

Ethiopia's Liberalization of Export, Import, Wholesale and Retail Trade for Foreign Investors

Description

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Introduction

The Ethiopian Investment Board by Directive Number 1001/2024, issued the "Directive to Regulate Foreign Investors' Participation in Restricted Export, Import, Wholesale and Retail Trade Investments"(the Directive). The Directive shall come into force as of the date when it is posted on the web pages of the Ministry of Justice and the Ethiopian Investment Commission. The Directive is signed by Abiy Ahmed Ali (Dr.) Chairman of the Ethiopian Investment Board. The purpose of this Directive is to allow foreign investors to participate in investment areas in the export, import, wholesale and retail trade sectors. These lists of sectors have been reserved for domestic investors by Investment Regulation No 474/2020. Hence the Directive establishes the conditions that apply, and indicate details of the facilitation and regulatory functions of the appropriate government bodies. The article shall look into the conditions imposed for foreign investors to obtain investment permits on export trade, import trade, wholesale trade and retail trade. A brief conclusion shall follow.

Export Trade Investment

Any foreign investor is now allowed to engage in export trade investment of raw coffee, khat, oilseeds, pulses, hides and skins, forest products, poultry and livestock bought on the market.

Coffee: The major condition to get the permit for the foreign investor who has been procuring from Ethiopia is an average of at least USD\$10,000,000. (Ten Million) US Dollars worth of raw coffee annually for the last three consecutive years. The foreign investor should contractually agree to attain the export of at least USD\$10,000,000. (Ten Million) US Dollars worth of the commodity within the permit year. In the case of a foreign investor holding **no prior history of procuring from Ethiopia**, the foreign investor must show an established market and submit a purchase order contract of at least USD\$12,500,000 (Twelve Million Five Hundred Thousand) US Dollars for raw coffee.

Oilseeds: In the case of a foreign investor requesting to engage in the export trade of oilseeds, the foreign investor **must have been procuring from Ethiopia** an average of at least USD\$ 5,000,000 (Five Million) US Dollars worth of oilseeds annually for the last three consecutive years and contractually agree to attain the export of at least USD\$5,000,000.(Five Million) US Dollars worth of the commodity within the permit year. In the case of a foreign investor holding **no prior history of procuring from Ethiopia**, the foreign investor is required to show an established market and submit a purchase order contract of at least 7,500,000 (Seven Million Five Hundred Thousand) US Dollars for oilseeds.

Khat and Pulses: Where a foreign investor holding **no prior history of procuring** from Ethiopia, the foreign investor must demonstrate an established market and submit a purchase order contract of at

least 1,500,000 (One Million Five Hundred Thousand) US Dollars for khat and pulses. More so the foreign investor who **must have been procuring from Ethiopia** an average of at least USD\$1,000,000 (One Million) US Dollars worth of khat and pulses annually for the last three consecutive years, and contractually agree to attain the export of at least USD\$1,000,000 (One Million) US Dollars worth of each commodity within the permit year.

Hides and Skin, Forest Products and Poultry: Where a foreign investor wishes to engage in the export trade of hides and skins, forest products, and poultry, the foreign investor's annual **performance for the last three consecutive years** must be at least USD\$500,000 (Five Hundred Thousand) US Dollars, and shall contractually agree to attain the export of at least USD\$500,000 (Five Hundred Thousand) US Dollars worth of each commodity within the permit year. If the foreign investor holding **no prior history of procuring from Ethiopia**, the foreign investor must demonstrate an established market and submit a purchase order contract of at least USD\$750,000 (Seven Hundred Fifty Thousand) US Dollars for hides and skins, forest products and poultry

Livestock: Where a foreign investor seeking to engage in the export trade of livestock, no conditions related to prior experience and permit-linked contractual commitment shall be required except the requirements of minimum capital, competence or other standard available for foreign investors.

Other Export Trade Products under this Directive: Where a foreign investor holding **no prior history of procuring from Ethiopia**, the foreign investor must demonstrate an established market and submit a purchase order contract of at least USD\$500,000 (Five Hundred Thousand) US Dollars.

Import Trade

Any foreign investor can engage in all import trade investments reserved for domestic investors under the Investment Regulation No 470/2020 **except for fertilizer and petroleum import trade**. An investor who applies pursuant to import trade as per this Directive must, as appropriate, fulfill certain conditions, before the foreign investor receives an investment permit. The first condition to meet is to produce evidence that shows the applicant is a manufacturer of the imported product or the applicant is an agent of the manufacturer or the applicant is an existing manufacturer in Ethiopia exporting 50% or above of its products to overseas markets. Where the applicant is neither a manufacturer nor an agent, but commits to submit a detailed plan and enter into agreement with the appropriate body to annually import commodities worth of at least USD\$10,000,000 (Ten Million) US Dollars.

Wholesale Trade

Any foreign investor can engage **in the wholesale trade investment of all sectors** reserved for domestic investors under the Regulation 470/2020 except for the import of fertilizers. An investor issued with an investment permit of wholesale may engage in the wholesale trade of products the foreign investor imported from abroad using import trade permit, or products which the foreign investor purchases from domestic manufacturers. A foreign investor before receiving an investment permit should first express consent, in writing, to enter into agreement with the appropriate body, contractually commit to build modern marketing infrastructure and provide streamlined logistics service facilitating its wholesale operations.

Retail Trade

Any foreign investor can engage in retail trade investments reserved for domestic investors under the Regulation 470/2020. As per Article 13 of the Directive, the conditions in which the foreign investor has to meet to receive investment permit include: *'a) undertakes to carry out the retail trade on land/building having a floor area of at least 2000 sq.mt. managed under one unified ownership structure, commits to establish five such supermarkets within a total of three years, completes the opening of at least two supermarkets in order to receive a business permit, and consents to enter into agreement before taking out an investment permit; or b) undertakes to carry out the retail trade on land/building having a floor area of at least 5000 sq.mt. managed under one unified ownership structure, commits to establish two such hypermarkets within a total of three years, completes the opening of at least one hypermarket in order to receive a business permit, and consents to enter into agreement before taking out an investment permit; or c) undertakes to carry out the retail trade on land/building having a floor area of at least 10,000 sq.mt. managed under one unified ownership structure, and commits to complete the construction and enter into agreement in order to receive a business license'* The Ethiopian Investment Board shall make decisions, on a case by case basis, in respect of foreign investors' participation in reputable single brand retail trades operating on a smaller capital and floor space.

All foreign investments are required to fulfill the requirements imposed by other laws in relation to minimum capital, competence, or other standards. The Ethiopian Investment Commission is the body responsible to receive applications submitted by foreign investors; inspect compliance with required conditions; effect commercial registration following the appropriate procedures; issue commercial registration certificate and investment permit; prepare a contract and conclude agreement with investors; and follows through the implementation of the agreement jointly with the Ministry of Trade and Regional Integration. And it is the Ministry of Trade and Regional Integration that issues business licenses to foreign investors who obtained investment permits and regulates all trade practices.

Conclusion

The Ethiopian Investment Board has been entrusted with the authority under the Investment Proclamation 1180/2020 Article 6 Sub-Article 4 to **revise**, as the Board deems it necessary, the list of investment areas reserved for joint investment with the Government, for domestic investors, and for joint investment with domestic investors. As a result, the Board issued the Directive to Regulate Foreign Investors' Participation in Restricted Export, Import, Wholesale and Retail Trade Investments. The Board revised and liberalizes these sectors of the economy enjoyed by domestic investors. The preamble of the Directive states the rational behind the liberalization. These reserved sectors have been subjected to complaints relating to service reach, quality and efficiency. Therefore, it has been found out to be the right move to mitigate the existing problems and promote the sectors' gradual opening to willing and capable foreign investors.

For related investment inquires, you may contact us at info@dmethiolawyers.com

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