Market challenges
There are some unique challenges UK companies may face when doing business in Ethiopia. These include:

- low quality and coverage of infrastructure
- ranks 111 out of 177 on the corruption index
- inconsistencies in tax assessments and excessive penalties
- occasional delays in accessing foreign exchange (sometimes months)
- can take up to 75 days to clear imports
- the industry sector is small and import-dependant, making it vulnerable to foreign exchange shortages

Ethiopia is engaged in a program of economic reform and liberalisation. However, the state remains heavily involved in most economic sectors. Some sectors, particularly in services, are hard for foreign investors to enter. Ethiopia retains control over the utilities sector and prohibits foreign ownership of banking and insurance companies. Land cannot be purchased or sold, but can be leased, sometimes on a long-term basis.

All imports are required to be channelled through Ethiopian nationals registered as official import or distribution agents with the Ministry of Trade and Industry. Furthermore, customs clearance remains a hindrance to the business of importing – the clearance process is slow and imported goods are sometimes charged at attributed values instead of invoice values.

Contractual enforcement remains weak, and as a result, many local companies prefer to do business with relatives or close acquaintances.

The transportation and telecommunications systems, especially internet service, are improving and infrastructure development has been prioritised in recent budgets.

Pricing
All transactions in Ethiopia are conducted in the local currency, the ‘Birr’. The exchange rate is determined by the daily inter-bank foreign exchange market in which the central bank intervenes aggressively. Prices are generally very low for locally-produced
products, while import prices reflect the high cost of transportation. Credit Cards are not widely used in Ethiopia.

All retail prices except petroleum, fertilisers and pharmaceuticals are no longer controlled. The general pricing structure for imports is on the basis of a customs duty (Harmonised System code is applicable), 15% VAT, 2% withholding tax, and excise tax (depending on the type of product).

Sales service/customer support

Consumer advocacy or protection associations currently operate in Ethiopia. Customer service and support is reported to be very weak in different sectors of the economy.

For more information on business risk in Ethiopia you can read: www.gov.uk/government/publications/overseas-business-risk-ethiopia

Source - UKTI

Sponsored By:

Accountancy

Deloitte.

Travel / Airline Services

Pharamaceuticals

Business Services

Copyright © 2013 IMA Ltd. All Rights Reserved.
Generated from
http://www.ethiopia.doingbusinessguide.co.uk/the-guide/what-are-the-challenges/
Monday, November 16, 2020
Contact IMA
International Market Advisor
IMA House
41A Spring Gardens
Buxton
Derbyshire
SK17 6BJ
United Kingdom
Email: info@ima.uk.com
General enquiries switchboard:+44 (0) 1298 79562
Website: www.DoingBusinessGuide.co.uk