

ETHIOPIA: COMPANY PERSPECTIVES

AN ITC SERIES ON
NON-TARIFF MEASURES



Ethiopia: Company Perspectives

An ITC Series on Non-Tariff Measures

About the paper

The majority of Ethiopian exporters and importers face a number of challenges associated with conformity assessments and clearance formalities, such as delays, lack of specific facilities and administrative burdens.

Based on 231 interviews, this new ITC report recommends enhancing Ethiopia's quality-related infrastructure and capacity, improving production techniques, simplifying procedures and disseminating relevant information. It also suggests integrating the business perspective in domestic procedures, and ensuring competitive services to the export sector.

Publisher: International Trade Centre

Title: Ethiopia: Company Perspectives. An ITC Series on Non-Tariff Measures

Publication date and place: Geneva, September 2018

Page count: 79

Language: English

ITC Document Number: TMI-18-3.E

Citation: International Trade Centre (2018). *Ethiopia: Company Perspectives. An ITC Series on Non-Tariff Measures*. ITC, Geneva.

For more information regarding this report, contact: Ursula Hermelink (hermelink@intracen.org)

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

Acknowledgements

The International Trade Centre (ITC) expresses its appreciation to the representatives of enterprises and experts who agreed to be interviewed and shared their experiences on regulatory and procedural trade obstacles.

National experts, Mekdim Dereje and Zinabu Rekiso, and Cristian Ugarte from ITC wrote this report. Cristian Ugarte managed the implementation of the business survey on non-tariff measures (NTMs) in Ethiopia, and Poonam Mohun was also part of the team who initiated this survey. Abdellatif Benzakri, Youssef Dhabbah, Katya Ivanova and David Maradiaga contributed to data quality control and provided statistical support. Samidh Shrestha, Claude Manguila, Camille Reverdy and Mohamed Tarek Issa provided desk research and assistance to the writing of this report. ITC acknowledges SART Consult in collaboration with Ipsos Switzerland for conducting the interviews for this survey.

In particular, we thank Assefa Mulugeta and Haimanot Tibebe from the Trade Promotion Directorate at the Ministry of Trade in Ethiopia for their trust and support throughout the project. We also would like to express our gratitude to all partners, stakeholders, ITC colleagues and participants in the stakeholder meetings for their comments, suggestions and recommendations.

The NTM Survey in Ethiopia was implemented as part of the ITC programme on NTMs under the general supervision of Mondher Mimouni, Chief, ITC Trade and Market Intelligence Section, and Ursula Hermelink, Manager of the ITC programme on NTMs. The NTM team thanks the ITC Office for Africa for its valuable guidance and support during the NTM Survey.

The financial contribution of the United Kingdom Department for International Development is gratefully acknowledged.

The report was edited by Richard Waddington. Editorial and production management was provided by Natalie Domeisen and Evelyn Seltier, ITC. Graphical and printing support was provided by Serge Adeagbo and Franco Iacovino, ITC.

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Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars and all references to tons are to metric tons. For consistency with other reports in the ITC Series on Non-Tariff Measures, international calendar years (Gregorian calendar) are used unless specified differently. Please note that there is a 7-8 years gap between this international calendar and the Ethiopian calendar.

The following abbreviations are used:

AGOA	African Growth Opportunity Act
COMESA	Common Market for Eastern and Southern Africa
CoO	Certificate of Origin
EACWSE	Ethiopian Agricultural Commodities Warehousing Services Enterprise
EBA	Everything-But-Arms
ECAE	Ethiopian Conformity Assessment Enterprise
ECX	Ethiopian Commodity Exchange
ELIDI	Ethiopian Leather Industry Development Institute
EPA	Economic Partnership Agreement
ERCA	Ethiopian Revenues and Customs Authority
ESA	Ethiopian Standards Agency
ESLSE	Ethiopian Shipping and Logistics Services Enterprise
EU	European Union
FTA	Free Trade Agreement
GDP	Gross domestic product
GTP	Growth and Transformation Plan
IEGQD	Import-Export Goods' Quality Directorate
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least developed country
MFN	Most Favoured Nation
MoANR	Ministry of Agriculture and Natural Resources
MoLF	Ministry of Livestock and Fisheries
MoT	Ministry of Trade
NBE	National Bank of Ethiopia
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
RoW	Rest of the World
SITA	Supporting Indian Trade and Investment for Africa
SPS	Sanitary and phytosanitary
TBT	Technical barrier to trade
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Executive summary

Ethiopia has achieved one of the highest economic growth rates in the world over the past few years, and international financial institutions and the national government generally expect that the economy will continue to expand strongly. The northeast African country, still one of the world's least developed, aspires through continuing economic growth and its strategic development plans to join the ranks of middle-income states by the year 2025.

But GDP gains have been accompanied by a deepening balance of payments deficit as import growth outstrips that of exports. Ethiopia, the world's most populous landlocked country, remains dependent on a narrow set of mainly agricultural exports, notably coffee and oilseeds. Plans to boost exports of manufactured goods have so far had relatively little impact. The natural disadvantages of being landlocked are heightened by political and diplomatic instability along its borders, leaving it highly dependent on the port of Djibouti for access to the sea. Container goods take significantly longer to reach Ethiopia than they do to get to Rwanda, for example, a landlocked country in East Africa.

As a least developed country (LDC), Ethiopia benefits from a number of preferential trade agreements, which allow virtually duty-free and quota-free access for its exports to markets of many developed and leading developing countries. But in addition to its geographical disadvantages, Ethiopia, like many developing countries, faces another significant hurdle due to the rise of non-tariff measures (NTMs), which have gained increasing importance in global commerce with the general decline of duties.

NTMs have legitimate aims, such as consumer and environmental protection, and have long been part of international agreements. They cover a host of export and import policies that are not traditional tariffs. They can be onerous for exporters and importers in developing countries, who can struggle with often complex requirements. Firms in these countries may have inadequate domestic trade-related infrastructure, lack of needed information and face procedural obstacles, often locally generated, all of which harm their international competitiveness.

ITC carried out a survey of 231 Ethiopian trading companies – including active exporters, importers and producers – to gather their views on the type of NTM-related obstacles they encounter in doing business internationally and to present recommendations from the private sector, public agencies and experts for overcoming these difficulties. Such surveys have in the past led to measures that reduce trade costs by lowering the obstacles that businesses face. The survey focuses on six economic sectors: coffee, oilseeds, rest of agriculture, textiles, leather products, and rest of manufacturing.

Almost every Ethiopian exporter faces challenges related to non-tariff measures

The survey finds that 96% of trading companies report facing situations they perceive as burdensome related to the application and implementation of NTMs. Exports are much more affected than imports, with 90% of exporting companies reporting facing burdensome NTMs, while only 56% of importing companies report such problems.

The incidence of NTM-related obstacles varies across the six economic sectors. Leather products are most affected (97%) on the export side, while the rest of agriculture is the most affected sector (67%) for imports. The rest of manufacturing is the least affected sector – exports (86%) and imports (53%). Coffee and other oilseeds, two traditional export sectors, show a similar incidence as the rest of manufacturing. Medium and large exporters report the most frequent difficulties related to NTMs.

Foreign regulations or private standards are behind the highest percentage (69%) of reported difficulties. Middle East and European markets are cited as presenting the most obstacles. Four of every 10 cases described as burdensome by Ethiopian exporters involve conformity assessments required to show products comply with national regulations or private standards applied in destination markets.

Conformity assessments required by trade partners are the main source of burdensome regulations for exporting companies in the agricultural sector, which is to be expected as agriculture-related products tend to be highly regulated for consumer protection and safety. But conformity assessments are also a major obstacle for manufactured products, when foreign regulations and private standards are combined.

Nevertheless, among exporters of manufacturing products, measures applied by Ethiopia are the main NTM hurdle.

One-fifth of burdensome situations reported on exports relate to technical requirements, notably for product identity and quality performance. The remaining NTM-related obstacles stem from domestic Ethiopian export regulations, such as export clearance procedures and technical (quality) regulations. Among exporters of manufactured products, Ethiopian measures are the main NTM hurdle.

Procedural obstacles are a key obstacle, and they are mainly domestic

Exporters say that it is procedural obstacles – the way in which regulations are applied – that create the problem in 95% of cases where conformity assessments are considered burdensome. For imports, six of every 10 cases involve problems with pre-shipment inspection and other Ethiopian entry formalities. Again, the difficulties stem from the procedures used to implement the measures.

Delays are the problem cited in nearly 40% of NTM cases perceived as burdensome by exporters and in 45% of those reported by importers. Exporters and importers complain of a lack of Ethiopian facilities offering internationally certified quarantine services and laboratories for conformity assessments, for example, and a shortage of qualified staff where the facilities exist. Traders often need to use laboratory and other services in transit or destination countries, which increases costs and time taken.

Traders say they are also subject to excessive administrative burdens when complying with procedures, which often involve numerous ‘windows’, institutions and documents. Procedures in several Ethiopian trade-related agencies are cumbersome and lengthy. Domestic procedural obstacles are associated with several agencies, such as the Ethiopian Conformity Assessment Enterprise, the Ethiopian Revenues and Customs Authority, the Ministry of Trade, the Import-Export Quality Directorate, the Ministry of Agriculture and Natural Resources, and the Ethiopian Shipping and Logistics Services Enterprise.

Exporters and importers see the need to integrate the vision and perception of the private sector in the formulation and execution of NTM-related procedures. But lack of information or awareness about procedures and timelines can also be a factor in creating a perception of burden. Procedures can be perceived as too lengthy when the processes are not fully understood.

Most of Ethiopia’s main exports are subject to dynamic markets with a large number of competitors and for which consumer-driven preferences are becoming more important. Embracing preferences for organic, sustainable and socially responsible production are key for ensuring higher competitiveness for national exports. Lack of a traceability mechanism for organic products, as well as accredited testing facilities, prevents national coffee exporters, for example, from effectively participating in the niche organic coffee market. A similar situation arises for leather products, which need to be tested for chemicals to meet international quality standards.

But the fact that procedures rather than regulations are the key obstacle provides a big opportunity as well as a challenge for Ethiopia. Mainstreaming and streamlining procedures related to NTMs offers scope for large gains, not just for the private sector but for the whole economy, which would benefit from the increased competitiveness of Ethiopian exporters. Ethiopia has invested in improving trade infrastructure, in particular in a rail line to Djibouti, which, however, does not extend to the port. But road transport suffers from inadequate infrastructure.

The way forward

The results of the survey were presented to a workshop in Addis Ababa in December 2016. The main objectives were two-fold: first, to validate the results of the survey with national stakeholders and, second, to have a public-private dialogue on burdensome NTMs and related obstacles to trade with a view to discussing and formulating recommendations/policy actions.

Among the survey's main conclusions are:

- Perceived barriers to trade by the private sector are not the official regulations but their accompanying procedural obstacles. Most of these are located at home and this represents a major opportunity for Ethiopia to internally address interventions in the domestic business environment.
- To achieve higher production quality, it is necessary to spread knowledge of standards and regulations, which producers should integrate into their production plans. For this, a product-specific mapping is needed of regulations, production techniques and related procedures (time, costs, etc.).
- On the institutional side, the empowerment of Ethiopian Conformity Assessment Enterprise and the Ethiopian Leather Industry Development Institute through technical resources (i.e. equipment) and training is key to the achievement of international accreditation of different laboratories and procedures related to conformity assessment.
- Technical assistance is necessary to implement recommendations as most of regulations perceived as burdensome are issued by partner countries or related to private standards.
- Border clearance should be streamlined and made transparent by providing clear information to clients on stages and progress. The development of Ethiopia's electronic single window is an opportunity to create a supporting and effective approach.

A stronger dialogue between institutions and businesses will be useful to establish a more client-driven approach of government agencies in the export process. The involvement of the Ministry of Trade, in particular its trade promotion sector, is key in creating and achieving this change.

Achieving and sustaining trade competitiveness is not simple; it asks for continuous interventions and sustained willingness to streamline procedures as well as targeted export promotion. This report contributes by providing a voice to the business sector and by identifying possible avenues for improvements. Through increased competitiveness, trade is expected to become an engine for the widespread and inclusive development in Ethiopia.

INTRODUCTION TO NON-TARIFF MEASURES

Defining non-tariff measures

Non-tariff measures (NTMs) are defined as ‘policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’.¹ The concept of NTMs is neutral and does not imply a direction of impact.²

Being ‘defined by what they are not’,³ NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs.

Given that legitimate reasons, including the protection of human, animal and plant health, may lead to NTMs, this report avoids making judgements on intentions and the term NTM is used. By design, the survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to ‘burdensome NTMs’. Because obstacles to trade are complex, understanding their terminology and classification are important.

The diversity of NTMs requires a classification system. ITC’s NTM surveys are based on the international classification developed by the Multi-Agency Support Team, with minor adaptations.⁴

Procedural obstacles and trade-related business environment

Procedural obstacles (POs) refer to practical challenges directly related to the implementation of NTMs. For instance, problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the trade-related business environment may have similar effects but occur unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at customs or ports.

A business perspective is imperative

The ITC NTM Programme, launched in 2010, incorporates large-scale company surveys on NTMs, POs and trade-related business environment inefficiencies. The NTM surveys evaluate all major export sectors and all major importing partners.

The NTM surveys also allow companies to report their most burdensome NTMs and how they impact their businesses. Exporters and importers face NTMs and other obstacles every day. Because they know the challenges they face, a business perspective on NTMs is indispensable. At government level, understanding companies’ key concerns regarding NTMs, POs and the trade-related business environment can help define national strategies to overcome obstacles to trade.

The full survey methodology is documented in ITC’s technical paper, *The Invisible Barriers to Trade – How Businesses Experience Non-Tariff Measures (2015)*.⁵

¹ Multi-Agency Support Team (2009).

² The term ‘non-tariff barrier’ implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that non-tariff barriers (NTBs) to trade be a subset of NTMs with a ‘protectionist or discriminatory intent’.

³ Deardorff and Stern (1998).

⁴ For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

⁵ www.ntmsurvey.org/publication

CHAPTER 1 TRADE OVERVIEW



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Ethiopia: Country overview

The Federal Democratic Republic of Ethiopia⁶ has a surface area of 1.1 million square kilometres and a population estimated at 99 million,⁷ making it the second most populous country in Africa. Throughout the millennia, Ethiopia has been a melting pot of diverse customs and cultures; and today it embraces a complex variety of nationalities, peoples and linguistic groups where over 80 different languages are spoken (Ministry of Information, 2004).

Ethiopia is bordered by Eritrea to the north, Sudan and South Sudan to the west, Kenya and Somalia on its southern border and Djibouti and Somalia to the east. When Eritrea became independent in 1993, Ethiopia lost its direct access to the sea, leaving it as the most populous landlocked country in the world. Due to the Eritrean-Ethiopian war of 1998-2000 and continuing border tensions,⁸ economic relations between the two countries have not yet been re-established. Currently 96% of its external trade takes place through ports in Djibouti.

From 2000, the Ethiopian government began to focus fully on economic development. The period since has been the longest stretch of relative economic stability in its modern history. The economy has grown by around 10% per year over last decade, making it one of the fastest growing in the world. International financial institutions and the national government generally expect that the economy will continue on its strong growth trend over the medium term and that Ethiopia will be among the fastest growing non-oil producing economies in Africa over the coming few years.⁹ Nonetheless, with nominal per capita income at about \$631.5,¹⁰ Ethiopia remains one of the least developed countries in the world.

⁶ Hereafter, this report uses the short version of the official UN name for the country.

⁷ World Bank World Integrated Trade Statistics.

⁸ Countries signed a ceasefire and later a peace agreement in December 2000, known as the Algiers Agreement. However, disagreements on the implementation of decisions by the Eritrea–Ethiopia Boundary Commission, a body set up by the United Nations, emerged and there are continued tensions at this border.

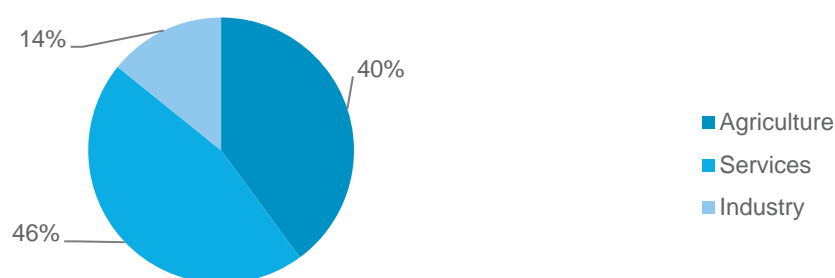
⁹ For example, World Bank's growth forecasts for 2016 was around 7.1%. A report from the International Monetary Fund (IMF) published in October 2016 forecast GDP growth of 7.5% for the fiscal year 2016/17 and saw the rate remaining at this level over the medium term (IMF, 2016: 9).

¹⁰ National Bank of Ethiopia, 2015

Strong economic growth in the last decade

The remarkable growth during the 2004-2014 fiscal years,¹¹ when the annual rate growth of gross domestic product (GDP) averaged 11%,¹² moved the country from being the second poorest in the world in 2000 to being a candidate to become a middle-income country by 2025.¹³ The annual average growth rate of agriculture, industry and services was 10.2%, 10.8% and 12.9%, respectively. This implies a slight structural change in the Ethiopian economy, with the share of agriculture decreasing and the share of services increasing.

Figure 1 Sectoral composition of Ethiopia's GDP (2013/2014)



Source: Annual Report 2013/14, National Bank of Ethiopia.

Agriculture (40%) and services (46%) form the core of Ethiopia's economy (Figure 1). The industrial sector makes up only 14%. Despite the strong overall growth, the economy has not improved productivity or achieved a higher level of knowledge/skill activities.¹⁴ Backward production methods predominate in agriculture, among smallholder farmers and pastoralists, and farming is heavily dependent on rainfall. Within industry, manufacturing only represented 4.4% of GDP in 2013/14.¹⁵ Since 2010, with the launch of the first five-year Growth and Transformation Plan (GTP), the government has focused more on the development of manufacturing. Labour-intensive, large-scale manufacturing industries are being prioritized in order to create jobs and raise incomes, promote export development and improve the competitiveness of the economy, as well as enhance technological capability and skills' development.

Inflationary pressures due to high food prices

Until 2007, Ethiopia had one of the lowest inflation rates in Africa. However, starting in July 2008, the annual inflation rate picked up and it has become one of the continent's highest. The year-on-year rate in July 2008 was 64%, mainly driven by raising food prices, which account more than half of the basket of goods and services in the consumer price index. A major inflation spike was also observed in 2011.¹⁶ Between January 2005 and December 2011, inflation was between 10% and 20% in 34 months and above 20% in 25 months. Inflation rates started to ease at the end of 2011 after the government took several measures, including massive imports of major food items like wheat and cooking oil. But in 2015, inflation again showed a significant upward trend.¹⁷ The inflationary pressure was contained by regional imports of foodstuffs supported by a restrictive monetary policy stance.¹⁸

¹¹ Most Ethiopian agencies produce data and information based on fiscal years which are more in line with the Ethiopian calendar.

¹² World Bank, 2015

¹³ As of July 1, 2016, lower-middle income economies are those with a gross national income per capita between \$1,026 and \$4,035 calculated using the World Bank Atlas method.

¹⁴ National Bank of Ethiopia, Annual Report 2013/14.

¹⁵ Geda and Degife, 2005; NBE, 2015

¹⁶ See Geiger and Goh (2012).

¹⁷ Ethiopian Central Statistical Agency (<http://www.csa.gov.et/>) accessed on November 28, 2016.

¹⁸ IMF, 2016: 5

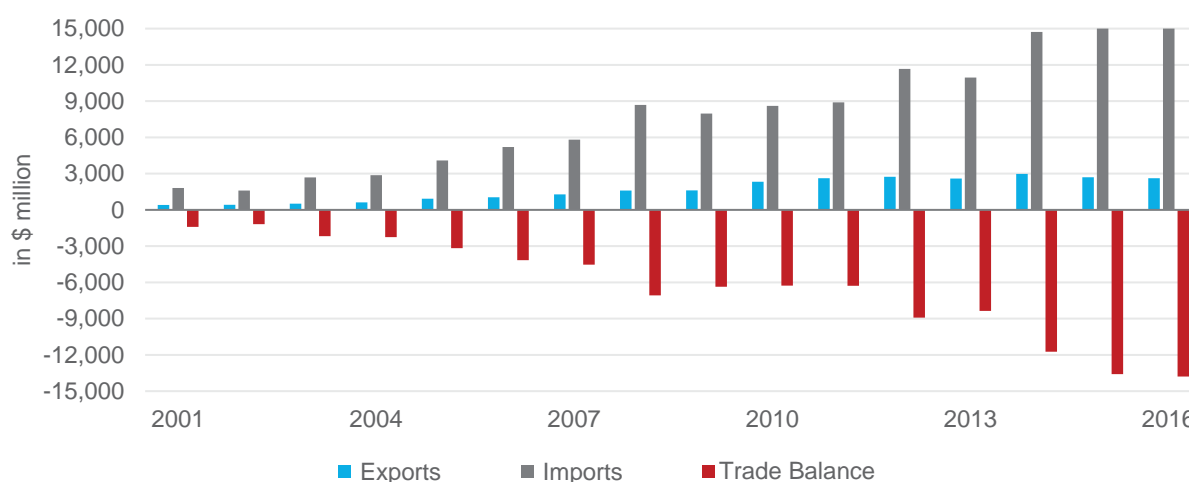
Trends in Ethiopia's international trade

Ethiopia has large and growing trade deficits

Over the past 15 years, Ethiopia's trade has been growing; the value of exports increased 549% from \$403 million in 2001 to \$2,616 million in 2016 (Figure 2). But imports increased 806% over the period, from \$1,811 million to \$16,408 million. On average, export value grew annually by 13.2%, whereas import value grew by 15.8%. During this period, the trade imbalance soared from \$1,408 million to \$13,793 million, almost 10 times its value in 2001. The export-to-import ratio, which captures the capacity of export earnings to cover imports, dropped from 22% in 2001 to 16% in 2016 and explains Ethiopia's continuing difficulties in covering its import bill.

It is worrying that this counter-performance occurs while exports and GDP have been growing at relatively rapid rates. In 2016, the foreign currency reserves covered less than two months of imports.¹⁹

Figure 2 Exports, imports, and the trade balance in \$ million (2001-2016)



Source: Trade Map, ITC, 2017.

Coffee remains the main export, but some diversification taking place

Ethiopia has increased its exports of agricultural goods other than coffee, in particular, of oilseeds (Table 1). The share of coffee has declined to less than 25%, while that of oilseeds and pulses has risen from 7.3% to 22.2% over the same period.²⁰

Gold and chat also became important export items,²¹ but there is no evidence of diversification towards more industrialized goods. It is important to note that regarding some particular products, ITC's scope of action for trade promotion activities is limited given international conventions covering these goods or due to the low involvement of small and medium-sized enterprises (SMEs) in these sectors. The sectors include minerals, arms and ammunitions, tobacco and waste products. These sectors are excluded from this analysis. The most important export affected by this exclusion is gold in semi-manufactured forms, whose export value in 2016 reached \$108 million. Almost all Ethiopian gold is exported to Switzerland.

¹⁹ IMF, 2016

²⁰ This diversification is not entirely deliberate as it is partly driven by a decline in the international market price of coffee in recent years.

²¹ Chat or Khat is a plant whose fresh leaves are chewed for stimulation and recreation. This plant has been classified as a narcotic in some developed economies, so chat trade has become less prominent in official statistics. As for gold, it is worth recalling that the period coincides with price peaks in international markets.

Table 1 Main exported goods of Ethiopia (2009/10-2013/14)

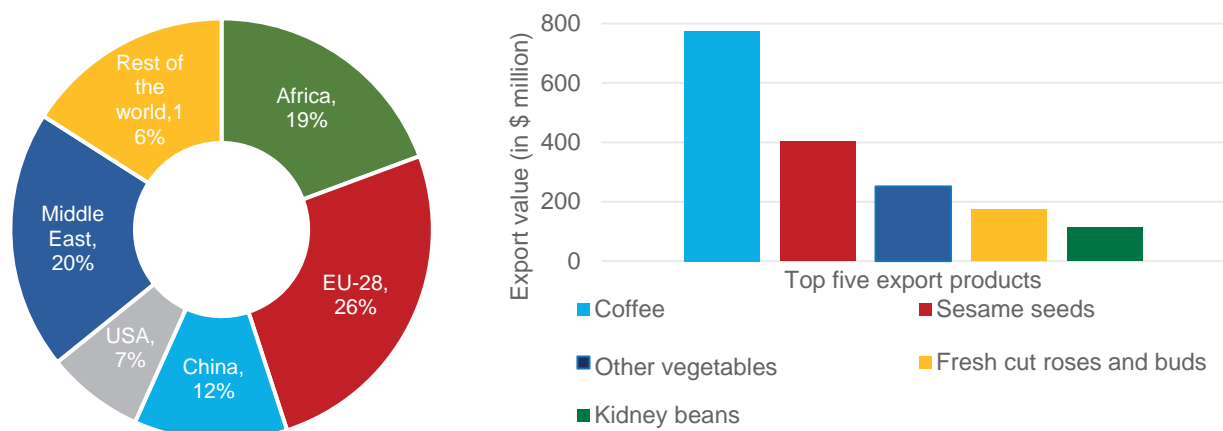
Products	Export share by product (%)				
	2009/10	2010/11	2011/12	2012/13	2013/14
Coffee	24.4	30.6	26.4	24.2	21.9
Oilseeds	17.9	11.9	15.0	14.4	20.0
Gold	14.0	16.8	19.1	18.8	14.0
Chat	10.5	8.7	7.6	8.8	9.1
Pulses	6.5	5.0	5.1	7.6	7.7
Flowers	8.5	6.4	6.2	6.1	6.1
Live animals	4.5	5.4	6.6	5.4	5.7
Leather & leather products	2.8	3.8	3.5	3.9	4.0
Meat & meat products	1.7	2.3	2.5	2.4	2.3
Fruits & vegetables	1.6	1.1	1.4	1.4	1.4
Other products	7.6	8.0	6.6	7.0	7.6
Total	100	100	100	100	100

Source: Annual Report of National Bank of Ethiopia, various years.

The European Union is the largest market for Ethiopian exports, excluding minerals and arms, accounting for 26% in 2015 (Figure 3). Coffee, fresh cut roses, leather products and oilseeds are the main products exported. Among European countries, Germany is the largest market, with a market share of 8%, closely followed by the Netherlands (7.5%). Middle East countries are the second most important destination for Ethiopian exports, taking 20%, in particular, coffee, oilseeds and meat products. Africa accounts for 19%, with the main products being vegetables, live animals and coffee. China and the United States take 12% and 7%, respectively. The former imports mainly sesame seeds and leather products whereas the latter imports coffee, oilseeds and footwear.

Five products – coffee, sesame seeds, other vegetables, fresh cut roses and kidney beans – make up 68% of Ethiopia's total exports – showing the high dependence of Ethiopia on a narrow set of export goods (Figure 3). Reliance on a handful of primary commodities exposes the country to strong dependence, makes it subject to weather shocks and price volatility and the deterioration of terms of trade. So far, no significant diversification towards more manufactured products has happened and the country has failed to meet its growth targets for exports as a percentage of GDP (see below).

Figure 3 Main export markets and top five export products (2015)



Source: Trade Map, ITC (2017).

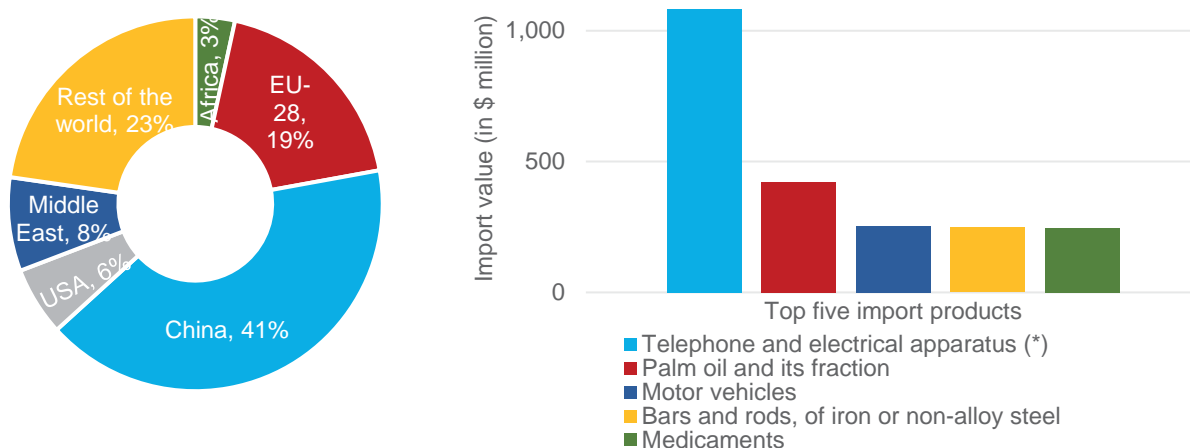
Ethiopia relies heavily on China for its imports

Capital and (manufactured) consumer goods are the major items imported, accounting for nearly 30% each of the country's total imports. Semi-finished products, including fertilizers, account for 16% of the import bill and fuel imports for 19%.

China provides 41% of imports, with the main goods being metal and metal manufacturing, machinery and aircraft materials, motor vehicles and textiles. The European Union ranks second, with a market share of 19%, selling Ethiopia machinery, cereals (wheat and meslin, malt), chemicals and electrical products. Middle East countries (8%) and the United States (6%) come third and fourth. Despite their geographic proximity, African countries only represent 3.4% of Ethiopia's imports.

Ethiopia's top five imported goods are telephone and electrical apparatus, palm oil, motor vehicles, iron and steel, and medicaments (Figure 4). However, imports are less concentrated than exports and the top five represent only 14% of all imports.

Figure 4 Main origins for imports and top five import products (2015)



Note: Telephone and electrical apparatus (*) include imports of 3 products at the HS 6 digit level (851769, 851770, and 851780).

Source: Trade Map, ITC (2017).

Poor infrastructure and expensive transport are a challenge to Ethiopian exports

Ethiopia's being landlocked is not the only difficulty faced by exporters; below we list other major challenges.

The situation in neighbouring countries is an important complicating factor; Somalia has been submerged in instability for almost three decades, relations remain tense with Eritrea and continued fighting in South Sudan. As noted above, the result is that Ethiopian trade is highly dependent on Djibouti for access to the sea.

The Ethiopian Government has invested heavily in developing the transport sector, particularly road and, more recently, rail transport. This effort led to tangible improvements and the country ranks 159 out of 190 countries in the 2017 Doing Business Index.²² However, it still takes an average of 42 days to import a container of goods to Ethiopia compared to 31 days for Rwanda – another landlocked country in the region. There is a broad consensus that poor infrastructure, combined with expensive transport and logistics services, locally as well as in transit countries, are major hindrances to the development of the country's external trade.

²² World Bank (2017).

Ethiopia's trade-related policies

Since the early 1990s, national governments have launched extensive policy reforms to make the Ethiopian economy more market driven. A first structural adjustment programme, focusing on trade liberalization and macroeconomic reform was adopted in 1992/1993 and six rounds of tariff reforms were implemented between 1993 and 2003. The first tariff reform reduced the maximum tariff from 230% to 80%. As of 2015, the simple average tariff rate was 17.9%, the maximum rate 35% and the trade-weighted average rate 12.7%. Table 2 summarizes the recent trends in applied tariffs by Ethiopia for the general regime and the preferential regime.²³ Over last decade general tariffs have slightly increased, in particular for agricultural products, and preferential tariffs are only marginally lower than general tariffs.

Table 2 Applied tariffs by Ethiopia

	Year	All products			Agriculture			Non-agricultural		
		2007	2010	2015	2007	2010	2015	2007	2010	2015
Average tariff	General regime	12.1%	12.9%	12.7%	17.2%	18.3%	20.9%	11.6%	12.2%	12.4%
	Preferential regime	12.1%	12.8%	12.6%	17.1%	18.2%	20.8%	11.6%	12.2%	12.3%

Source: Market Access Map, ITC (2017).

Export promotion has been one of the main focuses of national policy and almost all economic policy-related documents of the past 24 years stress increasing export values to reduce the trade deficit and collect foreign currency. Ethiopia's foreign trade policy has three general objectives: (i) developing and ensuring a broad international market for the country's exports; (ii) generating sufficient foreign revenue to cover necessary imports for the growth and development of the economy; and (iii) improving the international competitiveness of national producers.²⁴ The export-promotion strategy of Ethiopia has three main pillars: (i) focusing on priority exportable products; (ii) providing all-round support to exporters; and (iii) executing export-promotion activities. However, these policies have had limited effect so far.

On the road to WTO membership

Ethiopia began the process of joining the World Trade Organization (WTO) in 2003 and the Government wants to complete the accession by the end of GTP II in July 2020. Membership would offer the country predictable and rules-based access to markets covered by the WTO framework. The main outstanding issues are related to opening up of Ethiopia's services sectors, such as finance and telecommunications, to foreign competition as these sectors are considered sensitive for the country.

Ethiopian products benefit from various preferential trade arrangements

A broad range of manufactured goods from Ethiopia are already entitled to preferential market access under the generalized system of preferences (GSP) implemented by developed economies.²⁵ The GSP is a formal system of exemption recognized by WTO rules, generally lower than the WTO's most favoured nation (MFN) duty, and mostly duty free. Through the GSP, developed countries ease market access conditions for

²³ As Ethiopia is not yet a member of the WTO, and MFN tariffs are not shown in this table.

²⁴ Ministry of Foreign Affairs, 2007.

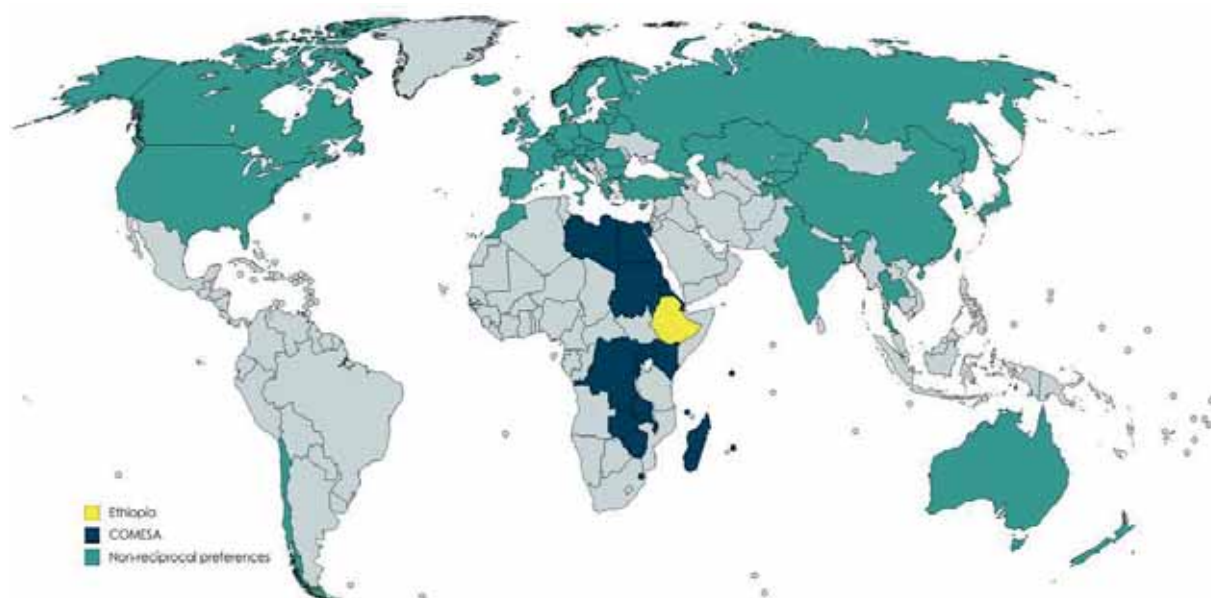
²⁵ Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Italy, Japan, Kazakhstan, Republic of Korea, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Morocco, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Taipei, Chinese, Tajikistan, Thailand, Turkey, United Kingdom and the United States offer non-reciprocal preferential access to Ethiopia through the GSP framework. ITC Market Access Map, 2017.

developing countries for selected products. Figure 5 shows the countries offering preferential access to Ethiopian exports as well as other trade partners covered by regional trade agreements.

Furthermore, Ethiopia qualifies for preferential market access to EU markets under the Everything-But-Arms (EBA) initiative, which was created in 2001 to give 49 least developed countries²⁶ (LDCs) full duty-free and quota-free access to the EU market for all their exports, except arms and armaments.²⁷ Unlike other unilateral preferential schemes, the EBA has no expiry date. With respect to the United States, Ethiopia is a beneficiary of the African Growth and Opportunity Act (AGOA), originally promulgated in 2000 and recently extended to 2025. This non-reciprocal trade act provides duty- and quota-free treatment to African products meeting eligibility requirements. A distinctive feature is the rule of origin provision allowing less developed countries to use fabrics and yarn made in a third country.

The preferential tariff margin in EU countries, China, the United States, Turkey and India is in most cases equal to the weighted tariff applied by those countries (Table 3). This means that Ethiopia has a significant advantage with respect to other trading partners in those destinations and mostly has a duty-free access.

Figure 5 Countries granting preferences to Ethiopian products



Note: This graph reflects, to the best of ITC knowledge, the situation as of May 2017. Non-reciprocal preferences are granted to Ethiopia in the framework of the GSP scheme.

Source: ITC illustration based on Market Access Map data, 2017.

Ethiopia is a non-FTA member of the regional COMESA

Ethiopia also enjoys preferential market access by virtue of its membership of the Common Market for Eastern and Southern Africa (COMESA), which embraces 19 countries, with a total population of about 400 million. This regional cooperation arrangement was intensified in its trade aspects by a free trade area (FTA), launched on 31 October 2000 by nine member states. Currently, there are 14 free trade members trading on a duty-free and quota-free basis and five countries are in the process of joining. Ethiopia is not an FTA member, but it is expected to join soon because the general objective of COMESA is to create a unified, single economic space. Until then, Ethiopian exports benefit from a duty-reduction arrangement introduced before the FTA, as long as they meet the COMESA rules of origin criteria.

²⁶ Established by the United Nations, Least Developed Countries is a list of the countries that exhibit the lowest indicators of socioeconomic development (poverty, human resources' weakness and economic vulnerability).

²⁷ It is worth noting that EBA grants larger preferential access than the general GSP scheme applied by the EU.

Table 3 Tariffs faced by Ethiopian exports in main destinations

Main markets		Average tariffs Most Favoured Nation		Preferential margin
		Simple	Weighted	Weighted
Agricultural products	EU-28	7.8%	2.9%	2.9%
	China	9.6%	9.8%	9.5%
	Saudi Arabia	2.1%	0.5%	0%
	USA	3.8%	0.1%	0.1%
	Israel	9.7%	1.1%	0%
Non-agricultural products	EU-28	4.5%	6.3%	6.3%
	China	8.9%	6.0%	5.9%
	Turkey	6.1%	6.4%	6.4%
	India	9.8%	8.3%	8.0%
	Hong Kong	0%	0%	0%

Source: World Tariff Profiles 2013 (ITC, UNCTAD, WTO).

The country is also involved in the Economic Partnership Agreement (EPA) negotiations aimed at increasing reciprocal market access between the European Union and the five blocks of African, Caribbean and Pacific (ACP) countries signatories of the Cotonou Agreement.

National development strategies

Since 2002, Ethiopia has been implementing comprehensive national development plans. The first GTP, which ended in 2015, aimed at maintaining rapid and broad-based economic growth to end poverty. Primary objectives included sustained GDP growth of 11% per year, achievement of the Millennium Development Goals, the expansion of education and health services and the establishment of a stable macroeconomic framework.

The Ethiopian Government sought to create an environment conducive to business, raise the efficiency and competitiveness of trade and investment, and to establish a favourable atmosphere for “productive investors”. The GTP sought improved export performance to boost economic growth and revenue. It was envisaged that exports-to-GDP would stand at 22.5% by the end of the GTP. However, the ratio is currently just 12.8%.

GTP II, which is being implemented, also sets very ambitious targets: GDP growth of 11%, exports-to-GDP ratio of 20.6%, share of manufactured goods in Ethiopian exports of 25.9%, merchandise exports to rise from 6.4% to 11.8% of GDP, and to raise manufactured goods exports by 47% per year. It also aims to reduce the transit time from sea ports to national territory by 50%, to lower the waiting time of imports at port from 40 to three days and to increase the containerization of export cargos from 7% to 100%.

To achieve the trade-related targets, the Government’s emphasis is on completing key infrastructure projects, notably in energy generation and road and rail transportation, and in facilitating export-oriented foreign direct investment (FDI) in new industrial zones. These industrial zones are aimed at boosting manufacturing and export-processing activities by providing simplified procedures, tax advantages and preferential access to credit and foreign exchange (IMF, 2016: 15). A plan for completing 1,500 km of rail infrastructure by 2020 is underway. The most notable of these projects is an Addis Ababa–Djibouti rail link, which is completed and began testing in October 2016.

CHAPTER 2 PROFILES OF TRADING COMPANIES



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Survey implementation and sampling

In collaboration with the Ministry of Trade (MoT) of Ethiopia, the ITC NTM business survey took place between October 2015 and October 2016.²⁸ Prior to the implementation of the survey, the general methodology was adjusted to the needs and requirements of Ethiopia in close collaboration with the Ministry, in particular its Directorate General of Export Promotion. It was agreed to cover six major export sectors in the survey – coffee, oilseeds, rest of agriculture products, leather, textiles and rest of manufacturing.²⁹

The MoT provided official guidance and support and co-organized a national stakeholders' workshop with ITC in Addis Ababa on 23 December 2016 to present and discuss the preliminary results of the survey. The main objectives of the workshop were two-fold: first to validate the results of the survey with national stakeholders and second to have a public-private dialogue on burdensome NTMs and related obstacles to trade with a view to discussing and formulating recommendations/policy actions. The workshop was attended by more than 50 participants from the public and private sectors and development partners.

Business registry for the survey compiled from various sources

The first step in conducting the NTM survey entailed identifying interview subjects among businesses and companies based in Ethiopia that were involved in international trade during the 12-month period prior to the survey taking place. ITC collaborated with the MoT, other stakeholders and data collection firms to create a registry of all exporting and/or importing businesses in Ethiopia.

²⁸ To promote local capacity building, the survey was implemented by a local survey company, SART Consult, on behalf of and under the guidance of ITC. Project managers and interviewers from SART Consult underwent an in-depth five-day training course on the survey methodology, the questionnaires and the interview process in October 2015.

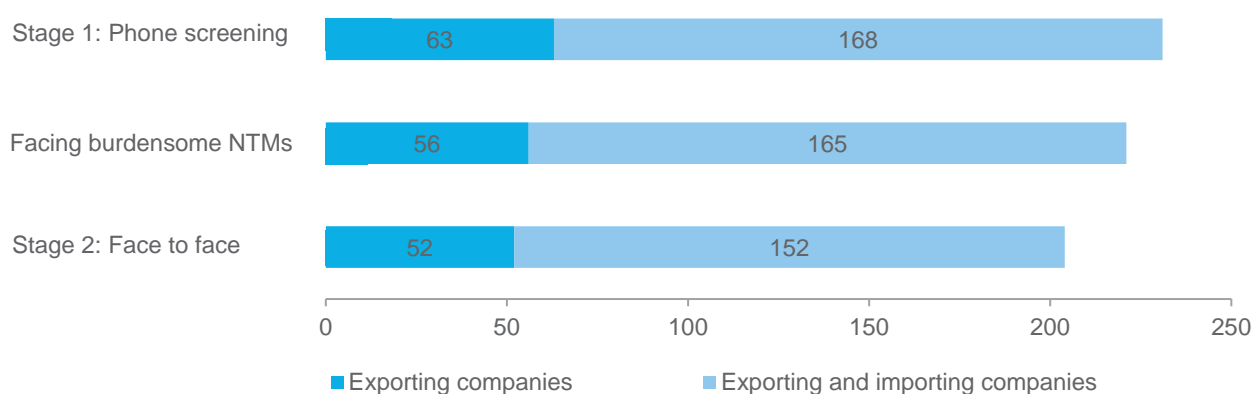
²⁹ Arms and minerals as well as petroleum derivatives are excluded from the survey as they are not within the scope of action and interest for trade promotion activities of ITC.

Various business registries, such as those of the MoT, Addis Ababa Chamber of Commerce and the ITC's Supporting Indian Trade and Investment for Africa (SITA) project database were used to identify the exporting and importing companies. In addition, sectoral associations of Ethiopian producers of horticulture, honey, meat, flowers, leather and textiles provided member lists to cover comprehensively all export sectors. Using these sources, a business registry of exporting and importing companies in Ethiopia was compiled containing information on contact details, location and sector of activity. This registry contained over 859 Ethiopian companies, from which sectoral samples were selected to be interviewed for the findings of this study.

Companies were selected in two stages. First, representative numbers, by sector, of companies involved in import and export businesses were contacted by phone. Out of this initial registry, 231 companies completed the telephone screening. Figure 6 shows that, from those interviewed over the phone, 221 reported having faced difficulties in the past year in dealing with non-tariff trade-related regulations, either Ethiopia's or those of partner countries. Of the companies contacted, 96% said they had been affected by non-tariff measures (NTMs).

Among the affected companies, 204 companies agreed to participate in a second stage. The second phase consists of a detailed face-to-face interview with representatives of companies reporting burdensome NTMs during the screening interview. Over 90% of companies citing burdensome NTMs took part in the second stage.

Figure 6 Overview of surveyed companies in Ethiopia



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

The two-stage survey process

First stage: telephone interviews (phone screening)

The objective of the phone screening is to verify a company's main sector of activity, the main trade destinations and sources, in cases where the company imports as well as exports, and, most importantly, to determine whether the company has experienced difficulties with NTMs and related procedural obstacles (POs) in the previous 12 months. Companies are initially selected using a stratified random sampling procedure and those that say they have faced NTM challenges are asked if they would be willing to participate in the second stage of the study. As per NTM survey sampling methodology, phone screen interviews were designed to be representative of the Ethiopian export sectors cited above. Information on the characteristics of firms, including size, operational age, foreign ownership, main product and sector affiliation were collected through telephone interviews.

Second stage: face-to-face interviews

The second step involves a detailed face-to-face interview with those companies that report having experienced obstacles to trade and are willing to further participate in the survey. In the case of Ethiopia, 204 companies participated in this phase. These companies were questioned about the specific nature of

the problems they faced. Typically, survey respondents were general managers or the company's employee responsible for the export and import process. As is customary, all responses from the companies have been treated with utmost confidentiality and only synthesized information on survey results is being shared in this report as well as in any subsequent engagements with stakeholders and government offices.

During the face-to-face interviews, companies reporting difficulties with NTMs were also asked to provide information on all their exports and imports at the product or HS6 level, the destination country of exports or their imports' country of origin. If companies were not able to provide HS6 product codes, interviewers would assign it based on the detailed product descriptions provided. Each pairing of product and partner country is referred to as a 'product-partner trade flow'.

Private standards requirements are included in the survey results, although they are not NTMs per se. If relevant, related procedural obstacles and problems with the business environment are also recorded.

Challenges during survey implementation

Some of the challenges faced in carrying out the NTM survey included incomplete and outdated business registries of exporters, limited knowledge of the whole export process by exporters themselves and the fact that the survey captures business perceptions concerning trade operations, and such perceptions can be hard to quantify and verify.

Obtaining reliable contact information from exporters was a major challenge, in particular for non-traditional export sectors. Not all registries contained up-to-date information for reaching companies and few entries corresponded to companies active as exporters within the previous 12 months. The search for active exporters in manufacturing sectors extended significantly the survey implementation period.

The NTM survey aims to interview individuals in charge of export and import operations in each company, but exporters showed limited knowledge of all details related to export operations and procedures. Attention was drawn to this during the stakeholder meeting in December 2016. For instance, exporters might claim that shipments were delayed due to a given regulation when in fact the said regulation or requirement did not exist or apply. Similarly, importers tended to have limited knowledge of regulations applied by source countries as they do not handle that part of the operations. A similar situation could arise when parts of the export process were subcontracted to third parties.

Finally, as with all surveys based on the perceptions of respondents, the NTM survey faces the inherent challenge of not being able to assess, quantify or verify the severity of challenges reported by exporters and must rely on the willingness or interest of exporters reporting such situations. A major effort to reduce these possible biases was made through the stakeholder meeting held in December 2016 and subsequent bilateral meetings with agencies.

Profiles of interviewed companies

Most of the surveyed companies are large

Large enterprises³⁰ accounted for a relatively larger share (46%) of the respondents, followed by medium, small and micro enterprises, representing 37%, 14% and 3% of the respondents, respectively.

Surveyed companies are largely based in the capital city

Most of the interviewed companies (86%) were located in the capital city of Addis Ababa, where most Ethiopian companies have a representation or office. Some 10% of interviewed companies were from Adama (Nazereth).

Different export sectors represented; agriculture dominates

Given that the Ethiopian economy is heavily reliant on agriculture, it is not surprising that the majority of exporters (68%) were from the three agriculture sectors identified for the survey. Coffee and oilseeds alone represented, respectively, 21% and 16% of the respondents contacted during the phone-screening stage. Other important export sectors included textiles and leather and leather products, which accounted, respectively, for 15% and 13%. Only 3% of the respondents declared that their main export product was some other manufacturing product.

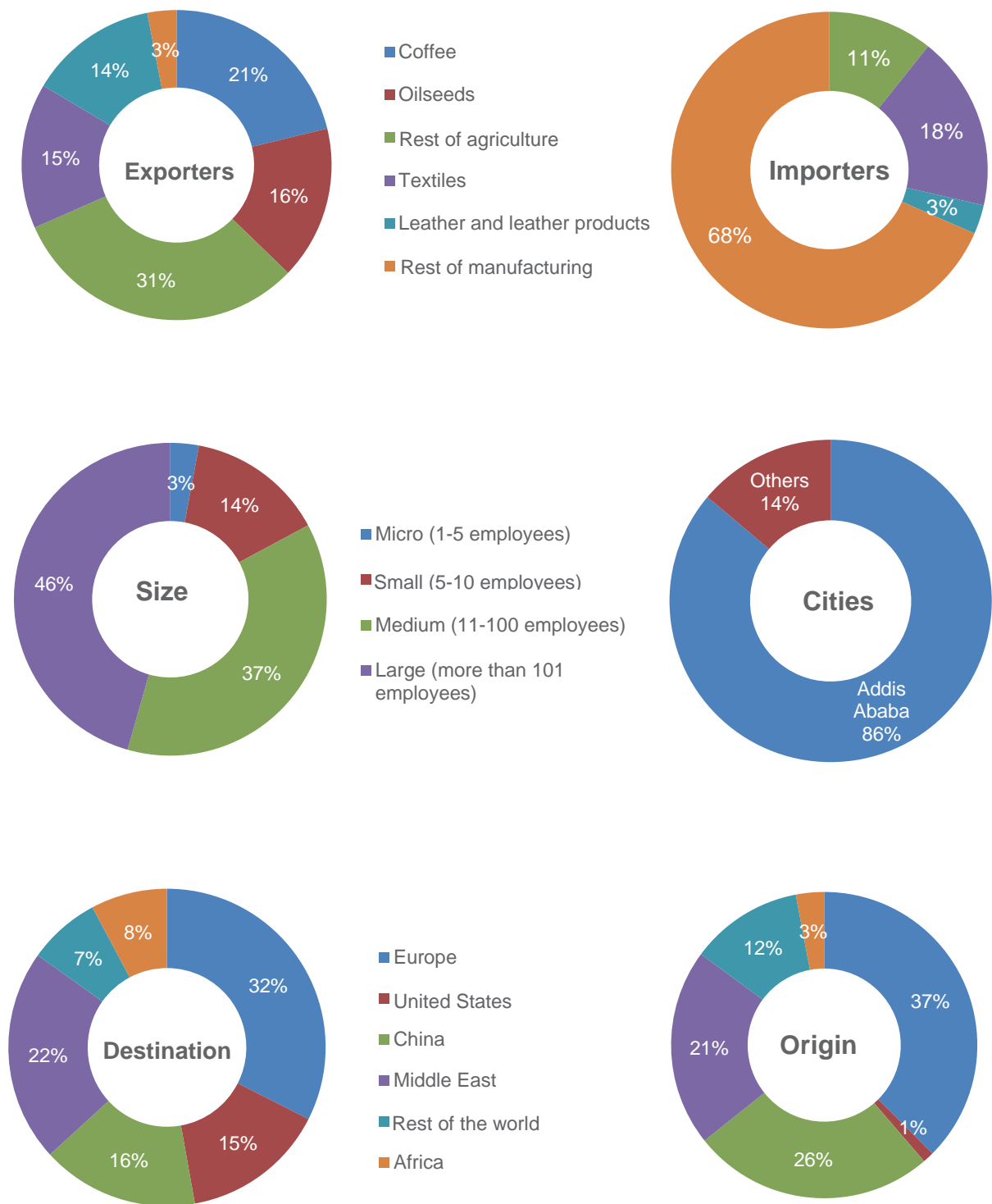
On the import side, more than two thirds of respondents (68%) were involved in imports of 'other manufacturing' products – the major items being vehicles, fertilizer, computers and accessories, and medical drugs. Textile, rest of agriculture and leather and leather product importers were also cited among imports. However, they only accounted for 18%, 11% and 3%, respectively, of the respondents declaring import activities.

European Union the main trading partner

For interviewed companies, the most frequent destination market for their exports was EU (32%), followed by Middle East countries (22%), China (16%) and the United States (15%). Interestingly, EU was also a major origin of imports (38%) for the interviewed companies. China (26%) and Middle East countries (21%) closely followed with sizable shares of the respondents from the import sector.

³⁰ Micro enterprises employ five or fewer workers; small enterprises employ between five and 10 workers; medium enterprises employ 11 to 100 workers; and large enterprises employ above 100 workers.

Figure 7 Characteristics of interviewed companies



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

CHAPTER 3 THE COMPANY PERSPECTIVE



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Key results and cross-cutting issues

Over 90% of exporters are affected by “burdensome” NTMs

Nine out of 10 exporting companies experience NTMs they perceive as burdensome, a considerably higher rate than elsewhere in sub-Saharan Africa. Companies report significantly more difficulties while exporting (91%) than importing (56%), with this higher perception of burden among exporters being one of the salient results of the survey.

While all export sectors report burdensome regulations, the leather and leather products sector is the most affected, with 97% of respondents saying they face difficulties with NTMs when exporting. Although still relatively high, the rate among exporters in the coffee, other oilseeds³¹ and other manufacturing sectors dips to 86%. The difference could be partially explained by the greater specialization and experience with export procedures of the longer established Ethiopian coffee and sesame companies. For imports, the proportion of companies affected ranges between 53% and 67%, with the lowest rate observed in the rest of manufacturing sector. Agricultural products tend to be more affected by burdensome NTMs than other importing sectors.

Medium and large companies are the most affected among exporters, with more than 92% indicating that they face obstacles to their trading operations. Micro and small enterprises face fewer burdensome situations. Larger companies tend to export more products and to more destinations, which increases the possibility of their experiencing at least one burdensome situation in one of their trade relationships.

³¹ Other oilseeds are products belonging to subheading 1207 in the Harmonized System of product classification coordinated by the World Custom Organization. This subheading includes 10 different products at the 6-digit level, including sesame seeds, an important export product for Ethiopia.

Among importers, large (62%) and small (63%) companies are the most affected, while medium-sized (48%) companies report fewer burdensome situations. This can be explained by a learning process coupled with the fact that large companies are more diversified in their imports.

Types of burdensome NTMs vary across sectors and trading partners

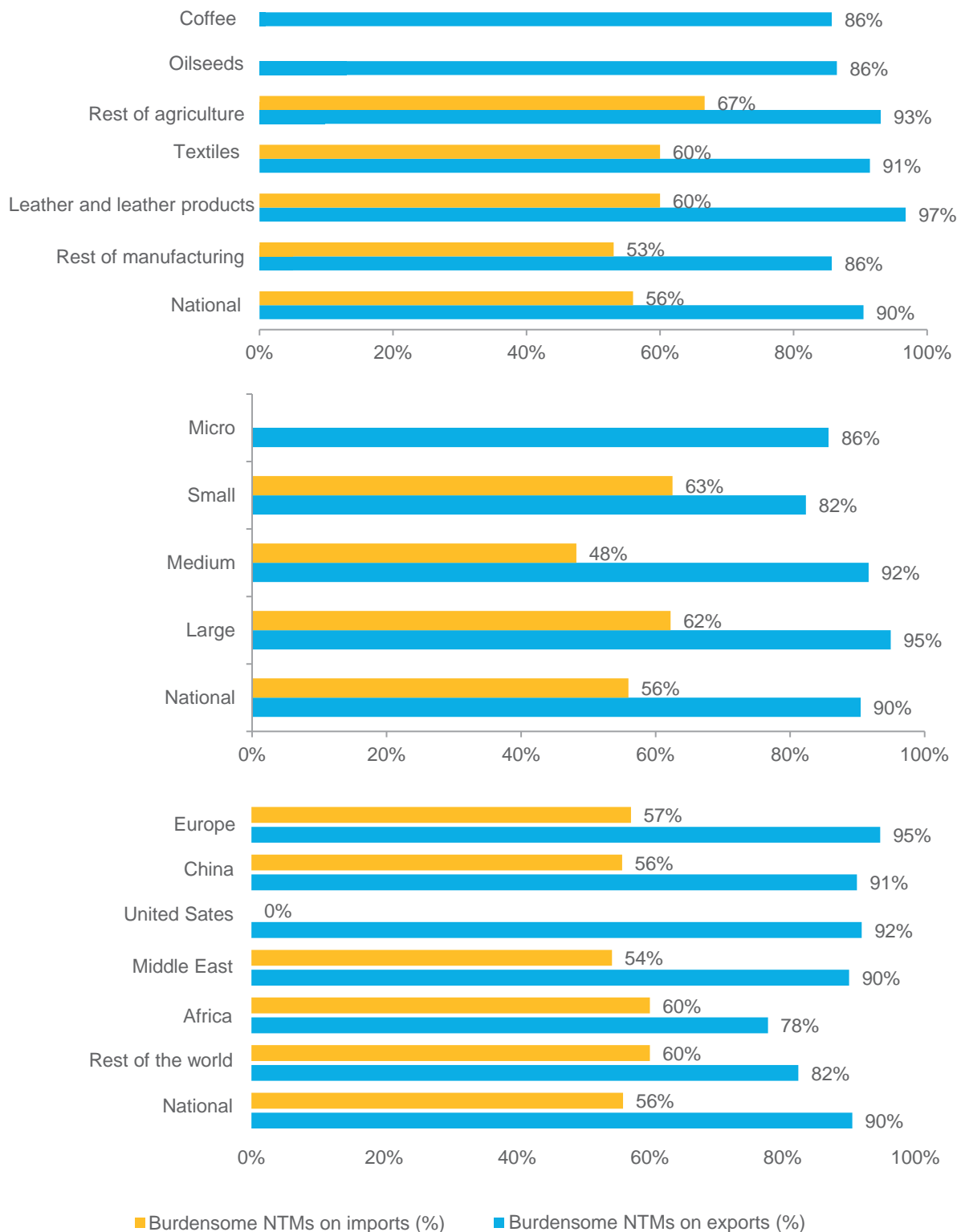
Trade obstacles vary according to the origin and destination of traded products. More than 90% of Ethiopian exporters with their main markets in China, Europe, Middle Eastern countries and the United States declare difficulties related to NTMs. But the figure slips to 78% for exporters mainly oriented towards other African countries. For importers, the rest of the world and Africa are where they face the most burdens, with 60% in both cases reporting difficulties with NTMs.

Overall, the survey shows that developed economies, such as European countries, are associated with more burdensome regulations for Ethiopian exports. But imports from Europe are less affected. Something similar can be observed for China and Middle Eastern countries.

Based on information at the firm level,³² Figure 8 breaks down the survey results by sectors, sizes and destination or origin countries. It is important to remember that an NTM case is company-product-destination-NTM specific and therefore an exporter of a single product to a single destination could report more than one NTM case if more than one regulation applies to that product. For NTMs applied by the home country (export-related measure on national exports or import-related measures on national imports), the NTM case is only company-product-NTM as it is expected that the home country regulation affects all trade flows for the specific product and company regardless of destinations or origins.

³² The company characteristics presented here are based on the phone-screen interviews where companies declared their export/import involvement, their main products and main partners in each direction of trade as well as information related to number of employees.

Figure 8 Share of surveyed companies affected by burdensome NTMs, by sector, size and destination/origin markets



Source: ITC NTM Business Survey in Ethiopia, 2015-16.

Burdensome NTMs and other obstacles faced by exporters

Exporters are subject to regulations in destination countries, transit countries and their home countries. Conformity assessment procedures imposed by partner countries and private standards are the two main issues cited by Ethiopian exporters, jointly accounting for 57% of all burdensome NTMs reported in the survey (Figure 9). The ITC business survey aims principally at capturing difficulties resulting from official regulations, but private standards, which are mainly consumer-induced requirements, are also covered as they can heavily affect agricultural exports, such as coffee.

Private standards involve aspects such as quality or performance requirements or product certification by internationally recognized entities. One possible reason for the high incidence of private standards in the survey is lack of knowledge by Ethiopian exporters of the nature and legal basis of requirements imposed on their products by trading partners or authorities in destination countries. The lack of preparedness revealed by the scarce details that some exporters are able to provide about the burdensome requirements they cite can only increase their vulnerability in international markets and with respect to their international partners.

Roughly 30% of the burdensome NTM cases relate to Ethiopian national regulations on exports (see below). Interviewees indicate that non-technical, export-related regulations are a bottleneck for exports. Such measures include export licences, export subsidies, export price controls and other export-related procedures (export clearance). Some 8% of burdensome NTM cases involving exports are related to technical certifications requested by Ethiopia prior to export release of a merchandise (see below).

Conformity assessment is the most reported NTM

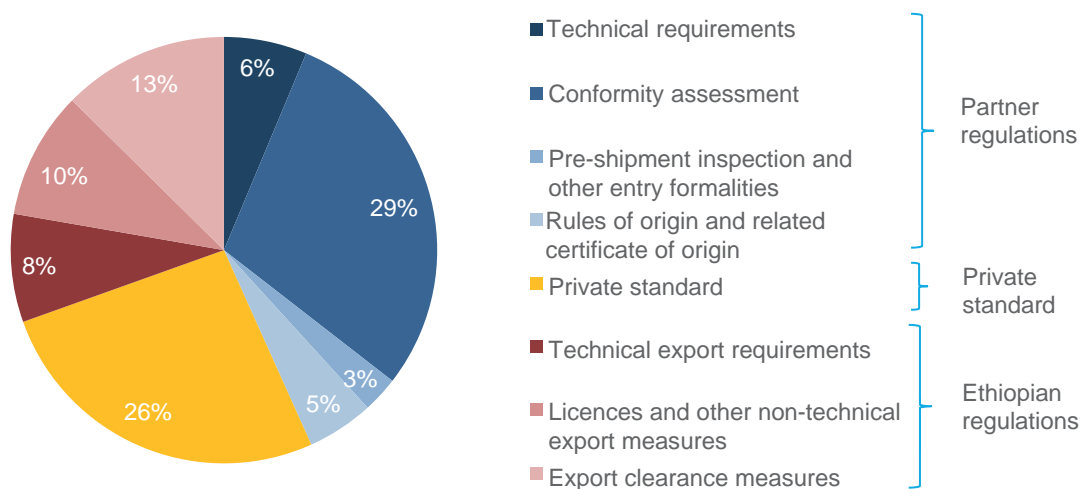
Conformity assessments are used to demonstrate that a product complies with all legal requirements regarding product quality, consumer protection and health and also environment protection. These regulations include testing, product certification, traceability information such as information on the origin of materials and parts and production stages, and quarantine requirements. Conformity assessment requirements of partner countries can cover a variety of measures (Table 4). Certifications of compliance with technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) requirements are the most frequently cited burdensome NTMs, followed by quarantine requirements and traceability. Developed economies require certification and testing of sesame, coffee, other vegetables and leather products, while Middle East countries impose quarantine and traceability requirements on exports of live animals. Two in every five cases involving private standards are related to conformity assessments. Coffee, sesame, beans and cut flowers are the main products affected by these standards.

Complex and costly product certification and testing

For product certification and testing, companies need to refer to accredited third parties, which are mostly public entities in Ethiopia. This may result in related procedural obstacles, such as lack of facilities (accreditation for some procedures but not for all), or lack of appropriate equipment, delays (often due to the limited facilities), additional costs, or administrative burdens. Conformity assessments that exporters find burdensome include tests on chemical residuals in leather products or verification procedures concerning the presence of genetically modified organisms (GMO) and pesticides in agricultural products (coffee, sesame, beeswax, chickpea, cumin, ginger, etc.).

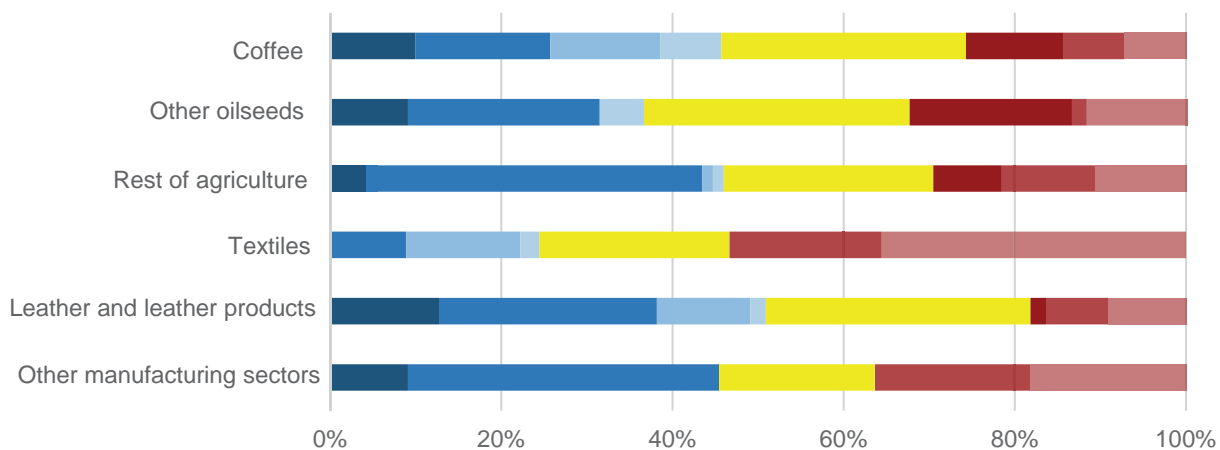
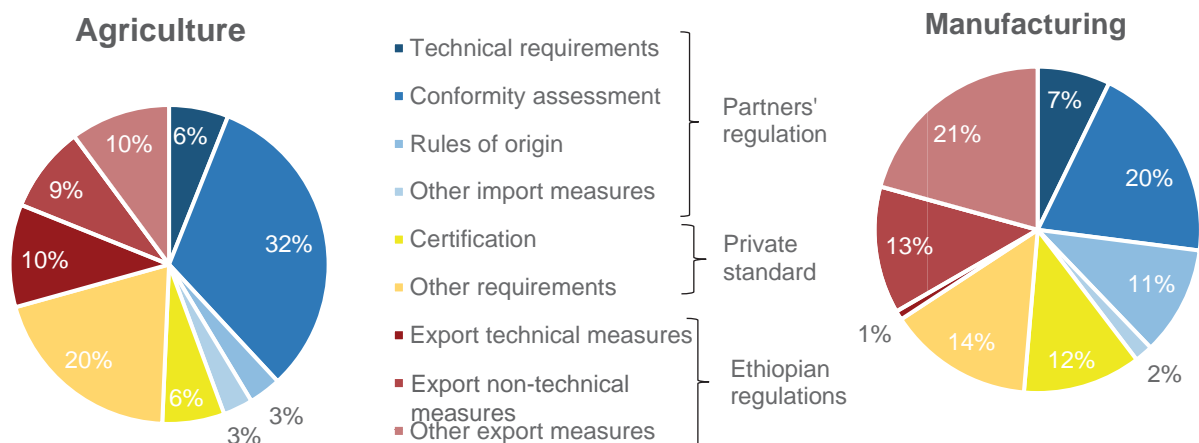
The survey highlights the cost of conformity assessments for private standards, which are mainly conducted by private entities not always located in the country. When certifying companies do not have a local representative, delays result from the need for further coordination. Given that private standards are not subject to local regulation, the existence of local certifying companies does not ensure appropriate treatment of requests nor affordable cost for exporters.

Figure 9 Type of NTM-related obstacles for exporters



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Figure 10 Burdensome NTMs by sector and source



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Table 4 Main categories of NTM-related trade obstacles affecting exports

Non-tariff measure	Measure name	Breakdown	Classification	
Conformity assessment	Conformity assessments procedures	20.0%	Technical measures	
	Quarantine	8.2%		
	Traceability information	1.1%		
Technical requirements	Tolerance limits	2.9%		
	Product identity, quality performance	1.9%		
	Final product treatment	0.8%		
	Import prohibition or restrictions	0.4%		
	Labelling, marking, packaging	0.2%		
Rules of origin	Rules of origin and related certificate of origin	5.0%		Non-technical measures
Pre-shipment inspection	Pre-shipment inspection and other entry formalities	2.7%		
Private standards	Product identity, quality performance	12.4%	Private standards	
	Conformity assessments	9.2%		
	Labelling, marking, packaging	2.9%		
	Traceability information	1.1%		
	Tolerance limits	0.6%		
Other export measures	Export clearance	12.6%	Export-related measures	
Other non-technical export measures	Export licences	4.2%		
	Export subsidies	3.2%		
	Export price control measures	2.3%		
Technical export requirements	Export inspection/certification required by the exporting country	8.2%		

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Key export commodities are subject to Ethiopian national regulations

Ethiopian exporters are also subject to national regulations involving technical inspections and certificates. The aim is to ensure a certain quality level for exported products. As noted, for Ethiopia these regulations represent 8% of all reported NTM cases affecting exports. They involve most important commodities, such as coffee, oilseeds, etc.

Lack of accredited quarantine facilities

Concerning exports of live animals, exporters to the Middle East consistently report the need to work with internationally accredited quarantine services in Djibouti, which exposes Ethiopian producers to economic uncertainty and vulnerability regarding providers of those services in the transit country. Exporters that have already shipped animals to Djibouti are unlikely to be able to negotiate any additional costs or services required.

Table 5 Burdensome NTMs affecting agriculture and manufacture

Non-tariff measure	Agriculture		Manufacture	
	Count	%	Count	%
Technical measures	22	6%	8	7%
Product characteristics	5	1%	4	4%
Tolerance limits	10	3%	4	4%
Fumigation	4	1%	-	
Packaging	1	0%	-	
Prohibition	2	1%	-	
Conformity assessments	117	32%	22	20%
Testing	8	2%	2	2%
Product certification	65	18%	20	18%
Processing history	5	1%	-	
Quarantine	39	11%	-	
Pre-shipment inspection and other entry formalities	11	3%	2	2%
Pre-shipment inspection	11	3%	1	1%
Other pre-shipment inspection and other entry formalities	-		1	1%
Rules of origin and related certificate of origin	12	3%	12	11%
Rules of origin and related certificate of origin	12	3%	12	11%
Export-related measures	107	29%	38	34%
Export technical measures	38	10%	1	1%
Export inspection	9	2%	-	
Certification required by the exporting country	28	8%	1	1%
Other export technical measures	1	0%	-	
Other non-technical export measures	32	9%	14	13%
Export prohibitions	2	1%	-	
Export quotas	1	0%	-	
Licensing or permit to export	13	4%	3	3%
Other export quantitative restrictions	1	0%	-	
Export price-control measures	11	3%	-	
Export subsidies	4	1%	11	10%
Other export-related measures	37	10%	23	21%
Other export-related measures	37	10%	23	21%
Private standards	96	26%	29	26%
Product characteristics	46	13%	13	12%
Tolerance limits	3	1%	-	
Labelling	6	2%	-	
Packaging	8	2%	-	
Testing	5	1%	3	3%
Product certification	23	6%	13	12%
Origin of materials and parts	2	1%	-	
Processing history	3	1%	-	
Total	365	100%	111	100%

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Unfulfilled quality requirements and standards

Another major difficulty reported by Ethiopian exporters relates to mandatory or voluntary quality standards set by international partners. Quality performance is the most commonly cited issue regarding private standards perceived as burdensome and accounts for 13% of all NTM cases reported. In regards to official regulation, tolerance limits are also frequently reported by exporters. They also report of regulations limiting the percentage of broken beans or seeds as well as pesticide residues in agricultural products to be burdensome.

For exporting to Europe, we are requested to present a REACH certification (test on chromium-6). However, this service is almost nonexistent in Ethiopia.

Leather exporter

Manufactured products are also affected by such regulations. For instance, requirements limiting the use of chromium and sulphur in shoemaking were reported in the interviews. In both cases, exporters mentioned the difficulties in meeting those standards given the inputs available in the country and the lack of advanced production techniques. Regarding agriculture commodities, it is also frequently reported that a mismatch between grading applied by the Ethiopian Commodity Exchange (ECX) and the grading by international partners.

Lengthy export procedures

Almost 20% of reported NTM cases relate to non-technical regulations applied by Ethiopia, including other export measures (especially export clearance procedures) (13%), export licences (4%) and export price-control measures (2%). Export clearance procedures affect all products exported by Ethiopia, while export licences are limited to agriculture products and export price controls apply mainly on cut flowers.

Concerning export clearance, numerous NTM cases cite delays in inspections conducted by the Ethiopian Revenues and Customs Authority (ERCA). Difficulties include long queues to access the inspection site, problems with network connections used by ERCA and delays in confirming the similarity between samples taken for analysis and the shipment itself.

Exporters' complaints about export licences concern procedures used by the ministries of agriculture and trade. The product specificity of the licence seems to be a particular constraint. For instance, an exporter of cut flowers will need a separate licence for each type of flower exported. Other cases refer to the need to prepare several documents, including with local municipalities with no direct link to the export process, which implies a longer waiting time for the exporter.

Export price-control measures relate to the minimum price fixed by the National Bank of Ethiopia and which requests full disclosure of deals operated by Ethiopian exporters. The discrepancy between the minimum price and the current international price of a good can also negatively affect national exporters.

Ineffective support schemes for exporters

Trade agreements offer preferential opportunities for exporters, providing they meet stipulated conditions. In most cases, a national body or agency is nominated for the verification of such conditions and issues the certificate of origin (CoO) that ensures preferential access. In essence, trade agreements or preferences unilaterally granted, such as the AGOA framework, are expected to encourage exporters to trade more in these markets. Countries can also unilaterally establish schemes to enhance the competitiveness of national exporters; a common approach is the elimination or reimbursement of import duties on inputs used in the production of exported products. Such national schemes also need verification and approval by one or several national entities. Generally known as a subsidy, in Ethiopia it is called the voucher system.

It is important to highlight that supporting schemes are meaningful as long as they are effectively implemented. If an exporter has to pay for storage while waiting for a CoO, he might opt instead for MFN treatment rather than assume the storage expenses. Similarly, if the reimbursement of import duties paid on inputs for exported products takes several months, the scheme fails in its objective and simply freezes exporter operating capital. Narratives collected during the NTM survey refer to delays in obtaining these benefits and to the schemes not being fully implemented. Issues regarding rules of origin account for 5% of all NTM cases and issues related to the voucher system represent 3%.

Challenges in labelling and packaging and pre-shipment inspections

Even though less frequent, other challenges faced by Ethiopian exporters relate to labelling and packaging requirements (3%) and pre-shipment inspections, mainly in transit and destination countries (3%). For labelling and packaging, issues include difficulties in satisfying very specific and precise packaging requirements by partners in terms of size and materials, as well as in translating and producing product labels for other languages, for example, Arabic. Regarding pre-shipment inspections, physical inspections of goods to establish their exact nature, exporters complain particularly about lengthy export inspections conducted in Djibouti, but also in other countries serving as trade hubs, like the United Arab Emirates (Dubai). They also report strict controls during border clearance process, for example China, to be problematic.

Technical regulations are pressing issue for agricultural exporters

Conformity assessments applied by partner countries are the main source of burdensome regulations for exporting companies in the agricultural sector (32%). An additional 8% of NTM cases linked to private standards are also associated with conformity assessment (certification and testing requirements for private standards). Furthermore, 10% of NTM cases reported in agriculture are related to technical measures applied by Ethiopia on its own exports, which also involve a conformity assessment. Product requirements or characteristics in official regulations or private standards applied at destination account for another 20% of NTM cases in the sector. Agriculture-related products tend to be highly regulated for legitimate reasons of consumer protection and safety.

Among exporters of manufacturing products, measures applied by Ethiopia are the main NTM hurdle (21%) (Figure 10). These measures are mainly non-technical inspection procedures related to custom clearance. Conformity assessments for manufactured products are also a major hurdle for Ethiopian exporters and account for 35% when regulations at destination and private standards are combined. Product requirements account for 19% of NTM cases reported for manufacture goods. Rules of origin and the tax relief for inputs of exported products account for 11% and 10% of NTM cases, respectively.

Coffee, oilseeds and the rest of agriculture show a similar distribution of NTM categories reported as burdensome (Figure 10). Concerning manufacturing products, the distribution of NTM issues for textile products differs slightly from leather and other manufacturing products.

Difficulties with European and Middle Eastern regulations are most reported

After identifying regulations affecting Ethiopian exporters, it is important to analyse which export flows are particularly affected by comparing export shares and contributions to NTM cases (due to foreign regulations and private standards) reported across regions (Figure 11³³).

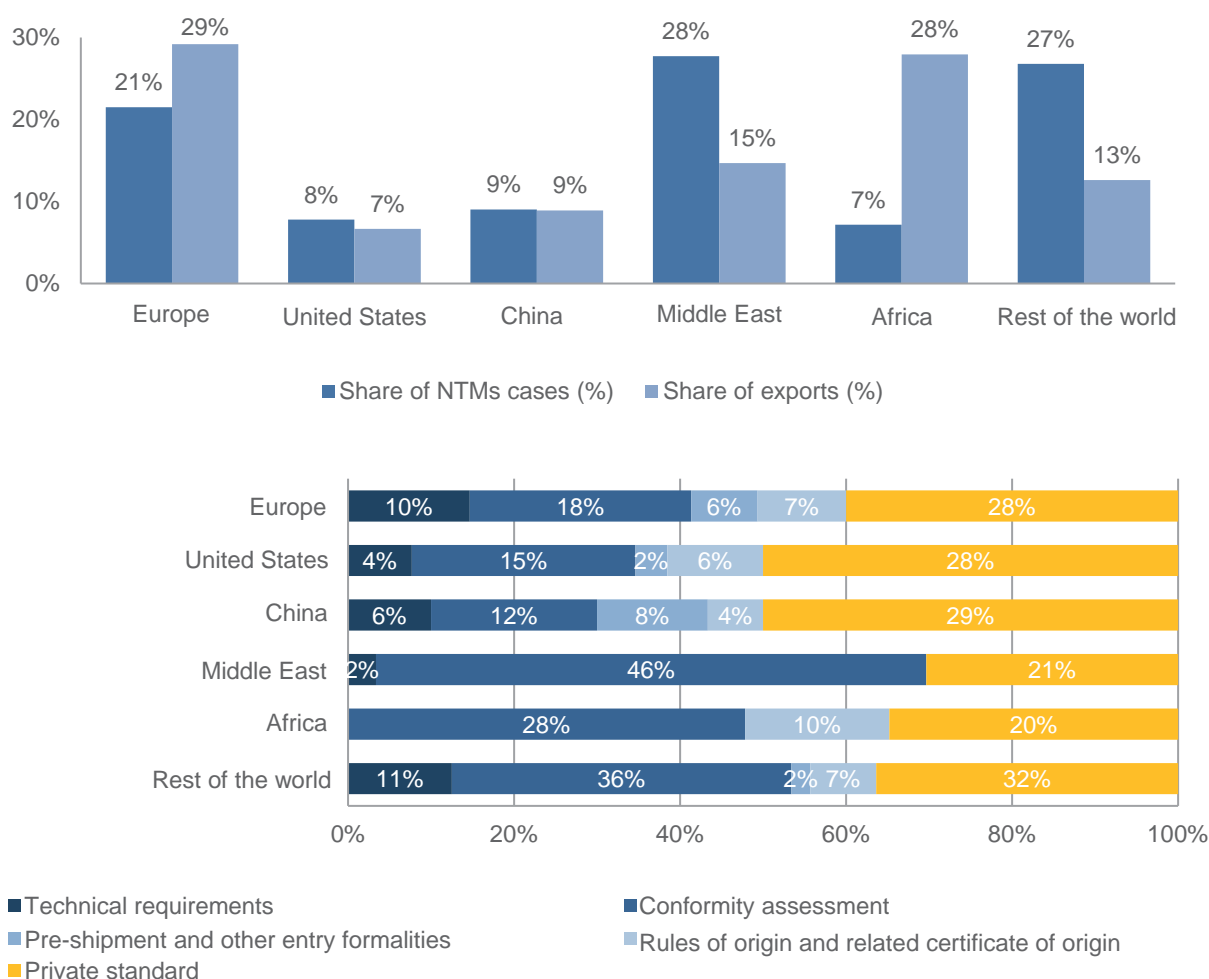
As regards Africa, the export share is notably higher than its share of burdensome cases related to NTMs and private standards. While African markets account for more than 25% of total exports, their share in NTM cases is only 7% (see Figure 11). A less pronounced pattern, but still similar, can be observed for European markets, which constitute 29% of Ethiopia's exports but only 21% of burdensome cases. This could be partly explained by the prevalence of less stringent technical measures in African countries and, most probably, the existence of preferential trade treatment for Ethiopian exports in the Europe market, as well as a learning process inherent in a long export relationship with this market. It may also be due to the specific products that Ethiopia exports to Europe – coffee and flowers – and not food products or live animals.

Middle Eastern countries and the rest of the world (RoW),³⁴ however, show a higher share of NTM incidence than exports, due to foreign regulations and private standards. Figure 11 indicates that while these two regions jointly constitute 55% of burdensome regulations and standards applied at destination on Ethiopian exports, they represent 27% of aggregate Ethiopian exports.

³³ This figure calculates shares of NTM cases by region for cases related to foreign regulation at destination markets or transit countries, and private standards. Home regulations on exports which are not included here are expected to generally affect all exports regardless of the final destination.

³⁴ Japan, India, Turkey and South Korea were the countries mentioned here.

Figure 11 Burdensome cases of NTMs and private standards by export market



Source: ITC Trade Map, 2016; and ITC NTM Business Survey in Ethiopia, 2015-16.

There are also differences regarding the type of NTMs set by the trading regions (Figure 11). In Middle Eastern countries, conformity assessments, specifically quarantine requirements, are the major challenge faced while exporting animal products and live animals. Similarly, in the rest of the world and in the African region, conformity assessments and testing are the major obstacles faced by Ethiopian exporters.

With respect to more developed countries and regions, such as Europe, the United States, and China, private standards play a major role and are the most cited NTM category in burdensome cases. Pre-shipment inspections and other entry formalities are the third most cited burdensome NTM category for exports to China, while in other regions, this category is barely mentioned. Rules of origin are frequently cited in trade with African countries and developed countries (Europe, RoW, and the United States).

Procedural obstacles hinder exporters' ability to comply with NTMs

Exporters might perceive NTMs as obstacles because the regulation itself is too strict or difficult to comply with, because of procedures put in place for implementing and complying with the regulation, or a combination of the two. Procedural obstacles (POs) are practical challenges directly related to the manner in which NTMs are implemented by relevant authorities or bodies.

For Ethiopian exporters, the vast majority of situations perceived as burdensome are due to procedural obstacles (or a combination) as shown in the top panel of Figure 12. In general, the figure shows that the

implementation of NTMs tends to be more complex than the NTMs themselves. For most regulations cited as burdensome, the share of POs (or in combination with regulatory requirements) exceeds 90%. This is particularly the case for conformity assessments (95%), rules of origin (100%), Ethiopia's technical measures on exports and other export-related measures (92%) and technical export requirements (95%). Regarding private standards, the strictness of regulations applied by these standards or labels is a major hurdle for Ethiopian exporters.³⁵ To a lesser extent, other non-technical measures, such as export licences and subsidies, also present regulatory difficulties, according to Ethiopian exporters.

In short, POs are more of an obstacle than just the regulations for Ethiopian exporters. This provides significant scope for gains related to the mainstreaming and simplification of NTM procedures. It is not only the private sector that can take advantage of these improvements. As shown by several studies, Ethiopia as a whole could benefit from more competitive exporting companies as this enhances the working of markets, fosters innovation via investment in research and development and promotes productivity and growth, all of which might be a source of wealth and poverty reduction.

The other panels of Figure 12 show what is behind the procedural obstacles. The private sector finds NTMs burdensome for three main reasons: delays in procedures, lack of appropriate sector-specific facilities and administrative burdens imposed by the procedures. Altogether, these three aspects concentrate more than 80% of the NTM burden reported. For private standards, the associated cost of private certifications is an important aspect to take into consideration while trying to understand why these measures are challenging for Ethiopian exporters.

The bottom panel of Figure 12 shows where the procedural obstacles occur, and they mainly occur in Ethiopia.³⁶ One example could be a quality certificate or other specification required by a coffee destination market and where delays are caused by the Ethiopian authority in charge of delivering the certificate.

Concerning POs occurring abroad, reported time constraints relate to long testing times in laboratories located in other countries and/or the need to use quarantine services of others because Ethiopia does not have them or its facilities are not recognized internationally.

When we export live sheep and goats to Middle Eastern countries, we have to use the quarantine services in Djibouti because this service is unavailable in Ethiopia. There a lot of demand and we have to wait up to three days to get our turn.

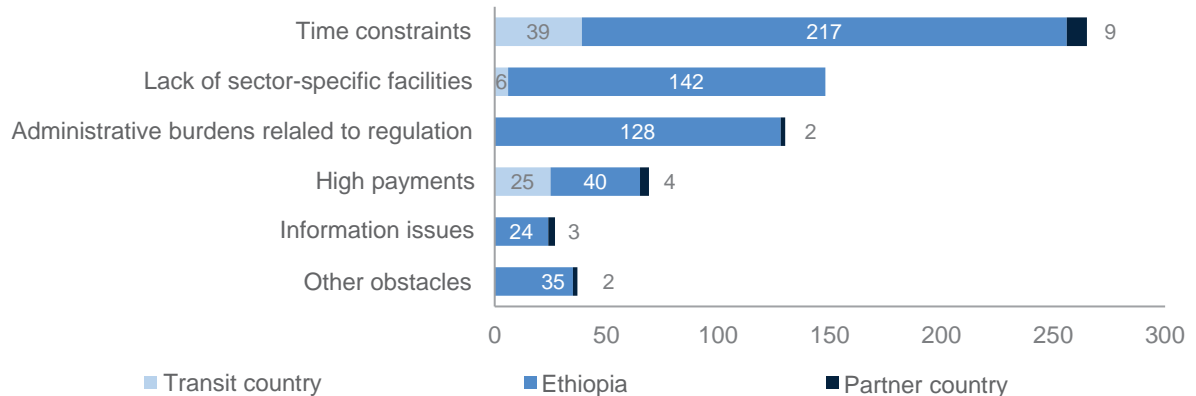
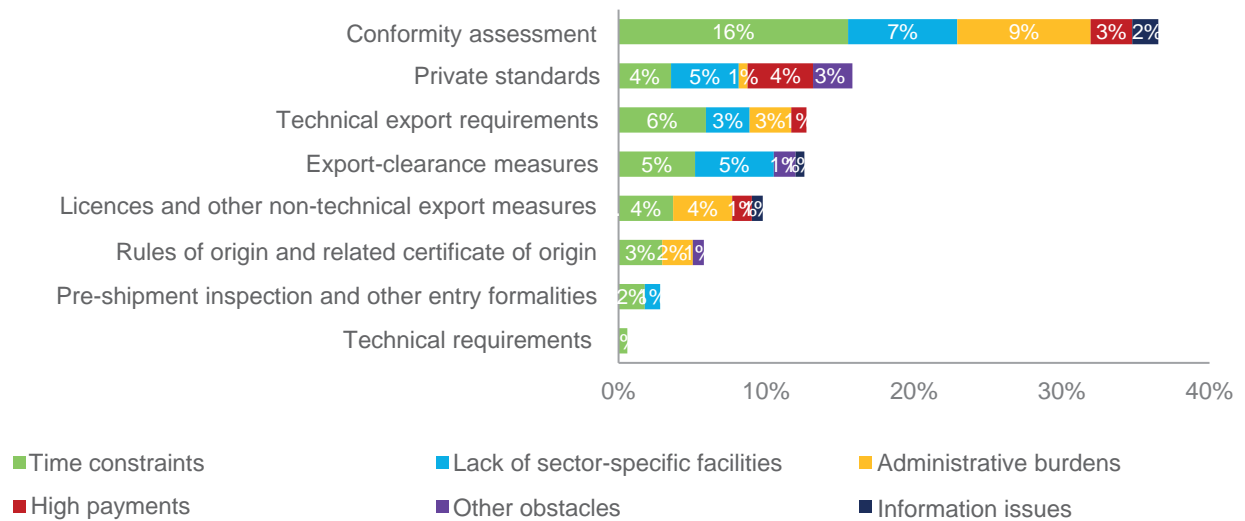
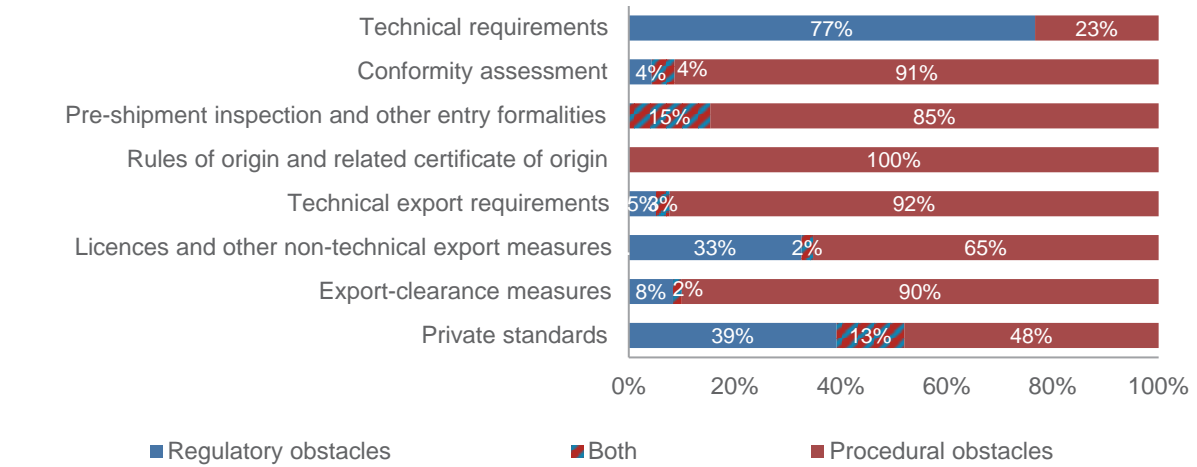
Exporter of sheep and goats

Exporters also cite high fees for obtaining a private certification or private quarantine services. NTM cases related to lack of facilities also mention limitations when it comes to port handling and inspections in Djibouti.

³⁵ A similar trend is observed for technical requirements applied by partner countries.

³⁶ It is important to note that respondents naturally tend to complain about domestic export formalities more than those imposed by partner countries. Export formalities that occur after shipment are the buyer's or importer's problem.

Figure 12 Reasons making NTMs burdensome to exports



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Most procedural obstacles occur in Ethiopian agencies

Whenever a PO is reported, the interviewee is asked for further details, particularly of where it occurs. This way, it is possible to establish an association between agencies and POs reported in the survey. Table 6 presents these linkages through a heatmap. It is important to keep in mind that traders report information based on their own knowledge. In some cases, POs might be related to an agency that is not in charge of the specific procedure reported as burdensome, but as the trader only interacts with this agency, he/she might associate it with the PO.

Most frequent procedural obstacles faced by Ethiopian exporters, i.e. time constraints (32%), lack of sector specific facilities (21%) and administrative burdens related to regulations (19%), are those coloured in red or orange colours in the following table.

Table 6 Agencies involved in domestic POs

Agency/country	Type of procedural obstacle	Time constraints	Lack of sector-specific facilities	Administrative burdens related to regulation	Informal or unusually high fees on payments	Information / transparency issues	Other Obstacles
Ethiopian Ministry of Agriculture and Natural Resources		Red	Orange	Red	Yellow	Yellow	Green
Ethiopian Revenues and Customs Authority		Orange	Orange	Orange	Green	Yellow	Yellow
Ethiopian Standards Agency		Yellow	Orange	Yellow	Yellow		
Ethiopian Ministry of Trade		Yellow	Green	Orange	Yellow	Green	Yellow
Ethiopia Commodity Exchange		Yellow	Green		Yellow		Orange
Private certification agency		Yellow	Yellow		Yellow		
Food, Medicine and Health Care Administration and Control Authority		Yellow	Yellow	Green	Yellow		
Ethiopian Conformity Assessment Enterprise		Yellow	Yellow	Yellow	Green		
National Bank of Ethiopia		Yellow		Yellow			Yellow
Ethiopian Chamber of Commerce and Sectoral Association		Yellow		Yellow			
Ethiopian Leather Industry Development Institute		Yellow	Yellow	Green			
Regional agriculture bureau		Yellow		Yellow			
Other national authorities		Orange	Orange	Yellow	Green		
Other private agencies		Yellow	Yellow				Green

Note: The different intensities of red, yellow and green indicate the frequency of a procedural obstacle occurring at a particular public institution. Red indicates highest frequency while green indicates the lowest frequency. Blank cells indicate non-occurrence of POs.

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Given the export basket of Ethiopia, it is not surprising that the Ethiopian Ministry of Agriculture and Natural Resources (MoANR) is at the top of the list. Time delays relate to the issuance of certificates for quality, sanitary, phytosanitary standards and origin requested by destination countries and by domestic regulations. Several administrative 'windows' seem to be involved in the process, which contributes significantly to the perception of long procedures. The MoANR is frequently cited as the main agency coordinating conformity assessments. However, other agencies conducting inspections and assessments, such as the Ethiopian Conformity Assessment Enterprise (ECAE), are likely to be linked to these cases.

Time delays involving the Ethiopian Revenues and Customs Authority (ERCA) are related to the renewal of voucher permissions (see above) and ordinary custom inspection of exports. Delays related to this NTM category tend to be shorter than with conformity assessments. Nevertheless, they can still be disruptive and

time consuming. Delays related to non-technical inspections are cross-cutting feature and not sector-specific. Additional concerns linked to time constraints are the issuance of export licences at the MoT and MoANR as well as certificates of origin by the Ethiopian Chamber of Commerce and Sectoral Association and the MoANR.

Another cross-cutting finding related to POs on exports is a lack of facilities in different agencies, including human resources. Surveyed companies refer to limited laboratory and testing facilities for technical requirements, absence or lack of sufficient automated tools in physical (non-technical) inspections and scarcity of a trained workforce as procedural obstacles.

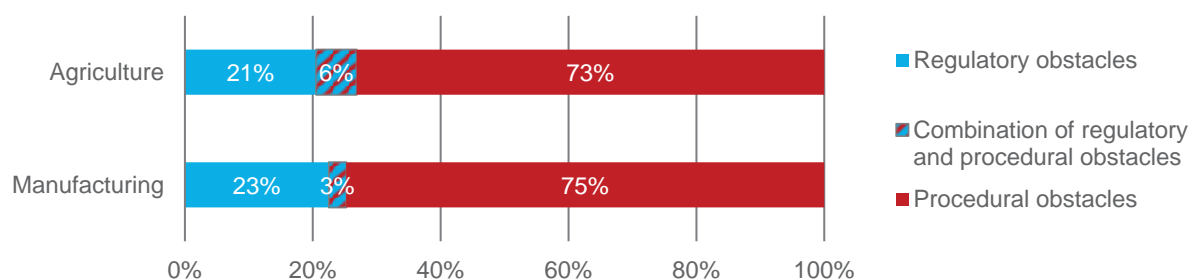
Under “other obstacles”, exporters mention the purchase of certain qualities or types of products from the Ethiopian Commodity Exchange (ECX), for example, organic coffee, that subsequently fail to pass analyses applied and executed at destination markets.

In relation to private agencies, the main concern is the high fees required to obtain independent certification for quality. It is also important to note time delays in the issuance of certificates of origin by other recognized entities, i.e. sectoral chambers.

Procedural obstacles are main concern for agriculture and manufacturing

For both agriculture and manufacturing, the difficulties reported in the survey are mainly procedural (Figure 13). Three-quarters of cases in both sectors are reported as burdensome just because of the practical challenges involved in implementing regulations. Regulatory obstacles are the sole source of the perceived burden in 21% of agricultural cases and in 23% of manufacturing cases. This result highlights the importance and potential benefits of improving the implementation of regulations.

Figure 13 Reason NTMs are burdensome



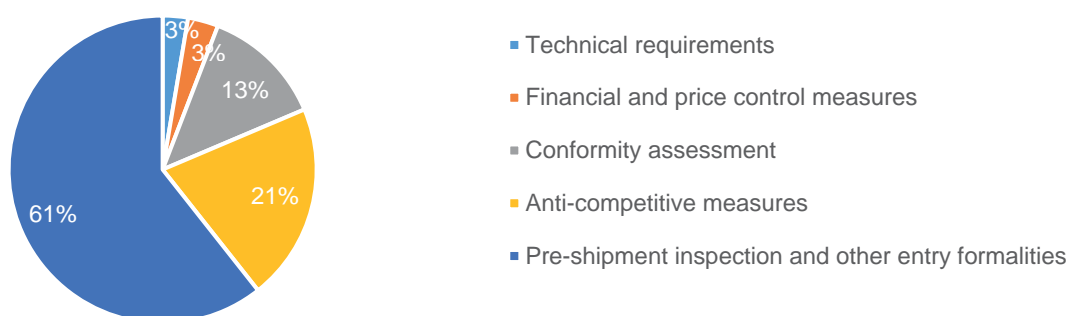
Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Burdensome NTMs and procedural obstacles faced by importers

A total of 94 companies report facing difficulties when importing.³⁷ All burdensome NTMs reported by Ethiopian importers result from Ethiopian regulations (Figure 14). Most of the NTMs (87%) are reported by importers of manufactured products. Roughly, 88% of imports to Ethiopia are manufactured products.

Non-technical measures are the predominant type of issue for imports. Pre-shipment inspection and other entry formalities as well as anti-competitive measures are reported as the two main challenges faced by Ethiopian importing companies, accounting for, respectively, 61% and 21% of NTM cases. Conformity assessments are the third most frequently mentioned measure and account for 13% of the reported cases. Finally, technical requirements as well as financial and price-control measures applied by Ethiopia on imports participate only slightly to the challenges reported on imports (3% each).

Figure 14 Burdensome NTMs on Ethiopian imports



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Procedural obstacles are the main reason making NTMs on imports burdensome – 79% of NTM cases are deemed burdensome due to procedural obstacles (Figure 15). Another 15% of cases, mainly for the compulsory use of the services of the Ethiopian Shipping and Logistics Services Enterprise (ESLSE), report both procedural and regulatory obstacles. Too strict regulations represent only 6% of reported cases and refer to labelling requirements for drugs, the issuance of financial documents for international transactions and restricted and prohibited imports of some products.

Most procedural obstacles (88%) occur in Ethiopia, with the rest occurring in a transit country, Djibouti. POs in Djibouti are due to the limited capacity of the port, which creates delays for Ethiopian importers.

Complex and lengthy import procedures are a hindrance

Pre-shipment inspections reported by Ethiopian importers often refer to clearance delays of their products due to officials' lack of technical expertise, the numerous 'windows' to visit for procedures, changes in rules that are not properly disseminated, the inexistence of electronic means to facilitate clearance, such as electronic signature, and issues related to coordination with other agencies in charge of conformity assessments. Importers also refer to limited facilities in some customs offices and dry ports.

Ethiopia is subject to seasonality in its imports due to the natural fluctuation in inputs for the production of major commodities (coffee, sesame, cut flowers). However, government procurement, for example of food items (see below), also tends to play a role and do not necessarily smooth the seasonality observed in ports and custom offices. It is important for Ethiopia to facilitate the transit of intermediate goods to ensure producers and exporters can produce in favourable conditions and to reduce fluctuations in the supply of consumer goods on the internal market.

³⁷ Note: Importing companies may not be fully aware of all regulations and procedures applied by the exporting country – as exporters (their business partners) normally take the responsibility of dealing with their local regulations and may not report them to their Ethiopian counterparts. Hence, interviewees might only be familiar with the procedures they directly deal with.

Table 7 Main categories of NTM-related trade obstacles on imports

Non-tariff measure	Measure name	Share of NTM (%)	Classification
Pre-shipment inspection	Pre-shipment inspection	49.0%	Non-technical measures
	Other entry formalities	11.7%	
Anti-competitive measures	Compulsory national service	20.7%	
Finance measures	Regulations concerning payment for imports	1.6%	
	Advance payments	0.5%	
	Regulations on foreign exchange allocations	0.5%	
Prices-control measures	Administrative pricing	0.5%	
Conformity assessment	Conformity assessments procedures	12.2%	Technical measures
	Other conformity assessments procedures	0.5%	
Technical requirements	Labelling, marking, packaging	2.1%	
	Import prohibitions or restrictions	0.5%	

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Importers are obliged to use the services of the national transport service provider

One in every five importers complained of the compulsory use of the ESLSE and said that the lack of ships and trucks from this service provider creates import bottlenecks. Complaints concern the use of a multi-modal system for merchandise transport; further details are given in the next chapter.

Importers report concerns with conformity assessment procedures

Quality and sanitary controls applied by Ethiopia affect a wide range of products – seeds, iron, fertilizers, chemical, sanitation products and medical drugs. Importers say they face delays in the implementation of these procedures, often due to a lack of facilities in the different custom offices. Agencies in charge of conformity assessments include the Ethiopian Food, Medicine and Health Care Administration and Control Authority and dependencies of the Ministry of Agriculture and Natural Resources.

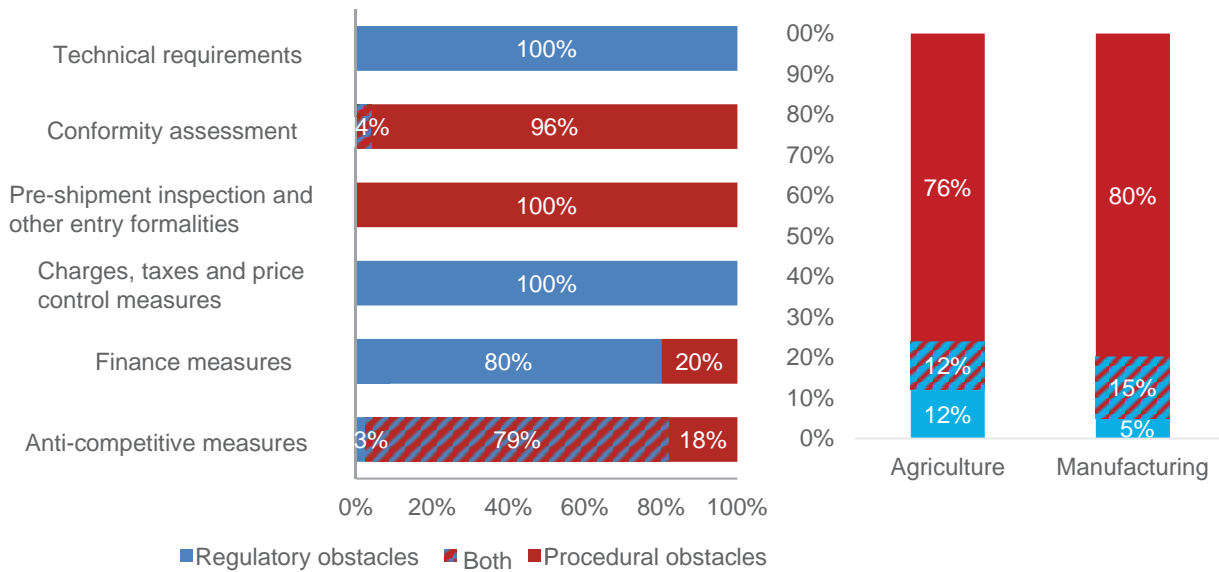
'Cash against document' is a challenge

Financial challenges mentioned by importers include a 'cash against document' requirement in customs clearance. Importers are able to take possession of the goods upon presentation of documents. The documents are obtained only after payments are made. Importers argue that this operation requires them to invest their own capital in the operation.

The primary cause of difficulties varies across different types of NTMs

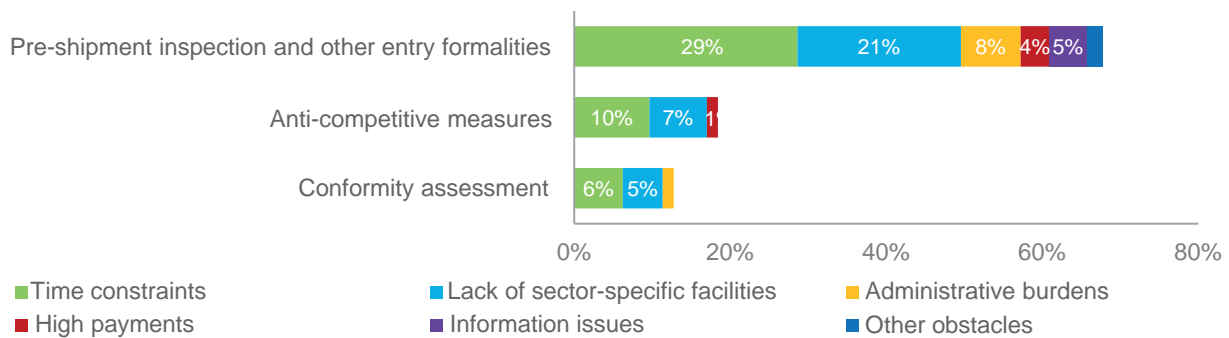
Figure 15 shows the reasons importers give for perceiving NTMs as burdensome. In the vast majority of cases, conformity assessments and pre-shipment inspections are perceived as burdensome because of the POs (96% and 100%, respectively). The implementation for these measures poses difficulties to importers but regulations themselves are not contested. For instance, several cases collected by the survey are related to the lengthy of procedures due to the variety of windows for custom clearance.

Figure 15 Why NTMs are deemed burdensome by importers, by NTM type and sector



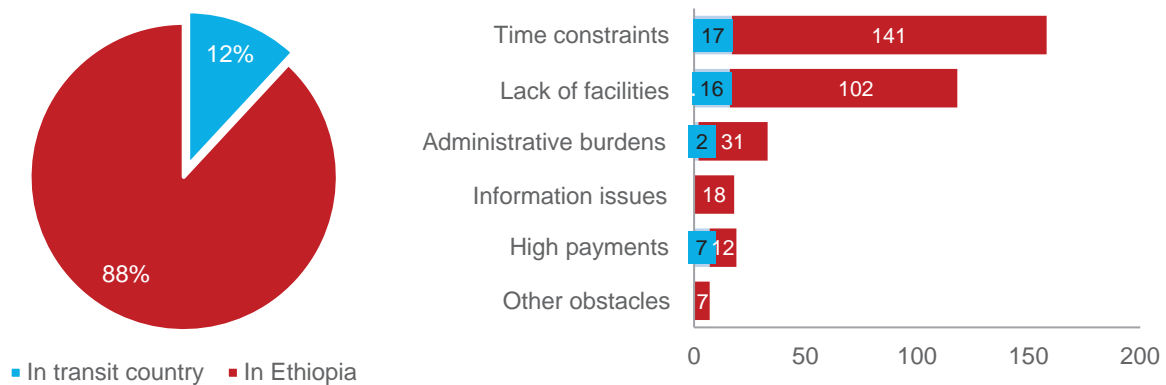
Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Figure 16 POs making compliance with NTMs difficult



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Figure 17 Location where procedural obstacles occur



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Anti-competitive measures show a more mixed source; 79% of cases reported are attributed to a combination of strict regulation and related procedural obstacles. Cases collected by the survey mention the compulsory use of the ESLSE and lack of infrastructure and capacity. Other less frequently mentioned regulations, such as technical requirements applied on imports, as well as price-control measures, are mainly perceived as regulatory obstacles.

Figure 15 shows that delays and lack of appropriate facilities are the most frequently faced procedural obstacles for importers. Some administrative burdens can also be found in the pre-shipment inspections, as already cited above.

Finally, Figure 15 indicates that the majority of the challenges occur in Ethiopia or are related to an Ethiopian entity; less than 5% of POs take place in a transit country, mainly Djibouti. The POs in Djibouti relate to delays in customs inspection and to capacity limitations at the port.

As in the case of Ethiopian exports, time constraints are the most prevalent issue for imports, followed by the lack of sector-specific facilities, administrative burdens and information issues.

A large number of procedural obstacles occur at customs

The most frequent difficulties on the import side are delays in customs inspections and clearance procedures due to lack of staff, strictness in controls, several 'windows', language issues, increased storage costs and even changing rules. Overlapping POs in customs inspection and clearance is the reason why the Ethiopian Revenues and Customs Authority is at the top of the list of agencies cited in the survey (Table 9). It is also important to note that importers identify lack of staff, staff training and well-equipped facilities as the main challenges to be addressed.

The ESLSE is the second most cited agency when it comes to POs on imports. Importers refer to the multi-modal transport of goods and the limited number of trucks and ships. This shortage of transport services has implications for importers, who need to keep goods stored in safe houses in Djibouti until a slot is allocated. All delays and additional costs translate into increased input prices for exporters and producers importing intermediate goods.

ESLSE is officially the sole transport operator. However, this does not prevent importers from using other private services.³⁸ Even market liberalization of transport providers from Djibouti (400 trucks available) might not be enough to meet demand in peak periods.

According to ESLSE, a key issue creating bottlenecks and delays in imports is the seasonality of government procurement. For instance, fertilizers and food items are massively imported between November and January before the harvest period. Another reason mentioned for constant bottlenecks is that Djibouti port has not grown at the same rate as Ethiopia's imports. Errors in the documentation and the use of specific IT software/solutions can also create some bottlenecks for the processing of documentation related to cargo shipment and contribute to reported delays. Road infrastructure also imposes de facto limitations to truck loading. Even though trucks could carry larger loads, they are not allowed on Ethiopian roads. The railway to Djibouti (see above) is expected to help counter delays even though it does not connect directly to Djibouti port and road transport might still be needed.

Some less frequently reported NTMs, such as technical requirements and financial and price-control measures, are regulations perceived as too strict. For instance, Ethiopia imposes very strict regulations on labelling of drugs and medicines, which the importers find difficult to comply with. As regards financial measures, the National Bank of Ethiopia requires importers to deposit cash for prospective imports in advance, reducing cash flow available for company operations.

For agriculture products, the MoANR was mentioned due to long procedures for goods requiring testing and certification, such as seeds, herbicides or insecticides. A similar situation is described for drugs and health-related goods controlled by the Ethiopian Food, Medicine and Health Care Administration and Control Authority.

³⁸ Trucks under ESLSE administration represent less than a quarter of the trucks available for transport services in Ethiopia.

Table 8 Agencies and related POs reported in NTM cases on imports

Agency/country Type of procedural obstacle	Time constraints	Lack of sector-specific facilities	Administrative burdens related to regulation	Informal or unusually high fees or payments	Information / transparency issues	Other obstacles
Ethiopian Revenues and Customs Authority	Red	Red	Orange	Yellow	Yellow	Yellow
Ethiopian Shipping and Logistics Services Enterprise	Orange	Orange	White	Yellow	White	White
Ethiopian Ministry of Agriculture and Natural Resources	Yellow	Yellow	Yellow	White	White	White
Food, Medicine and Health Care Administration and Control Authority	Yellow	Yellow	White	White	White	White
Other national authorities	Yellow	Green	Green	Green	Green	Green

Note: Most frequent incidents of POs are coloured in red while POs that are only reported seldomly are coloured in green. The colour spectrum from red to green passing through yellow provides an indication of frequency of cells. Blank cells indicate non-occurrence of POs.

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Company perspectives on the trade-related business environment

Figure 18 shows the main concerns of Ethiopian companies about the general business environment³⁹ in the country. Not surprisingly, general complaints mirror the concerns expressed about POs and the trade-related agencies. Time delays (89%) figure at the top of these general concerns, reflecting the perceptions of red tape and bureaucracy already highlighted in previous sections.

Lack of human resources in agencies (89%), an issue already raised here, and lack of access to information (85%) are also among the most cited aspects that negatively affect the business environment. With regard to information dissemination, exporters did not express this concern in these terms while reporting NTM cases. However, it is consistent with traders having to consult several 'windows' and agencies before obtaining a given certificate and shows the general lack of precise information in Ethiopia concerning procedures.

Electricity supply seems to be a major challenge for companies and for the development of Ethiopia in general. This was barely mentioned by exporters in the NTM cases, but it is a strong limitation on the development and functioning of even light manufacturing factories. It is worrying that it is perceived as the factor in which the least progress has been made in the past five years.

³⁹ The list of all aspects interviewees were asked about can be found in Annex IV.

Figure 18 Company perspectives on the trade-related business environment



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Agricultural sector: Exporters' difficulties

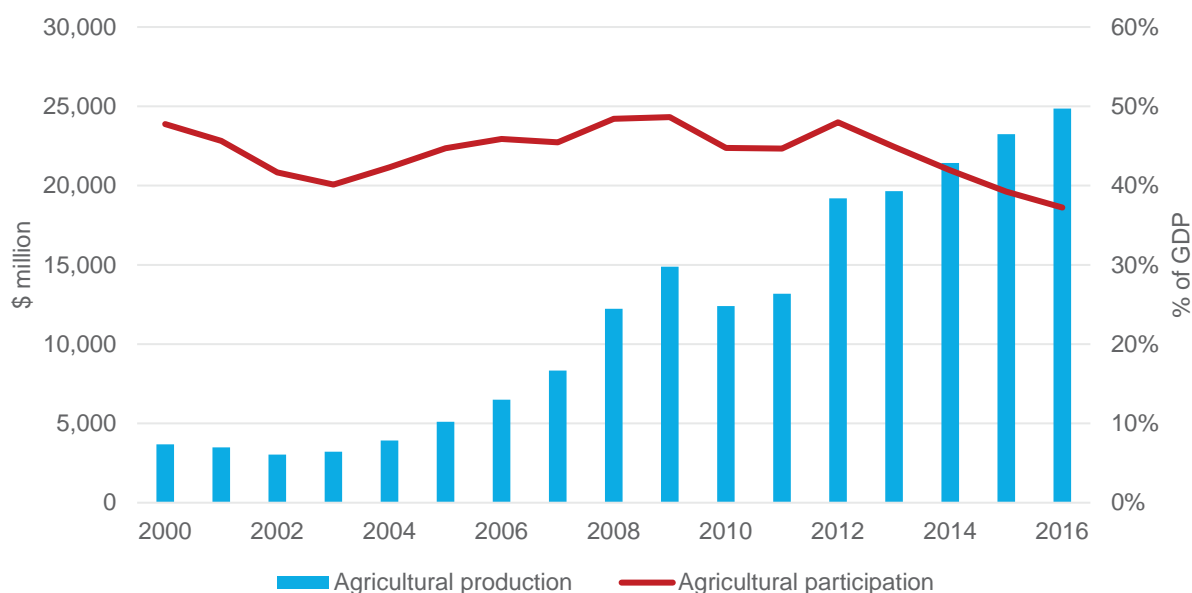
The agricultural sector comprises coffee, oilseeds and other agro-related products. Wherever needed, results are further broken down to take account of situations specific to only one of these sectors.

Agricultural sector in Ethiopia

Under the GTP, Ethiopia gave major importance to the performance of the agricultural sector. Agriculture is one of the major drivers of GDP growth, exports and national employment. As shown in Figure 19, the sector represented 45% of GDP over the period 2000-2015.⁴⁰ To enhance competitiveness, the Ethiopian Government has increased investment and set up various agencies to support the sector.⁴¹

The main products are, in order of importance, coffee, sesame seeds, vegetables, fresh cut roses, kidney beans, fresh meat, live animals (goats, sheep, cattle and camels), chickpeas and other oilseeds. The sector achieved annual growth of 10% in the years 2000-2015, slightly lower than the 12% annual growth of GDP over the same period.⁴² GTP II puts the sector in the centre of targeted development objectives, with the aim of turning Ethiopia into a middle-income country by the year 2025.

Figure 19 Agricultural production's value and GDP share



Source: World Bank, August 2017.

With approximately 12 million smallholder farming households, agriculture provides 85% of national employment (FAO, 2017). Smallholder farms are the dominant sources of agricultural production in Ethiopia. These traditional farmers are overly dependent on rainfall and make minimal use of modern inputs and methods. Efforts have been made to improve the productivity of smallholder farmers and to shift from subsistence agriculture to higher value agricultural products. Agriculture made up 90% of Ethiopia's \$2.5 billion exports (excluding mineral and arms) in 2015,⁴³ as displayed in Table 1. The principal agro-products exported are coffee, oilseeds, meat and meat products, fruits and vegetables and live animals. Ethiopian

⁴⁰ World Bank Development Indicators. Note that sectors in this database are based on the International Standard Industrial Classification (ISIC) and agriculture excludes processed food products and beverages.

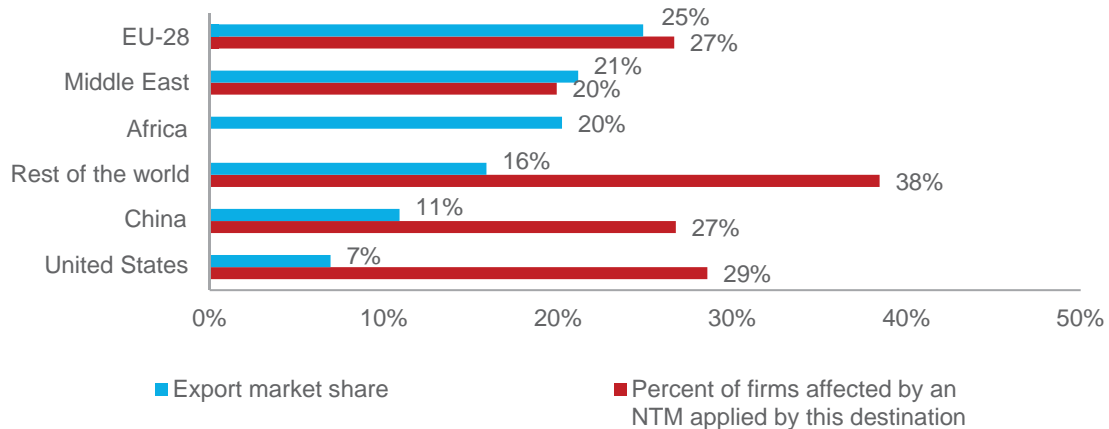
⁴¹ Growth and Transformation Plan (GTP II), 2015: National Planning Commission.

⁴² ITC Trade Map is the source for trade data.

⁴³ Ibid. Unless specified differently, this report excludes arms, minerals and pollutants from its analysis as these products are not of interest in export promotion activities encouraged by ITC.

exports are very concentrated around few products. Coffee accounts for 28% and sesame seeds for 16% of all exports. Agro-related products only represent 12% of all imported goods.

Figure 20 Agricultural exports and NTMs applied by partner countries



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

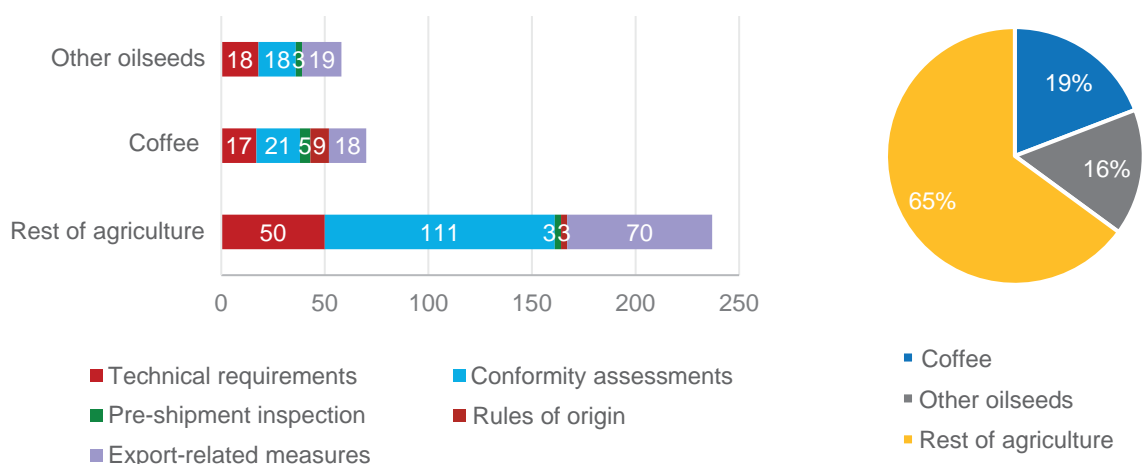
The main market for Ethiopian agro-related exports is the European Union, closely followed by the Middle East and Africa (Figure 20). Despite its importance as a market (20%), no burdensome NTMs related to African countries were reported during the business interviews. For the Middle East markets, the proportion of burdensome NTMs is higher but is still the second lowest.

Other markets represent a smaller export share but have a higher incidence of burdensome NTM cases, i.e. the European Union, China, the United States and the rest of the world. Ethiopian exporters report 30% of flows to more advanced economies involve such cases.

Affected agricultural products

Figure 21 breaks down the most common NTMs by agricultural sub-sectors. The distribution of NTMs is similar across all agriculture sub-sectors. The most common NTMs are conformity assessments, technical or product requirements and export-related measures, which will be analysed in detail here below.

Figure 21 Agricultural products and their most common associated NTMs

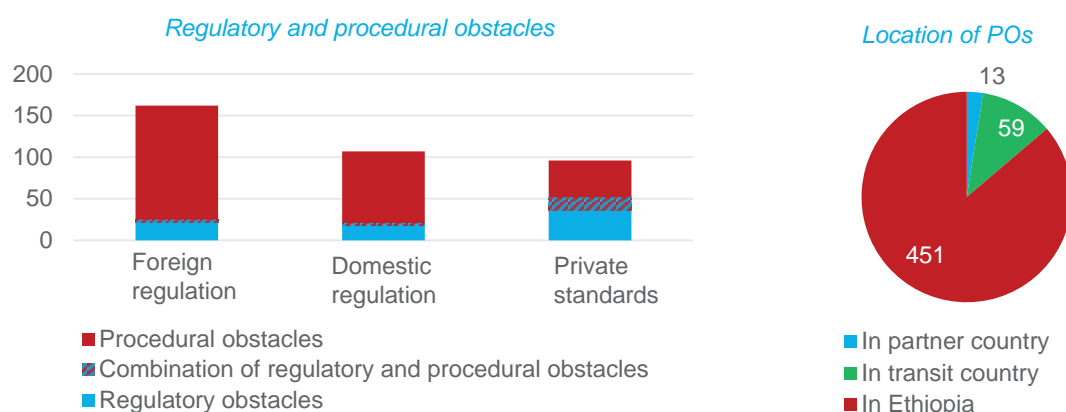


Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Preponderant role of procedural obstacles in burdensome NTM cases

More than 86% of NTMs experienced as burdensome are associated with procedural obstacles happening in Ethiopia when dealing with national agencies or entities (Figure 22). In addition, 11% of POs are located in a transit country. Domestic POs are mainly due to foreign regulations transferring responsibilities to national entities. The scope for domestic improvements is extensive as Ethiopia can enhance the implementation of these regulations without involving its partners.

Figure 22 Agro-related NTMs and procedural obstacles, by origin and location



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Where NTM cases are associated with strict regulations applied in destination countries, simplifying these measures will require joint work between Ethiopia and its partner countries. For instance, 21 NTM cases relating to foreign regulations and 36 NTM cases relating to private standards are reported as burdensome because the measure is perceived as too strict. As for national regulations, only 18 NTM cases are reported as burdensome due to being too strict.

A further 23 NTM cases involved measures being too strict and having associated procedural obstacles.

Figure 23 distinguishes between NTM cases considered burdensome due to regulations applied in destination countries (official regulations and private standards) and Ethiopian export regulations. To deepen the analysis of problematic NTMs and associated procedural obstacles, right-hand tables in Figure 23 display the most frequent regulations and link them with the most frequent domestic procedural obstacles.

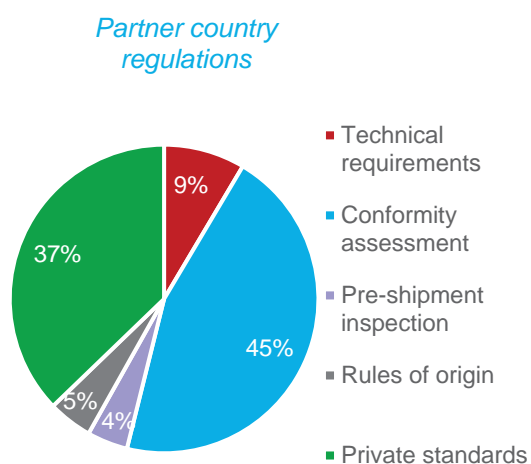
For foreign regulations, the most common domestic PO is delays associated with conformity assessment regulations (26%), technical requirements (3%) and rules of origin (3%). Delays are also the underlying factor for an additional 4% of burdensome cases associated with private standards. The second most common domestic PO is a lack of sector-specific testing facilities, which describes 22% of cases related to conformity assessment, private standards and product requirements. In 21% of NTM cases due to foreign regulation, businesses report that the difficulties stem from the numerous administrative 'windows' involved in conformity assessments.

As regards Ethiopian regulations, delays also appear as the most common procedural obstacle. They are the source of 39% of burdensome NTM cases involving domestic POs, mainly technical measures and export clearance procedures applied to exports. The second most common domestic POs are limited facilities or lack of them (22%), which clearly affect the efficiency of implementing customs inspections and more technical requirements. As noted, numerous administrative 'windows' make compliance lengthy and complicated; they are the third most common PO related to domestic regulation (17%).

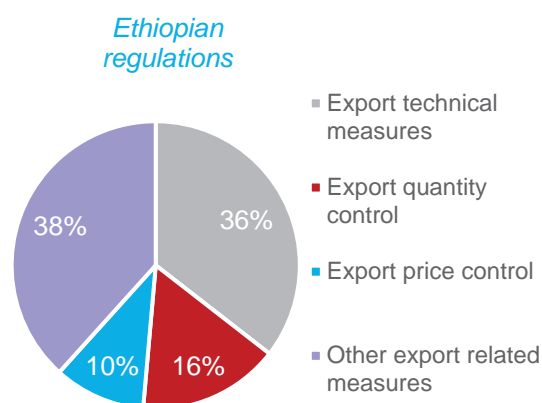
Table 9 presents national entities associated with procedural obstacles encountered by businesses while exporting. Due to the disproportionate number of procedural obstacles occurring in Ethiopia, the national agencies are among the most cited entities. The Ethiopian Ministry of Agriculture and Natural Resources

(MoANR) is associated in 36% of cases, followed by the Ethiopian Revenues and Customs Authority (8%). Quarantine services located in Djibouti are also often the source of delays (6%) and related to unusually high fees and charges (3%).

Figure 23 Burdensome NTMs applied to agricultural exports and their associated domestic procedural obstacles



Agro-related NTMs in partner countries	Most common domestic POs	% of Total
1. Conformity assessment	Delays	26%
	Numerous administrative windows	21%
	Limited facilities	12%
2. Private standards	Limited testing facilities	5%
	Delays	4%
3. Technical requirements	Limited facilities	4%
	Delays	3%
4. Rules of origin	Limited facilities	1%
	Delays	3%
	Arbitrary behaviour	2%
All others	Numerous administrative windows	1%
		19%
Total		100%



Agro-related NTMs in Ethiopia	Most common domestic POs	% of Total
1. Other export related measures	Limited facilities	15%
	Delays	11%
2. Export technical measures	Delays	23%
	Numerous administrative windows	11%
	Limited facilities	7%
3. Export quantity control	Numerous administrative windows	5%
	Delays	5%
4. Export price control	Numerous administrative windows	1%
All others		24%
Total		100%

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Table 9 Top agro-related procedural obstacles and their associated regulating entity

Most common export procedural obstacle		Most common originating entity	
1. Delays	39%	Ethiopian Ministry of Agriculture and Natural Resources	16%
		Private Quarantine Service	6%
		Ethiopian Revenues and Customs Authority	3%
		Ethiopian Standards Agency	3%
2. Numerous administrative windows/organizations involved, redundant documents	19%	Ethiopian Ministry of Agriculture and Natural Resources	13%
		Ethiopian Standards Agency	2%
3. Limited facilities related to reported certificates/regulation	17%	Ethiopian Ministry of Agriculture and Natural Resources	7%
		Ethiopian Revenues and Customs Authority	5%
4. Unusually high fees and charges	6%	Private Quarantine Service	3%
		Private Certification Agency	1%
Others	19%	Others	42%
Total	100%	Total	100%

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Conformity assessments

Conformity assessments are a major type of NTMs that agriculture exporters find burdensome. They account for 45% of all difficult NTMs reported by the sector.

Coffee

To competitively export a commodity such as coffee, phytosanitary and quality certificates are required. Some foreign clients might also require specific certifications regarding the quality of packaging and storage conditions during transport. In most of cases, the difficulties with these regulations are the lengthy procedures, delays in the issuance of certificates and a lack of testing facilities with international recognition. The relevant public entities in this area are the Coffee and Tea Development and Marketing Authority within the Ethiopian MoANR and the Ethiopian Conformity Assessment Enterprise (ECAE), which deliver the phytosanitary and other certificates.

Our client in Japan wants to confirm whether the coffee is organic or not. It takes 18 days for this test and certification due to limited capacity in laboratories.

Exporter of coffee

Other issues reported concern the mismatch between grading of coffee beans at the Ethiopian Commodity Exchange (ECX) and similar procedures at destination markets or undertaken by customers. This finding highlights a major misunderstanding of the operation of the domestic and international markets for coffee. The aim of ECX is to increase transparency in operations between producers and processors (reference prices, neutral intermediary running quality checks, etc.).⁴⁴ Very closely related to ECX, even though never mentioned by survey respondents, the Ethiopian Agricultural Commodities Warehousing Services Enterprise

⁴⁴ Coffee exporting, even for raw beans, is a complex process including several layers of actors. For simplicity, we have distinguished between two main actors, producers and processors. Producers (or suppliers) include smallholder farmers that sell their production through ECX and larger-scale farms. Generally, producers limit themselves to the initial processing of their own harvest. Processors purchase coffee beans from the ECX and usually implement other post-production stages, such as blending, roasting, conditioning, packaging and cleaning. A third actor might be responsible for the exporting process, but for simplicity we consider exporters and processors represent closely related services and actors. It is also important to highlight that, in Ethiopia, cooperatives of farmers are authorized to export their own coffee production for specialty and single-origin coffee and do not operate through the ECX.

(EACWSE) is the operational arm of ECX for warehousing, testing and quality certification.⁴⁵ The objective of EACWSE and ECX is to improve transparency in the domestic market. Grading has been introduced, although it is not fully in line with international grading for coffee because operations at the ECX are mostly for raw coffee beans. Reprocessing companies purchasing coffee beans at the ECX are expected to do further cleaning, packaging and conditioning before exporting and therefore, grading done by the EACWSE does not apply to the exported product.⁴⁶ After reprocessing raw beans purchased at ECX, exporters obtain their grading through the Coffee and Tea Development and Marketing Authority at the MoANR. There is no traceability for organic products so no such certification is provided by EACWSE or any other institution.

Other oilseeds

This subsector mainly refers to exports of sesame seeds. Exporters report that conformity assessment also leads to delays in issuance of phytosanitary certificates from the MoANR and that this creates difficulties in delivering to customers on time. As for other exports, insufficient testing laboratories and a lack of trained staff are a problem.

Rest of agriculture

This subsector groups exports of cut flowers, animals raised as livestock and their meat, vegetables (dried and fresh) and spices, such as ginger and saffron. Exports of live animals and their meat are mainly affected by the lack of internationally recognized quarantine services in Ethiopia. Exporters are forced to use private service providers in Djibouti. This greatly increases costs borne by businesses and reduces their profits. Exports of vegetables, spices and resins also face issues with product certification requirements due to the lengthy procedures surrounding phytosanitary certificates.

A meeting with the ECAE confirmed that testing presents some challenges. Testing for aflatoxins, for minimum residual levels of pesticides, for some private standards and for honey are among areas where the ECAE is seeking to progress. However, lack of facilities and equipment remain a major challenge and with the demand for these services still relatively low, there is little interest or opportunity for other providers to venture into this market. A meeting with MoANR officials confirmed similar limitations at this ministry, which is in charge of key products, such as coffee.

Our German clients request laboratory results showing the chemical contents of the wax, including the kind of nectar. However, there is no laboratory in Ethiopia that can do this.

Exporter of bees wax

Our clients request a phytosanitary certificate from the Ethiopian Ministry of Agriculture. It takes five to six days to get the certification.

Exporter of chickpeas

Technical requirements

Technical requirements constitute 23% of the burdensome NTMs affecting agricultural products. These include product characteristics, such as tolerance limits for residues of or contamination by certain substances, fumigation, labelling and packaging requirements.

Coffee and oilseeds

For coffee and oilseeds' exports, the most common NTMs are tolerance limits and quality requirements (broken material and presence of impurities). Low tolerance levels of certain substances (pesticides) by partner

The quality level of coffee (i.e. bean size, aroma, colour etc.) should be 85% and above. We do not have control over the quality of coffee while buying from the Ethiopian Commodity Exchange.

Coffee exporter

⁴⁵ At the moment of the survey, EACWSE operated as an autonomous agency even though closely related to the ECX. We understand the institutions have since merged.

⁴⁶ EACWSE allows for challenges to the grading done by the agency. Producers and processors can express their disagreement (OR DOES IT MEAN ... raise discrepancies with) with official results and request corrections if necessary.

countries, such as Japan, coupled with high quality requested by partners, i.e. Saudi Arabia and the United States, are challenging for Ethiopian exporters.

Rest of agriculture

Vegetable exporters face increased costs related to fumigation certification. In addition, labelling and packaging requirements (i.e. labels in Arabic on the product) increase costs and make it harder to export these products. Ethiopian exporters also have difficulties in meeting requirements related to product characteristics and tolerance limits applied by partner countries or customers.

Our client from Saudi Arabia requires the label to be written in Arabic. To comply with this requirement, we were forced to buy a printing machine which raises our cost.

Exporter of spices

Pre-shipment inspection

For agriculture products, all cases raised by exporters relate to pre-shipment inspections in transit countries, mainly Djibouti but also others, such as the United Arab Emirates. Delays in inspection procedures in Djibouti result in additional costs and reduced margins for Ethiopian exporters. This situation is aggravated by lack of mutual recognition of inspections, in particular for the Chinese market, where products have to pass a second inspection on arrival.

Rules of origin

Coffee importers often require a certificate of origin and Ethiopian exporters face practical challenges in its issuance. Arbitrary behaviour of official in charge of the procedure is reported which makes the certificate issuance more difficult. Moreover, measures by the Ethiopian government that requires exporters to support union farmers or to have their own farm in order to receive the certificate, complicates the procedure.

The Pakistani Government requests us to provide a certificate of origin. It takes two to three days to obtain the certificate at the accredited agency.

Exporter of vegetables

Difficulties with issuance of the certificate for other agricultural products at the Ethiopian Chamber of Commerce and Sectoral Association is also reported by respondents.

Challenges with private standards

In addition to mandatory official regulations, exporters also indicate difficulties complying with voluntary private standards. There are three issues with regard to private standards for agricultural exports. The first issue is difficulty in meeting the quality requirements of importers. Lack of traceability, for instance, is a major hurdle for organic production, as already noted.

The second issue seems particularly severe. Most of exporters complain that, due to the lack of recognized quality testing facilities in the country, it is not possible to ensure quality requirements before exporting. This leads to significant uncertainty on prices and profits because goods are subject to additional checks in destination markets. Finally, the cost of certification at the farm and product level is seen as excessive. Exporters perceive financial costs and time delays as being prohibitively high. Specific labelling and packaging requirements force exporters to incur additional costs.

The UTZ certification is required by our German client and it is issued by a company in Kenya. It costs us 40 to 50 thousand birr per year to get the certificate, and this cost is very high.

Coffee exporter

MoANR confirmed at the meeting the lack of appropriate testing facilities for organic coffee. Inspections are only visual as the ministry's laboratory is not operational. Some testing procedures may be trusted to other offices or laboratories.

Ethiopian regulations applied to agricultural exports

As do many countries, Ethiopia applies several regulations to its own exports. These regulations set out to monitor quality, manage natural resources or simply apply customs clearance procedures. These domestic regulations affect all three agricultural sub-sectors and are applied regardless of destination markets.

In the interviews, 107 cases involve a domestic regulation perceived as a burdensome NTM, of which 37 correspond to the subcategory “other export-related measures” and 38 to technical measures. According to the traders’ perspective, the most problematic measures are customs inspections, technical measures and their conformity assessment, export licences or permits and price-control measures. Similar issues, except for technical and price-control measures, are also reported by exporters of manufacturing products and difficulties posed by these regulations and commented on here below also apply for manufacturing products.

Customs inspections and customs clearance procedures

Cases report delays associated with lengthy customs clearance. Lengthy customs clearances can mean high variable costs for exporters (costs for storage and damaged products) and lead to the loss of business opportunities.

The ERCA is the agency cited as responsible for these delays. Exporters report a shortage of trained workers and arbitrary behaviour regarding the use of green and red channels for inspection (see above). Currently, inspections rely on a risk assessment tool which sorts shipments into three categories: the green channel, with no inspection requirement, the yellow channel, where only documents are checked, and the red channel, where 20% of shipments go through a complete and thorough inspection. However, small mistakes in the export declaration under the green channel are enough to trigger a full inspection.

Coffee exporters report double inspections – first at the customs office at the Coffee and Tea Development and Marketing Authority and then at the customs office in Kality.

Moreover, problems with the computerized system and the absence of technologically advanced inspection instruments make procedures at customs longer. Lack of information and the numerous administrative ‘windows’ are also mentioned, as previously noted.

During the meeting with ERCA, it was stressed that other agencies work at the customs offices, for instance for conformity assessments, and that delays due to other agencies can be mistakenly attributed to ERCA. ERCA does not collect any revenue on exports, but it is not authorized to release exports before other agencies complete their assessments and procedures. ERCA uses the automated system ASYCUDA++⁴⁷ for customs declarations, however automation is pending for other related procedures. The Government is working on the development of an electronic single window, which will coordinate the work of all agencies involved in trade and should reduce problems related to information dissemination on procedures and rules.

Regarding the lack of trained staff, it was mentioned that the private sector tends to attract highly qualified officials from the national agencies, which reduces the capacity of the public sector. As for a full elimination of physical inspections, this is not an objective nor a realistic option for ERCA.

Export technical measures

Ethiopia requires quality certificates or verification for around 50 agricultural exports. The objective is to ensure that Ethiopian products are perceived as of high quality. Only coffee of the highest quality, for example, can be exported. For all agricultural products except coffee, this regulation is implemented by the Import-Export Goods’ Quality Directorate (IEGQD) at the Ministry of Trade. The agency, which delegates laboratory testing, argues that delays originate from the fact that the ECAE is not present at customs points. There is no possibility of running testing in private laboratories and no risk assessment scheme is applied to these exports which makes testing compulsory for all shipments.

⁴⁷ Automated System for Customs Data (ASYCUDA) designed by the United Nations Conference on Trade and Development (UNCTAD) in 2004.

Export quantity control

Export quantity-control measures concern 17 NTM cases involving agricultural products and three involving manufacturing ones. Export quantity-control measures include export prohibitions, export quotas, licensing and permit to export measures. Exporters of coffee and cut flowers, for example, face some export prohibitions. The Government only allows exports of two types of coffee to Saudi Arabia, for instance, and even if demand for other types of coffee exists, Ethiopian companies are not able to meet it. Similarly, only certain kinds of flowers can be exported.

To regulate the trade of khat, the Ethiopian government set an export quota. The concern regarding this regulation centres on informal payments made to obtain a larger quota. Export quotas were set following recent prohibitions on khat imports in some developed countries, as noted in Chapter 1. The measure aims to regulate and balance Ethiopian exports to remaining destination markets.

Agricultural exports are also subject to licensing and the lengthy and costly procedures to obtain export licence certificates restrict exports. For instance, the Ethiopian Ministry of Trade introduced a new regulation forcing exporters to have an export permit for every product instead of having one general licence. In addition, product-specific certificates have to be renewed every year. These regulations increase costs and create delays in the exporting process.

Export price controls

The Ethiopian government fixes the price of some products and exporters cannot sell below these reference prices even if the international price is lower, which reduces exporters' ability to compete. The Government sets a minimum price for flowers, for live animals (cattle) and some fruits.

We are not allowed to sell below the minimum price even when the price of the global market is lower. Because of this measure, our products might be damaged or remain unexported.

Exporter of fruits

Export support programmes

The Government created the voucher system (voucher book permission certificate) to allow companies to request duty-free treatment for imported inputs used in the production of exports. However, the large number of documents required and the long process to obtain or renew this certificate create costs and delays.

The ERCA was perceived as responsible for this situation in 90% of the cited cases. As noted above, the agency says that delays can be due to checks conducted by other organizations. For instance, the Ministry of Industry is in charge of estimating import/export ratios and input-output tables used to quantify the voucher incentives. It is worth noting that there is also an ongoing initiative for automation at the Ministry of Industry.

Manufacturing sector: Exporters' difficulties

Manufacturing sector in Ethiopia

The manufacturing sector represented, on average, 5% of national value added over the period 2000-2016.⁴⁸ At the beginning of the period, manufacturing participation was stable around 6%, but from 2005 it started to decrease and reached its lowest level in 2012 (less than 4%). Manufacturing participation started to grow again in 2012 to reach almost 5% in 2015 (Figure 24), before dipping once more. In the NTM survey, the manufacturing sector is divided into textiles, leather and leather products, and the other manufacturing sectors.

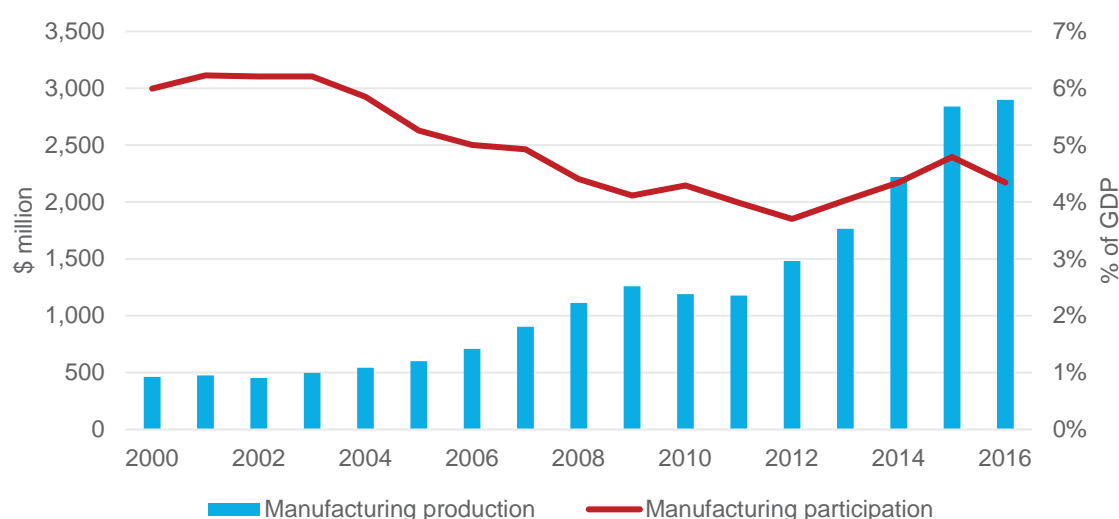
⁴⁸ Manufacturing corresponds to the definition used by the World Bank Development Indicators and thus refers to industries belonging to ISIC divisions 15-37, including manufacture of food products and beverages.

Manufacturing production grew at 10% over the period 2000-2016, slightly below the overall 11.7% growth of GDP (Figure 24). The GTPs have focused on developing the manufacturing sector. The Government has encouraged the establishment of micro and small enterprises in order to alleviate poverty and to reduce unemployment and income inequality. Labour-intensive, large-scale manufacturing industries are also supported to create jobs and improve incomes, promote export development and boost the competitiveness of the economy, as well as to enhance technological capability and skills development.⁴⁹

Despite this support, the manufacturing sector still contributes eight times less than the agricultural sector to the GDP and manufacturing exports are nine times less. Manufacturing exports totalled \$259 million in 2015, only 10% of Ethiopian exports, and the sector contributes very little to national employment. On the other hand, manufacturing products represent 88% of Ethiopian imports, hence the Government's interest in import substitution.

Figure 25 displays the market share of the principal destinations for manufacturing exports. As is the case for agricultural products, the European Union is the principal market with 32%. With 19%, China is second ahead of Africa and the United States, both with 12%. Despite their large market share in agricultural exports, Middle East countries only take 8% of manufacturing exports.

Figure 24 Manufacturing production and share of GDP

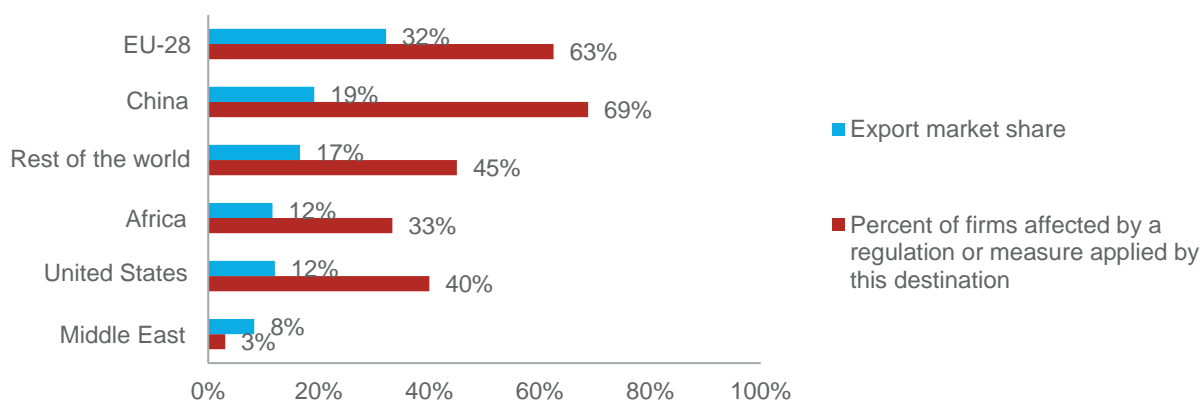


Source: World Bank, August 2017.

For the European Union and China, 63% and 69% of Ethiopian exports of manufactured goods are affected by at least one burdensome NTM or private standard at destination (Figure 25). It is also important to note that foreign regulations and standards affect manufacturing more than agriculture and that besides foreign regulations, national regulations can also have an impact on exports.

⁴⁹ GTP II, page 82

Figure 25 Manufacturing exports and NTMs applied by partner countries



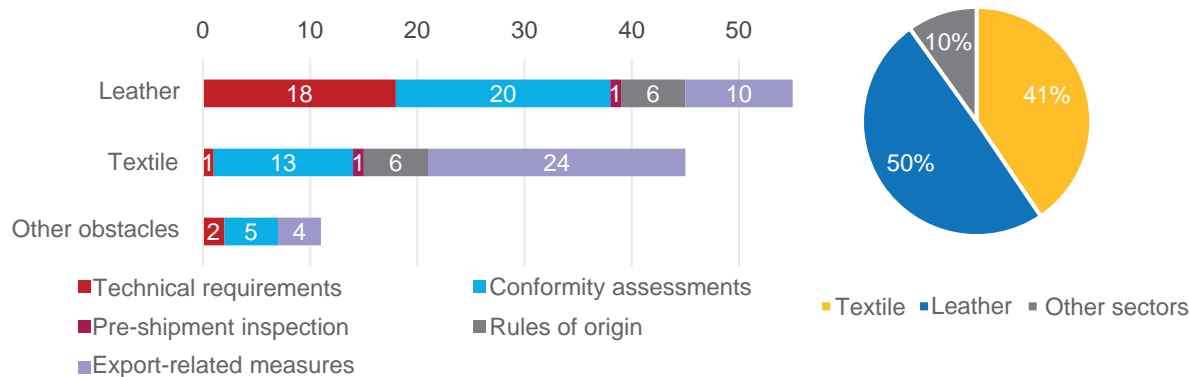
Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Affected manufacturing export sectors

Leather and textile products are the most affected manufacturing sectors and together they concentrate 90% of all NTM cases reported during the survey (Figure 26).

All manufactured products appear to be affected by similar regulations, except for technical requirements, which mostly affect leather products. NTMs commonly perceived as burdensome for manufactured products include conformity assessment (34%) and export-related measures (31%). Rules of origin represent 10% of all cases reported. The following section explores the underlying reasons explaining the perceptions reported by Ethiopian exporters.

Figure 26 Manufacturing export sectors and most common NTMs

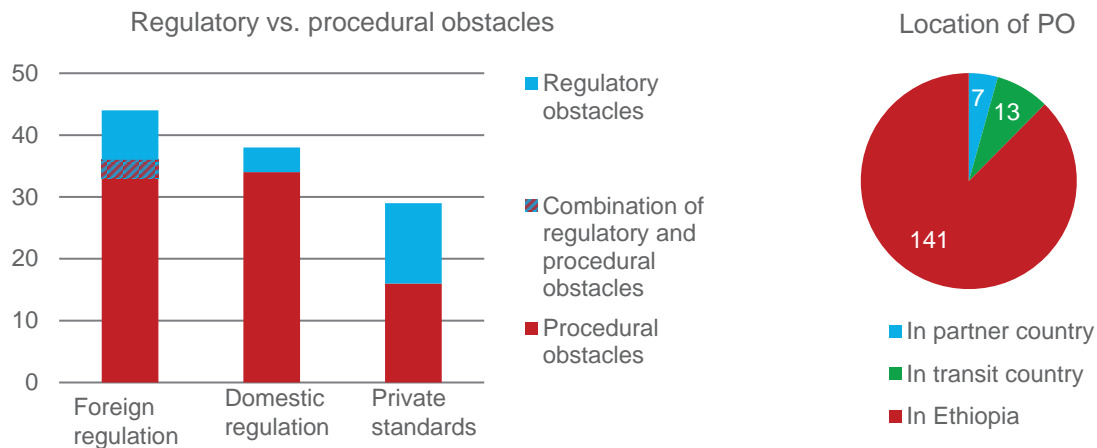


Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Preponderant role of procedural obstacles in burdensome NTM cases

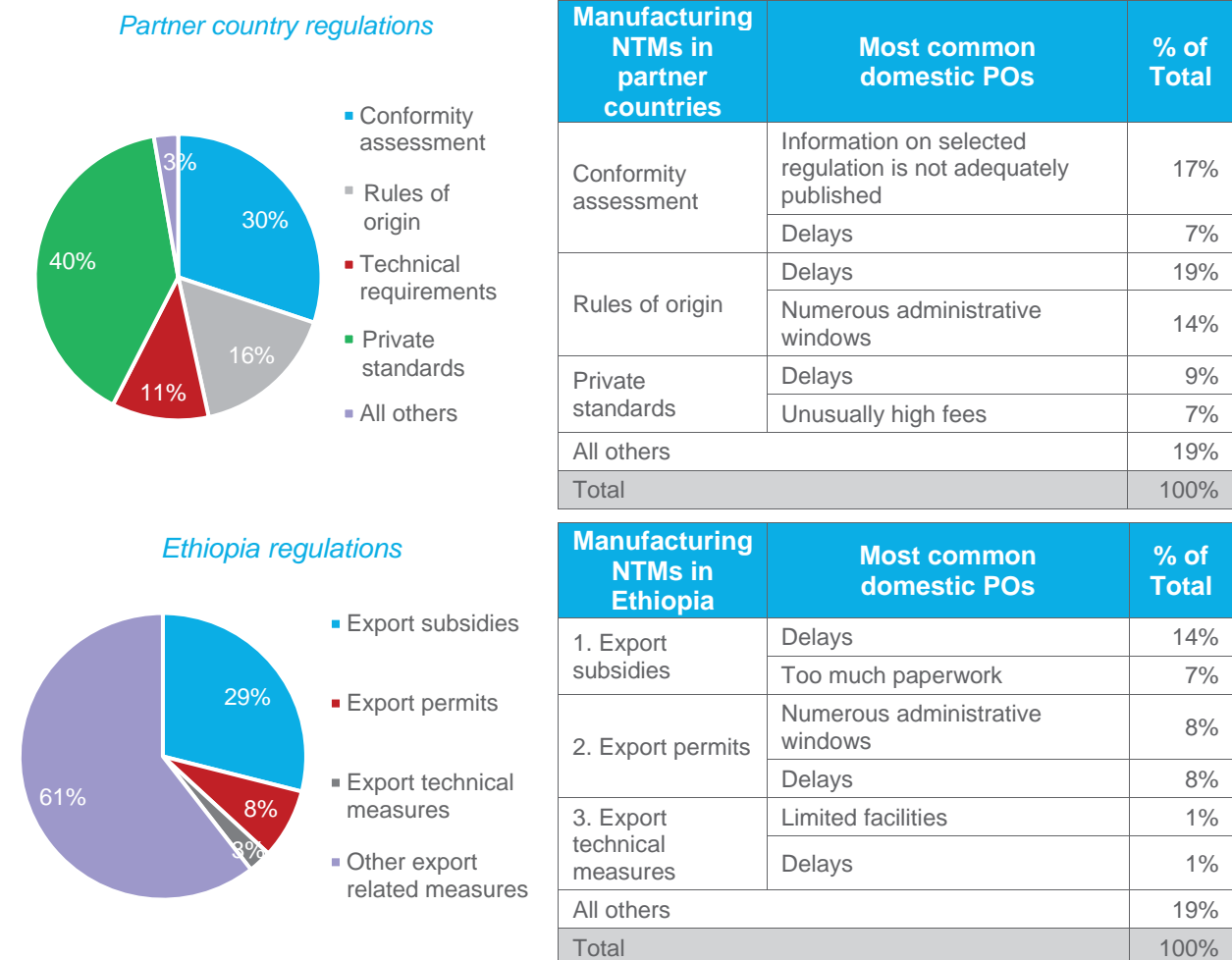
Procedural obstacles are the sole cause of perceived difficulties in 75% of cases reported (Figure 27). In NTMs applied by the destination country, 33 cases out of 44 are perceived as burdensome only because of related POs. Almost 90% of home-applied NTMs are due to associated POs (left panel of Figure 27) and more than 50% of cases related to private standards report a PO as the source of the problematic situation. The right panel of Figure 27 shows that most of reported procedural obstacles are in Ethiopia (88%). Several practical obstacles occurring in a transit country can also be related to Ethiopian policies and regulations.

Figure 27 Manufacturing-related NTMs and POs, by origin and location



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Figure 28 Burdensome NTMs applied to manufacture exports and their associated domestic procedural obstacles



Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Figure 28 shows the most frequent regulations applied by partner countries (and Ethiopia) perceived as burdensome by companies and lists the most frequent domestic procedural obstacles. Delays, inadequate published information and numerous administrative ‘windows’ are the most common domestic POs associated with foreign regulations and more precisely with the issuance of conformity assessment and certificates of origin.

Regarding Ethiopian regulations on its own exports, delays, numerous administrative ‘windows’ and the large amount of paperwork related to export subsidies and permits are also the most cited practical challenges faced by the private sector.

More than 40% of procedural obstacles are delays, with ERCA (17%), the Ethiopian Ministry of Trade (7%) and private certification agencies (7%) the most cited. Numerous administrative ‘windows’ (15%), limited facilities for certification (12%), high certification fees (9%) and lack of or limited information dissemination (8%) also emerge as common issues for manufacturing exporters (Table 10).

Table 10 Procedural obstacles for manufacture exports and associated regulating entities

Most common export procedural obstacle		Most common originating entity	
Delays	42%	Ethiopian Revenues and Customs Authority	17%
		Ethiopian Ministry of Trade	7%
		Private Certification Agency	7%
Numerous administrative windows	15%	Ethiopian Ministry of Trade	7%
		Ethiopian Revenues and Customs Authority	3%
Limited facilities related to certificates/regulation	12%	Ethiopian Revenues and Customs Authority	6%
		Ethiopian Standards Agency	2%
Unusually high fees and charges	9%	Private certification agency	8%
		Ethiopian Standards Agency	1%
Information on selected regulation is not adequately published and disseminated	8%	Ethiopian Ministry of Agriculture and Natural Resources	7%
		Ethiopian Revenues and Customs Authority	1%
Others	14%	Others	34%
Total	100%	Total	100%

Source: ITC NTM Business Survey in Ethiopia, 2015-2016.

Conformity assessments

Manufacturing exporters reported 38 burdensome cases related to conformity assessments to meet foreign regulations and/or private standards, representing 34% of burdensome cases stemming from non-domestic regulations.

For instance, companies need to prove the quality of leather when exporting leather products, but they are also requested to provide veterinary certificates. To obtain these certificates, exporters must engage third-party professionals or laboratories abroad at a high cost as no institution can meet the requirements in Ethiopia. For leather products, certificates related to the use of chemicals are also mentioned, as well as a large number of private certifications focusing on other aspects (social responsibility, etc.), which affect all sectors. Leather exporters note the lack of qualified staff in the Ethiopian Leather Industry Development Institute (ELIDI), which creates delays in processing and reviewing of specifications and requirements for product certificates.

ITC had several meetings with governmental agencies to acquire a deeper understanding of the local situation. For instance, the Ethiopian Standard Agency (ESA) is often linked to the lack of appropriate testing facilities that meet international standards. It appears that there is a lack of coordination among national quality organizations.⁵⁰ The need for capacity and technical assistance in several domains (training, infrastructure, business approach, etc.) became clear from the meeting with ECAE. The agency is rather new and unless it is given strong support, little impact on the facilitation of trade and assistance to exporters can be expected.

Technical requirements

Combining foreign regulations and private standards, technical requirements represent 19% of burdensome NTM cases reported by manufacturing exporters. Poor quality raw materials prevent them meeting foreign or international standards and affect particularly the processing of leather products, including footwear. Technical requirements vary, but they all relate to product quality (odour, colour, etc.). National producers are forced to rely on private certification agencies in some of these cases.

EU countries require that leather used in shoes must be odourless. It is very difficult for us to comply while using local inputs.

Leather exporter

Rules of origin

Twelve cases of burdensome NTMs are related to rules of origin and the issuance of the related certificates. Practical challenges are always at the source of reported difficulties. Exporters report lengthy procedures that cause delays and make it difficult to deliver to clients on time. In addition, companies report numerous documents from several offices and institutions are needed to obtain a certificate.

During the stakeholder meeting in December 2016, several agencies (chambers of commerce and also ERCA) in charge of the issuance of certificates of origin highlighted that procedures with appropriate and complete documentation do not require more than a day for issuance. However, none of the agencies takes fully into account the time needed by exporters to compile the whole documentation and this explains the clear mismatch between how the agencies and exporters see the situation. It also seems that issuance of certificates of origin is used to control and monitor other regulations and requirements not much related to the originating condition of goods but rather to suitable production conditions (pollution, hygienic conditions, etc.).

Ethiopian regulations on manufacturing exports

Ethiopian regulations account for 38 cases (34%) of burdensome NTMs reported by manufacturing exporters. Among these cases, 23 correspond to the subcategory “other export-related measures”, 11 are related to export subsidies and three to licences or permits to export. The subcategory “other export-related measures” captures cases related to ordinary customs inspections and customs clearance procedures before exporting.

Customs inspections and customs clearance procedures

Narratives reported for customs clearance procedures coincide with those previously detailed for agricultural products. Twenty-three cases were reported for manufactured goods, representing 21% of all cases reported for this sector. This NTM ranks as the most frequently reported burdensome situation by Ethiopian exporters of manufactured goods and it concentrates almost two thirds of cases related to Ethiopian regulations. The problematic situation and the insights from the meeting with ERCA were extensively developed for agricultural products and remain valid for this sector.

⁵⁰ ESA is not responsible for quality testing and conformity assessments and these procedures are now under the responsibility of the ECAE.

Export subsidy or voucher system

Exporters report delays of months for a first application under the voucher system (see above) or for renewal of this benefit. It was reported that up to six months are needed for the renewal, mainly because of the numerous documents required by the ERCA and the frequent changes of regulations.

ERCA reported that an ongoing initiative for automation at the Ministry of Trade is expected to significantly reduce the reported delays.

However, it is unclear if automation will reach institutions and agencies beyond the MoT and also involved in voucher renewal.

We are users of the voucher system. It takes several months to have this licence renewed due to numerous documents.

Exporter of leather

Export permits and licences

Exporters of textiles and jewellery report lengthy procedures to obtain export permits. Numerous administrative 'windows' are involved in the procedure, which creates unnecessary delays and also has an impact on exporters' competitiveness.

It takes two to three days to obtain an export permit when we export our products because we are required to pass through numerous administrative 'windows' just to get this single paper.

Exporter of textiles

CHAPTER 4 CONCLUSIONS AND POLICY OPTIONS



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The survey shows that the Ethiopian private sector perceives procedural obstacles as a greater barrier to trade than official regulations per se. Most of these POs are located at home and this represents a major opportunity for Ethiopia to address these problems in its domestic business environment. There is a need to align and coordinate interventions across agencies and institutions and to integrate them into broad development strategies, such as the ongoing GTP II or any future development strategy. The development of an electronic single window to coordinate the work of all agencies involved in trade is also an excellent opportunity to simplify procedures, often perceived as overloaded.

The following key messages emerge from the survey:

Market access begins at home

Procedures in place in several Ethiopian agencies related to trade are cumbersome and lengthy, which generate inefficiencies for the private sector. There is great scope for action at the national level: 75% or more of cases of NTMs perceived as burdensome are due to procedural obstacles and the vast majority of procedural obstacles are located in Ethiopia.

Most frequently reported POs are delays, limited facilities (or staff) and the numerous 'windows' involved in procedures. Domestic POs are associated with agencies such as the Ethiopian Conformity Assessment Enterprise (ECAE), the Ethiopian Revenues and Customs Authority (ERCA), the Ministry of Trade (MoT), the Import-Export Quality Directorate (IEQD), the Ministry of Agriculture and Natural Resources (MoANR), the Ministry of Livestock and Fisheries (MoLF), the Ethiopian Shipping and Logistics Services Enterprise (ESLSE), the Ethiopian Chamber of Commerce and Sectoral Association and other private services providers related to private standards.

Coordination and simplification of procedures is key for competitiveness

Government agencies tend to focus only on their individual mandates. Coordinated action between agencies is lacking and will be key for the well-functioning of trade facilitating initiatives, such as the electronic single window. Simplifying procedures to the minimum and reducing the involvement of offices and organizations not fully related to specific procedures is key to the enhancement of competitiveness in Ethiopia.

SMEs stand to benefit the most

Given their limited human and financial resources, SMEs are less prepared to handle domestic procedural obstacles. However, the sustainability, diversification and performance of Ethiopian exports, as in other developing countries, depend heavily on a healthy development of SMEs, which are usually the incubators of future competitiveness.

Policy options

The Ministry of Trade through its trade promotion sector as well as other units has a key role in the implementation of the following policy recommendations. As already highlighted, coordination across several agencies and ministries needs to be strengthened as implementing the recommendations requires strong support and a mandate from national authorities. The streamlining, simplification and modernization of regulations require the involvement of all relevant NTM-regulating government agencies.

The next section details major policy recommendations, as discussed among national stakeholders during the NTM stakeholders' workshop, around two major themes. Table 11 details the NTMs creating the most common burdensome situations, the impact of the obstacles, products and markets affected, agencies related to these difficulties and recommendations that could be considered by national agencies in Ethiopia to reduce bottlenecks for the private sector. Recommendations should be endorsed at the highest level as it is the responsibility of ministries and autonomous entities to decide how they can be implemented.

Product requirements and conformity assessments

Comprehensive quality improvements in national production are key

To sustain the competitiveness of current exports as well as to achieve successful product diversification in the future, a comprehensive approach to quality improvements is needed for Ethiopian products to match international quality standards or requirements. A comprehensive approach should include all stages of production and processing of products up to the final shipment of exports and, in particular, it also covers the quality enhancement needed in production.

Regulations and standards need to be streamlined, widely disseminated and implemented

To achieve higher quality in production, it is necessary to disseminate knowledge of standards and regulations applied to products and which producers should integrate into their production plans. A product-specific mapping is needed of regulations, production techniques and related procedures (time, costs, etc.). This exercise will help identify where further capacity building and technical expertise is required (e.g. producer or farm level, processors, exporters) as well as the most appropriate way for delivering. It will also contribute to identifying repetitive or unnecessary procedures creating inefficiencies. This mapping can be done by national agencies, such as the Trade Promotion Sector of the MoT, MoANR or even sectoral associations with a deep knowledge of sector-specific needs.

Empowerment of key technical institutions and agencies for testing

On the institutional side, the empowerment of ECAE and ELIDI through technical resources (i.e. equipment) and training is key to the achievement of international accreditation of different laboratories and procedures related to conformity assessment. Current efforts in this sense include quarantine services recently made available in Ethiopia. However, there is still room for wider action under the coordination of the Ministry of Livestock and Fisheries. The alignment of national standards to international standards, as well as the

international accreditation of its certification entities or units, should be gradually achieved to avoid major disruption in the domestic market. The involvement of ESA, as the agency issuing standards, is essential.

Further technical assistance regarding international and private standards

Technical assistance is necessary to implement the previous recommendations as most of regulations perceived as burdensome are issued by partner countries or related to private standards. A well-structured approach to quality in Ethiopia will facilitate and strengthen the impact of these interventions. Whenever public agencies face challenges in implementing specific conformity assessments, private services providers should be considered by competent authorities. MoANR, Mol and MoT should evaluate and establish the necessary framework for the accreditation of non-public services providers.

Private standards are key for Ethiopian exports

Given the narrow set of exported products and the high incidence of private standards for these goods (i.e. coffee), it is vital that Ethiopia make an effort to raise national product standards that meet requirements of international buyers. Assessments for the implementation of private standards are needed as not all private standards can be adopted. It is undeniable that these measures have associated costs, but they also bring benefits along all the production chain. Guidelines in this regard are also needed for local producers and government offices play a role in the adoption of relevant private standards. ECAE, ECX, ESA, MoANR and other national agencies can contribute in this sense.

Custom inspection/clearance, rules of origin and other trade rules on exports and imports

Further monitoring and transparency on procedures for national companies

Lack of information (or limited dissemination of it) and lengthy procedures also create major bottlenecks when it comes to applying trade rules to exports and imports. Border clearance should be streamlined and made transparent by providing clear information to clients on procedures, stages and progress. The development of the electronic single window is a step in this direction.

Shared ownership and Inclusiveness for single windows and other trade-related initiatives

It is important that the single window initiative includes all trade-related agencies as well as the private sector to ensure the adoption and use of this tool. All national institutions should be part of the electronic single window through an appropriate connection or interface, and potential exporters should receive the appropriate support for using it. It is also important to ensure the reliability of electronic tools, such as web portals and servers that are crucial for widespread adoption of latest technology for connectivity by all stakeholders.

Enhanced delivery and processing of trade-related documents, controls and procedures

Export licences and the voucher system need to move in the same direction. The full automation of current manual checks will create large benefits for the private sector, as well as improving coordination between agencies. It is necessary to streamline these procedures and others, such as the issuance of certificates of origin (CoO). Only documentation relevant to the ultimate goal of the procedures should be requested and checked. Controls on other kind of requirements, e.g. certificates of hygienic conditions, should be implemented separately, for instance, through market monitoring.

Procedures should be more transparent, with eligibility criteria, duration, costs and progress clearly detailed and accessible to final users. Proper dissemination of information will increase the completeness and acceptability of submitted requests reducing redundancies and amendments.

Further institutional coordination to facilitate trade

An inter-agency mechanism with focal points from different agencies would help facilitate trade. This mechanism could coordinate and harmonize regulations and reforms as well as lead consultations and information campaigns. MoT is called on to promote the creation of such a mechanism, which could also

undertake continuous monitoring of trade obstacles in Ethiopia. In addition, it would align Ethiopia with commitments adopted by several countries under the WTO's Trade Facilitation Agreement.

Regarding transport congestion and logistics issues, macroeconomic management and government procurement both have a big part to play. It is necessary to improve predictability in transport services which would benefit all trade-related agents. Over the long-term, port and road infrastructure should be improved, for which large investments are needed in Ethiopia and Djibouti port.

Final note

Throughout the survey, a mismatch was evident between the perspective of the business sector and that of national agencies. A stronger dialogue between institutions and businesses will be useful to establish a more client-driven approach of government agencies in the export process. The involvement of the MoT, in particular its Trade Promotion Sector, is key in creating and achieving this change. A good knowledge of the private sector is important when the objective is to increase its competitiveness. Deepening the knowledge of potential beneficiaries requires a better mapping of exporters and ready-to-export producers in the country.

Table 11 Recommendations' matrix

Types of burden-some NTMs	Obstacles	Products, markets affected and agencies	Recommendations and policy options
1. Product requirements and conformity assessments:			
What can be done for Ethiopian exporters to achieve and comply with destination regulations and private standards? How to improve conformity assessment procedures for exports and imports? How to overcome the lack of testing facilities for standards requested by international markets? How to ensure businesses have better access to affordable product standards and conformity assessment procedures? How can Ethiopian exporters rely less on private providers of quarantine services abroad?			
Conformity assessments requested by partner countries	Delays for testing and product certification for SPS and quality in agriculture products and other quality certification (TBTs) for manufacturing	Agriculture – coffee, vegetables, and oilseeds – all markets Manufacturing – leather and leather products – EU markets MoANR, MoI, MoT, ECAE, ESA, ELIDI	Empowerment of ECAE and ELIDI (and MoANR): capacity and facilities' upgrading as well as continuous training to staff to achieve international accreditation National agencies (MoANR) to provide technical assistance to farmers for quality improvements Disseminate regulations and directives to ensure transparency and avoid subjectivities in interpretation of rules and implementation as well as to facilitate compliance by exporters (MoANR, MoT, MoI, ECAE) Harmonize domestic standards with international ones when possible (ESA, ECAE) Accreditation of private services providers
Technical requirements by Ethiopian regulatory agencies	Excessive delay to obtain export certification	Agriculture – export certification requirement – MoANR, MoT and ECAE	Streamlining and simplification of procedures (MoANR for coffee and MoT for grains in collaboration with ECAE whenever necessary) Implementation of risk assessments based on exporters' profiles (MoT and other agencies if applicable)
Quarantine services	Lack of recognized facilities (and staff) for quarantine services	Agriculture – Live animals (goats, sheep, cattle) – Middle Eastern countries – MoLF, ESA.	Achieving international recognition of domestic quarantine services (MoLF, ESA)
Technical requirements (product identity, quality performance and tolerance limits)	Poor quality of local inputs Consumer-driven requirements in addition to official NTMs High costs and delays for private standards	Agriculture – Vegetables, coffee and oilseeds – Developed countries – MoANR, MoT, ECX Manufacturing – Leather and footwear – EU countries – MoI, MoT, ELIDI	Strengthen systems to ensure traceability of agriculture products (MoANR, MoT, ECX) National agencies (MoI, ELIDI) to provide technical assistance for quality improvements of inputs in the leather industry Reduce high cost of private certification through accreditation of public agencies (ECAE, MoANR, MoI, MoT) Align the national export and quality strategy to consumer-driven requirements whenever possible (MoANR, MoT, ESA)

2. Custom inspection/clearance, rules of origin and other trade rules (exports and imports)			
How to improve the transparency of border/custom inspection procedures? What are the roles and responsibilities of each institution involved in issuing of trade documents (licences, permits, certificates of origin, subsidies)? How to simplify the procedures for granting these documents? How to improve transparency on regulations governing such procedures, including the eligibility criteria for companies, costs and time? Why exporters find that the compulsory use of national transport can generate delays?			
Customs clearance and inspections (exports and imports)	Delays to get through ordinary customs inspection	All sectors – ERCA	Effective, inclusive and sustainable implementation of the electronic single window (ERCA) Continuous upgrading of facilities/capacity and training of staff (ERCA) Sharing of information regarding ongoing procedures with customers directly (ERCA)
Compulsory use of national transport service	Delays in obtaining transport to Ethiopia	All sectors using multi-modal services – ESLSE	Increase predictability of transport services' capacities (Ministry of Transport and Transport Authority)
Rules of origin (ROO)	Delay and numerous documents for the CoO	Agriculture – Coffee and other vegetables – MoANR, Chambers of commerce, ERCA Manufacturing sectors – Leather, footwear and apparel – MoI, ERCA	Increase transparency and streamline requirements for the issuance of CoO (all agencies in collaboration with MoT) One-stop window for this procedure (all agencies in collaboration with MoT) Automation of CoO issuance (all agencies in collaboration with MoT)
Licences and other non-technical export measures (export subsidy)	Delay, excessive paper work and subjective decision for annual renewal export permit (agriculture) and voucher certificate (manufacturing). Delays to obtain cash against document (CAD)	Agriculture – MoANR, MoT and ERCA Manufacturing sectors – ERCA and MoI	Rationalize and expedite the delivery of non-technical licences and permits (all agencies) Further disseminate information on documentation, duration and costs for each measure (MoT, sectoral associations) Automation of procedures whenever possible (all agencies) Better coordination between ERCA and the National Bank of Ethiopia (NBE) to facilitate the issuance of financial documentation

APPENDICES

Appendix I Non-tariff measures surveys: global methodology

Non-tariff measure surveys

Since 2010,⁵¹ ITC has completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM Surveys hereafter) in over 35 developing and least-developed countries on all continents.⁵² The main objective of the NTM Surveys is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this appendix is identical in all survey countries, which enables cross-country analyses and comparison. The country-specific part of the survey allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in Ethiopia are covered in Chapter 2 of this report.

The growing role of non-tariff measures in trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

The misuse of NTMs may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. Many practitioners consider they have surpassed tariffs in their trade-impeding effect.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure

and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the trade opportunities created by globalization.

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updates irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are collecting data for a global NTM database with a focus on technical barriers to trade and sanitary and phytosanitary standards. The ITC Market Access Map features information on NTMs. However, as complete as the database may be, it reveals little about the impact of NTMs on the business sector nor does it provide information about related POs.

Scope and coverage of the non-tariff measure (NTM) surveys

The objective of the NTM surveys require a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles

catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

⁵²Pilot NTM Surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM Surveys based on the new methodology in 25 developing and least developed countries.

⁵¹The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM Surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and

5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (Step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (Step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview.

Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents from companies correctly understand the purpose and the

coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products, the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called POs explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. The classification of POs is available in Appendix III. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their exports or imports, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix IV).

Partnering with a local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spread sheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spread sheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality checks and validation of the NTM Survey results. The participants review the main findings of the NTM Survey and help to explain the

reasons for the prevalence of the issues and propose possible solutions.

Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to predefined characteristics, chosen to be related to the major variables being studied. In the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector*.⁵³

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly

selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

The number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (for example, technical measures, quantity control measures), and various characteristics of the surveyed companies (for example, size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the NTM Survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the trade-related business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example a sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and its strictness) can vary, as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM

⁵³The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

n_o : Sample size for large populations

t : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

p : The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.

d : Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the Table below.

Dimensions of an NTM case

Dimensions	Country applying	
	Home country (where survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS 6-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the NTM Surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the entire duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company and provide regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, which helps the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part

of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries.

ITC invests much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (for example, sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys as it is equipped with the business register and trained on the survey methodology as well as trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the NTM Survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers. For example, these are related to matching reported measures against the codes of the NTM classification due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector and a sufficient rate of participation in smaller sectors. Whenever this is the case, the NTM Survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders. An example is 'buy domestic' campaigns. The scope of the NTM Survey is limited to legally operating companies and does not include unrecorded trade, for example shuttle traders.

Following up on the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. These problems can be addressed at the national or international level. The NTM Survey findings can also serve as a basis for designing projects to address the challenges identified and for supporting fundraising activities

Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team (MAST), a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

Chapter C, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

Chapter E, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter G, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter H, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

Chapter K, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

Chapter M, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the NTM classification for ITC surveys

A to O. Import related measures

Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of your product. From the perspective of an importer, these are the measures applied by your own country on the goods that you import.

Technical measures	A. Technical requirements	
	B. Conformity assessment	
Non-technical measures	C. Pre-shipment inspection and other entry formalities	
	D. Charges, taxes and other para-tariff measures	
	E. Quantity control measures (e.g. licences, quotas, prohibitions)	
	F. Finance measures	
	G. Price control measures	
	H. Anti-competitive measures	L. Subsidies
	I. Trade-related investment measures	M. Government procurement restrictions
	J. Distribution restrictions	N. Intellectual property
	K. Restriction on post-sales services	O. Rules of origin and related certificate of origin

P. Export related measures

Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by your own country on the goods you export from your country. From the perspective of an importer, these measures are imposed by the country of origin on the goods you import from this country.

Source: International Trade Centre, NTM classification adapted for ITC surveys, January 2012 (unpublished document).

Appendix III Procedural obstacles

Following is a list of POs related to compliance with non-tariff measures and to an inefficient trade-related business environment and infrastructure.

A	Administrative burdens related to regulations	<p>A1. Large number of different documents</p> <p>A2. Documentation is difficult to fill out</p> <p>A3. Difficulties with translation of documents from or into other languages</p> <p>A4. Numerous administrative windows/organizations involved, redundant documents</p>
B	Information/transparency issues	<p>B1. Information on selected regulation is not adequately published and disseminated</p> <p>B2. No due notice for changes in selected regulation and related procedures</p> <p>B3. Selected regulation changes frequently</p> <p>B4. Requirements and processes differ from information published</p>
C	Discriminating behaviour of officials	<p>C1. Arbitrary behaviour of officials regarding classification and valuation of the reported product</p> <p>C2. Arbitrary behaviour of officials with regards to the reported regulation</p>
D	Time constraints	<p>D1. Delay related to reported regulation</p> <p>D2. Deadlines set for completion of requirements are too short</p>
E	Informal or unusually high payment	<p>E1. Unusually high fees and charges for reported certificate/regulation</p> <p>E2. Informal payment, e.g. bribes for reported certificate/regulation</p>
F	Lack of sector-specific facilities	<p>F1. Limited/inappropriate facilities for testing</p> <p>F2. Limited/inappropriate facilities for sector-specific transport and storage, e.g. cold storage, refrigerated trucks</p> <p>F3. Other limited/inappropriate facilities, related to reported certificate/regulation</p>
G	Lack of recognition/accreditations	<p>G1. Facilities lacking international accreditation/recognition</p> <p>G2. Other problems with international recognition, e.g. lack of recognition of national certificates</p>
H	Other	<p>H1. Other procedural obstacles, please specify</p>

Appendix IV Challenges related to the business environment

The list of trade challenges related to the general business environment and which were questioned to respondents of the NTM survey in Ethiopia is displayed below.

Challenges faced in the business environment related to these aspects and the evolution in the past five years?
Lack of access to inputs for production
Time delays
Corruption, e.g. bribes
Inconsistent/arbitrary behavior of officials
Lack of (well trained) human resources in the agencies/organizations involved
Need to hire a local customs agent to get shipment unblocked
Complex clearance mechanism, e.g. in customs
Limited transportation system, e.g. poor road, railways and ports
Limited or extremely expensive airline transportation
Road blocks and checkpoints
Excessive or very expensive weighbridges
Low security level for persons and goods
Lack of storage facilities, including cooling
Lack of accredited testing laboratories
Problems with electricity supply, e.g. electricity cuts
Lack of electronic/computerized procedures
Other technological constraints, e.g. limited access to information and communication technologies
Lack of access to information, no enquiry point
Ineffective legal enforcement, e.g. contract enforcement, dispute settlement
Lack of accessible business oriented legal support
Limited or lack of access to trade finance services
Poor intellectual property rights protection e.g. breach of copyright, patents, trademarks
Problems with conditions imposed by partner company, e.g. related to letter of credit
Other problems with business environment

Appendix V Experts and stakeholders interviewed

Name	Organization
Mr. Gashaw Tesfaye, Deputy Director General	Ethiopian Conformity Assessment Enterprise (ECAE)
Mr. Siraj Abdulahi, Director of Planning and Research	Ethiopian Shipping and Logistics Services Enterprise (ESLSE)
Mr. Mikru Dembi, Chief Executive Officer	Ethiopian Agricultural Commodities Warehousing Service Enterprise (EACWSE)
Mr. Fikadu Bekele, Director of Customs Valuation and Tariff Classification	Ethiopian Revenues and Customs Authority (ERCA)
Mr. Legesse Gebre, Director of Preparation of standards	Ethiopian Standards Agency (ESA)
Mr. Lemlem, Plant Health Regulatory Directorate	Ministry of Agriculture and Natural Resources (MoANR)
Mr. Shimelis Habtewold,	Ministry of Agriculture and Natural Resources (MoANR)
Representative from the MoT	Import-Export Goods' Quality Directorate, Ministry of Trade

Appendix VI Agenda of stakeholder meeting

22.12.2016, ADDIS ABABA, ETHIOPIA

NATIONAL STAKEHOLDERS MEETING / ROUNDTABLE ON NON-TARIFF MEASURES

AGENDA

The round table on non-tariff measures (NTMs) follows on from the business survey of the International Trade Centre (ITC) conducted in 2015-2016 with the collaboration of the Ministry of Trade to identify the main barriers to trade in Ethiopia. This meeting aims at presenting the findings of this survey and defining the solutions to overcome the identified obstacles. Particular attention will be paid to national barriers to regional and international exports.

08:30 Registration

09:00 Welcome and opening remarks

H.E. Mr. Ayana Zewedie State Minister, Ministry of Trade
Cristian Ugarte, Market Analyst, ITC

Session 1 Background and overview of results

The ITC will outline the survey implementation and key findings. It will present the companies' perceptions of NTMs and the challenges they represent to trade.

Session chairman: Assefa Mulugeta, Director General, Export Promotion Directorate General, Ministry of Trade

09:20 The ITC Programme on NTMs and the implementation of its survey in Ethiopia

Speakers: Cristian Ugarte, Market Analyst, ITC
Zinabu Samaro, National expert

9:40 General results of the survey: companies' perception of NTMs

Speaker: Cristian Ugarte, Market Analyst, ITC
Zinabu Samaro, National expert

10:10 Floor Discussions

10:40 Coffee Break

11:00 Main trade barriers affecting Ethiopia's exports and imports

Speakers: Cristian Ugarte, Market Analyst, ITC
Zinabu Samaro, national expert

11:30 Floor Discussions

12:30 Lunch

Session 2 Thematic round tables

Participants will be invited to share their views and experiences on NTM-related barriers and policy options to address them in the two selected themes. Each focus group will establish a roadmap with priority actions to overcome the identified obstacles.

13:30 Round tables**Round table 1: Product requirements and conformity assessment**

What can be done for Ethiopian exporters to achieve and comply with destination regulations and private standards? How should Ethiopia support and orient its exporters to be successful? How to improve the procedures related conformity assessment of exported and imported products? How to overcome the lack of testing facilities requested by international markets? How to make local conformity assessment procedures more efficient and less expensive? How to ensure businesses have better access to affordable product standards and conformity assessment procedures? How can Ethiopian exporters rely less in private providers of quarantine services abroad?

Moderator: Mr. Endalkachew Sime, Secretary General, Ethiopian Chamber of Commerce and Sectoral Associations

Round table 2: Inspections, controls, rules of origin and other trade rules

What are the roles and responsibilities of each institution involved in issuing of trade documents (licences, permits, certificates of origin, subsidies)? How to simplify the procedures for granting these documents? How to improve transparency on regulations governing such these procedures including the eligibility criteria for companies, costs and time? Why exporters find that the compulsory use of national transport can generate delays? How can ordinary custom inspections be less perceived as burdensome?

Moderator: Mrs. Firehiwot Wujira, Addis Ababa Chamber of Commerce and Sectoral Associations

15:00 Coffee Break**Session 3 Recommendations and conclusion****15:30 Summary of round table discussions**

The rapporteurs of the round tables will present the main findings and recommendations defined in each theme. The presentations will be complemented by ITC's view on overcoming non-tariff obstacles and followed by an open discussion with key institutions in order to validate a roadmap.

Floor Discussions**16:30 Overcoming challenges related to NTMs**

Speakers: Cristian Ugarte, Market Analyst, ITC

Floor Discussions**17:00 Concluding Remarks and Closing**

Cristian Ugarte, Market Analyst, ITC

Mr. Assefa Mulugeta, Representative of the Ministry of Trade

Appendix VII Ethiopia's Regional and Bilateral FTAs and Non-Reciprocal Trade Agreements

Agreement	Terms
Common Market for East and South Africa (COMESA) (1994)	<p>The final objective of cooperation in Trade, Customs and Monetary Affairs is to achieve a fully integrated, internationally competitive and unified single economic space within which goods, services, capital and labour are able to move freely across national frontiers.</p> <p>Ethiopia is one of the non-FTA members of COMESA, it applies a 10% reduction of the customs duties imposed on imports from COMESA members and it enjoys of a similar preference while exporting to other COMESA countries.</p>
African, Caribbean, and Pacific Group States (ACP) – European Union (EU): Cotonou Agreement	<p>Non-reciprocal trade agreement granted by the EU, ACP countries enjoy a duty-free access to the European markets.</p> <p>Currently, negotiations are undergoing for this agreement to become reciprocal, where not only the EU opens its markets but also the ACP countries. The new generation of this agreement, Economic Partnership Agreements will allow long transition periods for ACP countries to open up partially to EU imports while providing protection for sensitive sectors.</p>
United States of America (USA) – Ethiopia: African Growth and Opportunity Act (AGOA) (2000)	<p>Non-reciprocal trade agreement providing trade preferences for quota and duty-free entry into the United States for certain goods to sub-Saharan African countries.</p> <p>It enhances market access to the US for qualifying sub-Saharan African countries by offering tangible incentives for these countries to continue their efforts to open their economies and build free markets</p>
European Union (EU) – Ethiopia: Everything But Arms initiative (2001)	<p>Non-reciprocal trade agreement providing tariff reductions for all least developed countries by the European Union.</p> <p>The EBA grants full 100 per cent duty-free and quota-free market access for all products from all LDCs (except for the imports of arms and ammunitions) to the EU markets.</p>
[still under negotiation] Continental Free Trade Area	<p>Negotiations of this agreement are still ongoing, however its ambitions are high in terms of African integration and its scope includes trade in services, investments, free movement of people and trade facilitation with the aim to achieve a continental custom union. The expected impact of such a comprehensive agreement among African countries is to boost intra-regional trade.</p>

Source: AGOA, COMESA, EU, OECD and US government websites (2017).

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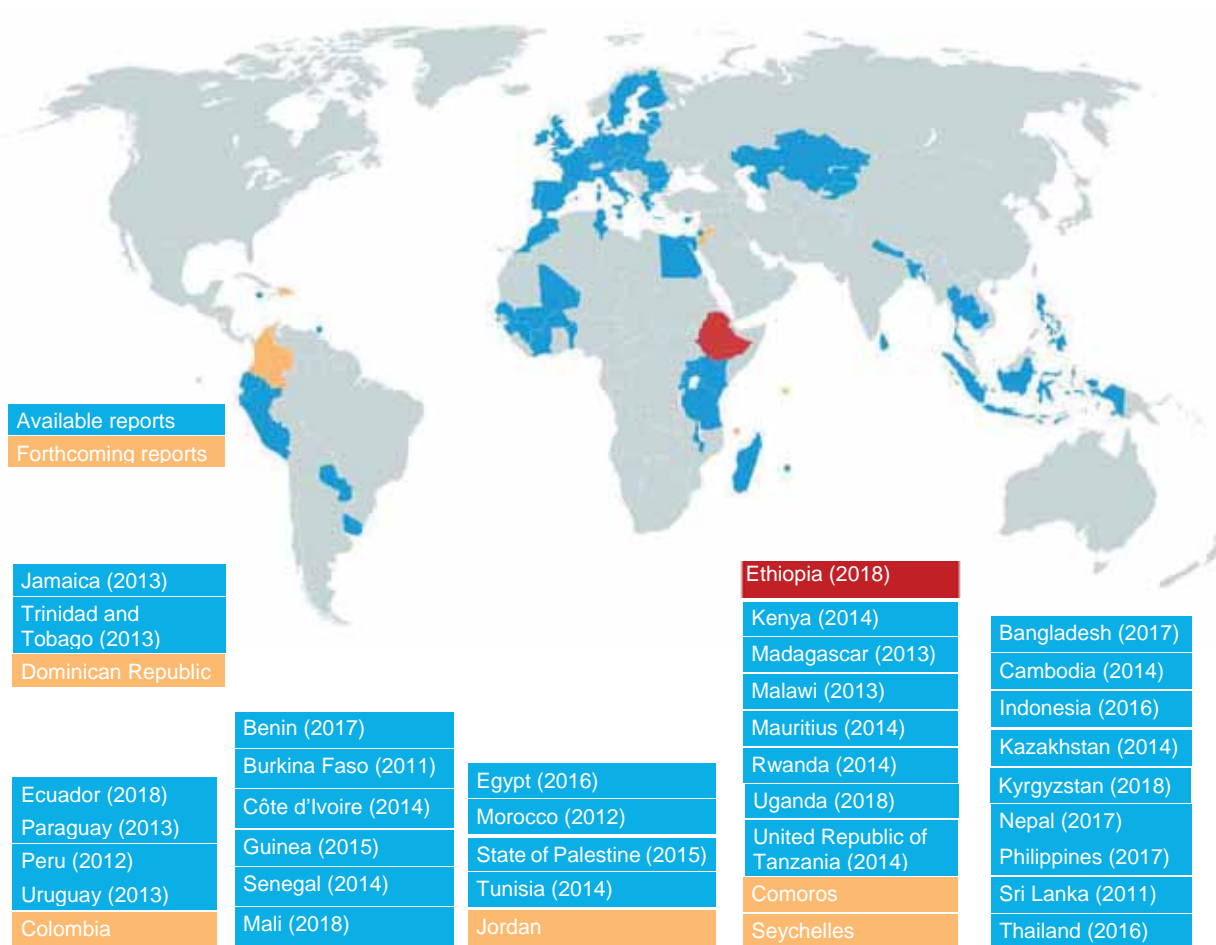
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Street address: ITC,
54-56, rue de Montbrillant,
1202 Geneva, Switzerland

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

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