

Ethiopia's New Startup Proclamation: What It Means for Innovators and Investors

Description

By DMR Law Firm

Ethiopia has enacted a new Startup Proclamation (Proclamation No. 1396/2025), marking a significant step toward creating a structured and enabling legal framework for startups and innovation-driven enterprises. The Proclamation reflects the government's intention to promote entrepreneurship, attract investment, and support technology- and innovation-based businesses as key drivers of economic growth.

Key Objectives of the Proclamation

The Startup Proclamation aims to:

- Encourage the establishment and growth of startups by providing legal recognition and tailored regulatory support.
- Promote innovation, technology transfer, and commercialization of new ideas.
- Improve access to finance, incentives, and support programs for eligible startups.
- Create coordination among public institutions responsible for innovation, investment, and enterprise development.

Who Qualifies as a Startup?

Under the Proclamation, a "startup" is generally understood as a newly established enterprise engaged in innovative or scalable business activities, often technology-driven, and operating within a defined early-stage period. Qualification criteria, registration procedures, and compliance requirements are set out to distinguish startups from conventional businesses.

Incentives and Support Measures

The Proclamation introduces various forms of support, which may include:

- Facilitated registration and licensing processes
- Access to incubation and acceleration programs
- Financial and non-financial incentives, subject to implementing regulations
- Linkages with investors, research institutions, and government support schemes

These measures are intended to reduce entry barriers and operational challenges commonly faced by early-stage businesses.

The law establishes institutional responsibilities for overseeing startup registration, accreditation, and support mechanisms. It also provides a framework for monitoring compliance while allowing regulatory flexibility to accommodate innovation.

Governance and Regulatory Oversight

Why This Matters

For entrepreneurs, the Startup Proclamation offers greater legal certainty and access to structured support. For investors, it enhances transparency and signals Ethiopia's commitment to building a startup-friendly ecosystem. For the broader economy, it lays the groundwork for job creation, innovation, and competitiveness.

For guidance on how the Startup Proclamation applies to your business or investment plans, please contact our office at info@dmethiolawyers.com for tailored legal advice.

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