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2025 Ethiopia Investment Climate Statement

Executive Summary

Ethiopia is the second most populous country in Africa after Nigeria, with a growing population of over 135 million, approximately two-thirds of whom are under age 30. Key elements in Ethiopia's favor include:

- a large and youthful population,
- low-cost labor,
- Ethiopian Airlines' status as Africa's largest airline, with more than 120 international destinations, and
- growing consumer markets.

The Government of Ethiopia announced macroeconomic reforms in July 2024 headlined by the adoption of a floating exchange rate, eliminating the prevailing currency peg that had overvalued the Ethiopian birr by more than 100 percent, which spurred renewed interest in Ethiopia as an investment destination. However, Ethiopia still contends with command economy proclivities that persist more than 30 years after the overthrow of the Marxist Derg regime in 1991. The Government of Ethiopia insists it is eager to attract foreign direct investment (FDI) but has mostly failed to address the many shortcomings – some outside but many within its control – that deter foreign interest.

Ethiopia's investment climate is challenging for U.S. and other foreign businesses. Internal conflict, notably in the Amhara and Oromia regions, restricts travel, leads to frequent expropriation of assets by either unscrupulous government officials or members of armed groups, and limits the Government of Ethiopia's ability to intervene. Insufficiently protected property rights, most prominently demonstrated by a series of "corridor development" projects in which the Government of Ethiopia expelled tens of thousands of residents and businesses – including foreign-owned ones – and demolished their properties with little to no warning or compensation, deter investor interest. Though the currency float briefly ameliorated foreign currency shortages and economic distortions resulting from the overvalued Ethiopian birr, a growing gap between bank exchange rates and the parallel rate re-emerged in November 2024. A small tax base – partly limited by Government of Ethiopia inability to operate consistently outside Addis Ababa and partly by a large proportion of the populace working in informal employment – leads authorities to target foreign businesses for questionable and excessive tax bills. The customs commission makes frequent, non-transparent, and retroactive changes to regulations, causing losses to companies that were following regulations in force at the time. Poor infrastructure and an inefficient logistics system, despite boasting Africa's largest airline, further inflate costs. Although the Government of Ethiopia claims it is privatizing sectors, it continues to manipulate the system to benefit inefficient state-owned enterprises (SOEs), for instance requiring foreign companies to lease equipment from Ethiopian SOEs. Corruption remains a challenge. The absence of an effective dispute resolution system for businesses exacerbates the lack of rule of law more broadly.

In addition to the July 2024 currency float, which caused the Ethiopian birr to depreciate more than 100 percent and briefly closed the gap between official bank exchange rates and the parallel market rate, the Government of Ethiopia made additional macroeconomic reforms, including strengthening independence of the National Bank of Ethiopia. Ethiopia subsequently agreed to a four-year, $10.5 billion assistance package with the International Monetary Fund (IMF) and the World Bank to stabilize its financial system. The Government of Ethiopia undertook some steps to liberalize the banking, telecommunications, import-export, and wholesale and retail trade sectors to attract more FDI but these fell far short of 100 percent privatization; for example, the Banking Proclamation still prohibited majority foreign ownership of Ethiopian banks. Other efforts to attract FDI include the relaunch of the Ethiopian Securities Exchange, establishment of free trade zones, digitization of commercial registration and business licensing, and implementation of a public-private partnership proclamation to allow private investment in housing, power generation, and road construction. The Government of Ethiopia also allowed companies to hold offshore accounts for strategic foreign investments in:

- power generation,
- infrastructure, and
- mining.

The largest source of FDI in Ethiopia is China, followed by Saudi Arabia and Türkiye. The United Arab Emirates is an increasingly important, though often anonymous, player in supplying FDI as well. FDI inflows in 2024 were equivalent to 2.7 percent of Ethiopia's GDP.

Section 1. Openness to, and Restrictions upon, Foreign Investment

Policies toward Foreign Direct Investment

Ethiopia needs significant inflows of FDI to meet its ambitious growth goals. The Government of Ethiopia implemented reforms to improve the business environment, including passing an investment law in 2020 to attract more foreign investment, acceding to the New York Convention on Arbitration, opening previously restricted state-owned entities and sectors, liberalizing the exchange rate regime, and establishing free economic zones. However, challenges remain, such as:

- conflict throughout the country, particularly in the Amhara and Oromia regions;
- rising political tensions in Tigray that threaten a return to conflict;
- weak property rights;
- a re-emerging gap between bank exchange rates and the parallel market rate, contributing to persisting foreign currency shortages;
- excessive and questionable taxation of foreign businesses;
- regulatory uncertainty especially in customs enforcement;
- poor infrastructure and logistics; and
- a system that favors SOEs.

The investment proclamation outlines sectors that are fully or partially restricted to foreign investors, reserving some industries exclusively for Ethiopian nationals. Bureaucratic delays and regulatory hurdles may disproportionately affect foreign investors. The Ethiopian Investment Commission (EIC) has the mandate to promote and facilitate foreign investments in Ethiopia, and is charged with:

- promoting the country's investment opportunities to attract and retain investment;
- issuing investment permits, business licenses, work permits, and construction permits;
- issuing commercial registration certificates and renewals;
- negotiating and signing bilateral investment agreements; and
- registering technology transfer agreements.

In addition, the EIC advises the government on policies to improve the investment climate and holds regular and structured public-private dialogues with investors and their associations. At the local level, regional investment agencies facilitate regional investment. In practice, this can cause delays as the EIC and regional investment agencies deny responsibility for disputes, bouncing business owners back and forth.

The American Chamber of Commerce (AmCham) advances U.S. business interests in Ethiopia. AmCham provides a mechanism for coordination among American companies, and it facilitates regular meetings with government officials to discuss issues hindering operations in Ethiopia. The Addis Ababa Chamber of Commerce organizes a monthly business forum that enables the business community to discuss issues related to the trade and investment climate with government officials. Additionally, the Ethiopian Chamber of Commerce and Sectoral Association organizes an annual Public Private Dialogue Forum to discuss various trade and investment-related policy issues with the Prime Minister's Office. However, the Government of Ethiopia often fails to take action or delays policy implementation due to capacity issues, lack of coordination among government agencies, and limited presence of the federal government in the regions due to conflicts.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities technically have the right to establish, acquire, own, and dispose of most forms of business enterprises. The Investment Proclamation and associated regulations outline the areas of investment reserved for government and local investors. There is no private ownership of land in Ethiopia. All land is technically owned by the state but can be leased for up to 99 years. Small-scale rural landholders have indefinite use rights, but cannot lease out holdings for extended periods, except in Amhara Regional State. As a result, foreign businesses frequently fall prey to locals who lay claim to the land upon which the businesses' assets sit, expropriating both the land and assets. The 2011 Urban Land Lease Proclamation allows the government to determine the value of land in transfers of leasehold rights to curb speculation by investors.

According to Ethiopia's Investment Proclamation No. 1180/2020, the minimum capital requirement for foreign investors is:

1. a minimum capital of $200,000 to establish a new business,
2. a reduced minimum capital of $150,000 if the foreign investor partners with a local entity,
3. or a lower capital requirement of $100,000 for wholly foreign-owned investments in architectural or engineering works, technical testing, and consultancy services, or $50,000 if in a joint venture with a domestic investor.

Foreign investors reinvesting their profits or dividends in Ethiopia are exempt from these minimum capital thresholds.

Ethiopia imposes economy-wide limits on foreign ownership and control, both through statutory restrictions and practical (de facto) barriers. These limits primarily apply to certain strategic sectors, and while waivers are rare, some exceptions or special conditions may allow foreign participation. The Ethiopian Investment Board has the authority to grant exceptions for foreign investors in restricted sectors under special circumstances, particularly if the investment aligns with national priorities. While Ethiopia has been gradually liberalizing some industries to attract foreign direct investment (FDI), such as:

- banking,
- telecommunications,
- import-export, and
- wholesale and retail trades

foreign investors must carefully navigate regulatory approvals to participate in the economy.

A foreign investor intending to buy an existing private enterprise or shares in an existing enterprise needs to obtain prior approval from the EIC. While foreign investors have complained about inconsistent interpretation of the regulations governing investment registration (particularly relating to accounting for in-kind investments), they generally do not face undue screening of FDI, unfavorable tax treatment, denial of licenses, discriminatory import or export policies, or inequitable tariff and non-tariff barriers.

In 2024, operators of tourist lodges in Oromia and Amhara reported that their properties were occupied without compensation by the members of the Ethiopian National Defense Force (ENDF).

Other Investment Policy Reviews

Over the past five years, the government has not undertaken any third-party investment policy review by a multilateral or non-governmental organization. It has worked closely with some international stakeholders, such as the International Finance Corporation, to attempt to modernize and streamline its investment regulations.

Business Facilitation

The EIC has attempted to establish itself as a "one-stop shop" for foreign investors by acting as a centralized location where investors can obtain the visas, permits, and paperwork they need, thereby reducing the time and cost of investing and acquiring business licenses. The EIC has worked with international consultants to modernize its operations and has adopted a customer management system to build lasting relationships and provide post-investment assistance to investors. Despite progress, the EIC admits that many bureaucratic barriers to investment remain. U.S. investors report that the EIC, as a federal organization, has little influence at regional and local levels.

Before the onset of Red Sea instability in late 2023, more than 95 percent of Ethiopia's trade passed through the Port of Djibouti, with residual trade passing through the Port of Berbera in Somaliland. On January 1, 2024, Ethiopia signed an MOU with Somalia's region of Somaliland to secure access to the sea and to diversify its access to seaports on Gulf of Aden, causing regional uproar and friction with the Federal Government of Somalia. In March 2025, the Ministry of Transport and Logistics granted approval to three local private logistics operators to engage in multimodal transport, which was long monopolized by the state-owned Ethiopian Shipping and Logistics Service Enterprise. However, all three operators were led by former Ethiopian government officials.

In March 2025, the Ministry of Innovation and Technology expanded the National Business Portal (NBP) to provide access to various government services. This platform allows users to apply for construction permits, business licenses, pay taxes, and file complaints online, streamlining processes that previously required in-person visits. The NBP also integrates payment systems like Telebirr and CBE Birr, enhancing convenience for users.

Ethiopia is not currently a member of the World Trade Organization (WTO) and, therefore, has not signed the WTO Investment Facilitation for Development agreement. Ethiopia hopes to accede to the WTO in 2026.

The government is working to improve business facilitation services by making the licensing and registration of businesses easier and faster. In February 2021, the Ministry of Trade and Regional Integration (MOTRI) launched an Amharic-language eTrade platform for business registration and licensing to enable individuals to register their companies and acquire and renew business licenses online. The amended commercial registration and licensing law eliminates the requirement to publicize business registrations in local newspapers, allows business registration without a physical address, and reduces other paperwork requirements associated with business registration. U.S. companies can obtain detailed information for the registration of their business in Ethiopia from an online investment guide to Ethiopia and the EIC's website. MOTRI has target timeframes for the registration of new businesses, but it often fails to meet its deadlines.

Outward Investment

There is no officially recorded outward investment by domestic investors from Ethiopia as citizens/local investors are not allowed to hold foreign accounts.

Section 2. Investment and Taxation Treaties

Ethiopia is a member of the Multilateral Investment Guarantee Agency (MIGA), and has bilateral investment and protection agreements in force with:

- Algeria,
- Austria,
- China,
- Denmark,
- Egypt,
- Finland,
- France,
- Germany,
- Iran,
- Israel,
- Italy,
- Kuwait,
- Libya,

- Malaysia,
- the Netherlands,
- Sudan,
- Sweden,
- Switzerland,
- Tunisia,
- Türkiye,
- the United Arab Emirates, and
- Yemen.

A Treaty of Amity and Economic Relations, which entered into force in 1953, governs economic and consular relations with the United States. Ethiopia and Djibouti are parties to the 1986 Agreement for the Reciprocal Promotion and Protection of Investments.

There is no double taxation treaty between the United States and Ethiopia.

Ethiopia has implemented several changes to its taxation regime that may be of concern to U.S. investors, including:

- adjustments to value-added tax (VAT) rates and the scope of goods and services subject to VAT;
- revisions to corporate income tax rates and new tax brackets;
- modifications to withholding tax rates on dividends, interest, and royalties;
- changes to tax incentives and exemptions particularly in manufacturing and agriculture sectors; and
- the introduction of a new digital services tax targeting foreign companies providing digital services to Ethiopian consumers.

Investors raise several concerns regarding Ethiopia's tax regime, including:

- complexity and lack of clarity,
- frequent changes,
- high tax rates,
- exorbitant penalties sometimes amounting to more than the company's annual revenues,
- inconsistent enforcement, and
- a requirement to pay 50 percent of imposed penalties up front before facing often lengthy dispute resolution.

Businesses report that, even if they succeed in dispute resolution, the tax authority may refuse to repay the penalty and instead grant credit to future taxes.

Section 3. Legal Regime

Transparency of the Regulatory System

Ethiopia's regulatory system sometimes imposes burdensome regulatory or licensing requirements preventing the local sale of U.S. exports, particularly health-related products. Investment decisions can involve multiple government ministries, lengthening the registration and investment process.

Ethiopia's constitution, which came into force in 1995, is the highest law of the country. The parliament enacts proclamations, which are followed by regulations that are passed by the Council of Ministers and implementing directives that are passed by ministries or agencies. The government engages the public for feedback before passage of draft legislation through public meetings, and regulatory agencies request comments on proposed regulations from stakeholders. Ministries or regulatory agencies do not conduct impact assessments for proposed regulations nor do they perform ex-post facto reviews. Parties that are affected by an adopted regulation can request reconsideration or appeal to the relevant administrative agency or court. There is no requirement to periodically review regulations to determine whether they are still relevant or should be revised.

All proclamations and regulations in Ethiopia are published in official gazettes and most are available online through the House of Peoples' Representatives website and Ethiopian Legal Information Portal.

Legal matters relating to the federal government are addressed by Federal Courts, while state matters go to regional courts. To ensure consistency of legal interpretation and to promote predictability of the courts, the Federal Supreme Court Cassation Division is empowered to give binding legal interpretation on all federal and state matters. Though there is only one publicly listed company in Ethiopia, all banks and insurance companies are obliged to adhere to International Financial Reporting Standards (IFRS).

Regulations relating to human health and environmental pollution are often enforced. In February 2019, the Ethiopian parliament passed a bill entitled "Food and Medicine Administration Proclamation No. 1112/2019," which bans smoking in all indoor workplaces, public spaces, and means of public transport and prohibits alcohol promotion on broadcasting media.

In April 2020, the government published Administrative Procedure Proclamation No. 1183/2020 (APP). The APP allows citizens who seek administrative redress to file suits in federal courts against government institutions. Potential redress includes financial restitution. The APP requires government institutions to set up offices to handle such complaints, but those offices are not yet established. Complainants are required to follow an administrative appeal process, and only after exhausting administrative remedies will a person be allowed to file a suit in federal court. Four government institutions are exempt from the APP:

- the Ministry of Justice (MOJ);
- the Ethiopian Federal Police;
- the Ethiopian National Defense Force, and
- the intelligence agencies.

To foster transparency, the APP obligates all government agencies' directives to be registered with the MOJ and be widely accessible to the public. While Ethiopia has established formal rules to foster competition, uneven enforcement, limited regulatory independence, and state dominance in key sectors continue to hinder full market-based, non-discriminatory practices.

Ethiopia is a member of the UN Conference on Trade and Development's (UNCTAD) international network of transparent investment procedures. Foreign and national investors can find detailed information from the EIC's online portal on administrative procedures applicable to investing in Ethiopia.

The government provides detailed information on the enacted budget and overall government debt. However, fiscal transparency in Ethiopia continues to have several deficiencies, including:

- the unavailability of executive budget proposals,
- a lack of publicly available information on SOE debt,
- poor legislative oversight of budget preparation and execution, and
- limited budget execution reports.

International Regulatory Considerations

In April 2020 Ethiopia became a member of the African Continental Free Trade Area (AfCFTA). The AfCFTA aims to create a single continental market for goods and services, with free movement of businesspersons and investments. Ethiopia is also a member of the Common Market for Eastern and Southern Africa (COMESA), a regional economic bloc, which has 21 member countries and has introduced a 10 percent tariff reduction on goods imported from member states. Ethiopia has not yet joined the COMESA free trade area, however. Ethiopia's WTO accession process originally began in 2003, languished, and resumed in 2018, and in March 2024 Government of Ethiopia held bilateral negotiations with member countries with a plan to join WTO in 2026. Ethiopian standards have a national scope and applicability and some of them, particularly those related to human health and environmental protection, are mandatory. The Ethiopian Standards Agency is the national standards body of Ethiopia.

Legal System and Judicial Independence

Ethiopia has codified criminal and civil laws, including commercial and contractual law. Ethiopia has a mixed legal system with a predominantly civilian legal system and less emphasis on legal precedent determined by the Supreme Court's cassation bench. According to the contractual law, a contract agreement is binding between contracting parties. Contracts can be registered at the Agency for Document Registration and Authentication. Disputes between the parties can be taken to court.

There have been allegations of executive branch interference in judiciary cases with political implications, and some evidence of interference in purely commercial disputes. The country has a procedural code for both civil and criminal courts. Enforcement actions are appealable and there are at least three appeal processes from the lower courts to the Supreme Court. The Criminal Procedure Code follows the inquisitorial system of adjudication.

Companies operating in Ethiopia assert that courts lack adequate experience and staffing, particularly with respect to commercial disputes. While property and contractual rights are acknowledged, judges often lack understanding of commercial matters, including bankruptcy and contractual disputes. In addition, companies complain that these cases often face extended scheduling delays, and that contract enforcement remains weak. To address these issues, the federal Supreme Court issued a new court-led mediation directive, No. 12/2021, which was expected to resolve disputes, including commercial ones, within a shortened period while reducing litigation costs for involved parties. In May 2022 the Federal Instance Court also set up a Trade and Investment bench that deals exclusively with commercial and investment dispute matters. The Federal First Instance Court established 13 benches to specifically handle commercial cases, including:

- trade,
- construction, and
- banking and insurance.

The setup of this court aims to improve the ease of doing business and attract FDI.

In March 2021, Ethiopia's parliament revised the Commercial Code for the first time in 60 years. The revised code modernizes and simplifies business regulations, develops regulations for new technologies not covered in the prior version, and seeks to implement greater transparency and accountability in commercial activities.

Laws and Regulations on Foreign Direct Investment

Investment Proclamation No. 1180/2020 and its implementing regulation No. 474/2020 are Ethiopia's main legal regime related to FDI. These 2020 laws instituted the opening of new economic sectors to foreign investment, enumerated the requirements for FDI registration, and outlined the incentives that are available to investors. The Government of Ethiopia introduced several legislative measures aimed at enhancing the country's appeal to foreign investors. In December 2024, Ethiopia's parliament passed a law permitting foreign banks to operate within the country, allowing foreign banks to establish subsidiaries, branches, or representative offices, and to acquire shares in local banks. However, the law still prohibited foreigners from owning more than 40 percent of a bank and limited foreigners to holding one seat on a bank's board of directors. In January 2025, Ethiopia re-launched the Ethiopian Securities Exchange. In March 2024, the Government of Ethiopia:

- allowed foreign investors to participate in export, import, wholesale, and retail trade; and
- introduced an investment incentives regulation to encourage investment in priority areas.

The investment law allows foreign investors to invest in any area except those that are clearly reserved for domestic investors. A few specified investment areas are possible for foreign investors only as part of a joint venture with domestic investors or the government. The Investment Proclamation has introduced an Investment Council, chaired by the Prime Minister, to accelerate implementation of the new law and to address coordination challenges investors face at the federal and regional levels. Further, the new law expanded the mandate of the EIC by allowing it to provide approvals to foreign investors proposing to buy existing enterprises. The EIC now also delivers "one-stop shop" services by consolidating investor services provided by other ministries and agencies. Still, the EIC delegates licensing of investments in some areas:

- air transport services (the Ethiopian Civil Aviation Authority),
- energy generation and transmission (the Ethiopian Energy Authority), and
- telecommunication services (the Ethiopian Communications Authority).

The EIC's website provides information on the government's policy and priorities, registration processes, and regulatory details.

The Government of Ethiopia introduced several laws of concern to investors. The Asset Recovery Proclamation empowers the government to seize assets acquired through undeclared income, which could lead to arbitrary enforcement and further undermines property rights. The Personal Data Protection Proclamation mandates that personal data collected within Ethiopia must be stored domestically, which may impact international data flows and the operations of multinational companies. In February 2024, the Government of Ethiopia banned importation of gasoline and diesel vehicles to reduce fuel imports. This ensnared vehicles that were already in transport and legal at the time they were shipped. Less than half of Ethiopia's population has access to electricity and Ethiopia had virtually no electric vehicle charging stations at the time of the ban.

Competition and Antitrust Laws

The Federal First Instance Courts are responsible for reviewing merger and acquisition transactions and monopolistic business practices. The court's decisions can be appealed to the federal Supreme Court. The U.S. Embassy is not aware of any significant competition cases during the reporting period.

Expropriation and Compensation

The 2020 Investment Proclamation stipulates that no investment by a domestic or foreign investor or enterprise can be expropriated or nationalized, wholly or partially, except when required by public interest in compliance with the law and provided adequate compensatory payment. The proclamation stipulates compensation be non-discriminatory and based on a current market value. However, compensation of expropriated land only includes the value of the buildings or infrastructure and excludes the land's other economic benefits such as its monetary value. In practice, limited federal oversight and control mean many companies can find their buildings and equipment expropriated by local communities, often in collusion with government officials.

A series of "corridor development" projects beginning in Addis Ababa in March 2024 and later expanding to at least 40 of Ethiopia's cities expelled residents and businesses – including foreign-owned ones – and demolished their property with little to no notice or compensation. Since land is publicly owned in Ethiopia, investors lease rather than own land, which enables authorities to reclaim land for public use or revoke leases under regulatory pretexts. The corridor development projects also tore up roads in front of businesses, making operation impossible and driving them out of business even if the business itself was untouched. Some foreign and local investors have reported sudden, large tax assessments or retroactive tax claims without adequate transparency or due process, significantly reducing profitability and constituting a form of indirect expropriation.

Dispute Settlement

ICSID Convention and New York Convention

Ethiopia signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) in 1965 but has never ratified it. Ethiopia acceded to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (commonly known as the New York Convention) in 2020.

Investor-State Dispute Settlement

The constitution and the investment law both guarantee the right of any investor to lodge complaints related to their investment with the appropriate investment agency. If the investor has a grievance against a legal or regulatory decision, they can appeal to the investment board or to the respective regional agency. The investment law stipulates that investment disputes between the state and a foreign investor can be resolved either through the courts or via arbitration, with the precondition of government agreement for resolution via the latter. Additionally, a dispute that arises between a foreign investor and the state may be settled based on a relevant bilateral investment treaty. In practice, investment dispute resolution can take years due to inadequate capacity in the court system.

International Commercial Arbitration and Foreign Courts

Arbitration has become a widely used means of dispute settlement within the business community as the Ethiopian civil code recognizes Alternative Dispute Resolution (ADR) mechanisms as a means of dispute resolution. The Addis Ababa Chamber of Commerce has an Arbitration Center to assist business enterprises with arbitration. Following Ethiopia's accession to the New York Convention, local courts must automatically recognize and enforce foreign arbitral awards from a New York Convention member state country. There are no publicly available statistics that indicate a bias in the courts towards state-owned enterprises (SOEs) as pertains to investment/commercial disputes.

Bankruptcy/Insolvency Regulations

The Commercial Code (Book III) outlines bankruptcy provisions and proceedings and establishes a court system that has jurisdiction over bankruptcy proceedings. The primary purpose of the law is to protect creditors, equity shareholders, and other contractors. Bankruptcy is not criminalized. However, there is limited application of bankruptcy procedures in Ethiopia as the process can take years to settle. The new commercial code introduced insolvency procedures other than bankruptcy including preventive restructuring proceedings, reorganization procedures, and simplified reorganization proceedings to revive companies in distress. The commercial code also allows simplified bankruptcy proceedings for small and medium enterprises.

Section 4. Industrial Policies

Investment Incentives

Investment Incentive Regulation No. 517/2022 grants tax and duty incentives to both domestic and foreign investors on a case-by-case basis to encourage investment in eligible sectors:

- Investors in the following sectors are entitled to income tax exemptions ranging from two to five years, depending on the location of the investment:

  - manufacturing,
  - agro-processing, and
  - selected agricultural products.
- Investors in the following sectors, and producers who produce for export or supply to an exporter, or who export at least 60 percent of their products or services, are entitled to an additional two years of income tax exemption:
  - manufacturing,
  - agriculture,
  - ICT,
  - electricity generation,
  - transmission, and
  - distribution.
- Investors in renewable energy generation are eligible for 4-5 years of income tax exemptions.

Investors who provide employment opportunities for qualified and certified Ethiopians to work abroad are also entitled to one to three years of income tax exemptions.

Foreign Trade Zones/Free Ports/Trade Facilitation

Special Economic Zone Proclamation No. 1322/2024 regulates Special Economic Zones (SEZ), aiming to attract both domestic and foreign investment. The proclamation provides for exemptions from customs duties and other taxes within SEZs as per investment incentive regulation 517/2022. The Ethiopian Investment Commission (EIC) is responsible for overseeing SEZs, including the approval of SEZ status and the issuance of directives related to land acquisition and operations within these zones. Initially, the Dire Dawa SEZ was the sole designated SEZ. In December 2024, the EIC upgraded 10 industrial parks to SEZ status:

- Adama,
- Bahir Dar,
- Bole Lemi,
- Debre Birhan,
- Hawassa,
- Jimma,
- Kilinto,
- Kombolcha,
- Mekelle, and
- Semera.

Performance and Data Localization Requirements

Ethiopia does not impose official performance requirements on foreign investors, though foreign investors routinely encounter business visa delays and onerous paperwork requirements. In addition, foreign investors are required to comply with a $100,000 minimum capital investment requirement for architectural or engineering projects and a $200,000 requirement for projects in other sectors. For most joint investments with a domestic partner, the minimum capital investment requirement is $150,000.

The minimum capital requirement is waived if the foreign investor reinvests profits or dividends generated from an existing enterprise in any investment area open to foreign investors, and if a foreign investor purchases a portion or the entirety of an existing enterprise owned by another foreign investor. There are no forced localization or data storage requirements for private investors. Local content in terms of hiring, products, and services is strongly encouraged but not required.

Ethiopia does not have explicit legal requirements mandating foreign IT providers to disclose source code or provide access to encryption keys. Technology Authority Regulation No.

507/2022 outlines the organization, powers, and duties of the Ethiopian Technology Authority but does not specify obligations for source code disclosure or encryption access. However, Ethiopia's legal framework includes provisions that could impact IT providers. Computer Crime Proclamation No. 958/2016 criminalizes unauthorized access to computer systems and mandates service providers must report certain cybercrimes to authorities. Electronic Transaction Proclamation No. 1205/2020 and Electronic Signature Proclamation No. 1072/2018 regulate aspects of electronic communications and signatures, contributing to the broader legal context for IT operations in Ethiopia. Personal Data Protection Proclamation No. 1321/2024 introduces comprehensive regulations on the processing and transfer of personal data, and mandates personal data collected within Ethiopia be stored on servers or data centers located in the country. The Ethiopian Communications Authority (ECA) may prohibit, suspend, or impose conditions on data transfers to protect data subjects' rights.

In December 2023 the Government of Ethiopia enacted an Information Technology Products Security Clearance and Control Proclamation to regulate import and export of information technology products and determine their security clearance. The law applies to any person in Ethiopia engaged in the import, export, manufacture, creation, sale, exchange, possession, promotion, traffic, or use of IT products. The Information Network Security Administration (INSA) is authorized to grant security clearance permits.

Section 5. Protection of Property Rights

Real Property

Ethiopia's constitution declares all land in Ethiopia belongs to "the people" and is administered by the government. Private ownership does not exist, but land-use rights have been registered in most populated areas. As land is public property, it cannot be mortgaged. Confusion with respect to the registration of urban land-use rights, particularly in Addis Ababa, is common. The government retains the right to expropriate land for the "common good" – which it defines as expropriation for commercial farms, industrial zones, and infrastructure development – and offer replacement land or monetary compensation to the previous owner. While the government claims to allocate only sparsely settled or empty land to investors, it has in some cases forced people to resettle. Traditional grazing land has often been defined as empty and expropriated, leading to resentment, protests, and in some cases, conflict. In addition, leasehold regulations vary in form and practice by region. In 2022, the state-owned Federal Land Bank and Development Corporation inventoried all land under the ownership of public institutions and made 630 hectares available in Addis Ababa for joint investment with the government in sectors such as:

- housing,
- health,
- hospitality,
- information communications technology, and
- education.

In March 2024, Prime Minister Abiy and the Addis Ababa city administration initiated a "corridor development" project, in which the Government of Ethiopia expelled tens of thousands of residents and businesses – including foreign-owned ones – and demolished their properties with little to no warning or compensation. Foreign-owned businesses reported some of these displacements occurred with no warning at all and at gunpoint. The Government of Ethiopia soon expanded the corridor development project to at least 40 other towns throughout Ethiopia.

Post encourages potential investors to ensure their needs are communicated clearly to the host government. It is important for investors to understand who had land-use rights preceding them, and to research the attitude of local communities to an investor's use of that land, particularly in the region of Oromia, where conflict between international investors and local communities has occurred. Successful investors in Ethiopia conduct thorough due diligence on land titles at both the regional and federal levels and conduct consultations with local communities regarding the proposed use of the land before investing.

Ethiopia is a member of the 2001 Cape Town Convention on Mobile Equipment (CTC) and the Protocol on Matters Specific to Aircraft Equipment (Aircraft Protocol). The U.S. Embassy is not aware of any dispute under the CTC.

Intellectual Property

The Ethiopian Intellectual Property Authority (EIPA) administers and implements Ethiopia's policies on intellectual property rights. The country's primary IP laws are the Inventions, Minor Inventions and Industrial Designs Proclamation No. 123/1995, Trademark Registration and Protection Proclamation No. 501/2006, Copyright and Neighboring Rights Protection Proclamation No. 410/2004, and the Plant Breeders' Right Proclamation No. 1068/2017. Ethiopia is not currently a member of any regional intellectual property organizations, and all IP registrations are handled at the national level.

Ethiopia is a party to WIPO's Marrakesh VIP Treaty. On October 1, 2024, the Council of Ministers approved Ethiopia's accession to the Paris Convention for the Protection of Industrial Property and the Madrid Protocol for the International Registration of Marks, pending ratification by the Parliament. Because Ethiopia's accession to the WTO is incomplete, it is not a party to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The Ethiopian government has set a deadline of 2026 for the nation to become a World Trade Organization (WTO) member.

In June 2024, the Ethiopian Council of Ministers approved the country's first National Artificial Intelligence (AI) Policy. This policy outlines strategic directions for AI development and deployment across various sectors, including guidelines for:

- data management,
- governance, and
- human resource development.

The AI policy is expected to influence the IP landscape by promoting innovation in AI technologies and potentially necessitating adaptations in IP protections to accommodate AI-generated works and inventions.

Agencies responsible for the enforcement of intellectual property rights in Ethiopia include the:

- Ministry of Trade and Regional Integration (MOTRI);
- Directorate of Preventing and Controlling Substandard and Counterfeit Medicines, a division of the Ethiopian Food and Drug Authority (EFDA);
- Ethiopian Federal Police (EFP); and
- Ethiopian Ministry of Revenues, Customs division.

For additional information about the national law and for a local WIPO point of contact, please see WIPO's country profiles.

Section 6. Financial Sector

Capital Markets and Portfolio Investment

Ethiopia has a limited and undeveloped financial sector. Ethiopia's Parliament approved the establishment of a capital market in June 2021, and the Government of Ethiopia set up the Capital Market Authority in December 2022. In January 2025, Ethiopia relaunched the Ethiopian Securities Exchange (ESX), albeit with only one firm listed. The telecommunications SOE Ethio Telecom had initially announced plans to list a 10 percent stake on the ESX, but opted instead to sell the stake through its Telebirr fintech app. Contacts assess this was due to concerns foreign institutional investors would purchase most of the stake, potentially leading to majority foreign ownership of the SOE. Amid weak sales and multiple postponed deadlines, Ethio Telecom closed the share sale in April 2025 after selling only 10.7 percent of the offered shares.

Ethiopia issued its first 10-year eurobond in December 2014, raising $1 billion at a rate of 6.625 percent. As Ethiopia's ability to service its external debts declined in the wake of the COVID-19 pandemic, Ethiopia participated in the World Bank Debt Service Suspension Initiative (DSSI), which suspended external debt payments from May 2020 through June of 2021. Ethiopia also received a temporary two-year (2023 and 2024) debt payment suspension under the G20 Common Framework (CF) for Debt Treatments Beyond the DSSI from official bilateral creditors in November 2023. Nevertheless, Ethiopia defaulted on commercial debt obligations in

December 2023 when it failed to make a $33 million coupon payment on its $1 billion eurobond, leading the three major credit agencies Moody's, Standard and Poor's, and Fitch to downgrade Ethiopia's sovereign credit rating to junk territory. As of April 2025, Ethiopia faces challenges in negotiations with holders of the eurobond. The government proposed an 18 percent haircut on the bond's value, which bondholders rejected, arguing that Ethiopia's issues are related to liquidity rather than solvency.

In March 2025, Ethiopia reached a preliminary agreement with its Official Creditor Committee, co-chaired by France and China, to restructure approximately $8.4 billion in bilateral debt. This agreement extends debt maturities and provides around $2.5 billion in debt service relief through 2028.

Money and Banking System

A December 2024 banking proclamation allowed foreign banks to establish branches, representative offices, or subsidiaries; and purchase shares in local banks. However, the proclamation prohibited foreigners from holding a majority share in banks and limited them to one seat on bank boards of directors. In March 2025 the Government of Ethiopia introduced a new business regulation requiring a minimum capital investment of $40 million for foreign banks to operate in Ethiopia, roughly five times higher than neighboring Kenya. Liquidity at many banks is low, and commercial banks often require 100 percent collateral, making access to credit one of the greatest hindrances to growth in the country. The sale and purchase of debt are heavily regulated.

Ethiopia has 32 commercial banks, two of which are state-owned. The Development Bank of Ethiopia, a state-owned bank, provides loans to investors in priority sectors, notably agriculture and manufacturing. By regional standards, the 30 private commercial banks are not large (either by total assets or total lending), and their service offerings are not sophisticated. Mobile money and digital finance, for instance, remain limited in Ethiopia but continue to expand with the introduction of Ethio Telecom's Telebirr in May 2021 and Safaricom's M-Pesa in August 2023.

In February 2025, the National Bank of Ethiopia (NBE) capped credit growth at 18 percent, limited direct advances to the government to one-third of the previous year, and kept the policy rate at 15 percent. In Ethiopia, credit is not fully allocated on market terms, as the financial sector remains heavily regulated and influenced by government policies. The NBE plays a central role in directing credit to priority sectors, particularly agriculture, manufacturing, and exports. Interest rates are nominally liberalized, but lending remains constrained by limited competition, liquidity shortages, and a shallow financial market. While there is no outright legal restriction preventing foreign investors from applying for domestic loans, in practice access is limited. Ethiopia lacks a vibrant capital market, and financial instruments beyond basic bank loans—such as corporate bonds, leasing, or venture capital—are underdeveloped. However, recent reforms under the Homegrown Economic Reform Agenda aim to deepen the financial sector, and the ESX launch could eventually broaden credit access and instruments available to the economy.

The state-owned Commercial Bank of Ethiopia accounts for more than 50 percent of total bank deposits, bank loans, and foreign exchange in Ethiopia. The NBE controls banks' minimum deposit rate, which now stands at 7 percent, while loan interest rates are allowed to float. Real deposit interest rates have been negative in recent years, mainly due to double digit annual inflation. Some commercial banks in Ethiopia face challenges related to:

- non-performing loans (NPLs),
- low liquidity,
- cybercrime, and
- SOE debt.

Ethiopia's banking system strictly limits bank accounts for foreign nationals not of Ethiopian origin. Only individuals of Ethiopian descent residing abroad and their affiliated business entities are eligible for diaspora accounts. Foreign nationals not of Ethiopian origin are typically not allowed to open personal bank accounts in Ethiopia. However, they may open business accounts if they have registered enterprises in the country, typically requiring substantial documentation, such as business licenses and tax registrations.

Foreign Exchange and Remittances

Foreign Exchange

In July 2024, the Government of Ethiopia liberalized its foreign exchange regime to float the Ethiopian birr. This led the heavily overvalued Ethiopian birr to depreciate approximately 120 percent through April 2025 against the U.S. dollar. The market-based reform was part of broader efforts to address chronic foreign currency shortages and attract FDI. However, beginning in November 2024 the gap between bank exchange rates and the parallel market rate began to grow again. After initially shrinking to under 10 percent, the gap stood at more than 20 percent as of April 2025.

Under the NBE's 2024 Foreign Exchange Directive No. FXD/01/2024, foreign investors are permitted to convert, transfer, and repatriate funds associated with their investments. However, these activities are subject to specific conditions and documentation requirements. Upon approval from NBE, foreign investors can repatriate profits and dividends from registered investments, proceeds from sale or liquidation, transfers of shares, and returns of investment. Documents required to repatriate funds include:

- proof of tax compliance,
- board decision approving the profit repatriation,
- audited financial statements,
- a valid business license,
- a capital registration letter from NBE or Ethiopian Investment Commission (EIC) memorandum, and
- articles of association.

In September 2023 NBE issued a new directive which allows offshore accounts for strategic foreign direct investments, which include:

- public-private partnership (PPP) projects in power generation and infrastructure,
- large mining projects with a substantial export-earning potential, and
- other FDI projects deemed eligible by the executive management based on:
    - the size of investment,
    - job creation,
    - import substitution,
    - foreign exchange inflows,
    - technology transfer, or
    - sector-specific impact.

Investors can use offshore accounts to service their external debts, pay for foreign insurance and other warranty claims, meet their financial obligations to foreign contractors, cover their foreign capital and investment expenses, and pay for maintenance and operation.

Ethiopia's Financial Intelligence Unit monitors suspicious currency transfers, including large transactions exceeding 200,000 Ethiopian birr (roughly equivalent to U.S. reporting requirements for currency transfers exceeding $10,000). Ethiopian citizens are not allowed to hold or open a foreign exchange account. Ethiopian residents entering the country from abroad are required to declare foreign currency in excess of $4,000 and non-residents in excess of $10,000. Residents are not allowed to hold foreign currency for more than 30 days after acquisition. A maximum of 3,000 Ethiopian birr in cash can be carried out of the country.

In October 2024, the NBE granted operational licenses for five independent foreign exchange bureaus.

Remittance Policies

The 2020 Investment Proclamation allows all registered foreign investors to remit profits and dividends, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt servicing or other international payments. NBE foreign exchange regulations grant expatriate employees the right to remit their salaries.

The NBE Foreign Exchange Directive No. FXD/01/2024, issued in July 2024, introduced a market-based exchange rate, allowing banks to freely negotiate foreign currency rates. This shift aims to eliminate distortions and improve investor access to foreign currency. Exporters can now retain 50 percent of their foreign currency earnings indefinitely, offering greater financial flexibility. This change replaces the previous mandate to sell the remaining 50 percent within a month, simplifying foreign currency account rules, for foreign institutions and direct investors. Private companies and banks can now borrow from abroad without interest rate ceilings, enhancing their financing options for investment projects.

Sovereign Wealth Funds

Ethiopia's Council of Ministers approved in December 2021 the creation of Ethiopian Investment Holdings (EIH) – Ethiopia's Sovereign Wealth Fund. EIH is not transparent, and a recent figure of $150 billion in assets is likely significantly overestimated. EIH manages assets across several sectors, including:

- telecommunications,
- mining,
- banking,
- aviation, and
- logistics.

EIH is a member of the International Forum of Sovereign Wealth Funds.

Section 7. State-owned Enterprises

Ethiopia's 40 state-owned enterprises (SOEs) dominate key sectors like air transportation, banking, imports, industrial parks, insurance, petroleum, power generation, rail transport, shipping, and telecommunications. Despite plans to liberalize many of these sectors, SOEs enjoy considerable advantages such as:

- priority access to credit,
- foreign currency,
- land, and
- expedited customs clearances.

While there are no conclusive reports of credit preference for SOEs, they appear to receive incentives like priority foreign exchange, government tender preferences, and marketing assistance. Ethiopian Airlines is the only SOE competing internationally. Financial data for most SOEs is not published, but Ethiopian Airlines and the Commercial Bank of Ethiopia have transparent accounts.

Ethiopia is not a member of the Organization for Economic Cooperation and Development (OECD) and does not follow its SOE corporate governance guidelines. SOE governance is overseen by boards of senior government officials and politically affiliated individuals, lacking transparency. EIH-managed SOEs are overseen by boards including government officials and private sector representatives.

Privatization Program

In July 2018, the government announced plans to privatize several state-owned enterprises. The 2020 Public Enterprises Privatization Proclamation (No. 1206/2020) was enacted to regulate and encourage transparency in privatization. The government has attempted public tenders for local and foreign investors, but failed to sell eight state-owned sugar enterprises and a 45 percent stake in Ethio Telecom due to lack of interest. Since 1995, more than 370 public enterprises, mainly small trade and service companies nationalized in the 1970s have been sold.

Section 8. Corruption

Federal Ethics and Anticorruption Proclamation No. 1236/2020 targets corruption in government, international organizations, political parties, and religious organizations. The Federal Ethics and Anti-Corruption Commission (FEACC), accountable to parliament, combats corruption through ethics training and education, with officials required to register their assets. The Ministry of Justice handles corruption investigations, prosecutions, and asset recovery.

On January 9, 2025 Ethiopia adopted the Asset Recovery and Unexplained Wealth Law (Proclamation No. 1364/2024) to recover assets from illegitimate sources and control unexplained income. The new law allows authorities to seize assets over 10 million birr without proper documentation, including:

- property,
- money,
- securities, and
- virtual assets.

Critics argue it could be used to target critics of the government to confiscate property without due process and retroactively target assets acquired up to 10 years prior.

The Office of the Ombudsman ensures good governance and prevents administrative abuses by public offices. Transparency International's 2024 Corruption Perceptions Index, which measures perceived levels of public sector corruption, scored Ethiopia at 37 out of 100 and ranked it at 99th out of 180 countries, declining one spot from 2023.

Ethiopia is a signatory to the African Union Convention on Preventing and Combating Corruption and a member of the East African Association of Anti-Corruption Authorities. Ethiopia ratified the United Nations Convention Against Corruption (UNCAC) in 2007.

In December 2022, the Government of Ethiopia established a national anti-corruption committee to investigate government officials and bring them to justice and set up a public hotline for reporting corruption. The Government of Ethiopia characterized corruption as a national security threat, particularly in public service delivery, land administration, government procurement, and the financial and justice sectors.

In practice corruption remains a significant concern. Ethiopian and foreign businesses often face corruption in tax collection, customs clearance, and land administration. Corruption in urban land allocation to private investors is a major source of discontent. Many major government contracts, especially in power generation, telecommunications, and construction, are awarded to Chinese firms. Construction contracts for the corridor development project were not put up for bids, contrary to law, and instead were awarded to companies with ties to government officials.

Resources to Report Corruption

- **Federal Police Commission**

  Addis Ababa

  Telephone: +251 11-861-9595
- **Advocacy and Legal Advice Center in Ethiopia**

  Hayahulem Mazoria, Addis Ababa

  Telephone: +251 11-551-0738 / +251 11-655-5508

Section 9. Political and Security Environment

Ethnic conflict in Ethiopia is driven by historical grievances, resource competition, land disputes, and the ethno-federalist constitution that ties political agency to ethnic identity, afflicting nearly every region of Ethiopia. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), as of April 2025 there are over 4.2 million Internally Displaced Persons (IDPs) primarily due to conflicts in Amhara and Oromia and continued tensions in Tigray. Ethiopia is also Africa's second largest refugee-hosting country, with one million refugees and asylum seekers, predominantly from South Sudan, Somalia, and Eritrea.

The Government of Ethiopia and Tigray People's Liberation Front (TPLF) signed a Cessation of Hostilities Agreement (COHA) in November 2022, silencing the guns after a two-year conflict characterized by reports of gross human rights violations in which an estimated 600,000 people died. In March 2023, the U.S. government determined the Ethiopian National Defense Force (ENDF), TPLF, Eritrean Defense Force (EDF), and Amhara forces had committed war crimes during the northern conflict. Members of the ENDF, EDF, and Amhara forces were also accused of crimes against humanity including:

- murder,
- rape and other forms of sexual violence, and
- persecution.

A long-delayed disarmament, demobilization, and reintegration (DDR) process started in November 2024, and after being paused in late December due to the deteriorating political situation in Tigray and various logistical issues, restarted in April 2025.

In July 2023, the Amhara Fano militia launched an insurgency against federal government security forces. On August 4, 2023, the House of Peoples' Representatives (HoPR – the lower chamber of Ethiopia's bicameral parliament) declared a six-month state of emergency and then extended it until June 4. Despite the state of emergency lapsing in June 2024, a de facto military command still administers much of the region. Violence and criminality persist with both sides targeting businesses and investors.

The Oromo Liberation Army (OLA) and other unidentified armed groups in Oromia region continue to engage in an armed insurgency against the federal and regional governments. Prospects for immediate peace faded after the second round of U.S.-brokered talks in Dar es Salaam between the Government of Ethiopia and the OLA broke down in November 2023. However, on December 1, 2024, the Oromia Regional Government signed a peace deal with an OLA faction led by Oromia Central Zone Commander Jaal Sagni. A limited DDR process followed, and the tempo of violence decreased over much of Oromia. Despite this progress, continued fighting among remaining OLA factions and increased criminality continue to plague much of northern Oromia.

In both Amhara and Oromia, the Government of Ethiopia has reportedly resorted to drone strikes, arbitrary detentions, and extrajudicial killings to regain control. In far western Ethiopia, ethnic violence and clashes across Benishangul-Gumuz and Gambella regional states continued in 2024, leaving many dead or displaced.

When Prime Minister (PM) Abiy came to power in 2018, political and media space opened significantly, but contracted after the 2021-2022 conflict and again in August 2023. The political, media, and civic space continues to constrict, setting a troubling precedent before planned June 2026 federal elections. Opposition parties report increased harassment, detention and intimidation. Government authorities, especially at the sub-national level and in opposition-won districts, have reportedly used procedural roadblocks to hinder opposition political parties' efforts to hold meetings or activities. Opposition politicians have faced jail and at times have not been released when instructed by the courts.

The National Dialogue Commission, established in December 2021, was designed to address longstanding ethnic and regional issues through inclusive dialogue. However, numerous major opposition and armed groups have boycotted the process, questioning its inclusivity and credibility. A transitional justice policy approved in April 2024 has provided some hope for resolution to conflicts, but similar to the National Dialogue process, faces criticism from opposition and civil society groups.

The space for media and civil society groups has also contracted. Journalists are reportedly harassed and jailed for views challenging the ruling Prosperity Party. Journalism in the country remains undeveloped. Social media is often rife with unfounded rumors and hate speech, and government officials occasionally react with heavy-handedness, including censorship. Recent regulations have further constricted and politicized both the media and civic spaces.

At the time of this report's publication, the U.S. Department of State's Travel Advisory for Ethiopia remained at Level 3: Reconsider Travel due to:

- sporadic conflict,
- civil unrest,
- crime,
- communications disruptions, and
- the potential for terrorism and kidnapping in border areas.

Section 10. Labor Policies and Practices

The latest available national urban unemployment rate was 18.9 percent according to the 2022 Employment and Unemployment Survey. Although unemployment data has not been updated since 2022, ongoing conflicts in Amhara and Oromia, along with a weak macroeconomic climate, likely mean the actual figures are substantially higher. The law gives refugees and asylum seekers the opportunity to work on development projects supported by the international community that economically benefit both refugees and citizens or to earn wages through self-employment. Around 46.3 percent of people were working in the informal sector nationally according to the 2021 Labor Force and Migration Survey.

According to a 2020 International Labor Organization labor market assessment across all sectors, there was a generally higher demand for highly skilled workers, followed by medium-skilled workers; low-skilled workers had the lowest demand, especially in construction and manufacturing sectors. There was generally an oversupply of low- and medium-skilled workers across major sectors such as:

- agriculture,
- construction, and
- manufacturing.

However, the Government of Ethiopia’s ongoing, comprehensive infrastructure-focused “corridor development” project employs tens of thousands of low-skilled workers, though official data does not exist. The Ministry of Labor and Skills, in collaboration with other international and national stakeholders, provides training for technical and vocational trainers.

The 2020 Investment Law gives employment priority for nationals of Ethiopia and provides that any investor may employ duly qualified expatriate experts in the positions of “higher management, supervision, trainers and other technical professions“ required for the operation of business only when it is ascertained that Ethiopians possessing similar qualifications or experiences are not available.

There is no restriction on employers adjusting employment to respond to fluctuating market conditions. The labor law allows employers to terminate employment contracts with notice when demand falls for the employer's products or services and reduces the volume of work or profit. The law differentiates between firing and layoffs.

National labor law recognizes the right to collective bargaining, but this right has been severely restricted. Negotiations aimed at amending or replacing a collectively bargained agreement must take place within three months of its expiration; otherwise, the prior provisions on wages and other benefits cease to apply. The constitution and the labor law recognize the right of association for workers. The Confederation of Ethiopian Trade Unions (CETU) is the primary advocate for collective bargaining agreements. With more than one million members across more than 2,200 trade unions, it is Ethiopia's largest multiethnic, multireligious organization.

A July 2024 International Labor Organization study estimated Ethiopia's median monthly wage at 3,000 birr, contributing to high worker dissatisfaction and turnover, especially in foreign-owned firms in Ethiopia's industrial parks, where nearly half of workers (48 percent) left their jobs due to low pay. While Ethiopia's 2019 labor proclamation created a framework for setting a minimum wage, including for the creation of a National Wage Board, progress has stalled with no government action since 2019. In November 2024 the Government of Ethiopia said it was "hesitant" to set a minimum wage, citing concerns that doing so could lead to mass unemployment.

Labor divisions are established at the federal and regional level. Employers and workers may also introduce social dialogue to prevent and resolve labor disputes amicably. The Ministry of Labor and Skills assigns counselors or arbitrators when a dispute is brought to the attention of the Ministry or the appropriate authority by either of the parties to the dispute.

Section 11. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance or Development Finance Programs

After a two-year pause ending in mid-2023, DFC is restarting consideration of potential projects.

Section 12. Contact for More Information

Economic Section

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Contact Us