Ethiopia[22]

Ethiopia's Reform Commitments and Initiatives	Progress in Meeting Commitments and Initiatives	Partner Support
MACROECONOMIC FRAMEWORK		
Macroeconomic Stability		
Progress Made on 2018 Reform Commitments		
Pursue prudent monetary policy to keep inflation in single digits	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 about 20 percent as of January 2021, spurred by growing food prices. 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).	
Stabilize and improve external debt distress rating and government budget deficit	Public debt remained stable in FY20, while the Debt Service Suspension Initiative led to some reprofiling of debt repayment. Debt levels are still at high distress, due to high debt- and debt service-to-exports levels. Budget deficit slightly increased in FY20 to 2.7 percent of GDP, with a further increase to 3 percent forecasted in FY21 due to COVID-related impact on revenues and expenditures. In 2022, the government reported the budget deficit maintained at 2.8 percent 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 percent in 2021. Close to $2.5 billion 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.	
New Reform Commitments and Initiatives		
Domestic Revenue Mobilization		
Progress Made on 2018 Reform Commitments		

[22] Not revised in 2023.

Ethiopia's Reform Commitments and Initiatives	Progress in Meeting Commitments and Initiatives	Partner Support
Introduce improved tax collection and other tax transformation reforms for increased share of domestic tax revenue.	Domestic revenue mobilization reforms seek to ease tax compliance, rationalize tax exemptions, expand the tax base, and reduce distortionary effects of trade taxes. 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 and 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, that is, 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 percent 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 is underway including the digitalization of tax payment for large taxpayers operational and aims to digitalize tax payments for medium taxpayers.	
New Reform Commitments and Initiatives		
Strengthening Public Investment Management (procurement, SOE, PPPs, utilities)		
Progress Made on 2018 Reform Commitments		
Reform SOEs governance, budget deficit, and domestic resource mobilization	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). In 2022, the government reported that 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 $10 billion of SOE debt restructured via a newly established vehicle - The Liability and Assessment Management Corporation. Work is underway for the partial privatization of Ethio-telecom and privatization of select Sugar corporation estates.	

Ethiopia's Reform Commitments and Initiatives	Progress in Meeting Commitments and Initiatives	Partner Support
Introduce a comprehensive legal regime that governs PPPs. Ensure PPP contracts largely use standard clauses.	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	
Expand productive infrastructure for business competitiveness.	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 are underway in the energy and railway sectors, including SOEs to address inefficiencies and boost service delivery.	
	New Reform Commitments and Initiatives	

	BUSINESS FRAMEWORK	
	Regulations and Institutions	
	Progress Made on 2018 Reform Commitments	
Enhance the ease of doing business in Ethiopia through trade logistics and business regulation reforms.	• Improving ease of doing business by revising commercial code, investment law, and modernizing business service delivery. • Implementation of electronic Single Window (for import/export business). • The Ethiopian Commercial Code (No. 1243) is revised and enacted in 2021. • The new Investment Proclamation (No. 1180) and Investment Regulation (No. 474) are enacted in 2020. • Online investor tracking system including EIC's FDI tracking tool is implemented. • Many government services are provided through online e-systems (such as company registration, work permit, VISA). Electronic Single Window System was implemented for investment incentives service provision and overall import/export. • 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.	IFC, GIZ, UK
Ratify the AfCFTA; conclude negotiations for WTO accession	Ethiopia ratified the AfCFTA protocol. Accession to WTO under negotiation	
	New Reform Commitments and Initiatives	
	Investor Protection and Dispute Resolution	
	Progress Made on 2018 Reform Commitments	

Ethiopia's Reform Commitments and Initiatives	Progress in Meeting Commitments and Initiatives	Partner Support
Target investor recruitment in priority manufacturing, industrial park, energy generation and logistics services sectors.	• New investment law (more open to private sector and foreign investors than before). In 2022, the government reported: • The Investment Regulation No. 474 was enacted with a 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 the exception of a few sectors. • Industrial parks designation criteria directive is issued creating more transparent provisions. • Investment incentives regulation is under assessment.	
Implement a structured approach for addressing investor concerns, coupled with a legal framework for grievance management	Ratification of New York Convention. In 2022, the government reported that the New York Convention has been ratifies and that investor grievance management practice is developed.	
New Reform Commitments and Initiatives		

FINANCING FRAMEWORK		
Investment Risk Mitigation		
New Reform Commitments and Initiatives		

Mobilization of Private and Institutional Investments		
Progress Made on 2018 Reform Commitments		
Remove 27 percent rule and issuance of government T-bills through auctions with market prices.	Further improvements in the government securities market. Discussions commenced on capital markets development	
New Reform Commitments and Initiatives		