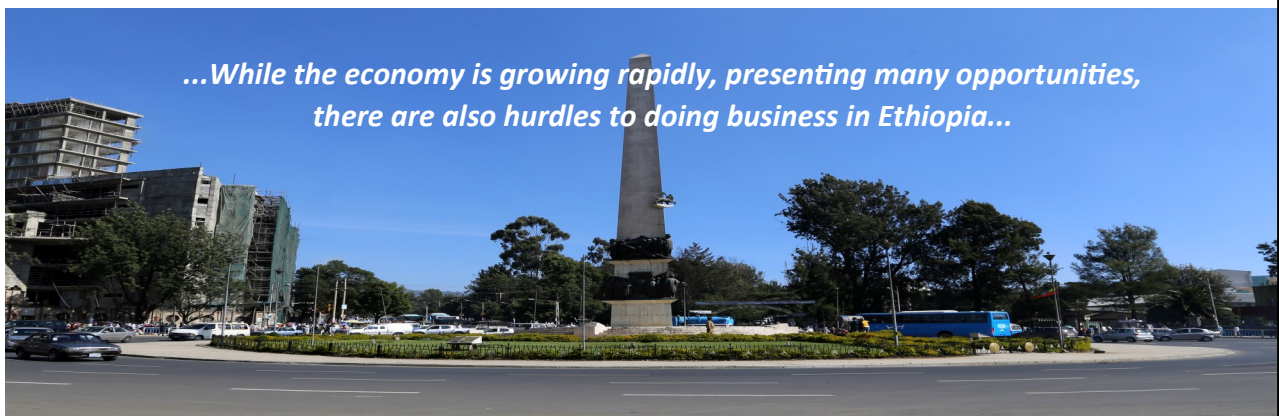
are a major challenge for potential Ethiopian importers, as demand for foreign currency remains high due to weak export performance. NBE regulations require commercial banks to allocate foreign currency based on priorities, with state-owned enterprises and government-sponsored projects given priority over the private sector.

BUSINESS CULTURE

The cultural dimensions of Ethiopia are analyzed in terms of Hofstede's cultural dimensions theory. Ethiopia scores high on Power Distance, which reflects the acceptance of hierarchical order, and low on Individualism, which indicates collectivism and strong group loyalty. In terms of Masculinity, Ethiopia scores high, reflecting a competitive, success-driven society where managers are expected to be decisive and assertive. Ethiopia also scores high on Uncertainty Avoidance, indicating a risk-averse society that prefers to avoid ambiguous or unknown situations. On Long-Term Orientation, Ethiopia scores high, reflecting a preference for maintaining

time-honored traditions and norms. Finally, on Indulgence, Ethiopia scores low, indicating a society that tries to control its desires and impulses based on the way its members were raised. Understanding these cultural dimensions can help individuals and organizations communicate and collaborate effectively with Ethiopians in various contexts, such as business or social interactions. It is important to note that these cultural dimensions are generalizations, and individuals may deviate from them to varying degrees based on their personal beliefs and experiences.

...While the economy is growing rapidly, presenting many opportunities, there are also hurdles to doing business in Ethiopia...





IN CONCLUSION

In conclusion, Ethiopia is a country with a rich culture, diverse agricultural sector, and a rapidly growing economy. The government is implementing economic reforms, but still heavily controls most economic sectors. Ethiopia's economy has grown rapidly, but is vulnerable to commodity price volatility and periodic droughts. The country has a young and vibrant population, with 60% of Ethiopians under the age of 25. The US Trade and Development Agency is supporting the Ethiopian government's efforts to incorporate life-cycle cost analysis and

value-for-money elements in their public procurement practices. To access the Ethiopian market, businesses must conduct a thorough assessment of market opportunities and perform extensive due diligence. Personal relationships are also crucial, and firms may benefit from appointing experienced local agents or distributors to represent their products and services. Import regulations require that all commodity imports are channeled through Ethiopian nationals registered as official import or distribution agents

with the Ministry of Trade and Industry. Certain goods require specific agency permissions, and plant and plant products, as well as seeds and agricultural inputs such as chemicals, pesticides, and fertilizers, cannot be imported without registration and authorization by the Ministry of Agriculture. Refurbished medical equipment for resale is not allowed, and commercial goods imported outside of formal bank payment mechanisms are also not permitted. Advertising and trade promotion are key aspects of marketing strategies for businesses in Ethiopia.



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