

Ethiopia

Sustainable Investment Requirements



In collaboration with



© International Trade Centre 2021

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

Street address: ITC

54-56, rue de Montbrillant
1202 Geneva, Switzerland

Postal address: ITC

Palais des Nations
1211 Geneva 10, Switzerland

Telephone: +41 22 730 0111

Fax: +41 22 733 4439

E-mail: itcreg@intracen.org

Internet: www.intracen.org

In partnership with

Ethiopian Investment Commission (EIC)

Address: Ethiopian Investment Commission
P.O. Box 2313
Addis Ababa, Ethiopia

Telephone: +251 11 551 0033

Fax: +251 11 551 4396

E-mail: info@ethio-invest.com

Internet: <http://www.investethiopia.gov.et/>

Ethiopia

Sustainable Investment Requirements

About the paper

This is a national companion guide to the publication *The Business Guide for Sustainability in Foreign Investments*. The companion guide presents an overview of Ethiopia's environmental and social regulations for investment operations in agroprocessing and light manufacturing. It also provides contacts of relevant national ministries and enforcement bodies.

Publisher: International Trade Centre

Title: Ethiopia: Sustainable Investment Requirements

Publication date and place: Geneva, June 2021

Page count: 28

Language: English

ITC Document Number: SIVC-21-83.E

Citation: International Trade Centre (2021). *Ethiopia: Sustainable Investment Requirements*, ITC, Geneva, Switzerland

For more information, contact: Ana Patricia Batalhone (batalhone@intracen.org), Ingrid Colonna (colonna@intracen.org), and Madison Wilcox (mwilcox@intracen.org)

For more information on PIGA, see: <http://www.intracen.org/piga/>

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts of this paper may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation. A copy of the reprinted or translated material should be sent to ITC.

Digital image(s) on the cover: © Shutterstock

© International Trade Centre (ITC)

ITC is the joint agency of the World Trade Organization and the United Nations.

Foreword by ITC

Foreign investment in Ethiopia unlocks opportunities to reach new regional and global markets and better serve the local market. The actions taken by business managers have tremendous spillover effects, not only for the local economy, but for the social and environmental conditions of the local population. As part of the post-pandemic recovery, investing sustainably is essential.

National legislation, regional trade agreements, and market demand all trend towards increased consideration for social and environmental practices. Beyond the business case for sustainability, international firms and local business must be aware of the requirements in their country of operation in order to avoid repercussions and remain competitive.

This national companion guide provides the mandatory social and environmental requirements for investing in Ethiopia in agroprocessing and light manufacturing. The guide details the steps businesses must take in their investment journey and the respective agencies they will contact along the way. The recommendations as well as the tools, such as sustainability checklists and resource directories, provide practical support to investors in their journey to improve their business practices.

This is a companion guide to the publication *The Business Guide for Sustainability in Foreign Investments*, which makes the business case for sustainable investment and provides common sustainability practices that firms must consider when starting operations in a foreign country.

This guide is an outcome of the research conducted for the Partnership for Investment and Growth in Africa, funded by the United Kingdom's Foreign, Commonwealth & Development Office. It is based on insights of ministries, investors, businesses and experts at the International Trade Centre.

Pamela Coke-Hamilton
Executive Director
International Trade Centre

Foreword by EIC

Governments are working hard to attract foreign direct investment to grow our economies, and making these investments socially and environmentally sustainable remains a key concern. As a first step, the Ethiopian Investment Commission (EIC) has integrated the principle of sustainable and responsible investments into every agreement that it signs with investors. This is meant to encourage investors to comply with the Ethiopian Government's social and environmental protection laws and regulations, as well as international standards and best practices.

To do so, investors must understand the laws, regulations and standards and how to comply with them. This is why EIC enlisted the support of our long-time and valued partner in promoting and attracting foreign investment, the International Trade Centre (ITC), through its Partnership for Investment and Growth in Africa project, to identify all current laws, regulations and local and international best practices related to sustainability.

EIC is pleased to have collaborated with ITC on this work. The dedicated, experienced and highly qualified team of experts on sustainability that ITC brought in to work on this assignment has benefited EIC staff members who collaborated on this project. Furthermore, as an international organization and an agency of the United Nations, ITC brings wide exposure to international experiences and best practices on sustainable and responsible investment.

Together with the handbook *The Business Guide for Sustainability in Foreign Investments*, this guide follows a step-by-step approach to walk the investor through social and environmental compliance requirements over the typical investment timeline, from starting a business, operationalizing and expanding/closing out. It details applicable laws in Ethiopia and provides additional standards and best practices that investors may adopt voluntarily.

We are confident that investors will find these guidelines useful to their efforts in making socially and environmentally responsible and sustainable investments. EIC management and staff will happily and readily respond to investors seeking clarification or additional information on any of the content provided herein.

Lelise Neme
Commissioner
Ethiopian Investment Commission

Acknowledgements

The International Trade Centre (ITC) is grateful to all parties involved in the development of this guide. Andreas Beavor was responsible for data collection and the initial drafting of the research. Ana Batalhone and Madison Wilcox (ITC) managed and prepared the final version of the guide, under the supervision of Joseph Wozniak (ITC). Ana Batalhone coordinated the development process.

Thanks are due to Véronique Rondeau and Ingrid Colonna for their leadership and various contributions to the guide development and revision under the guidance of Xuejun Jiang (all ITC). Anders Aeroe, Annegret Brauss, Delphine Clement, Joseph Wozniak, Tianyu Mao, Quan Zhao and Wenwen Sheng (all ITC) provided valuable comments and feedback. Alicia Rodriguez, Helen Griffin and Ha Vu provided valuable administrative support for the implementation of the guide.

Ana Batalhone, Madison Wilcox, Natalie Domeisen and Anne Griffin (all ITC) managed the editorial production of the companion guide. Jennifer Freedman edited the report, Franco Iacovino (ITC) provided graphic and layout services, and Serge Adeagbo (ITC) provided digital printing services.

ITC would like to express appreciation to the representatives of enterprises and institutions who agreed to be interviewed and share their experiences investing in Ethiopia. They include Hanna Arayaselassie, Hailemichael Tessema, Hilina Getachew and Samuel Assefa Bedasso (Ethiopian Investment Commission), Luo Pengcheng (Embassy of China in Ethiopia), Fekadu Gebru Senbete (Ministry of Labour and Social Affairs), Leake Tesfahune (Environment Protection Commission), Hayat Abdulmalik, Nigussie Abebe and Tewodoros Yilma Belachew (Enterprise Partners).

Thanks are due to Addisu Biazen, Anbessaw Serebe and Mebrahtom Gebreyesus (Ethiopian Investment Commission) for providing feedback. Special thanks go out to Amdework Dilnessaw and Yixin Yu (ITC) for supporting data collection in Ethiopia and providing feedback for the guide.

This publication was produced under the Partnership for Investment and Growth in Africa (PIGA), a project implemented by ITC. PIGA is a part of Manufacturing Africa, a flagship programme of the United Kingdom's Foreign, Commonwealth & Development Office. PIGA is implemented in cooperation with the China Council for Promotion of International Trade and the China-Africa Development Fund, which were instrumental in gathering the data for this guide.

About ITC

Established in 1964, the International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. Its mission is to foster inclusive and sustainable economic development and contribute to achieving the United Nations Global Goals for Sustainable Development.

ITC is the only development agency that is fully dedicated to supporting the internationalization of small and medium-sized enterprises. It helps these businesses in developing and transition economies become more competitive and connected to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. ITC works with policymakers, trade and investment support institutions, exporters and other stakeholders in the public and private sectors to enable export success of small firms in developing countries and transition economies.

Read more at <http://www.intracen.org/>

About the Partnership for Investment and Growth

The Partnership for Investment and Growth in Africa (PIGA) is part of Manufacturing Africa, a flagship programme of the United Kingdom's Foreign, Commonwealth & Development Office facilitating foreign direct investment with high development impact into selected African countries.

Under Manufacturing Africa, PIGA aims to contribute to job creation and sustainable growth in Ethiopia, Kenya, Mozambique and Zambia by helping these countries attract foreign direct investment, specifically Chinese investment, in the agroprocessing and light manufacturing sectors. PIGA is also designed to enhance the capacity of these countries for effective investment promotion.

ITC implements PIGA in cooperation with the China Council for the Promotion of International Trade and the China–Africa Development Fund.

<http://www.intracen.org/piga/>

About the Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) is an autonomous government institution responsible for promoting, coordinating and facilitating private investments in Ethiopia (as defined in the Investment Proclamation No. 769/2012 and the Council of Ministers Regulation No. 313/2014). At the regional level, EIC collaborates with regional investment agencies.

In 2017, EIC received the United Nations Award for outstanding performance in targeted promotion, facilitation and execution of sustainable investment projects. A year later, the agency was awarded the Best Investment Promotion Agency in East Africa by the Annual Investment Meeting.

Contents

Foreword by ITC	iii
Foreword by EIC	iv
Acknowledgements	v
About ITC	vi
About the Partnership for Investment and Growth	vi
About the Ethiopian Investment Commission	vii
Acronyms	ix
Chapter 1 Sustainability requirements in Ethiopia	10
General principles	10
Environmental and labour requirements	11
Country background	11
Environmental regulations and guidelines	12
Environmental impact assessments	12
Labour laws and workplace provisions	15
Summary of key labour law provisions	16
Chapter 2 Summary checklist	19
Chapter 3 Directory of institutions and strategies	23
National development strategies	25
Sector specific strategies	26
References	27
Figure	
Figure 1 Checklist: Environmental and labour requirements for investors	19

Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

EIA	Environmental impact assessment
EIC	Ethiopian Investment Commission
EPA	Environmental Protection Authority
ESIA	Environmental and Social Impact Assessment Directorate
ITC	International Trade Centre
PIGA	Partnership for Investment and Growth in Africa

Chapter 1

Sustainability requirements in Ethiopia

Key messages

- Investors are required to obtain an environmental licence for their proposed development, which is granted following the successful production and review of an environmental impact assessment (or project report/brief for low-risk projects).
- The environmental impact assessment or project report process determines environmental requirements for the specific business.
- Compliance with environmental impact assessment requirements and all relevant environmental regulations will be monitored and businesses must submit an environmental audit every year, depending on the details of the national legislation.
- Non-compliance with environmental requirements can result in improvement orders, which, if not followed, can result in closure, imprisonment and/or financial penalties.
- A range of legislation covers labour laws, and the company must understand and comply with relevant legislation. This chapter summarizes only the key points.
- Land regulations should be taken into account, particularly in terms of leasing or purchasing land, where it is vital to ensure that alternative community or tribal rights are considered and respected.

When investing in manufacturing or agroprocessing in Ethiopia, it is vital to comply with the national legislation in matters relating to environmental management and working conditions for employees. The following section provides an overview of general principles applicable for investors in any country and specific legal requirements in Ethiopia.

General principles

- Do not ask favours from influential government representatives to shortcut processes. This is likely to lead to compliance problems at a later stage. Speak to the relevant government departments and follow their guidance and requirements.

- Do not rely exclusively on foreign investors already working in the country for second-hand knowledge that may be out of date or inaccurate. Make sure you understand what is required from relevant government departments.
- It is usually necessary to hire a specialist (i.e. individual consultant or firm) to undertake a project brief, environmental impact assessment (EIA),¹ environmental audit, or a decommissioning plan to ensure an objective assessment process. Environmental institutions in Ethiopia maintain lists of registered qualified professional companies or individual experts who can provide these services.
- Allocate sufficient time for the EIA process. Engage with the relevant environmental agency as soon as you register a business. Six to 12 months is a reasonable timeframe for a full EIA, including public consultation and review, improvements and approval by the appropriate environmental authority, at which point an environmental licence can be granted for the proposed investment.
- Comply with land use plans where they have been developed on a participatory basis and passed into law to guide spatial development of a region or urban area.
- Be aware of differences in the local method for defining basic salary and remuneration packages. Confusion in this area could lead to a failure to comply with local labour laws.
- Try to obtain national legislation translated into your own language, as well as useful publications and updates on legislative changes (which business associations often produce). These can become outdated, however, and speaking directly to the relevant government department is usually best.
- Specific regulations may be negotiated for the operations of a particular business, with a trade union body representing your workers. This would subsequently be reflected in a legally binding collective bargaining agreement.

Environmental and labour requirements

Investors must follow a set of environmental and labour regulations when setting up a business in Ethiopia, during operations or when decommissioning a site due to closure or relocation. These are summarized below, with references to relevant legislation.

Country background

Ethiopia is striving to become a manufacturing hub in Africa and has made progress in attracting foreign direct investment. The country has several operational industrial parks, which host a range of manufacturers from China, Europe and North America. With a total

¹ Note that EIAs are sometimes referred to as environmental and social impact assessments. The requirements and contents of the assessment remain the same.

area of about 1.1 million square kilometres of arable land, Ethiopia also has tremendous potential for agricultural development. At present, only around 20% of this arable land is being cultivated.

Language: Ethiopia is a multi-ethnic state with more than 80 languages and 200 dialects. Amharic is the working language of the federal government, but English, Oromiffa and Tigrigna are also widely spoken in government and businesses.

Ethnic differences and regional politics: Ethiopia is a federal system with nine regional provinces that are broadly aligned with ethnic divisions. There are also many subdivisions within and across provincial boundaries. It is important to understand this context.

Environmental regulations and guidelines

The following environmental regulations must be observed in Ethiopia:

- Environmental Policy of Ethiopia (1997)²
- Environmental Impact Assessment Proclamation (2002)³
- Environmental Pollution Control Proclamation (2002)⁴
- Regulation to Provide for the Prevention of Industrial Pollution (2008)⁵
- Solid Waste Management Proclamation (2007)⁶

Environmental impact assessments

Investors must comply with the following environmental management requirements as they set up, operate and decommission a business.

² Environmental Policy of Ethiopia (1997). Available from <http://extwprlegs1.fao.org/docs/pdf/eth133155.pdf>

³ Federal Negarit Gazeta, Year 9, No. 11 (3 December 2002). Environmental Impact Assessment Proclamation No. 299/2002. Available from <http://extwprlegs1.fao.org/docs/pdf/eth44281.pdf>

⁴ Federal Negarit Gazeta, Year 9, No.12 (3 December 2002). Environmental Pollution Control Proclamation No. 300/2002. Available from <http://extwprlegs1.fao.org/docs/pdf/eth44282.pdf>

⁵ Federal Negarit Gazeta, Year 15, No. 14 (2008). Regulation to Provide for the Prevention of Industrial Pollution No. 159/2008. Available from <http://extwprlegs1.fao.org/docs/pdf/eth165348.pdf>

⁶ Federal Negarit Gazeta, Year 13, No. 13 (12 February 2007). Solid Waste Management Proclamation No. 513/2007. Available from <http://extwprlegs1.fao.org/docs/pdf/eth95457.pdf>

1. Obtaining an environmental licence for a proposed investment

An investor is not permitted to begin a project until 1) a project brief or an environmental impact assessment has been concluded in accordance with Ethiopia's Environment Impact Assessment Proclamation and 2) the investor receives a decision letter from the Environmental and Social Impact Assessment (ESIA) Directorate of the federal or regional Environmental Protection Authority (EPA).

Investors are first required to contact the Ethiopian Investment Commission (EIC), which will advise the investor how to obtain an environmental licence. A list of proposed projects that require an EIA is included in the EIA Proclamation, subject to the discretion of the ESIA Directorate. The directorate takes account of the context and environmental sensitivity of the proposed site location and nature of proposed operations. A robust screening process, to be undertaken by the ESIA Directorate based on information provided by the investor, will determine whether a proposed project requires an ESIA.

For investments that are categorized as low risk, it is sufficient to produce a project report setting out best practice procedures to minimize environmental impact.

Below are the requirements for projects that require an ESIA:

- Selection of qualified EIA lead experts or firm of experts registered by EPA. The authority maintains a register of accredited experts available in federal and regional EPA offices.
- Based on the agreed terms of reference and EIA regulations, the investor will appoint one or more independent experts or a firm of experts to carry out the EIA.
- The EIA process includes stakeholder and local community consultation. When local populations must be relocated, for particularly large projects, suitable resettlement provisions are to be followed, ideally based on International Finance Corporation standards.
- Upon completion, the EIA report is submitted to the EPA head office, duly signed by the investor and the experts who prepared it.
- The report will then be sent to lead agencies for internal review and harmonization of decision-making.
- Decision-making by EPA takes a maximum of 30 days for project reports and 60 days for EIA study reports (from the date of submission to EPA).

2. Environmental audit to assess compliance with requirements

Any investments that have been approved by the EIA process and commissioned for operations must undergo an environmental audit. There is provision for up to two per year in the legislation, and the first is usually required in the first three to six months.

Below are the requirements for an environmental audit.

- Selection of qualified environmental audit lead experts or firm of experts registered with EPA. The authority keeps a register of experts, available in its offices in Addis Ababa or regional headquarters.
- Based on agreed terms of reference and EIA/environmental audit regulations, appointed experts or firm of experts undertake the environmental audit.
- Upon completion, an environmental audit report is submitted to the appropriate authority (i.e. federal or regional office), duly signed by the investor and the experts who prepared the report.
- The report then undergoes an internal review and harmonization for decision-making within 30 days from the date of submission to EPA.
- Improvement orders may be issued, obliging an investor to rectify any non-compliance with the requirements set out in the original EIA or subsequently agreed requirements.
- Failure to comply with improvement orders can result in a fine, imprisonment and/or site closure.
- An environmental audit is required each year during operations, following the same process set out above.
- Throughout the period of business operations, investors must comply with all relevant regulations and guidelines listed in the box above.

3. Decommissioning a site

- A decommissioning plan is required as part of the initial EIA. As the decommissioning process may happen many years later, at the time of closure, an updated decommissioning plan must be prepared and submitted to EPA.
- EPA will advise the company what improvements it must make to the plan. A full decommissioning report must be submitted to EPA upon completion of the remediation works, detailing evidence of compliance with the measures set out in the decommissioning plan.

Labour laws and workplace provisions

The following labour legislation must be observed in Ethiopia:

- Labour Proclamation (2019)⁷
- Constitution of the Federal Democratic Republic of Ethiopia⁸
- National Policy on Occupational Health and Safety (2019)⁹
- Civil Code Proclamation (1960)¹⁰
- Social Health Insurance Proclamation (2010)¹¹
- Private Organization Employees Pension Proclamation (2011)¹²
- Urban Lands Lease Holding Proclamation (2011)¹³
- Rural Land Administration and Land Use Proclamation (2005)¹⁴

⁷ Labour Proclamation. Available from

http://www.ilo.int/dyn/natlex/natlex4.detail?p_lang=en&p_isn=109825&p_country=ETH&p_count=1

⁸ Constitution of the Federal Republic of Ethiopia. Available from

<https://www.wipo.int/edocs/lexdocs/laws/en/et/et007en.pdf>

⁹ Text not available online.

¹⁰ Negarit Gazeta Extraordinary Issue, Year 19, No. 2 (5 May 1960). Civil Code Proclamation No. 165/1960. Available from

http://ilo.ch/dyn/natlex/natlex4.detail?p_lang=en&p_isn=52399&p_count=99470&p_classification=01&p_classcount=13011

¹¹ Federal Negarit Gazeta, Year 16, No. 50 (19 August 2010). Social Health Insurance Proclamation No. 690/2010. Available from

<https://www.ilo.org/dyn/travail/docs/269/Social%20Health%20Insurance%20Proclamation%202010.pdf>

¹² Federal Negarit Gazeta, No. 44 (15 July 2005). Private Organization Employees Pension Proclamation No. 715/2011. Available from

https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=89585&p_country=ETH&p_count=141

¹³ Federal Negarit Gazeta, Year 18, No. 4 (28 November 2011). Urban Lands Lease Holding Proclamation No. 721/2011. Available from <http://extwprlegs1.fao.org/docs/pdf/eth169468.pdf>

¹⁴ Federal Negarit Gazeta, Year 11, No. 44 (15 July 2005). Rural Land Administration and Land Use Proclamation No. 456/2005. Available from <http://extwprlegs1.fao.org/docs/pdf/eth95459.pdf>

Summary of key labour law provisions

The legislation listed above specifies many other laws and conditions, and investors should make sure they understand and comply with what is relevant to their business.

Minimum wage: There is no national minimum wage in Ethiopia.

Working hours:

- Maximum eight hours/day and 48 hours/ week
- If the nature of work so requires, some working days can be shortened. In other cases, they can be increased to a maximum of 10 hours/day.

Overtime:

- A worker may not be compelled to work overtime except in case of accident, force majeure, urgent work or substitution of absent workers assigned to work that runs continuously without interruption.
- Overtime work may not exceed two hours in a day, 20 hours in a month, or 100 hours in a year.
- Overtime is to be compensated in accordance with the categories outlined in the Labour Proclamation No. 377/2003 (amended by Proc. No. 466/2005 & Proc. No. 494/2006).

Rest days: Workers are entitled to 24 consecutive hours of rest per week. Labour law requires that weekly rest day, in principle, should be Sunday for all employees. If it is impossible to provide a weekly rest day on Sunday, due to the nature of the work, the rest day can be another day of the week. Weekly rest must include a full 24-hour period, from 6:00 to 6:00 the next day.

Paid leave: A worker is entitled to 14 days of paid annual leave on completion of one year of service plus one working day for every additional year of service. For a worker with five years of service, the period of paid annual leave is 18 working days.

Paid public holidays: Workers are entitled to paid public and religious holidays. These holidays are: Ethiopian Christmas (7 January); Orthodox Epiphany (Timket) (19 January); Victory of Adwa (2 March); Ethiopian Good Friday (18 April); Ethiopian Easter (20 April); International Labour Day (1 May); Patriot's Victory Day (5 May); Downfall of the Derg (28 May); Eid al-Fitre (End of Ramadan); Ethiopian New Year (11 September); Meskel (Discovery of the True Cross) (27 September); and Mouldi (Birthday of Prophet Muhammad) (10 November). Muslim religious holidays are based on the lunar calendar.

Maternity leave: Female employees are entitled to fully paid maternity leave of 90 days (30 days antenatal and 60 days postnatal).

Nursing: There is no provision requiring employers to provide breaks or facilities to nursing mothers, but investors can consider voluntarily providing appropriate conditions.

Paternity leave: A male employee is entitled to three consecutive days of paternity leave with full pay. A worker shall be entitled to leave without pay for up to five consecutive days in the case of exceptional and serious events. However, such leave may be granted only twice in a budget year.

Sick leave: Ethiopia's Labour Proclamation provides for paid sick leave for up to six months on completion of a probation period if a qualified doctor certifies sickness. During the first month of sick leave, employees are entitled to 100% of their wages. For the next two months, they are entitled to 50% of their wages, and the last three months of sick leave are without pay.

Absence from work/compassionate leave: An employee is entitled to up to five consecutive days of leave with pay, two times a year, for exceptional and serious events (see Chapter 2 of Ethiopia's 2019 Labour Proclamation).

Medical insurance: All workers must be a member of a social health insurance scheme as explained in Ethiopia's 2010 Social Health Insurance Proclamation.

Work injuries: Work injuries are divided into four categories: (i) permanent total incapacity; (ii) permanent partial incapacity; (iii) temporary incapacity and (iv) fatal injury leading to death of a worker. They must be compensated in accordance with the relevant legislation (i.e. the 2019 Labour Proclamation and the 2011 Private Organization Employees' Pension Proclamation).

Disability rights: Ethiopia is a signatory of the Convention on the Rights of Persons with Disabilities, and the country's Labour Proclamation establishes that it is prohibited to discriminate against employees on the basis of disability.

Occupational health and safety requirements: Employers must ensure compliance with Part 7 of the 2019 Labour Proclamation and the National Policy on Occupational Health and Safety, which provide provisions and standards for securing a safe and healthy working environment. It is the responsibility of every employer to ensure the safety, health and welfare of all employees at work. It is important to develop a safety- and health-conscious culture in the workplace, and to encourage reporting of injuries and accidents.

Local content requirements:¹⁵ None relating to light manufacturing or agroprocessing.

Trade unions: Any employee is free to start or join a trade union.

¹⁵ Policies that require companies to source intermediate goods or services from the domestic market.

Preventing child labour: It is prohibited to employ a person less than 15 years of age. Employers must comply with restrictions on overtime and hours of work for young workers (between the ages of 15 and 18) in Article 89 of the Labour Proclamation.

Labour inspection: The Labour Proclamation provides for labour inspection services, which can be used for the purpose of planned and follow-up inspections, complaint-based or accident-based inspections.

Penalties for non-compliance of employers: Various penalties are set out in the legislation for employers who fail to comply with the relevant legislation.

Resolving workplace disputes: Disputes may be settled via Ethiopia's Labour Courts or by alternative lawful means (see Chapters 2 and 3 of the Labour Proclamation).

Ownership rights to land and other assets on land:

- In Ethiopia, all land is owned by the state, but is leased to individuals, communities and businesses.
- Even if the Government leases land to a company for an industrial site or agricultural production, the underlying community claims to the land may not be aligned. Independent consultation with local communities, usually as part of the EIA process, is therefore vital for sustainable community relations.

Chapter 2

Summary checklist

Potential investors in the agroprocessing and light manufacturing sectors in Ethiopia should consider various environmental and labour requirements when setting up their business operations. The steps included in the checklist below refer to different categories of procedures that investors must follow to obtain their investment certificate and start running their business.




Figure 1 Checklist: Environmental and labour requirements for investors






Legend of icons per investment stage:	
	No legal labour and environmental requirements set at the investment stage.
	No legal labour and environmental requirements are set at this stage, however investors should take into account certain considerations.
	Investors need to comply with legal labour and environmental requirements at this stage.
	<p>1. Business opportunities for investing in Ethiopia</p> <p>No legal labour and environmental requirements are set at this stage for investors considering opening a business in Ethiopia. Nonetheless, investors should consider the following:</p> <ul style="list-style-type: none"> • Collect information about the labour legal system and environmental regulation in Ethiopia. • Understand which sustainability areas will be affected by the investment and include this analysis in project design. • Understand the social, environmental, economic and political context of the invested country. Refer to the Ethiopian Investment Commission official website,¹⁶ Chinese web-portal, I-Guide website¹⁷ and Investment Guide¹⁸ for more information.

¹⁶ Ethiopian Investment Commission website. Available from <http://www.investethiopia.gov.et/>

¹⁷ iGuide Ethiopia. An Investment Guide to Ethiopia. Available from <https://www.theiguides.org/public-docs/guides/ethiopia>

¹⁸ EIC (2017). An Investment Guide to Ethiopia. Available from: http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/PIGA/EIC%20Investor%20Guide-August%2015_17.pdf

	<p>2. Investment permit and business registration through the Ethiopia Investment Commission</p> <p>No legal labour and environmental requirements are set at this stage for investors considering opening a business in Ethiopia.</p>
	<p>3. Land acquisition</p> <p>The landholding system in Ethiopia is lease. As a result, an application for land has to be made to the concerned regional land administration office or through the sublease of an existing lease. The documents to be submitted by investors when applying for land include an environmental impact assessment report or letter, depending on the project’s environmental risk level.</p> <p>Investors should also submit:</p> <ul style="list-style-type: none"> • An investment permit issued by the Ethiopian Investment Commission or any other mandated government organization; • A feasibility study/business plan; • A supporting letter from the Ethiopian Investment Commission or other mandated government organization. <p>After the application is processed and approved, a land lease agreement is signed between the investor and the land administration office.</p> <p>Lease agreement: Lease agreements can be concluded with an industrial park development corporation, regional/woreda land administration office, or a private industrial park developer.</p> <p>Relevant legislation: Urban Lands Lease Holding Proclamation (No. 721/2011), Rural Land Administration and Land Use Proclamation (No. 456/2005).</p> <p>Institution involved: Documents Authentication and Registration Agency</p>
	<p>4. Construction permit</p> <p>Construction permits are issued at various administrative levels, such as district, municipality, or ministry levels, depending on the location of the construction.</p> <p>An application for a permit must be made at the urban administration or designated organ at the construction location. The application should contain the following:</p> <ul style="list-style-type: none"> • Full name and address of the applicant • Investment permit • Location of construction • Table showing the total floor area • Planning consent • Architectural, sanitary, soil test, electrical designs and structural analysis report for the planned building

	<p>5. Issuance of business licence</p> <p>No legal labour and environmental requirements are set at this stage for investors considering opening a business in Ethiopia.</p>
	<p>6. Issuance of environmental impact assessment clearance</p> <ul style="list-style-type: none"> • Relevant legislation for a project brief or environmental impact assessment: Environmental Impact Assessment Proclamation <p>Institutions involved in the process: Ethiopian Investment Commission, Environmental and Social Impact Assessment Directorate of the federal or regional EPA</p>
	<p>7. Issuance of customs duty exemptions</p> <p>No legal labour and environmental requirements are set at this stage for investors considering opening a business in Ethiopia.</p>
	<p>8. Work permits</p> <p>The Ethiopian Investment Commission issues work permits to expatriates hired by companies that are in the investment project implementation phase. An application accompanied by the following documents should be submitted to the commission:</p> <ul style="list-style-type: none"> • Work visa • Authenticated education, experience and competence certificates • Completed and signed application form <p>Relevant legislation: Ministry of Labor and Social Affairs directives on issuance of work permits for expat employees (December 23/2011 E.C).¹⁹</p> <p>Institutions involved in the process: EIC (Licensing and Registration Department) and the Ministry of Labor and Social Affairs.</p>
	<p>9. Business visa</p> <p>No legal social and environmental requirements are set at this stage for investors considering opening a business in Ethiopia.</p>

¹⁹ Ethiopian Calendar.



10. Legal considerations after the start of business operations

Environment:

- Environmental audit to assess compliance with requirements established by the EIA

Relevant legislation: Environmental Impact Assessment Proclamation

- Decommissioning a site at closure

Relevant legislation: Environmental Impact Assessment Proclamation

Institution involved in the process: Environmental and Social Impact Assessment Directorate of the federal or regional Environmental Protection Authority

Labour:

- Investors should comply with all relevant legislations mentioned above

Institution involved in the process: Ministry of Labour and Social Affairs

Chapter 3

Directory of institutions and strategies

Local institutions often have dedicated units that can provide background context or suggestions to investors on more sustainable production processes or business approaches, within the context of their specific region. Issues to be discussed with local institutions include:

- Location selection to maximize sustainable outcomes and minimize risks to local populations and the environment;
- Sustainable sourcing and production techniques;
- Where to source raw materials;
- Recruitment of local workforce;
- Vertically integrated supply chains – linking to value chains;
- Circular opportunities, including with other businesses;
- Resilience to the impacts of climate change and biodiversity loss evident now and likely in the future.

A list of the most significant government institutions and business associations available in Ethiopia follows:

Ethiopian Chamber of Commerce and Sectoral Association

Website: <http://ethiopianchamber.com>

Email: ethchamb@ethionet.et

Phone: +251-115514005

Address: Ethiopian Chamber of Commerce & Sectoral Associations Building,
1st Floor, Mexico Square, Addis Ababa

Environment, Forest, and Climate change Commission: This agency is responsible for ensuring the realization of the environmental rights, goals, objectives and basic principles enshrined in the Constitution, as well as the environment policy of Ethiopia. This is done by coordinating appropriate measures, establishing systems and developing programmes and mechanisms for the welfare of humans and the safety of the environment.

The commission is mandated to formulate, initiate and coordinate strategies, policies, laws and standards, and monitor and enforce their implementation. It is also responsible for the synergistic implementation and follow-up of international and regional environmental agreements. The Environmental Protection Authority is the body under

the commission that is responsible for the EIA process and checking the compliance of companies with their environmental management requirements, via the environmental audit process.

Website: <https://www.efccc.gov.et/>

Address: Arat Killo, Behind Tourist Hotel, Addis Ababa

Phone: +251 11 170 4038 / 4150

E-mail: efcccethiopia@gmail.com

Ethiopian Investment Commission: The EIC is responsible for investment promotion of foreign companies in Ethiopia. It also provides services such as issuing investment permits, business licences and investment licences for construction contracting; issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations; registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors; providing a hand-holding service for investors during the acquisition of land and utilities (water, electrical power and telecom services); and supporting the submission of environmental impact assessment studies for investment projects.

Website: <http://www.investethiopia.gov.et/index.php>

Address: Dembel Center, Bole Road, Addis Ababa

Phone: +251 11 551 0033

E-mail: info@ethio-invest.com

Industrial Parks Development Corporation: The IPDC is responsible for providing serviced industrial land, pre-built sheds equipped with all-encompassing utilities, and infrastructural facilities that fit international standards, without compromising workers' security and environmental safety. In collaboration with the Ethiopian Investment Commission, Ethiopian Revenue and Customs Authority and several other institutions, the IPDC provides a comprehensive service for investors entering industrial parks. This includes a full account of environmental and social regulations with which companies must comply.

Website: <https://www.ipdc.gov.et/>

Address: Bishangari Building, Comoros Street, Opposite to Kenyan Embassy, Addis Ababa

Phone: +251-11 661 6986 / +251 11 661 6674 / +251 91 181 3027

E-mail: admin.info@ipdc.gov.et

Ministry of Labour and Social Affairs: The ministry's mandate includes maintaining employee health and safety in the workplace, improving working condition and environment, and promoting efficient and equitable employment services, as well as maintaining developmental social welfare of all citizens.

Website: <http://www.molsa.gov.et>

Phone: +251 11 551 7080 / 11 551 5249 / 11 551 8396 / 11 551 5316 / 11 550 1220

Address: Kirkos Kifle Ketema, Wereda 8, Kazanchis

E-mail: molsa@molsa.gov.et

National development strategies

- Growth and Transformation Plan II (GTP II)²⁰
- Ethiopian Industrial Development Strategic Plan (2013–2025)²¹
- Ethiopia's Climate Resilient Green Economy Strategy²²

²⁰ Growth and Transformation Plan II (GTP II) (2015/16-2019/20). Vol. 1: Main text. Available from <https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/ETHIOPIA%29%20Growth%20and%20Transformation%20Plan%20II%2C%20Vol%20I.%20%20%282015%2C16-2019%2C20%29.pdf>

²¹ FDRE Ministry of Industry (2013). Ethiopian Industrial Development Strategic Plan (2013–2025). Available from https://www.academia.edu/28903445/Ethiopian_Industrial_Development_Strategic_Plan_2013-2025_FDRE_Ministry_of_Industry

²² Federal Democratic Republic of Ethiopia (n.d.). Ethiopia's Climate Resilient Green Economy. Green economy strategy. Available from <https://www.undp.org/content/dam/ethiopia/docs/Ethiopia%20CRGE.pdf>

Sector specific strategies

- Leather market strategy²³
- Pharmaceutical sector strategy²⁴
- Apparel market strategy²⁵

²³ Enterprise Partners (2018). Leather Market Strategy. Available from <https://enterprisepartners.org/leather/leather-products-market-strategy/>

²⁴ Ministry of Health and Ministry of Industry (2015). National strategy and plan of action for pharmaceutical manufacturing development in Ethiopia (2015–2025). Available from https://www.who.int/phi/publications/Ethiopia_strategy_local_production.pdf

²⁵ Enterprise Partners (2018). Apparel Market Strategy. Available from <https://enterprisepartners.org/garment/apparel-market-strategy-ms/>

References

Constitution of the Federal Republic of Ethiopia. Available from <https://www.wipo.int/edocs/lexdocs/laws/en/et/et007en.pdf>

Environmental Policy of Ethiopia (1997). Available from <http://extwprlegs1.fao.org/docs/pdf/eth133155.pdf>

Enterprise Partners (2018). Apparel Market Strategy. Available from <https://enterprisepartners.org/garment/apparel-market-strategy-ms/>

_____ (2018). Leather Market Strategy. Available from <https://enterprisepartners.org/leather/leather-products-market-strategy/>

Ethiopian Investment Commission website. Available from <http://www.investethiopia.gov.et/>

EIC (2017). An Investment Guide to Ethiopia. Available from: http://www.intracen.org/uploadedFiles/intracenorg/Content/Redesign/Projects/PIGA/EIC%20Investor%20Guide-August%2015_17.pdf

Federal Democratic Republic of Ethiopia (n.d.). Ethiopia's Climate Resilient Green Economy. Green economy strategy. Available from <https://www.undp.org/content/dam/ethiopia/docs/Ethiopia%20CRGE.pdf>

Federal Negarit Gazeta, Year 9, No. 11 (3 December 2002). Environmental Impact Assessment Proclamation No. 299/2002. Available from <http://extwprlegs1.fao.org/docs/pdf/eth44281.pdf>

Federal Negarit Gazeta, Year 9, No.12 (3 December 2002). Environmental Pollution Control Proclamation No. 300/2002. Available from <http://extwprlegs1.fao.org/docs/pdf/eth44282.pdf>

Federal Negarit Gazeta, No. 44 (15 July 2005). Private Organization Employees Pension Proclamation No. 715/2011. Available from https://www.ilo.org/dyn/natlex/natlex4_detail?p_lang=en&p_isn=89585&p_country=ETH&p_count=141

Federal Negarit Gazeta, Year 11, No. 44 (15 July 2005). Rural Land Administration and Land Use Proclamation No. 456/2005. Available from <http://extwprlegs1.fao.org/docs/pdf/eth95459.pdf>

Federal Negarit Gazeta, Year 13, No. 13 (12 February 2007). Solid Waste Management Proclamation No. 513/2007. Available from <http://extwprlegs1.fao.org/docs/pdf/eth95457.pdf>

Federal Negarit Gazeta, Year 15, No. 14 (2008). Regulation to Provide for the Prevention of Industrial Pollution No. 159/2008. Available from <http://extwprlegs1.fao.org/docs/pdf/eth165348.pdf>

Federal Negarit Gazeta, Year 16, No. 50 (19 August 2010). Social Health Insurance Proclamation No. 690/2010. Available from <https://www.ilo.org/dyn/travail/docs/269/Social%20Health%20Insurance%20Proclamation%202010.pdf>

Federal Negarit Gazeta, Year 18, No. 4 (28 November 2011). Urban Lands Lease Holding Proclamation No. 721/2011. Available from <http://extwprlegs1.fao.org/docs/pdf/eth169468.pdf>

Growth and Transformation Plan II (GTP II) (2015/16-2019/20). Vol. 1: Main text. Available from <https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/ETHIOPIA%29%20Growth%20and%20Transformation%20Plan%20II%2C%20Vol%20I.%20%20%282015%2C16-2019%2C20%29.pdf>

iGuide Ethiopia. An Investment Guide to Ethiopia. Available from <https://www.theiguides.org/public-docs/guides/ethiopia>

Ministry of Industry (2013). Ethiopian Industrial Development Strategic Plan (2013–2025). Available from https://www.academia.edu/28903445/Ethiopian_Industrial_Development_Strategic_Plan_2013-2025_FDRE_Ministry_of_Industry

Ministry of Health and Ministry of Industry (2015). National strategy and plan of action for pharmaceutical manufacturing development in Ethiopia (2015–2025). Available from https://www.who.int/phi/publications/Ethiopia_strategy_local_production.pdf

Negarit Gazeta Extraordinary Issue, Year 19, No. 2 (5 May 1960). Civil Code Proclamation No. 165/1960. Available from http://ilo.ch/dyn/natlex/natlex4.detail?p_lang=en&p_isn=52399&p_count=99470&p_classification=01&p_classcount=13011

Printed by ITC Digital Printing Service.

A free pdf is available on ITC's website at:
www.intracen.org/publications.

