

Improving the ease of doing business has been singled out as one of the priority areas for economic reform in Ethiopia this past year. Based on publicly released information from the EIC and other involved agencies, this short note covers the range of issues involved, reforms enacted to date, and remaining priorities.

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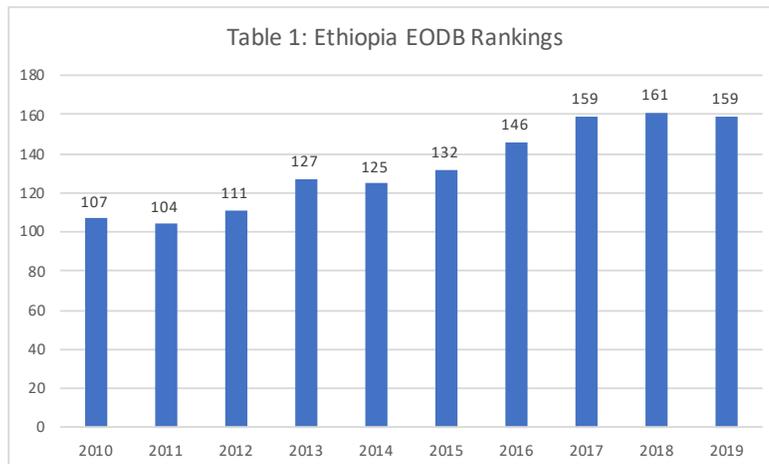
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- **Macro context:** Improving the investment climate for local and foreign businesses will be critical in the coming years as Ethiopia shifts from public-sector led growth to one increasingly driven by private sector players. In particular, maintaining the momentum of domestic investment while also sustaining current FDI inflows will be dependent on offering a much improved investment climate that removes key bottlenecks to doing business and widens the scope of investable opportunities.
- **Current Standing:** Ethiopia is currently ranked 159 out of 190 countries in the World Bank's Ease of Doing Business indicators (2019 report), sliding two positions from the previous year and down 55 positions from its best-ever ranking back in 2011 (Table 1). Within East Africa, Ethiopia currently has the second worst overall standing after Eritrea (Table 2).
- **Doing Business components:** The Ease of Doing Business rankings are based on ten areas critical for establishing/operating a business, as listed below:
 1. Starting a Business
 2. Dealing with Construction Permits
 3. Getting Electricity
 4. Registering Property
 5. Getting Credit
 6. Protecting minority investors
 7. Paying taxes
 8. Trading across borders
 9. Enforcing contracts
 10. Resolving insolvency

- **Within the above ten areas, Ethiopia's shows a particularly poor performance in four areas** (Table 3): starting a business (#167 ranking); construction permits (#168); getting credit (#175); protection of minority investors (#178). At the same time, a comparably better record is seen in enforcing contracts (#67 ranking), paying taxes (#130), getting electricity (#131), registering property (#144), and resolving insolvency (#148).
- **Reform Initiatives:** As part of the Prime Minister's wide-ranging economic reforms introduced in 2018, improving the Ease of Doing Business ranking—to the point of achieving a rank below 100—has been articulated and a Steering committee set up tasked with this objective. A series of short, medium, and long term plans have been laid out and are being spearheaded by a total of 9 lead institutions, namely: Ministry of Trade and Industry, National Bank of Ethiopia, Ministry of Revenue, Customs Commission, Addis Ababa City Administration, Ethiopian Electric Utility, Federal Attorney General, Federal High Court, and Federal First Instance High and Supreme Court. The targeted reforms cover 89 specific areas which are listed, along with actions completed to date, in Table 4.
- **Outlook:** High-level monthly and quarterly progress reviews of the Ease of Doing Business Indicators will help ensure continued momentum in addressing various business reform initiatives. In addition, major amendments to the Investment Law and to the Commercial Code are expected by 2020, which should further ease operating conditions and regulations in multiple areas. All of the above initiatives bode well for improving Ethiopia's business operating environment, though it will be critical that implementation is given just as much attention in the years ahead to ensure that on-the-ground executing agencies (Sub-cities, Municipalities, Ministries and Regions) are very much aligned—in both substance and in spirit—with the full range of policy revisions and reforms currently being put in place.

Table 1: Ethiopia Ease of Doing Business Ranking



Source: World Bank

Table 2: Time Series of Doing Business Ranking

Country	2015	2016	2017	2018	2019
Ethiopia	132	146	159	161	159
Rwanda	46	62	56	41	29
Kenya	136	108	92	80	61
South Africa	43	73	74	82	82
Egypt	112	131	122	128	120
Uganda	150	122	115	122	127
Eritrea	189	189	189	189	189

Source: World Bank. Shading shows the country with best ranking in given year.

Table 3: Doing Business Indicators Ranking (2019)

Criteria	Ethiopia	Rwanda	Egypt	Kenya	Eritrea
Starting a Business	167	51	109	126	187
Dealing with construction permits	168	106	68	128	186
Getting Electricity	131	68	96	75	187
Registering Property	144	2	125	122	180
Getting Credit	175	3	60	8	186
Protecting minority investors	178	14	72	11	174
Paying taxes	130	35	159	91	152
Trading across borders	154	88	171	112	189
Enforcing contracts	60	78	160	88	103
Resolving insolvency	148	58	101	57	168

Source: World Bank. Shading shows the country with best ranking in given indicator.

Table 4: List of reforms

Indicators---Lead Institutions	Time Frame	Reform to date
1 Starting business---Ministry of Trade and Industry		
1 Eliminate requirements to: Publish company name on newspaper	Short Term	Replaced with a new web based system
Present lease agreement/physical address	Short Term	Replaced with the company to inform by IT related means
Authenticate AoA & MoU	Short Term	Requirement discontinued. Information provided via a web based system.
2 Implement one-stop-business registration at MoTI & sub cities	Short Term	Authenticate and inform the company with a new web based system
3 Reduce number of days to get cash register machine to 3 days(from 7)	Short Term	Reduced to maximum of 3 days
4 Streamline licensing & competence requirements	Short Term	
5 Eliminate the requirement of business license renewal or reduce its frequency from every year to every 3-5 years	Short Term	License renewal penalty payment is now Birr 20,000 at anytime, reduced the time and double the payment
6 Automate business registration & licensing	Medium Term	
7 Implement use of software for printing VAT invoice	Medium Term	Implemented
8 Implement harmonized compulsory online business service	Long Term	
2 Dealing with construction permit---Addis Ababa City Administration		
9 Reduce construction permit process time by	Short Term	
Piloting online application, fee collection & follow up	Short Term	Online construction permit application platform is on pilot
Reducing number of days to obtain approval of plans & construction permit by 50%(now 30 days)	Short Term	Reduced the time to get planning consent from 3 days to 45 minutes
10 Reduce time to obtain water and sewerage connection from Addis Ababa Water Supply and Sewerage Authority(AWASSA) by 50% (currently at 75 days vs. 30 days in Rwanda)	Short Term	The time reduced by 50%(to get water in 3 days and sewerage in 12 days maximum)
11 Revise building directive to include 1)final inspection/quality control after construction 2) framework for insurance & latent defect liability of all involved professionals	Short Term	Mandates final inspection before occupancy permit for all kind of buildings
12 Align the inspection process with the risk-based system	Short Term	Reduced the maximum number of days for review and approval of plan from 21 days to 13 days
13 Fully implement compulsory online application, fee collection & follow up platform	Medium Term	
14 Reduce time to obtain water and sewage connection from AWASSA by 75%	Long Term	

Table 4 contd...: List of reforms

3 Getting Electricity---Ethiopian Electric Utility

15 Avail effective tariffs & changes online	Short Term	Effective tariff available online
16 Reduce documentary requirement on first application to application form and ID card	Short Term	A new working procedure that reduce number of documents required to expedite application and service delivery
17 Reduce time of site visit and cost estimation to 5 calendar days(current average: 21days)	Short Term	
18 Remove 10%deposit requirement	Short Term	
19 Reduce the time it takes for connection by 50%(current average:60 days vs 15 in Rwanda) though outsourcing connection and installation work to private companies (done in Rwanda, Kenya etc.)	Short Term	
20 Implement compulsory online application and follow up/tracking to get	Medium Term	
21 Implement automated tool to measure frequency & duration of interruption	Medium Term	
22 Reduce the time it takes for connection by 75%	Medium Term	
23 Enforce service delivery timeline (Kenya)	Medium Term	
24 Implement GIS t eliminate site visit(Kenya)	Long Term	
25 Allow for compensation to customers where outages exceed a certain gap	Long Term	

4 Registering Property---Addis Ababa City Administration

26 Digitalize 50% of title deed records and land plot maps	Short Term	Majority(74.4%) of title deed digitalized via scanning, land plots fully digitalized
27 Publish official stats on property transactions & land disputes	Short Term	Available online on transaction information and land disputes
28 Avail online all information required to complete property transactions	Short Term	Database created for checking encumbrances such as restrictions. Mortgages and others
29 Reduce no of says for registration of property and obtain title deed by 50%(currently at 52 days Vs 7 in Rwanda)-eliminate newspaper publication and 15 days awaiting	Short Term	Available online the list of documentary requirements for property transition
30 Set statutory time limit (e.g. Mauritius 15 day limit)	Short Term	Notification period reduced to 7 days, tax clearance for transaction reduced to 1
31 Digitalize 75% of title deed records and land plot maps	Medium Term	
32 Pilot online property registration services	Medium Term	
33 Reduce the number of days for registration of property and obtain title deed by at least 75%-eliminate tax clearance requirement	Medium Term	
34 Digitalize 100% of title deed records and land plot maps	Medium Term	
35 Enforce 100%compulsory online property registration services	Long Term	

Table 4 contd...: List of reforms

5 Getting Credit---National Bank of Ethiopia		
36 Create a unified secured transaction legal framework-approve draft movable properties security rights proclamation	Short Term	On final stage of approval
37 Expand/include MFIs and capital goods financing companies in the credit information system to reach 6% of adult population	Short Term	New directive including MFIs into the credit system, 5% of adult population from 0.4%
38 Introduce & Operationalize collateral registry system (hardware and software)	Medium Term	
39 Include data from retailers or utility companies to credit information	Medium Term	
40 Develop and implement a credit scoring mechanism	Medium Term	
41 Expand credit information system-considering PPP and other modalities	Long Term	
6 Protecting Minority Investors---Federal Attorney General		
42 Develop draft revision of commercial code(Book II) to enhance protection and participation of minority shareholders	Short Term	
43 Develop procedure for evidence rule to allow access to supporting documents/discovery by minority investors	Short Term	
44 Initiate drafting of consolidated alternative arbitration, mediation and conciliation law	Short Term	
45 Approval of the commercial code by council of ministers and parliament	Medium Term	
46 Approve and implement consolidated alternative arbitration, mediation and conciliation law encompassing substantially all aspects of alternative dispute settlement	Medium Term	
47 Position Addis Ababa as Commercial Arbitration Hub in Africa	Long Term	
7 Paying Taxes---Ministry of Revenue		
48 Implement e-filing & payment to 25% of VAT registered businesses	Short Term	E-filing & e-payment system implemented
49 Extend e-tax service to other types of taxes by 25%	Short Term	
50 Reduce VAT refund time by 50%(Current average 48.7 weeks limit in VAT proclamation)	Short Term	Risk-base VAT refund system created
51 Change VAT filing & payment to quarterly for small & medium businesses	Short Term	
52 Provide all information on website	Short Term	
53 Enable payment of tax through banks (cover at least 25% of tax payers)	Short Term	tax payment through banks implemented
54 Increase e-tax coverage to 50% of VAT registered businesses and other types of taxes	Medium Term	
55 Reduce time to obtain VAT refund by at least 90%	Medium Term	
56 Increase coverage of compulsory e-tax to 100% of VAT registered businesses & other types of taxes	Long Term	
57 Implement a robust tax administration IT system(SITES)	Long Term	

Table 4 contd...: List of reforms

8 Trading across borders---Customs Commission

58 Pilot Electronic single window system	Short Term	Single window customer service launched
59 Approve & implement draft regulations/directives on deferred payment & new customs service charges	Short Term	Deferred payment allowing importers to clear containers by providing bank guarantee for settlement of customs duty and taxes within one month
60 Implement simplified customs procedures	Short Term	
61 Implement advance ruling on tariffs	Short Term	Importers can ask for advance ruling on duty and taxes before purchase of good
62 Implement pre-arrival clearance	Short Term	Importers can now submit required documents before the arrival of the shipment at the dry port and to start the clearance process
63 Update customs website-import/export procedures, laws& document requirements	Short Term	Number of documents required for import/export reduced.(Not required transit document and agency agreement for import; certificate of origin and bill of lading for export)
64 Launch 24/7 service on main dry port (Mojo& Kaliti), Customs & Djibouti customs	Short Term	
65 Implement the new web based customs management system	Short Term	Web based internal customs management system launched
66 Implement e-single window & electronic risk management for export	Medium Term	
67 Update risk management process for import (Yellow from 50% to 30%; Green 25% to 50% and Red from 25% to 20%)	Medium Term	Import risk management expanded to cover additional products,(66% spare parts import categorized on green and yellow channel, no physical inspection
68 Reduce number of check points from 3 to 1 on the Ethio-Djibouti transit root (implement cargo tracking)	Medium Term	
69 Implement coordinated inspection & risk management at clearance	Medium Term	Risk based cargo scanning inspection implemented. 54% of imported spare parts and 100% of exported coffee were cleared without cargo scanning
70 Reduce cost of domestic transportation through competitive private sector participation	Medium Term	
71 Reduce physical and documentary inspection for import and export	Medium Term	
72 Implement fully integrated e-single window	Long Term	E-certificate of origin implemented, online service for exporters
73 Update & implement risk management process for import (yellow from 30-20%, green 50-65%, red from 20-15%)	Long Term	
74 Implement risk management system for export to achieve red 10%, yellow 20% and green 70%	Long Term	Export risk management implemented with the effect of reducing clearance delay. Coffee export categorized on yellow channel, allowing clearance with documentary inspection(no physical inspection required)

Table 4 contd...: List of reforms

9 Enforcing contracts---Federal First Instance High and Supreme Court

75 Enact adjournment policy that:		
a) Sets overall time standards for key court events in a civil case	Short Term	Sets time standard for all court events (pre-trial, examination, adjournment, trial, judgement and execution)
b) Regulates the maximum number of adjournment to unforeseen	Short Term	
c) Limits adjournment to unforeseen and exceptional circumstances(alternative to civil procedure code revision	Short Term	
76 Implement specialized and streamlined procedures in commercial benches(assistant judges, special secretaries etc.	Short Term	
77 Increase the number of commercial benches and judges	Short Term	Increased by four-fold (from 1 in 2016/17 to 3 in 2018 and 5 in 2019)
78 Implement electronic case assignment system to reinforce random process	Short Term	
79 Reduce time to settle a commercial case (filling-trial-judgement-enforcement) by at least 25%(current average: 530 vs 230 in Rwanda)	Medium Term	
80 Online publication of commercial case judgments	Medium Term	
81 Develop a robust and comprehensive electronic case management system for judges and lawyers	Medium Term	
82 Enact a comprehensive ADR law covering arbitration, edition & conciliation (AG to lead drafting)	Medium Term	
83 Reduce time to settle a commercial case by at least 50%(current average:530 vs 230 in Rwanda)	Long Term	
84 Expand online publication of commercial case judgments to all levels	Long Term	
85 Fully automate court process- online complaint lodging, electronic fee payment etc.	Long Term	

10 Resolving insolvency---Federal Attorney General, Federal High Court

86 Submit for approval a commercial code draft(Book IV) that enhances bankruptcy procedures(including reorganizing procedures, timeframe for resolving insolvency to 15 years; allow creditors participation, recovery rate)	Short Term	
87 Reduce time for resolving insolvency from 3 years by half through assigning specialized bench	Short Term	
88 Approval of the commercial code by the council of minister and parliament(and implementation of reforms)	Medium Term	
89 Effectively implement the new insolvency law regime by:	Long Term	
Enacting secondary legislation		
Development of insolvency regulator		
Licensing insolvency practitioners		

Source: Ethiopian Investment Commission; Prime Minister Office website.