

LEGAL NEWSLETTER

MARCH-APRIL 2024, VOL. 1

First Edition

We are thrilled to share with you the first edition of our newsletter marking a new chapter for Dadimos & Partners.

This newsletter is our way of staying connected with you, our valued clients, and partners, and ensuring you have the information and insights you need to navigate the ever-evolving Ethiopian legal landscape.

Welcome to the Inaugural Issue of Our Newsletter!

In this edition, we report on the celebration of our launch as Dadimos & Partners LLP and the associated activities. Additionally, we have compiled a legal update featuring key legislative developments that may impact your business.

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- **Legal Update:**
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 - Personal Data Protection Proclamation
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 - Rent Control Proclamation

We value your feedback, so please do not hesitate to reach out to us with any suggestions or topics you would like us to cover in future editions.

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Embracing New Beginnings at Haile Grand with a Legendary Touch

The official launch of Dadimos & Partners LLP

1. Highlights of the Launch Event

On March 8, 2024, we marked the official launch of Dadimos & Partners LLP with a delightful cocktail reception at Haile Grand Resort, and coincidentally, the International Women's Day. The event was graced by the presence of cherished clients, esteemed partners, close friends, and distinguished guests, including Major Haile Gebresellasie and H.E Ambassador Stefaan Thijs, the Ambassador of Belgium to Ethiopia, Melkamu Assefa, CEO of Marathon Motors, as well as Nick Ashcroft, Ioana Knoll-Tudor and Paul Jones, partners with the international law firm, Addleshaw Goddard LLP.



We extend our deepest gratitude to Haile for honouring us with his presence at the event, his willingness to engage with the guests, bringing joy to all, and his generous gesture of leading a guided tour inside the property, which added an extra layer of significance to the occasion.

Launch Reception



Dadimos Haile, the Managing Partner of Dadimos & Partners commenced the evening with an opening speech, extending a warm welcome to our guests and inviting a toast in honour of International Women's Day. He shared brief reflections on the firm's and his own personal journey thus far and the firms' vision for the future. Dadimos emphasized the symbolic significance of selecting the Haile Grand Resort as the venue, owned by the esteemed Haile Gebre-selassie, a beacon of perseverance and achievement both nationally and internationally. He expressed his joy in uniting

colleagues, friends, and valued clients, fostering meaningful connections and nurturing new relationships.

The evening was further enriched by heartfelt speeches from esteemed guests. H.E Ambassador Stefaan Thijs expressed his pride in Dadimos' new venture, highlighting Dadimos' Belgian connection and expressing hope for increased Belgian investments in Ethiopia for which Dadimos & Partners LLP would be a valuable asset. Warm testimonials and well wishes were also shared by Nick Ashcroft of Addleshaw Goddard and Mrs. Tsedeniya Ayalew

representing the Tsemex Group. They expressed appreciation for Dadimos and his team's invaluable contributions to the successful resolution of an important case for the Tsemex Group, as well as admiration for Dadimos qualities, foreseeing a bright future for the firm under his leadership.

We express our profound gratitude to esteemed guests, and all contributors to the

event's success, including the exceptional management and staff of Haile Grand and the talented young vocalist, Danayt Kalayu, and her group, whose acoustic jazz performance added a delightful touch to the occasion.

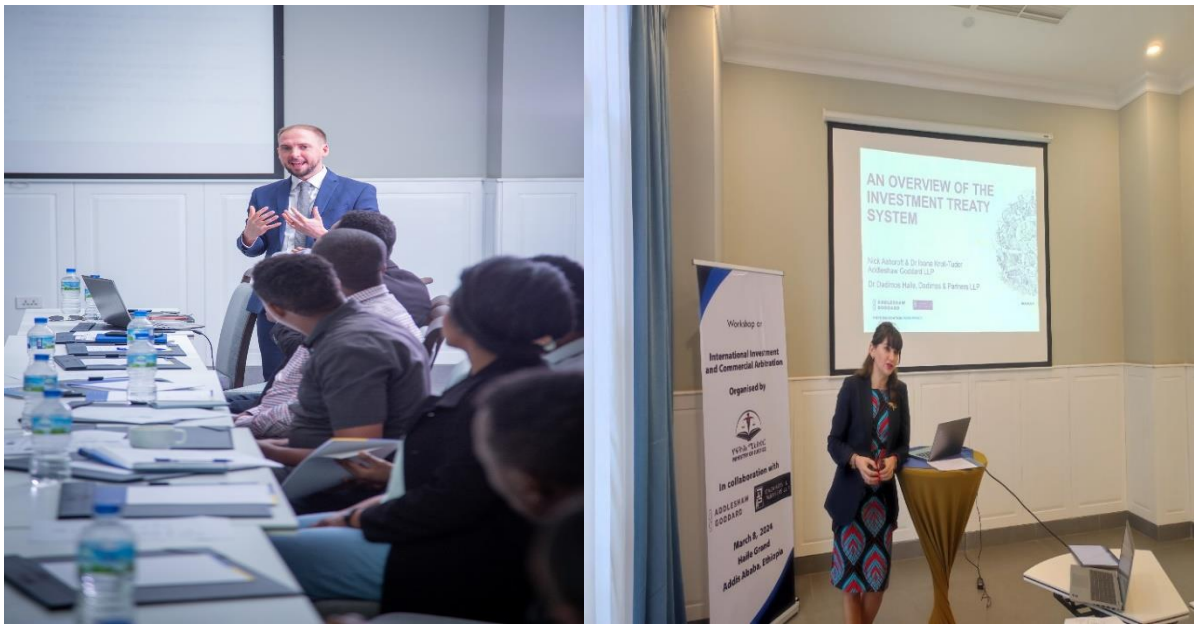


A training workshop on international arbitration

Preceding the reception, a highly constructive one-day training workshop on international investment arbitration and international commercial arbitration was held, co-organised in partnership with the Ministry of Justice and Addleshaw Goddard LLP. Leading the workshop were Dr. Ioana Knoll-Tudor and Mr. Nick Ashcroft, esteemed Partners at Addleshaw Goddard recognised for their profound expertise in international arbitration and commercial disputes, alongside our Managing Partner, Dr. Dadimos Haile.



Among the participants were legal experts from various governmental bodies including the Civil Justice Administration Directorate of the Ministry of Justice, the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Mining, the National Bank, and Ethiopian Investment Holdings.



We seize this opportunity to express our sincere appreciation to the Ministry of Justice, the Ministry of Foreign Affairs, Addleshaw Goddard LLP, and all stakeholders whose support was pivotal in ensuring the success of the workshop.

For more photos from the launching party and the international arbitration training workshop, please visit the [gallery](#).

2. LEGAL UPDATE

This legal update provides a concise overview of key legislative changes enacted in March and April 2024. This are:

- A. Foreign Investors' Participation in Wholesale and Retail Trade
- B. Special Economic Zone Proclamation
- C. Personal Data Protection Proclamation
- D. Significant Market Power Regulation in Ethiopian Telecom Sector
- E. Mobile and Fixed Termination Rates in Ethiopian Telecom Sector
- F. Rent Control Proclamation

A. New Directive Opens Restricted Investment Areas to Foreign Investors

Background

The Ethiopian Investment Board issued a new directive effective March 2024, titled "Directive to Regulate Foreign Investors' Participation in Restricted Export, Import, Wholesale and Retail Trade Investments No. 1001/2024" (hereafter "the Directive"). This Directive opens certain export, import, wholesale, and retail trade sectors to foreign investors, which were previously reserved to domestic investors. However, there are specific conditions that foreign investors must meet to participate in these sectors.

Key Elements of the New Directive

- **Export Trade:** Foreign investors can now participate in exporting a variety of Ethiopian goods, including coffee, khat, pulses, hides, skins, forest products, poultry, and livestock. Eligibility requirements to obtain the investment permit vary based on experience. Companies with a proven track record of purchasing Ethiopian goods need to have minimum purchase thresholds (e.g., \$10 million USD annually for coffee). Investors with no prior purchase record can still qualify by demonstrating a secured market and a minimum purchase order value (amounts vary depending on the specific goods).
- **Import Trade:** Foreign investors can participate in importing goods into Ethiopia, except for fertilizer and petroleum. To qualify for the investment permit, companies must

demonstrate relevant experience, capacity, or established market connections. Manufacturers, agents of established manufacturers, and existing Ethiopian exporters with significant export volume are automatically eligible. Other potential investors must submit a detailed business plan and commit to importing goods valued at a minimum of \$10 million annually.

- **Wholesale Trade:** Foreign investors can now engage in wholesale trade activities within Ethiopia, excluding fertilizer imports. They can sell products they import or those purchased from Ethiopian manufacturers.
- **Retail Trade:** Foreign investors can participate in retail trade by building large-scale stores such as supermarkets (minimum 2,000 sqm), hypermarkets (minimum 5,000 sqm), or giant retail spaces (exceeding 10,000 sqm). The Government will define store types and consider granting permission to smaller single-brand stores on a case-by-case basis.

Authorities

- **Ethiopian Investment Commission (EIC):** The primary point of contact for foreign investors, handling applications, permits, and registrations.
- **Ministry of Trade and Regional Integration (MoTRI):** The Ministry whose mandates include the registration and licensing of business and ensuring fair competition as well as the protection of consumer rights.

Conclusion

The directive is a significant step towards attracting foreign investment and boosting Ethiopia's trade sector. It has the potential to increase competition, improve service quality, and propel the country towards sustainable economic growth.

For a detailed info please visit the [link](#).

B. Ethiopia Approved New Special Economic Zones Law to Advance Economic Growth

Ethiopia's parliament recently approved a new law creating Special Economic Zones (SEZs) designed to attract foreign investment and accelerate economic development. The Special Economic Zones Proclamation, passed on April 18, 2024, offers businesses a range of incentives, including tax breaks, streamlined customs procedures, and simplified regulations.

A Special Economic Zone (SEZ) is a geographical area designated by the Ethiopian Investment Board. SEZs offer business-friendly policies, streamlined trade procedures, reliable infrastructure, on-site amenities like one-stop shops, and special incentives like tax breaks. They can cater to various sectors, specializing in areas like industry parks, free trade and logistics zones, science and technology parks, service parks, and agriculture and livestock zones. This flexibility allows Ethiopia to tailor SEZs to specific industries and promote economic growth across diverse sectors.

Key Features of the New Law

- **Foreign Investment Friendly:** The law welcomes foreign investors in most sectors, with clear guidelines for operation within SEZs. Financial institutions can also operate in the zones under regulations set by the National Bank.
- **Streamlined Approvals:** The Ethiopian Investment Board will oversee SEZ establishment and development. The application process is designed to be efficient, with a maximum timeframe of 90 days for approval.
- **Flexible SEZ Designation:** Zones can cater to various industries or specialize in specific sectors like manufacturing or trade. The Government retains some flexibility in designating locations.
- **Minimum Investment Threshold:** A minimum capital requirement of USD 75 million is in place for SEZ development, but the Board can adjust this based on specific sectors.
- **Land Allocation and Management:** Developers must allocate a minimum land area for the SEZ, with clear rules for land registration, leasing, and utility supply. Businesses can acquire land within the zone after obtaining investment permits.
- **Rights and Obligations:** The law outlines clear rights and obligations for all stakeholders involved in SEZs, including developers, operators, businesses, and workers.

Benefits for Investors

- Tax breaks on imported machinery, equipment, and income tax exemptions.
- Simplified customs procedures and the right to repatriate profits in foreign currency.
- Ability to lease land, access utilities, and hire local and foreign workers.

Overall Impact

The new SEZ law is a strategic move to attract foreign investment, create jobs, boost exports, and promote technology transfer. This initiative is expected to contribute significantly to Ethiopia's economic growth and development goals.

For a detailed information please visit the [link](#).

C. Ethiopia Enacts Landmark Personal Data Protection Law

In a landmark move addressing the regulatory gap in data protection, Ethiopia has enacted the Personal Data Protection Proclamation. Ratified by the House of Peoples' Representatives on April 4, 2024, this law establishes a comprehensive framework for governing the handling of personal data within the country.

Previously, Ethiopia lacked a unified approach to data protection, with scattered provisions across different legislation. The new law aims to rectify this, providing clear rights for citizens and imposing strict obligations on organizations processing personal information.

This development marks a significant stride as Ethiopia works towards a secure digital economy that prioritizes citizen privacy. The Personal Data Protection Proclamation is poised to instil trust and accountability in data usage.

Key provisions of the law include:

- Enhanced rights for individuals, allowing them to access, rectify, erase, and restrict the processing of their personal data.
- Mandatory registration and consent requirements for organizations handling personal information.
- Robust security measures and mandatory breach reporting.
- Regulations on cross-border data transfers, subject to appropriate safeguards.
- Penalties for non-compliance, ranging from fines to imprisonment.

The law applies to both private and public sector entities, encompassing federal, regional, and city-level institutions processing personal data. Exceptions are made for purely personal activities and government-to-government information sharing, as well as data transiting through Ethiopia.

To oversee implementation and enforcement, a dedicated supervisory body will be established within the Ethiopian Communication Authority.

This law represents a critical step towards securing Ethiopia's digital future. By empowering individuals and holding organizations accountable, it fosters an environment of trust conducive to innovation and growth.

The Personal Data Protection Proclamation comes into immediate effect, necessitating organizations to promptly review and update their data handling practices ensuring compliance.

For a detailed information please visit the [link](#).

D. ECA Determination No. 1/2024: A Look at Significant Market Power Regulation in Ethiopian Telecom Sector

Background

The Ethiopian Communications Authority (ECA) has issued a new directive effective April 2024, titled “Determination on Telecommunications Operators with Significant Market Powers in Relevant Market Determination No. 1 of 2024” (“SMP Directive”, “The Directive”). The Directive aims to ensure fair competition by identifying operators with significant market power and preventing monopolistic practices.

Authority's Power and Study Objectives

The Ethiopian Communications Authority (ECA) is empowered, under Article 5(1)(c) of Telecommunications Interconnection Directive No. 791/2021, to monitor competition dynamics, defining relevant markets, and designating operators with Significant Market Power (SMP) in the telecommunication sector. It is also empowered to conduct a market review study with four key objectives: Identify Relevant Markets, Assess Ex Ante Regulation Needs, Analyse Competition Dynamics, and Identify Corrective Actions.

Relevant Markets Identified and Designation of SMP

The determination identified relevant markets based on the market review study conducted based on Telecommunications Competition Directive. The SSNIP test (Small but Significant Non-Transitory Increase in Price) is employed alongside other tools to assess demand-side and supply-side substitution between potential alternatives.

Five key markets were identified as susceptible to ex ante regulation:

Wholesale Transmission Over Trunk Connections: This is the market for the provision of national transmission services over trunk connections, particularly, the trunk segment of leased lines. Ethio Telecom is designated as having SMP in national transmission, particularly trunk connections. Ethio Telecom's dominance in this market raising concerns about potential anti-competitive practices including refusal to supply and unfair pricing.

Wholesale Cell Site Infrastructure Market: This market involves access to towers and antennas. Ethio Telecom is designated as having SMP in this market raising concerns about potential anti-competitive practices including refusal to supply and unfair pricing.

Wholesale Termination Services: This is a market for wholesale fixed voice termination services, and wholesale mobile voice and SMS termination on individual mobile networks. Ethio Telecom is found to have SMP on both markets while Safaricom is found to have SMP on the latter markets raising concerns about potential anti-competitive practices including refusal to supply and unfair pricing.

Wholesale Mobile Access and Call Origination: This is a market for wholesale mobile access and call origination services. Ethio Telecom is designated as having SMP in the provision of wholesale access to mobile networks, raising concerns about potential anti-competitive practices including refusal to supply and unfair pricing.

Retail Mobile Services: This market encompasses mobile retail services. Ethio Telecom is designated as having SMP which raises concerns about margin squeeze and predatory pricing.

Proposed Remedies for SMP

The ECA recognizes potential dangers posed by anti-competitive behaviours in the identified relevant markets. This includes practices like refusal to supply essential services, excessive pricing, margin squeeze, and undue discrimination. To address these concerns and promote a competitive and fair marketplace, the ECA proposes various remedies. These include regulating wholesale prices, requiring companies to file agreements that restrict access, setting benchmarks to prevent excessive pricing, potentially mandating separate accounting practices to prevent unfair advantages, and enforcing non-discrimination obligations. By actively tackling anti-competitive practices, the ECA aims to create a healthy telecommunications and postal sector that benefits both consumers and businesses in Ethiopia.

Conclusion

The Directive highlights Ethio Telecom's dominant position in most relevant markets. Safaricom is identified to have SMP along with Ethio Telecom only in wholesale mobile voice and SMS termination on individual mobile networks. It extensively addresses potential anti-competitive behaviours and proposes various regulatory measures to ensure a fair and competitive Ethiopian telecommunications landscape.

E. ECA Determination No. 2/2024: A Look at Mobile and Fixed Termination Rates

Introduction

The Ethiopian Communications Authority (“ECA”) issued a new directive, titled "Determination on Mobile and Fixed Termination Rates Determination No. 2 of 2024" (“The Directive”), in April 2024. This Directive sets fair termination rates to balance operator and consumer interests.

Authority

The ECA is the main regulatory body for the telecommunication sector in Ethiopia. It derives its power from Proclamation No. 1148/2019, granting it the authority to regulate competition in the telecommunication sector. Directives 791/2021 and 797/2021 further empower the ECA to ensure fair and non-discriminatory interconnection charges based on justifiable costs.

Importance of Termination Rate Regulation

In unregulated termination rates, the fees one operator charges another to complete calls on its network, can lead to negative consequences:

- High costs: Operators may set inflated rates, reducing competition and consumer choice.
- Decline in innovation: Unrestrained cost control measures can act as a brake on technological progress. When operators face no regulations and can set consumer fees freely, their primary focus often becomes price manipulation. This stifles innovation as competition weakens. In contrast, a well-regulated market fosters a healthy environment that encourages competition. Within this competitive landscape, operators have a strong incentive to innovate to attract consumers. This drive to stand out compels them to invest in technological advancements, benefiting everyone.

The ECA's Cost-Based Approach to Termination Rates

The ECA prioritizes fair competition and consumer affordability by setting cost-based termination rates. This is meant to ensure a level playing field for operators and prevent them from manipulating rates for an advantage. The approach aligns with international best practices, utilizing readily available financial information from operators for a simpler initial implementation. The ECA can transition to more detailed cost models in the future for greater precision.

New Termination Rates

Following a cost study, the ECA established new termination rates starting from 1 May 2024. The new rates, which described below, are structured to promote affordability and that will gradually decrease over five years. These new rates:

- Mobile Voice: Starts at ETB 0.23 per minute (year 1) and reduces to ETB 0.19 (year 5).
- Fixed Voice: Begins at ETB 0.15 per minute and decreases to ETB 0.12 (year 5).
- SMS: Remains constant at ETB 0.05 per SMS for the first four years, then reduces to ETB 0.04 (year 5).

Conclusion

The Directive aims to create a competitive telecommunications market that benefits consumers. The gradual decrease in termination rates will make services more affordable and encourage innovation, while operators retain the flexibility to negotiate even lower rates.

F. New Rent Control Proclamation in Ethiopia: Stabilizing Rental Prices and Ensuring Fairness

In an apparent move to address skyrocketing housing rental prices, the House of people Representatives of Ethiopia, has approved a new proclamation on April 2, 2024, titled Residential Property Rent Control and Administration Proclamation no. 1320/2016 (“The Rent Proclamation”). The Rent Control Proclamation standardizes rental practices and mandates increased transparency in rental transactions across the country and protect both tenants and landlords.

Key Points of the Proclamation:

Standardizes rental agreements for clarity: The Rent Control Proclamation requires all rental agreements to be written, authenticated, and registered with the relevant regulatory authority, mandating a minimum contract duration of two years.

Regulates rental prices to ensure fairness: The Rent Control Proclamation provides for an annual rent increase set by the supervisory body, which considers current economic conditions and relevant factors. This regulatory framework allows to adjust rental prices for both existing and new tenants.

Prohibits eviction of tenants to protect tenants: The Rent Control Proclamation prohibits termination of rent agreements and eviction of tenants within the contract period for any reason except for sale the house. Even in case of sale, it requires serving a six months’ notice to terminate the agreement.

Requires electronic rent payments for better tracking: Payment for housing rent may only be paid via bank transfer or another authorized electronic means.

Penalizes landlords who leave properties vacant for extended periods.

Conclusion

The Rent Control Proclamation marks a significant step in regulating Ethiopian residential house rentals, addressing shortcomings in the previous legislative framework. It purports to promote fairness in the residential rental market by mandating documented agreements, minimum contract terms, and clear rent increase guidelines. Incentives for new rentals and a push for electronic payments aims to modernise the sector, while clear termination and pre-payment provisions ensure a more stable rental environment. This demonstrates the Government's commitment to a predictable and fairer residential rental market.

ABOUT US

Dadimos & Partners LLP is a premier, full-service law firm in Ethiopia. From commercial and corporate law, including cross-border M&A, to banking and finance, international arbitration, tax, competition, intellectual property, employment, and non-profit law, we deliver legal solutions tailored to meet our clients' diverse needs. Our team is composed of lawyers with wide-ranging expertise, rich local and international experience, and in-depth knowledge of the law. We blend Ethiopian legal expertise with global perspectives.

Our vision of modern legal practice forms the foundation of our innovative, reliable, and results-oriented legal advice and support.

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