

imani development



NON-TARIFF BARRIERS (NTB): ETHIOPIA

FINAL REPORT



RTFP

Regional Trade Facilitation Programme

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GLOSSARY

ASYCUDA	Automated System of Customs Data
CIF	Cost, Insurance, Freight
CoO	Certificate of Origin
COMESA	Common Market for East and South Africa
ECA	Ethiopian Customs Authority
FOB	Free on Board
HS	Harmonized System
LC	Letter of Credit
MOARD	Ministry of Agriculture and Rural Development
MOFED	Ministry of Finance and Economic Development
MOTI	Ministry of Trade and Industry
MOR	Ministry of Revenue
NBE	National Bank of Ethiopia
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measure
PTA	Preferential Trade Area
QR	Quantitative Restriction
QSAE	Quality and Standard Authority of Ethiopia
SPS	Sanitary and Phytosanitary
WTO	World Trade Organization

1: EXECUTIVE SUMMARY

This survey collects and analyzes data that identify non-tariff barriers in Ethiopia's export and import trade with COMESA member states. The survey draws analysis based on the information gathered from governmental offices and the private sector.

Customs administration and administrative entry barriers appear to be the major NTB affecting Ethiopia's trade with COMESA member states. The NTBs reported within this area with the greatest frequency include import licensing, customs valuation and formalities, and to a lesser extent, classifications. There are also complaints pertaining to pre-shipment inspection as well as consular formalities and documentation.

In terms of customs systems, the identified problems range from customs valuation to bureaucratic, and non-transparent manual systems that lead to considerable delays in the clearing of goods. However, there have been a number of significant improvements made in facilitating trade, including the adoption of automated systems such as ASYCUDA++; the harmonization of documentation; the use of the COMESA Certificate of Origin and increased application of IT solutions. However, simplified, transparent procedures and awareness of the rules and procedures of the system have not been fully implemented.

NTMs representing a constraint for Ethiopian exports are mostly found in agriculture and livestock related products. These include technical requirements and tests to protect human health (coffee for example) and technical requirements to protect animal health (meat of sheep or goat) or non-automatic licenses and labelling requirements. On the other hand, neither quantitative restrictions on imports nor import licensing requirements present a notable trade barrier. These can still be further improved along with some other remaining regulatory impediments that work as a hindrance to import and export activities. Other potential hindrances to trade that were reported by importers included influx of contraband goods, unfair competition from "endowment", or parastatal organizations, high transport costs and customs clearance difficulties.

Technically, the quality of infrastructure (including the cost and efficiency of public utilities) is not a NTB, but in the context of landlocked country like Ethiopia it is identified as most important barrier to trade. The time and cost of transport is a massive burden to exporters and importers alike. Variable tolls, variable axle-loading regulations, different insurance and bond guarantee systems etc all result in difficulties of moving goods within the region. The progressive steps in the implementation of COMESA customs transit procedures can be raised as a positive step in mitigating problems in the area of trade facilitation.

2. OVERVIEW OF INTRA-COMESA TRADE

This section presents a descriptive overview of Ethiopian import and export trade with COMESA member states based on ECA data.

From 2002 through 2006, the total value of imports originating from COMESA member states increased almost four-fold, from USD 52 million to USD 187 million. On the other hand, Ethiopian exports to COMESA member states increased more sedately from USD 63 million in 2002 to USD 90 million in 2006. In terms of destination of goods, Ethiopia exports predominantly to Djibouti (65%), Sudan (19%) and Egypt (10%) which account for around 94% of exports. However, this must be qualified in that the data for Djibouti may contain goods bound for third countries via the Port of Djibouti. In a similar pattern, the country's main sources of regional imports in 2006 were Egypt (36%), Sudan (34%) and Kenya (21%).

With regard to the product composition, of Ethiopia's exports, the share of vegetables has steadily grown over the six years under investigation, whereas the share of manufactured commodities remains minimal. As table 4 shows vegetables account for 46% of the top ten export items followed by coffee 8%, and live animals 3%. When we consider Ethiopia's imports from COMESA member states, benzene, petroleum oils and oils constitute more than 65% of the country's imports.

Ethiopia's exports to COMESA member states constitute around 12% of total exports. Similarly imports from COMESA member states only constitute around 3% of total imports.

Table 1: Ethiopia Imports from COMESA Member States by Country by Value (US\$) 2002-2006

NO	COUNTRY	IMPORTS BY VALUE US \$ (2002-2006)					QUANTITY TOTAL (2002-2006)	VALUE AVERAGE (2002-2006)
		2002	2003	2004	2005	2006		
1	Angola	325,855	1,998	0	5,163	0	333,016	66,603
2	Burundi	0	0	10,869	0	6,269,198	6,280,067	2,093,356
3	Djibouti	14,378,046	26,877,161	8,821,220	3,884,625	724,823	54,685,874	10,937,175
4	Egypt	19,246,429	23,577,945	37,550,693	51,452,881	66,562,157	198,390,105	39,678,021
5	Eritrea	93	242	14,507	47,819	86,704	149,365	29,873
6	Kenya	14,085,446	24,654,778	21,362,595	23,366,442	40,212,472	123,681,733	24,736,347
7	Madagascar	626	129,517	69,068	18,306	117	217,633	43,527
8	Malawi	0	2,614	295	193,206	17,919	214,035	53,509
9	Mauritius	33,997	539,690	1,235	559,269	384,752	1,518,943	303,789
10	Namibia	127,152	64,454	4,347	5,341	2,574	203,868	40,774
11	Rwanda	0	8,682	103,314	0	2,017	114,013	28,503
12	Seychelles	51,637	112,639	110,781	47,128	12,602	334,786	66,957
13	Sudan	502,039	7,872,839	16,188,861	44,577,551	64,243,634	133,384,924	26,676,985
14	Swaziland	2,366,307	2,415,817	5,243,368	5,574,676	6,876,138	22,476,306	4,495,261
15	Uganda	52,806	1,349,582	2,203,447	977,196	650,290	5,233,320	1,046,664
16	Zambia	36,794	89,811	624,757	492,705	115,867	1,359,936	271,987
17	Zimbabwe	866,032	429,244	5,959,429	2,149,645	1,081,291	10,485,642	2,097,128
	Grand Total	52,073,259	88,127,012	98,268,785	133,351,953	187,242,556	559,063,566	111,812,713

SOURCE: ETHIOPIAN CUSTOMS AUTHORITY

Ex. Rate: 8.887 ETHIOPIAN BIRR=1 USD (APRIL 11, 2007 MID RATE)

Table 2: Ethiopia Exports to COMESA Member States by Country by Value (US\$) 2002-2006

NO	COUNTRY	VALUE OF EXPORTS BY COUNTRY 2002-2006					TOTAL VALUE (2002-2006)	VALUE AVERAGE (2002-2006)
		2002	2003	2004	2005	2006		
1	Angola	1,574	0	106,666	149,803	9,403	267,447	53,489
2	Burundi	36,080	669,560	244,142	0	0	949,783	189,957
3	Congo	3,621	601,736	293,130	180,716	295,035	1,374,237	274,847
4	Djibouti	53,991,345	125,233,974	21,420,665	55,169,334	59,085,333	314,900,652	62,980,130
5	Egypt	4,611,285	2,350,058	2,534,876	15,655,011	8,723,214	33,874,444	6,774,889
6	Eritrea	25	0	214,471	2,758	1,715	218,969	43,794

7	Kenya	204,015	1,001,367	1,503,974	2,766,646	2,861,309	8,337,311	1,667,462
8	Malawi	10,715	21,122	41,677	0	0	73,514	14,703
9	Mauritius	0	7,196	0	0	11,649	18,846	3,769
10	Namibia	112,131	2	9,936	0	91,335	213,405	42,681
11	Rwanda	6,827	2,759	1,669	158,961	130,879	301,094	60,219
12	Sudan	2,929,621	7,259,969	15,752,863	10,702,951	17,456,198	54,101,602	10,820,321
13	Swaziland	998,632	1,269,795	4,628,563	3,172,439	1,413,927	11,483,356	2,296,671
14	Uganda	211,223	58,325	575,626	40,518	188,027	1,073,720	214,744
15	Zambia	60,509	15,587	183,381	18,450	11,648	289,575	57,915
16	Zimbabwe	32,505	3	756,030	50,216	36,697	875,452	175,090
	Grand Total	63,210,110	138,491,453	48,267,669	88,067,803	90,316,371	428,353,406	85,670,681

SOURCE: ETHIOPIAN CUSTOMS AUTHORITY

Rate: 8.887 ETHIOPIAN BIRR=1 USD (APRIL 11, 2007 MID RATE)

Table 3: Top 10 Export Products to COMESA Member States by Value

NO.	HS_CODE	DESCRIPTION	CIF_VALUE (USD)	PERCENTAGE SHARE	NET_MASS(KG)
1	14049000	VEGETABLE PRODUCTS, NES	952,867,790	46.1%	139,841,681
2	09011100	COFFEE, NOT ROASTED OR DECAFFEINATED	266,243,985	8.4%	118,445,376
3	01029000	LIVE BOVINE ANIMALS, OTHER THAN PURE-BREDBREEDING	222,013,501	3.6%	252,325,248
4	12074000	SESAMUM SEEDS	201,622,579	1.7%	274,460,228
5	07135000	DRIED BROAD BEANS AND HORSE BEANS, SHELLED	173,855,802	0.7%	632,784,348
6	09101000	GINGER	56,616,626	0.1%	68,599,468
7	07011000	SEED POTATOES	53,171,628	0.1%	244,561,884
8	07102200	SHELLED OR UNSHELLED BEANS, FROZEN	52,742,922	0.0%	50,657,600
9	01061100	MAMMALS :PRIMATES	45,100,053	0.0%	95,730,460
10	07020000	TOMATOES FRESH OR CHILLED	42,839,994	0.0%	155,455,160
	TOTAL		3,181,281,969		2,032,861,453

SOURCE: ETHIOPIAN CUSTOMS AUTHORITY

Rate: 8.887 ETHIOPIAN BIRR=1 USD (APRIL 11, 2007 MID RATE)

Table 4: Top 10 Imported Products from COMESA member states by Value 2006

N O	HS_CO DE	DESCRIPTION	CIF_VALUE (USD)	VALUE PERC. SHARE	NET_ CLASS (KG)
1	2710191 0	---BENZENE,BENZINIE,GASOLINE,PETROL ANDOTHER MOTOR SPIRITS,REGULAR OR SUP	61,335,447	56	107,999,04 6
2	2710199 0	---OTHER PETROLEUM OILS AND OILS OBTAINEDFROM BITUMINOUS MIN...	17,728,696	11	15,934,144
3	3302101 0	--- OF KIND USED IN NON-ALCHOLIC DRINKINDUS. OR IN PREPAR.OF FLAVOUR FOOD	5,214,220	2	257,086
4	1511901 0	---EDIBLE PALM OIL	4,093,697	1	5,567,687
5	2523290 0	PORTLAND CEMENT (EXCL. WHITE)	3,938,342	0	31,500,000
6	2402200 0	CIGARETTES CONTAINING TOBACCO	3,662,589	0	235,728
7	0602100 0	UNROOTED CUTTINGS AND SLIPS	3,397,270	0	61,087
8	0602400 0	ROSES	3,281,661	0	167,463
9	8506800 0	OTHER PRIMARY CELLS AND PRIMARY BATTERIES,NES	3,214,003	0	2,686,258
10	7210490 0	FLATROLLED IRON/STEEL,WID.>=600MM,ZINCPLATED/COATE D(EXC.ELECTROPLATED)NES	2,998,325	0	2,981,018
	<u>TOTA</u> <u>L</u>		108,864,250		

SOURCE: ETHIOPIAN CUSTOMS AUTHORITY

Rate: 8.887 ETHIOPIAN BIRR=1 USD (APRIL 11, 2007 MID RATE)

3: NTB MEASURES DIRECTLY AFFECTING EXPORTS

Table 5: NTBs affecting Ethiopian Exports to COMESA Countries by WTO NTB Category Codes

WTO Inventory Code	Problem Area	Description of the most severe NTBs	Impact of NTB to businesses and trade	Responsibility/Source of NTB
Government Participation in Trade and Restrictive Practices Tolerated by Government				
PART I. C	Government procurement procedures	Bureaucratic procedures and delays in the decision-making process. Abrupt cancellation of tenders and lack of transparency in the procurement system.	Impede foreign participation in tenders Influences some procurement decisions	MOFED
PART I D	Restrictive practices	Strict exchange control regulation	Reduced ability to import	
PART I. E	Anti-competitive practices	Preference given to party owned businesses	Profit loss	MOFED
Customs and Administrative Entry Procedures				
PART II B	Overestimation of prices.	For customs purposes, particularly through instances of the use of non-transparent valuation methods	Delaying trade and increasing costs.	ECA
PART II G	Numerous customs formalities	Although the process is only scheduled to take upto 8 hours, traders report that it often takes longer.	Delaying trade and increasing costs.	
PART II C	Inconsistent and varying classification	Although classification is done according HS 2002 traders have reported inconsistency in the categorisation of certain goods.	Delaying trade and increasing costs.	
PART II G	Pre-shipment inspection procedures	Although formal requirements for pre-inspection have been abolished, traders report that it is often still required in practice.	Delaying trade and increasing costs.	
TECHNICAL BARRIERS TO TRADE				
PART III A	Severe shortage of accredited laboratories and of competent testing and certification institutes;			

PART III C	Absence of information & lack of transparency	The procedural norms and regulations regarding specifications as well as methods of sampling, inspection, and testing.	Loss of customers	
SANITARY AND PHYTOSANITARY MEASURES				
PART IV C	Testing and certification arrangements	Obtaining SPS approvals also reportedly involves tedious and substantial documentation and bureaucratic procedures.	Extra formalities, time, and costliness that restrict or inhibit exports.	
SPECIFIC LIMITATIONS				
PART V K	Requirements concerning marking, labelling and packaging	Burdensome, complicated to implement, and often not equally applied to similar products of domestic origin.	Increased costs	
CHARGES ON IMPORTS				
Other				
PART VII. Distribution constraints	Auction system related to coffee	All exported coffee has to pass through the auction process	Inhibits exporters to make long-term contracts with importers	
VII D	Banking sector constraints	The procedures to obtain LC, requiring central bank approval, are cumbersome, and delay transfer of funds. 2 percent service charge levied for Franco-Valuta imports		

Table 6: Specific official Regulations Affecting Exports

WTO INVENTORY CATEGORY	PRODUCT GROUP	GOVERNMENT CONTROLLING AGENCY	REGULATORY PROCEDURE/LAW/DECREE	REQUIREMENTS
<i>Part one C</i>	<i>All products</i>	MOFED	Determining Procedures of Public Procurement and Establishing its Supervisory Agency Procl. No. 430/2005 MOFED has issued the Federal Public Procurement Directive in July 2005.	The Public Procurement Directive contains procedures like value for money, non-discrimination, transparency and accountability in principles of Government Procurement. Both the proclamation and directive regulate tendering, two-stage tendering, restricted tendering, and request for quotation and single-source procurement approved methods forms of government procurement. The directive also contains the essential steps in the executions of approved forms of procurement, the allowed minimum tender period, re-tendering conditions and handling of complaints of suppliers.
<i>Part two B,C,D,E,G</i>	<i>All products</i>	ECA	A Proclamation to Ratify the International Convention on the Harmonized Commodity Description and Coding System No.67/1993	Valuation of goods <ul style="list-style-type: none"> • As it is stipulated in the Customs Proclamation the customs valuation method is in line with the WTO Valuation Agreement. • For the last five years till last June 2004 valuation and classification of goods was done by a foreign contracted company • As of June 2004 Customs is performing valuation and classification of goods by its own staff • Overall responsibility is given to Valuation Tariff and Classification Department of the Authority • The price data base which is quarterly updated will be available both for Customs officers and Declarants • For statistical compilation FOB value for exported goods and CIF value for imported goods is applied • Amounts of freight and insurance are also collected separately for each item making possible reporting of prices/ actual cost of goods • Currency rates are updated weekly from NBE

WTO INVENTORY CATEGORY	PRODUCT GROUP	GOVERNMENT CONTROLLING AGENCY	REGULATORY PROCEDURE/LAW/DECREE	REQUIRMENTS
<i>PART Two H</i>	<i>All products</i>	MOTI	Proclamation No. 67/1997 (amendment Proclamation No. 376/2003) and Council of Ministers Regulations No. 13 /1997 (Amendment Regulation No. 95/2003) for Federal Government Commercial Registration and Licensing.	The same with import procedure indicated in Table 8
<i>Part Three A,B & C</i>	<i>All products</i>	QSAE	Council of Ministers Regulations to Provide for the Determination of Ethiopian Standards No. 12/1990 Quality Standards Authority	
	<i>All products</i>	QSAE	Council of Ministers Regulations to Provide for and Trade Mark and Fees No. 13/1990	
<i>Part Four A,B & C</i>		MOARD	Animal disease control proclamation no.267/2002	
		MOARD	Meat Inspection Proclamation No.274/1970 (MoA&RD 19 Meat Inspection Proclamation Amendment Proclamation No. 81/1976 (MoA&RD 20 Meat Inspection Regulations No.428/1972 (MoA&RD	
		MOARD	Plant Quarantine Regulations No. 2/1992 (MoA&RD	
<i>Part Five G</i>		ECA and MOARD	Legal notice No. 416/1972	Restricts the export of some animals, tropical articles
		ECA and MOARD	Proclamation No 206/2000	Restricts the exportation of seeds
<i>Part Five G</i>		ECA	A Proclamation to Amend the Payment of Tax on Coffee Exported from Ethiopia No.287/2002.	

4: NTB MEASURES DIRECTLY AFFECTING IMPORTS

Table 7: NTB Measures Directly Affecting Imports

INVENTORY CATEGORY		DESCRIPTION			
II.		CUSTOMS AND ADMINISTRATIVE ENTRY PROCEDURES			
	WTO INVENTORY CODE	PROBLEM AREA	NATURE AND DESCRIPTION OF THE NTB	IMPACT ON BUSINESS AND TRADE	RESPONSIBLE ORGANIZATION
D	Consular formalities and documentation		The checking of custom documents is done in more than two places	Delays in receiving goods and sometimes loss of market	Ethiopian Custom Authority
G	Customs formalities	Longer and more complex than specified formalities	Customs import procedures require Consignment documents be presented twice to the final Customs clearance post. The first inspection of documents takes place while goods are held in transit in Djibouti	Delays in receiving goods and sometimes loss of market & has serious cost implication	Ethiopian Custom Authority
		Anti-competitive practice	The dominance of state enterprises in arranging shipping, C&F services and insurance	Delays in receiving goods and sometimes loss of market	Ethiopian Custom Authority
H	Import licensing	Two stage import licensing procedure	The import licensing follows a two step process first obtaining registration certificate then applying for business license		Ethiopian Custom Authority
I	Pre-shipment inspection	Long and unnecessary pre-shipment inspection procedures	Imports are subject to inspection before loading which is accompanied by prior checking of the bills provided by foreign supplies. Goods intended for import must be recorded on the custom declaration submitted in advance to an Ethiopian customs office. Further Ethiopian customs checks along the land and railway route	Delays, cost and loss of profit	Ethiopian Custom Authority
PART III		TECHNICAL BARRIERS TO TRADE			
	WTO INVENTORY CODE	PROBLEM AREA	NATURE AND DESCRIPTION OF THE NTB PRODUCTS AFFECTED BY THE NTB	IMPACT ON BUSINESS AND TRADE	RESPONSIBLE ORGANIZATION

INVENTORY CATEGORY		DESCRIPTION			
A	General		Severe shortage of accredited laboratories and of competent testing and certification institutes;	<u>n.a</u>	Ministry of Agriculture and Rural Development and Ethiopian Quality and Standards Authority
B	Technical regulations and standards		Lack of clarity over standards to be applied and degree to which these standards pertain to products are acceptable;	<u>n.a</u>	Ministry of Agriculture and Rural Development and Ethiopian Quality and Standards Authority
C	Testing and certification arrangements	Lack of awareness in testing and certification procedures	General absence of information and lack of transparency on the procedural norms and regulations regarding specifications as well as methods of sampling, inspection, and testing.	<u>n.a</u>	Ministry of Agriculture and Rural Development and Ethiopian Quality and Standards Authority
PART IV		SANITARY AND PHYTOSANITARY MEASURES			
	WTO INVENTORY CODE	PROBLEM AREA	NATURE AND DESCRIPTION OF THE NTB PRODUCTS AFFECTED BY THE NTB	IMPACT ON BUSINESS AND TRADE	RESPONSIBLE ORGANIZATION
A	General	Capacity problems	Insufficient phytosanitary and veterinary inspectors at national borders, and lack of inspection equipment;	n.a	Ministry of Agriculture and Rural Development and Ethiopian Quality and Standards Authority
	Testing, certification and conformity assessment		Unnecessary repetition of market inspections – no provision for issue or standard type approvals.	n.a	Ethiopian Quality and Standards Authority
Other problems that affect imports					
		Inadequacy of the trade facilitation infrastructure	Financial and economic problems, such as the inadequacy of national banking systems, lack of adequate facilities and credit insurance schemes, high interest rates, and inadequacies of tax administration;	<u>n.a</u>	National Bank of Ethiopia, Ethiopia Customs Authority and other relevant institutions

INVENTORY CATEGORY	DESCRIPTION				
		Challenges in the country's poor transit systems	Transport and infrastructure problems, such as inadequate road systems, lack of competition in road transport, lack of professional freight forwarding agents, inability to issue required certification, degraded inland waterway systems, and inefficient rail systems;	<u>n.a</u>	National Bank of Ethiopia, Ethiopia Customs Authority and other relevant institutions

Table 8: Specific Official Regulations Affecting Imports

WTO INVENTORY CATEGORY	PRODUCT GROUP	GOVERNMENT CONTROLLING AGENCY	REGULATORY PROCEDURE/LAW/DECREE	REQUIRMENTS
PART TWO H	ALL PRODUCTS	MOTI	Proclamation No. 67/1997 (amendment Proclamation No. 376/2003) and Council of Ministers Regulations No. 13 /1997(Amendment Regulation No. 95/2003) for Federal Government Commercial Registration and Licensing.	<p>For Ethiopian nationals a recent passport size photograph, a complete application form and photocopy of the applicant's ID card is the requirement to be registered for a principal and a summery registration. Foreign nationals shall apply for a principal or summary registration by completing and submitting the application form to the Ministry of Trade and Industry together with the following in two copies:</p> <ul style="list-style-type: none"> • his/her recent passport size photograph; • a photocopy of the pages of his/her passport which identify him/her and indicate his/her legal entry into the country; • investment permit; and • Photocopy of his residence permit. <p>• Registration fee: (a) Principal registration (ETB 80 or USD 9.30) (b) Summary registration (ETB 10 or USD 1.20) registered importers are required to obtain license from the Ministry of Trade and Industry</p> <p>The import of certain goods and materials are regulated from the line of responsibility entrusted upon government offices and authorities. In line with this, there are offices, which administer the imports of different products. The products that need authorization and the relevant institutions are indicated here below:</p> <ul style="list-style-type: none"> Road Transport Authority - for imports of motor vehicles and transport machinery Ministry of Health (Drug Administration and Control Authority) - for human and animal drugs and medical equipments Ministry of Agriculture and Rural Development - for pesticides, seeds, plants and other articles, which are liable to be infested or infected with plant pests, live animals and animal products.

WTO INVENTORY CATEGORY	PRODUCT GROUP	GOVERNMENT CONTROLLING AGENCY	REGULATORY PROCEDURE/LAW/DECREE	REQUIRMENTS
Part Two I	All goods with a FOB value equal to or in excess to USD 2,000.00 are subject to PSI according to the existing laws governing PSI	MOR and ECA	Proclamation No. 173/1999 Council of Ministers Regulations to Determine the Fees Payable on Pre-shipment Inspection Services No. 56/1999.	<p>Once an importer has decided to import goods and received a proforma invoice from his overseas supplier, he needs to:</p> <p>Contact Customs Authorities to pay a PSI program deposit of 1% of the CIF value. (This deposit will, after importation of the goods, be offset against the Pre-shipment Inspection Programme Fee, is 1% of the duty paying value. Against payment, importer will obtain a prepayment receipt from ECA, which will have to be added to all other documents required to import goods. The inspection will not be conducted without payment of this PSI fee).</p> <p>Apply to the NBE or Commercial Banks for imports covered by a letter of credit or by cash against documents (CAD) as per current procedure (including all necessary documents and authorizations).</p> <p>Complete an Import Advice Note application (IAN) on the format already available from the banks or SGS Addis Ababa Liaison Office, that will be submitted to the banks for L/C, CAD and TT imports along with other documents necessary to arrange a payment instrument. SGS Addis Ababa Liaison Office will collect from the banks the completed application together with all the necessary documents as listed below for each type of import.</p> <p>Upon receipt of the import documentation from the banks, SGS Addis Ababa Liaison Office will enter the details showed on the documents into its computer application and will electronically send such details to the inspecting SGS office located in the declared country of supply. A copy of the Import Advice Note will also be sent to the importer through the fax number declared on the Import Advice Note application. Upon receipt of the Import Advice Note,</p>

WTO INVENTORY CATEGORY	PRODUCT GROUP	GOVERNMENT CONTROLLING AGENCY	REGULATORY PROCEDURE/LAW/DECREE	REQUIRMENTS
				the inspecting office in the country of supply automatically contacts the seller of record detailed on the importers' Import Advice Note to request information and to arrange the physical inspection.
<i>Part Five A</i>	Agricultural products	MORAD & ECA	Proclamation137/1998 article14/4 of the fertilizer manufacturing and trade and plant quarantine regulation 4/1992 Article 4, sub Article 1&2	Importation of organic fertilizer and soil is also prohibited with the objective to prevent pathogens from invading the environment
	Agricultural products	MORAD & ECA	proclamation No 206/2000 Art.25, sub-Article 6	Importation and sale of seeds whose second generation cannot germinate or seed which has terminator gene technology is prohibited
	All products	QSAE	Council of Ministers Regulation No.13/1990.	

Government Participation in Trade and Restrictive Practices Tolerated by Government

There are only few instances of government participation in trade according to the respondents. In this regard, the two areas indicated as a barrier to trade relate to Government Procurement and state trading. Generally speaking, business people reported that government procurement is by competitive bidding. There are no burdensome administrative procedures or special document requirements. The tender announcements are usually made public to all interested potential bidders, regardless of the nationality of the supplier or the origin of the products/services. Bureaucratic procedures and delays in the decision-making process sometimes impede foreign participation in tenders. Some businesses have complained that the abrupt cancellation of tenders and lack of transparency in the procurement system influences some procurement decisions.

Customs and Administrative Procedures

The NTBs reported with the greatest frequency were customs and administrative procedures. Within this broad category import licensing, customs valuation, formalities, and to a lesser extent, classifications are some of the major problems identified. There are also complaints pertaining to pre-shipment inspection and consular formalities and documentation.

In this regard, Customs valuation rules are also perceived to act as trade barriers on some occasions. Most complaints describe overestimation of prices for customs purposes as one of the major problems. Other complaints relate to inconsistent and varying customs classification. Customs import procedures sometimes require consignment documents to be presented twice to the final customs clearance post. Customs procedures and institutional issues are reported to create delays causing trade barriers on both exports and imports. Interviewees testify that import-licensing procedures frequently bear the effect of delaying or hampering imports.

In addition, exporters continue to report a number of problems with customs clearance when importing inputs. One problem is that the rules concerning the system are unclear or unknown to customs officials. On the other hand, with respect to pre-shipment inspection the first inspection of documents takes place while goods are held in transit in Djibouti bringing serious cost implications. Private importers and forwarders interviewed also reported that they are obliged to ship their goods on the Ethiopian Shipping Lines (ESL), an SOE that charge higher fees than private companies.

Ethiopia applies the COMESA rules of origin for imports from and exports to COMESA member states. The Ethiopian Chamber of Commerce is the only institution that issues Certificates of Origin in Ethiopia. The Chamber is authorized by the government of Ethiopia to issue CoOs. Chamber issues mainly CoOs and Commercial Invoices. The Chamber charges a fee only for CoO documents but not for CoO signature certification. The Chamber does not follow any guidelines to deliver its services. The Chamber does not provide training on CoO.

Technical Barriers to Trade

The Quality and Standards Authority of Ethiopia regulates all exports and imports. Standards are consistent with international norms. Pharmaceuticals that have been extensively tested

and licensed in other countries are allowed to enter the Ethiopian market with no further testing. A commonly reported trade impact of these barriers is the unnecessary (and often significant) increase in costs that effectively impedes exports.

Many complaints pertain to the area of testing and certification. Reported concerns are a general absence of information and lack of transparency on the procedural norms and regulations regarding specifications as well as methods of sampling, inspection, and testing. Aside from cost and awareness concerns, business people report that they lose customers simply due to the time required for further testing by laboratories of the importing country before the required certificates are completed for shipments to be released from Customs.

Sanitary and Phytosanitary Measures

The NTBs reported in the area of SPS Measures are mostly related to the export of live animals. The MOARD, and in particular the Animal & Fisheries Resources Development and Regulatory Department, is the main public authority responsible for livestock development.

The main NTBs mentioned for this under-performance in animals exports are:

- *Regulatory constraints, in particular cumbersome documentation requirements and high levels of service charges.* Documentation requirements for meat, covers not less than ten different institutions. Even for live animals eight different institutions are involved, with significant transaction costs. This is particularly critical for perishable goods such as meat, where these administrative arrangements have to be completed, which take at least seven days. In effect, exporters often need to withdraw shipments of chilled meat, because of absenteeism.
- *Banking sector constraints.* The procedures to obtain LC, requiring central bank approval, are cumbersome, and transfer of funds,
- *Sanitary constraints:* Another serious complaint in this area pertains specifically to testing, certification and other conformity assessment related to SPS. While SPS measures may serve legitimate purposes, exporters report extra formalities, time, and costliness that restrict or inhibit exports. Obtaining SPS approvals also reportedly involves tedious and substantial documentation and bureaucratic procedures.

Specific Limitations

No minimum export prices, voluntary export restrictions and orderly marketing arrangements are applied in Ethiopian export trade regime. No export financing and subsidy is applied at present. Export performance requirements are not applied. There are no quantitative export restrictions, and quotas. There is however, prohibition on the export of raw hides and skins.

However, the strict foreign exchange control regime administered by the NBE is reported to deter imports. An importer must apply for an import permit and obtain a LC for 100 percent of the value of imports before an order can be placed. Goods are sometimes charged duties on the basis of imputed values instead of the transaction value listed on the invoice. The other specific limitation problem reported constitutes marking, labelling, and packaging requirements that are noted as being burdensome, complicated to implement, and often not equally applied to similar products of domestic origin.

Charges on Imports

There are neither quantitative import restrictions nor import quotas. However, there are import prohibitions on items such as opium; ethyl alcohol, narcotic drugs, other spirits denatured or any strength, worn clothing and worn textile articles and rags. Importation of organic fertilizer and soil is also prohibited with the objective to prevent pathogens from invading the environment pursuant to Proclamation 137/1998 article 14/4 of the fertilizer manufacturing and trade and plant quarantine regulation 4/1992 Article 4, sub Article 1&2.

The Import Duty Drawback Scheme is meant to provide exporters with duty and direct tax free access to least cost inputs from all sources regardless of origin. It includes raw materials and packing materials used in processing and packing export commodities. The beneficiaries of the scheme are individuals or organizations engaged in export trade. When the export of raw materials or commodity on which duty to be drawn-back is ascertained, 95% of the duty shall be refunded if re-exported in the same condition, and the refunded duty shall be 100% if exported after being processed or used for packing.

The other NTB in this area is related to the levying of tax burden. Firms importing input materials for export production are eligible for Franco-Valuta imports under the written approval of NBE. Commercial banks have levied a 2 percent service charge for Franco-Valuta imports based on import values estimated by the Customs Authority. This service charge represents an additional and un-necessary import tax. The recently introduced Amendment to Income Tax (Proclamation No. 227/2001) may result in additional import tax and indirect tax burdens for exporters. Exporters are required to make 5 percent Withholding Income Tax payments for domestic and imported input purchases involving 10,000 birr and above. In the case of imported inputs, the 5 percent tax is levied on the CIF values of import (i.e., the sum of material cost, insurance, and freight). The tax authorities are supposed to refund immediately, at the end of the tax accounting year, the difference between the withholding income tax payments and the true tax liability of the taxpayers.

- The requirement to purchase foreign currency in advance, at the rate and on the terms set by the national monetary authorities;
- Burdensome pre-shipment inspection: the imports are subject to inspection before loading, which is accompanied by prior checking of the bills provided by foreign suppliers in order to verify the genuineness of the information they contain; after checking, each bill must have a label attached to it by the affiliated representative (located in the exporting country) of the company authorized for the task, which in such cases is the Société Générale de Surveillance (SCS);
- The procedures for taking goods through customs and placing them under customs authority are carried out, on a preferential basis, by the Ethiopian company MTS, which has offices in Ethiopia and Djibouti;
- Goods intended for import into Ethiopia must be recorded on a customs declaration submitted in advance to an Ethiopian customs office and containing the information relating to the advance deposit. Taxes, duties and deposits must be paid;
- Goods traveling by road must have seals applied by Ethiopian customs (cargoes taken by rail do not have to be sealed, but are frequently the subject of private security arrangements as the CDE does provide cover against theft or wear and tear);

- Ethiopian customs makes checks all along the land route (at the Djibouti Ethiopia border and at the approaches to every Ethiopian town). Checks at railway stations are even more common, and cause frequent incidents because of the delays involved;
- Once taxes and duties are paid and the collection slip issued, the customs declarations are examined by banks and by the NBE Ethiopian (for reasons of currency control). This process can take months, leading to delays in payment among the forwarding agents (since the operation is not complete).

5. KEY ISSUES FROM INTERVIEWS AND DESK RESEARCH

The key issues that can be discerned from the assessment of NTBs that affect Ethiopian both import and export trade with COMESA member states can be categorized in to four basic thematic areas.

CUSTOMS AND ADMINISTRATION PROCEDURES remain one of the main problem areas that Ethiopian exporters and importers face. In this regard the general Customs administration infrastructure has made substantial improvements in the past years, the serious concerns that persist point out that there should be further activities that should be undertaken to do away with NTBs. The main problem areas include long delays for clearance procedures which imposes substantial delays and great uncertainty and hence unpredictability. Customs formalities & documentation is the second area of main concern for further action, similarly pre-shipment inspection is also identified to pose problems in the area of both import and export trade.

THE NEED TO ENHANCE AND DEVELOP THE TRADE FACILITATION INFRASTRUCTURE, is the concern of interviewee's from the private and the public sector that the need to develop the infrastructure with particular emphasis to transportation should be given due emphasis viewed from the context of a landlocked country like Ethiopia and the object of trade liberalization and facilitation. The NTBs reported in the area of customs administration procedures can some how be mitigated if in addition, Ethiopia's marginal participation in the intra-COMESA trade can widely improved if problems are solved in the area of infrastructure.

SANITARY AND PHYTOSANITARY MEASURES on the one hand, technical regulations and standards on the other hand are also indicated to present concerns. The main concern in this regard does not directly concern the framework of non-tariff measures but the implementation mechanisms and systems related to regulatory constraints, in particular cumbersome documentation requirements and high levels of service charges, as well as other banking sector constraints.

ORGANIZATIONAL, OPERATIONAL AND IMPLEMENTATION CAPACITY is the other issue pointed out to present a crippling obstacle to a facilitated regional trade. The low quality and quantity of human resource in government institutions, lack of co-ordination and synergy and the inadequate supply and provision of modernized system of technological organizational, operational and most importantly implementation capacity is singled out to present another serious impediment In view of this, human resource competence and capacity building, the creation of an organic link and a streamlined co-ordination system among and between pertinent governmental and non-governmental organizations.

On the other hand the reports from interviews show that the impact of NTBs to exporters and importers ranges from a delay creating a simple production and distribution problem to a loss in substantial amount of profit and market. The products that are mostly affected include the export of live animals in which case NTBs result in the inability to reach COMESA market as per the agreement with importers resulting in serious loss of money. The responsible organization for this NTB is identified to be MORAD, emanating from sanitary and phytosanitary measures in which the ministry is responsible. The customs procedures in the

area of imports are reported to cause obstacles to many of the top ten imports from COMESA member states. All in all, most of the impacts reported are related to customs and administration particularly in the area of custom clearance formalities, pre-shipment inspection followed by the incurrence of cost in the fulfilment of sanitary and phytosanitary measures and technical standards.

COMMENTS ON THE REPORTING TEMPLATE: In general, fundamental problems and concerns that would fully require to change the form, structure and content of the proposed reporting template were not raised. However, some concerns and critical improvement points as well as positive comments that fully endorse the proposed reporting template were raised.

The following constitute the positive comments provided with regard to the proposed reporting template that should be strengthened and pursued:

- Firstly, the detailed and all-inclusive nature of the proposed reporting template in a tabular form helps to grasp holistically and in an integrated manner the many aspects of problems and solutions in a refined manner.
- Secondly, the inclusion of performance benchmarks and best practices is quite commendable; since it helps member states learn from each other experiences in the end establishing a baseline for standardization of operations and streamlining of systems to eliminate NTBs.
- Similarly, the inclusion of success factors is also another element that helps countries to pursue recommendations strategically and in a focused manner and gives direction for future action steps;
- The content of the template does encompass the basic elements and principles of performance evaluation and management system strengthening its conceptual validity for proper implementation, evaluation and monitoring.

On the other hand, the understated were the main concerns and comments raised that were thought would help improve the proposed reporting template are:

- There is a concern that the tabular format of proposed reporting template might not be able to reflect in an elaborated and clear manner the main problems encountered and the reasons for the recommended solutions. Therefore, the presentation of the report in a narrative format or the inclusion of an explanatory written statement was suggested.
- Similarly the inclusion of almost everything in one table might not be feasible in the context of clearly stating the object of the activity, i.e., the prevention and elimination of NTBs; and can not be used as an instrument of methodology of reporting.
- There is a possibility of missing some of the NTBs that are not clearly stated or included in the WTO inventory category as well as there will be a problem of missing some important problems and solutions by strictly following of the WTO inventory categories of NTBs. Therefore, an open and flexible format designed to fully include the general known NTBs was suggested.
- Lastly, the elements included in the template, like that of responsible government organization, means of verification, performance benchmarks, success factors do need not only further study and research but also demand an outlook that take into

consideration the existing social, economic and political systems of individual member states. Therefore, these elements should be left to the countries themselves to study and come up with possible recommendations because the above operational and implementation factors.

6: ASSESSMENT OF IMPLEMENTATION OF COMESA HARMONIZED TRANSIT PROCEDURES

Ethiopia as a member of COMESA is taking steps to implement the COMESA harmonized transit procedures. In this regard, the following progressive measures mark an indication of the commitment of the concerned organization in the area. However, in comparison with some member states and when compared to the target set by COMESA council of ministers program it is far behind the fulfilment of a liberalized trading system among member states. On the other hand, exporters get acquainted with the new system only in the process of their day-to-day business dealings with government officials deliberate and the concerned institution does not perform planned awareness creation.

The applicability of the COMESA harmonized transit procedures, the responsible institutions for its implementation and the challenges encountered are shown in Table 9.

Table 9: Status Of Implementation Of Custom Harmonized Transit Procedures

NO.	COMESA HARMONIZED TRANSIT PROCEDURES	APPLICABILITY	REMARK
1	HARMONIZED ROAD TRANSIT CHARGES	NOT IMPLEMENTED	
2	AXLE LOAD LIMITS	IMPLEMENTED	
3	Max. Length 22.0m	No(18)*	Roads in these member States have design standards with a maximum limit of 18 metres
4	COMESA CARRIER LICENCE	IMPLEMENTED	
6	COMESA TRANSIT PLATE	IMPLEMENTED	
7	OVERLOAD CONTROL	NOT IMPLEMENTED	
8	HFX High Frequency X-border Land Mobile Radio Communications system	IMPLEMENTED	
9	HARMONIZED AXLE LOAD	NOT IMPLEMENTED	DOES NOT FIT WITH ETHIOPIAN WIDTH
10	WEIGH BRIDGE REQUIREMENTS	NOT COMPLETED	
11	COMESA YELLOW CARD	IMPLEMENTED	

7: RECOMMENDATIONS

The following measures will help to reduce the existence of non-tariff barriers existing in Ethiopian trade with COMESA member states:

Government Participation in Trade and Restrictive Practices Tolerated by Government

- In April 17, 2003 a Trade Practice Proclamation No. 329/2003 which falls under the Ministry of Trade and Industry was regulated to control anti-competitive practices in Ethiopia. Although a Commission was set up since the beginning of 2004, the reform process was not yet fully realised. However, to do away with anti-competitive practices, a national co-ordination commission should be set up headed by the Prime Minister's Office to monitor and control the implementation of the proclamation. There is also a need for political commitment and conviction to realize the aforementioned proclamation and implementation framework.
- Government Procurement procedures should be under the purview of the National Co-ordination Committee set up to monitor anti-competitive practices. Besides, an independent organ under the chairman of MOFED should be set-up to inspect, audit and handle complains with regard to procurement process in the country and present reports to the national committee. Political will to enforce this system is key, together with the establishment of complementary institutions, such as courts and information processing systems to assist the independent organ.

Customs Administration Procedures

- Even if the reform made in the area of custom valuation, classification, formalities and other related categories are formidable, further steps should be taken to streamline and facilitate the custom procedure. In this regard, Ethiopian custom authority should design a single customs document covering the transit of goods to other countries smoothly.
- With respect to custom clearance and pre-shipment inspection, since the first inspection of documents takes place while goods are held in transit in Djibouti this has serious cost implications. This procedure should be abandoned and Customs' revenue leakage concerns addressed through risk-management procedures.
- Selective rather than 100 percent inspection based on risk analysis, and enhanced training and skill levels are necessary in the customs administration to reduce delays and cut costs.
- The current procedure of licensing can be streamlined by collapsing the two-step process (registration certificate then apply for business license) into one step. Control for income tax purposes can be achieved simply by providing a tax identification number for each registered business, including import/export business.

Trade Transport Infrastructure

- ⇒ In the transport sector regulations that increase transaction costs for exporters and importers should be eliminated. The Ministry of Trade and Industry should set up a committee, including private sector operators, to monitor the prices, service quality and performance of ESL on a regular basis, including regular review of countries covered by ESL's monopoly rights.

- ⇒ Besides, regulations that increase transaction costs for exporters and importers should be eliminated. As an immediate measure, the Ministry of Trade and Industry should set up a committee, including private sector operators, to monitor the prices, service quality and performance of ESL on a regular basis, including regular review of countries covered by ESL's monopoly rights. The government should set up mechanisms to increase competition in shipping and forwarding markets.

COMESA Harmonized Transit Procedures

- ⇒ Capacity building programs should be designed to enhance the human, technical and material capacity of implementation organization with respect to export and import procedures.
- ⇒ The Ministry of Infrastructure should draft an all inclusive procedural manual that enables to design frameworks for continuous, consistent and coherent implementation of COMESA Harmonized Transit Procedures and major emphasis should be given to the planning, organization and execution of awareness creation program for beneficiaries in the area.

Institutionalization and Co-Ordination System

- The current co-ordination system should be consolidated. A legally binding and formal co-ordination regulation should be adopted accordingly with a lead agency should be given responsibility to monitor, control and follow up the co-ordination mechanism. It is recommended that the Chamber of Commerce be the local COMESA focal point due to their overall coordination of the private sector, as well as current familiarity with COMESA being the appointed institution to issue Rules of Origin certificates.

ANNEX I: LIST OF INTERVIEWED ORGANIZATIONS FOR COMESA SURVEY OF NTBs THAT ETHIOPIAN TRADE

Governmental Organizations

1. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
2. MINISTRY OF TRADE AND INDUSTRY
3. ETHIOPIAN CUSTOMS AUTHORITY
4. ETHIOPIAN QUALITY AND STANDARDS
5. NATIONAL BANK OF ETHIOPIA
6. MINISTRY OF TRANSPORT AND COMMUNICATION

Non-Governmental Organizations

1. ETHIOPIAN CHAMBER OF COMMERCE
2. ETHIOPIAN FREIGHT FORWARDERS ASSOCIATION
3. ETHIOPIAN OILSEEDS & PULSES EXPORTERS ASSOCIATION
4. ETHIOPIAN COFFEE EXPORTERS ASSOCIATION
5. ETHIOPIAN LIVESTOCK AND MEAT EXPORTERS ASSOCIATIONS
6. CUSTOM CLEARING AGENTS ASSOCIATION
7. MEDICINE IMPORTERS AND DISTRIBUTORS ASSOCIATION
8. PETROLEUM DISTRIBUTORS ASSOCIATION
9. ETHIOPIAN HEAVY LOAD TRANSPORTERS ASSOCIATION
10. ETHIOPIAN CHAT EXPORTERS ASSOCIATION

ANNEX II: Origins and Destinations: Ethiopia Trade by Country by Value 2006 (HS2)

ETHIOPIAN EXPORT DESTINATION IN DESENDING ORDER BY VALUE, BY QUANTITY 2006				ETHIOPIAN IMPORT ORIGIN IN DESENDING ORDER BY VALUE BY QUANTITY 2006			
NO.	DESTINATION	CIF_VALUE(USD)	NET_MASS(KG)		ORIGIN	CIF_VALUE(ETB)	NET_MASS(KG)
1	Djibouti	1657560079	1,964,897,716.32	1	Egypt	66562157.41	108,652,162.30
2	Sudan	489710326	995,635,309.20	2	Sudan	64243634.11	115,351,476.00
3	Egypt	244718125	266,116,529.56	3	Kenya	31142338.16	15,677,250.55
4	Kenya	80275050.2	28,915,144.44	4	Swaziland	6699554.979	450,742.45
5	Swaziland	39665830.4	25,806,820.76	5	Burundi	6269198.104	799,688.00
6	Congo	8276822.19	10,019,996.00	6	Zimbabwe	1081291.374	197,206.00
7	Uganda	5274854.44	2,057,524.00	7	Djibouti	724822.7298	10,123,921.80
8	Rwanda	3671622.42	219,788.80	8	Uganda	650289.8751	65,565.50
9	Namibia	2562288.21	3,185,616.00	9	Mauritius	384752.2392	345,617.00
10	Zimbabwe	1029491.47	3,120,096.00	10	Zambia	95734.90717	20,915.00
11	Mauritius	326810.129	123,844.00	11	Eritrea	86703.71892	11,242.04
12	Zambia	326765.808	62,234.48	12	Malawi	17919.15495	3,005.00
13	Angola	263783.202	86,520.00	13	Seychelles	12601.93541	700.00
14	Eritrea	48119.2153	11,200.00	14	Namibia	2574.238776	319.00
				15	Rwanda	2016.815573	236.00
				16	Madagascar	116.9022167	5.00
TOTAL		2533709968		TOTAL		177975706.7	

251,700,051.0

SOURCE: ETHIOPIAN CUSTOM AUTHORITY

* 8.887 ETHIOPIAN BIRR=1 USD (APRIL 11, 2007 MID RATE)