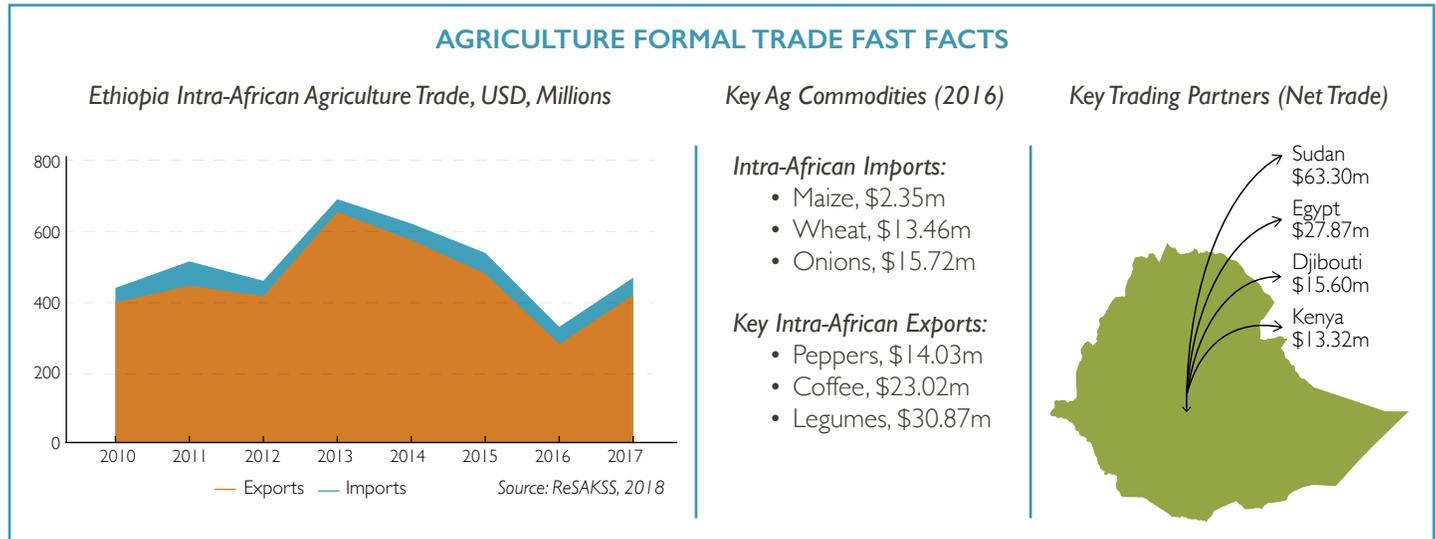




FEED THE FUTURE ENABLING ENVIRONMENT FOR FOOD SECURITY PROJECT Intra-African Agriculture Trade Improvement Scorecard: Ethiopia

In June 2014, African Union member states committed to a set of goals in the Malabo Declaration that included tripling intra-African agricultural trade by 2025. As reported in the African Union's 2018 Inaugural Biennial Review Report, Ethiopia is not on track to tripling trade, but it is on track to establishing trade policies to meet the Malabo Declaration targets.



This scorecard compiles publicly available data related to four key trade determinants from the Regional Strategic Analysis and Knowledge Support System's (ReSAKSS) Africa Agriculture Trade Monitor 2018 report, including (1) production capacity, (2) the cost of trade, (3) institutional efficiency, and (4) trade policies. The bases of comparison for these indicators are Feed the Future or sub-Saharan African (SSA) countries, as indicated. The coloring of the indicators below designates the country's performance in this area relative to its peers. A green score indicates higher-than-average performance; a yellow score indicates average performance, with room for improvement; and a red score indicates below average performance, with a serious need for improvement. For more on indicators, see [here](#).

PRODUCTION CAPACITY

<ul style="list-style-type: none"> ● Fertilizer use ● Improved seed varieties ● Machinery standards 	<ul style="list-style-type: none"> ● Mobile phone penetration ● Digital payments ● Rural electrification
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PRODUCTION CAPACITY (factors that affect the level of supplies) is determined by resource endowments and other technological and institutional factors that enhance productivity. Ethiopia's harvests are hindered by a low rate of fertilizer use, with the country using less than one-third of the amount of fertilizer per hectare of arable land than the highest-ranking SSA countries. Ethiopia has only 73 approved improved seed varieties, which compares poorly with Kenya, an African leader, with 124 approved. With respect to machinery standards, Ethiopia is one of four SSA Feed the Future countries that do not impose quality and safety standards on tractors. However, as Ethiopia requires tractor type approvals and recognizes tractor test reports issued by manufacturers, it gets 4.3 of 8 possible points per the World Bank's Enabling the Business of Agriculture (EBA) tractor testing and standards indicator. Low rates of mobile phone penetration (.50 mobile lines per person) hamper use of mobile technology for financial transactions. Only 12 percent of adults report having sent or received digital payments in the past year — far below the SSA average of 34 percent. Electricity only reaches 26.5 percent of the rural population, meaning many farmers cannot harness it to power lights, pumps, and equipment.

COST OF TRADE

<ul style="list-style-type: none"> ● Road connectivity ● Quality of roads ● Perceptions about infrastructure 	<ul style="list-style-type: none"> ● Truck licensing ● Cross-border transport licensing ● Domestic transport costs
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COST OF TRADE. Good roads and an efficient trucking system make it easier and cheaper to import and export food. Expanding and improving maintenance on Ethiopia's road network is in order. The country receives a score of 32.0 (out of 100) on the World Economic Forum's (WEF) Road Connectivity Index and a score of 37.8 (out of 100) score per the WEF quality of roads indicator. Ethiopia scores a 2.38 (out of 5) in users' perceptions about infrastructure on the World Bank's Logistics Performance Index, below the SSA mean of 2.49. Poor scoring against EBA truck licensing indicators (4 out of 11) and per EBA cross-border transport license indicators (a 4 out of 9) indicates that Ethiopia may be limiting competition (and spurring prices) in transport services through onerous licensing requirements. The World Bank's Doing Business Trading Across Borders (2018) standardized domestic transport costs for Ethiopia are moderate when compared with other SSA Feed the Future countries: \$550 for exports and \$529 for imports.

INSTITUTIONAL EFFICIENCY

- | | |
|---|---|
| <ul style="list-style-type: none"> ● Competitive business environment ● Agricultural finance ● Secured lending ● Private international legal instruments ● Export border regulations | <ul style="list-style-type: none"> ● Export document compliance ● Import border regulations ● Import document compliance ● WTO Trade Facilitation Agreement |
|---|---|

INSTITUTIONAL EFFICIENCY refers to the ease of doing business in relation to agricultural trade. Ethiopia has an uncompetitive domestic market, scoring a low 41.0 (out of 100) per the WEF's product market indicator. Ethiopia ranks 10th among SSA countries examined by the EBA finance indicator, with high marks given for access to branchless banking and warehouse receipts. Ethiopia receives 3 (out of 12) points on secured lending derived from the World Bank's Strength of Legal Rights Index. Ethiopia has not ratified any of the seven important private international legal instruments important for agricultural trade. It is one of the last major countries not to accede to the World Trade Organization (WTO); as such, it is not a party to the WTO's Trade Facilitation Agreement, putting it seriously out of step with the rest of the continent.

The Ethiopian trade regime is relatively good for exporters but cumbersome for importers. The Doing Business Trading Across Borders indicators calculate that exporters spend 51 hours to comply with export regulations at the border (SSA median of 78 hours) and spend 76 hours to complete documentation (SSA median of 69 hours). Importers spend 166 hours to comply with import regulations at the border (SSA median of 97 hours) and a considerable 194 hours to complete documentation (SSA median of 76.5 hours).

TRADE POLICIES

- | | |
|---|--|
| <ul style="list-style-type: none"> ● Average weighted agricultural tariff ● Import and export bans recently enacted | <ul style="list-style-type: none"> ● Trade facilitation performance ● Export licensing |
|---|--|

TRADE POLICIES include measures aimed at protecting trade. Ethiopia's average weighted agricultural tariff is at 22.1 percent, which is the third-highest among the 35 SSA countries. Ethiopia lifted export bans on sorghum and maize in 2017 due to a surplus in productions but is planning to put a new export ban on live sheep and goats to encourage the export of processed meat. The OECD Trade Facilitation Index, which measures the performance of border procedures and policies, shows Ethiopia making progress over the last two years in trade community involvement, appeal procedures, and fees and charges. With these improvements, it achieves average performance among its peers, scoring 0.71 (against the SSA Feed the Future average of 0.70). EBA export licensing indicators give Ethiopia 3 (out of 5) points for imposing strict controls over its main export, coffee.

THE AFRICAN UNION'S 2018 BIENNIAL REVIEW REPORT

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| <ul style="list-style-type: none"> ● Tripling intra-African trade | <ul style="list-style-type: none"> ● Establishing intra-African trade policies and institutions |
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BIENNIAL REVIEW REPORT 2018. The African Union's 2018 Inaugural Biennial Review Report measured member countries' progress toward achieving the Malabo Declaration's goals. To be considered on track for tripling intra-African trade, countries should have reached the minimum of 20 percent in growth rate increase. Ethiopia did not meet this threshold. To be considered on track for establishing intra-African trade policies and institutions, countries are rated by the OECD Trade Facilitation Index. To be considered on track, countries need to reach a cumulative score of 10 points when adding together points given for each of the 10 sub-indicators comprising trade facilitation performance. Ethiopia has met this threshold.

Developed in 2018.

The Feed the Future Enabling Environment for Food Security project is a global mechanism designed to assist Feed the Future focused and aligned Missions as they address legal, institutional, and market constraints affecting food security. For more information, contact Lourdes Martinez Romero (COR) at lmartinezromero@usaid.gov or Nate Kline (COP) at nkline@fintrac.com.