

Ethiopia

Ethiopia's reform commitments/initiatives	Progress in meeting commitments/initiatives	Partner Support
Macroeconomic framework		
<u>Macroeconomic stability</u>		
2018		
Pursue prudent monetary policy to keep inflation in single digits	<p>Exchange rate policies implemented, with real depreciation of the official exchange rate in progress. Monetary policy loosened in response to COVID, including liquidity support to the financial system and lending to the government by the National Bank of Ethiopia. YoY inflation remains high at around 20% as of January 2021, spurred by growing food prices.</p> <p>In 2022, the Government reported that: The NBE adopted a Roadmap to Modernize the Monetary Policy Framework, which also facilitates among other things the prioritization of price stabilization among multiple objectives. Consistent with the roadmap, a directive has been issued to establish standing facilities and open market operations (OMOs).</p>	
Stabilize and improve external debt distress rating and government budget deficit	<p>Public debt remained stable in FY20, while DSSI led to some reprofiling of debt repayment. Debt levels still at high distress, due to high debt- and debt service-to-exports levels. Budget deficit slightly increased in FY20 to 2.7% of GDP, with further increase to 3% forecasted in FY21 due to COVID-related impact on revenues and expenditures.</p> <p>In 2022, the Government reported that: Budget deficit maintained at 2.8% in fiscal year 2021, despite the expansionary policies due to COVID-19. Limits on non-concessional debts are maintained, and debt to GDP ratio has decreased to 51.1% in 2021. Close to USD 2.5bn in principal and interest payment has been restructured by commercial creditors under the 1st external debt restructuring scheme in 2019/20. Ethiopia requested for the treatment of its public debt under the G20 Common Framework has commenced with technical discussion progressing.</p>	
<u>Domestic Revenue Mobilization</u>		
2018		
Introduce improved tax collection and other tax transformation reforms for increased share of domestic tax revenue.	<p>Domestic revenue mobilization reforms seek to ease tax compliance, rationalize tax exemptions, expand the tax base, and reduce distortionary effects of trade taxes.</p> <p>In 2021, the Government reported that: A new excise tax law introduced which broadened the excisable goods to 378 and applied rates of 5 to 500 on luxurious, socially & environmentally hazardous goods, and demand inelastic goods. A directive to ban new tax incentives has been passed in EFY 2020, which forces the government to maintain a zero-net increase in tax incentives i.e., any new tax incentive passed should be accompanied by the repealing of an equivalent amount of tax incentive to maintain a no increase in tax incentives. A new tax incentive law under preparation to simplify the targeting, monitoring, and governance of investment tax incentives, which is currently estimated at close to 7% of GDP. Preparations underway to introduce property taxes. Improve tax administration capacity through operational improvements, better use of data and IT, and enhanced human resource management). The VAT proclamation was amended (Proclamation No.1157-2019) to ease the cost of filing VAT and to simplify tax governance. The Proclamation amended the VAT filing period from one calendar month to three calendar months based on the annual turnover of a taxpayer (for those with less than 70 million ETB annual turnover) and reduced the VAT refunds processing time from 49 weeks to 4 weeks, among other measures. Tax administration reform underway including the digitalization of tax payment for large taxpayers operational and aims to digitalize tax payments for medium taxpayers.</p>	

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Strengthening public investment management (procurement, SOE, PPPs, utilities)		
2018		
Reforms in SOEs governance, budget deficit, and domestic resource mobilization	<p>Reforms in SOEs governance, budget deficit, and domestic resource mobilization (focusing on tax administration capacity through operational improvements, better use of data and IT, and enhanced human resource management).</p> <p>In 2022, the Government reported that: The Ethiopia investment holding established and operationalized to better commercialize and improve the corporate governance of SOEs. A new Public Enterprises Privatization proclamation (No 1206/2020) is enacted to enhance the transparency and efficiency of the public enterprises' privatization process. The law also sets out a framework to improve public enterprises' efficiency, competitiveness, access to capital, and quality and accessibility of their services. The new law replaced the Privatization of Public Enterprises Proclamation No. 146/1998. More than 10bn USD of SOE debt restructured via a new established vehicle - The Liability and Assessment Management Corporation. Work underway for the partial privatization of Ethio-telecom and privatization of select Sugar corporation estates.</p>	
Introduce a comprehensive legal regime (Proclamation) that governs Public Private Partnerships (PPPs). Ensure PPP contracts largely use standard clauses.	<p>PPP regulatory framework and implementation guidelines. Ratification of the SOE privatization proclamation. In 2022, the Government reported that all PPP legal frameworks have been ratified. The key legal frameworks included: PPP proclamation 7610/2018 issued 22nd February 2018, PPP directive issued August 2018, General and sector specific PPP guidelines completed October 2019, Guidelines for preparation of unsolicited projects completed November ,2021</p>	
Expand productive infrastructure for business competitiveness.	<p>Decision to open in the telecom and energy sectors to private and foreign participation. In 2022, the Government reported that the telecom sector has been liberalized, and one international telecom company has received a license to operate in Ethiopia. JV transmission and distribution of electrical energy allowed. Reforms underway in the energy and railway sector including SOEs to address inefficiencies and boost service delivery.</p>	
Business Framework		
Regulations and Institutions		
2018		
Enhance the ease of doing business in Ethiopia through trade logistics and business regulation reforms.	<p>Improving ease of doing business by revising commercial code, investment law, and modernizing business service delivery.</p> <p>Implementation of electronic Single Window (for import/export business).</p> <p>The Ethiopian Commercial Code (No. 1243) is revised and enacted in 2021.</p> <p>The new Investment Proclamation (No. 1180) and Investment Regulation (No. 474) are enacted in 2020.</p> <p>Online investor tracking system including EIC's FDI tracking tool is implemented.</p> <p>Many government services are provided through online electronic system (such as company registration, work permit, VISA). Besides, Electronic Single Window System-ESW implemented for investment incentives service provision and for overall import/export.</p> <p>In 2022, the Government reported that improved investor information system/EIC's interactive website enhancement is underway, and that industrial parks one stop shop service manual is being redeveloped.</p>	IFC, GIZ, UK
Ratification of the African Continental Free Trade Area; conclude negotiations for accession to the World Trade Organization.	Ethiopia has ratified the African Continental Free Trade Area protocol. Accession to WTO under negotiation	
Investor protection and dispute resolution		
2018		

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Targeted investor recruitment in priority sectors of manufacturing, industrial park development, energy generation and logistics services.	New investment law (more open to private sector and foreign investors than before). In 2022, the Government has reported that: The Investment Regulation No. 474 enacted with basic shift from the previous positive listing to negative listing. The new law avoided restriction of foreign investor participation in several key sectors of the economy with exception of few sectors. Industrial parks designation criteria directive is issued creating more transparent provisions. Investment incentives regulation is under assessment.	
Implement a structured approach of addressing investor's concerns coupled with sound legal framework for grievance management	Ratification of New York Convention. In 2022, the Government has reported that the New York Convention has been ratified and that investor grievance management practice is developed.	
Financing Framework		
<u>Investment risk mitigation</u>		
<u>Mobilization of private and institutional investments</u>		
2018		
Removal of 27% rule and issuance of Government T-bills through auctions with market determined prices.	Further improvements in the government securities market. Discussions commenced on capital markets development	