

A World Bank Group Flagship Report



# Doing Business 2018

## Reforming to Create Jobs

### Economy Profile

### Ethiopia



Comparing Business Regulation  
for Domestic Firms in **190** Economies

## Economy Profile of Ethiopia

Doing Business 2018 Indicators  
(in order of appearance in the document)

<b>Starting a business</b>	Procedures, time, cost and paid-in minimum capital to start a limited liability company
<b>Dealing with construction permits</b>	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
<b>Getting electricity</b>	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
<b>Registering property</b>	Procedures, time and cost to transfer a property and the quality of the land administration system
<b>Getting credit</b>	Movable collateral laws and credit information systems
<b>Protecting minority investors</b>	Minority shareholders' rights in related-party transactions and in corporate governance
<b>Paying taxes</b>	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
<b>Trading across borders</b>	Time and cost to export the product of comparative advantage and import auto parts
<b>Enforcing contracts</b>	Time and cost to resolve a commercial dispute and the quality of judicial processes
<b>Resolving insolvency</b>	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
<b>Labor market regulation</b>	Flexibility in employment regulation and aspects of job quality

## About Doing Business

The Doing Business project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.

Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures features of labor market regulation. Although Doing Business does not present rankings of economies on the labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business, it does present the data for these indicators.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

In addition, Doing Business offers detailed [subnational reports](#), which exhaustively cover business regulation and reform in different cities and regions within a nation. These reports provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 190 economies that Doing Business has ranked.

The first Doing Business report, published in 2003, covered 5 indicator sets and 133 economies. This year's report covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, except for 11 economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) where Doing Business, also collected data for the second largest business city. The data for these 11 economies are a population-weighted average for the 2 largest business cities. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business around the world.

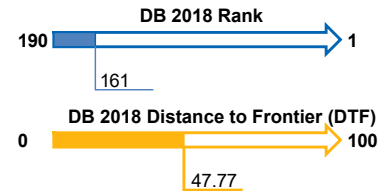
The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190. The ranking of 190 economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals.

More about [Doing Business](#) (PDF, 5MB)

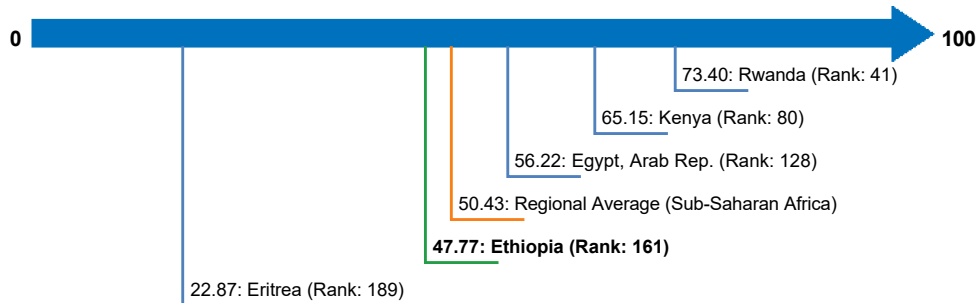
Ease of Doing Business in Ethiopia



Region	Sub-Saharan Africa
Income Category	Low income
Population	102,403,196
GNI Per Capita (US\$)	660
City Covered	Addis Ababa

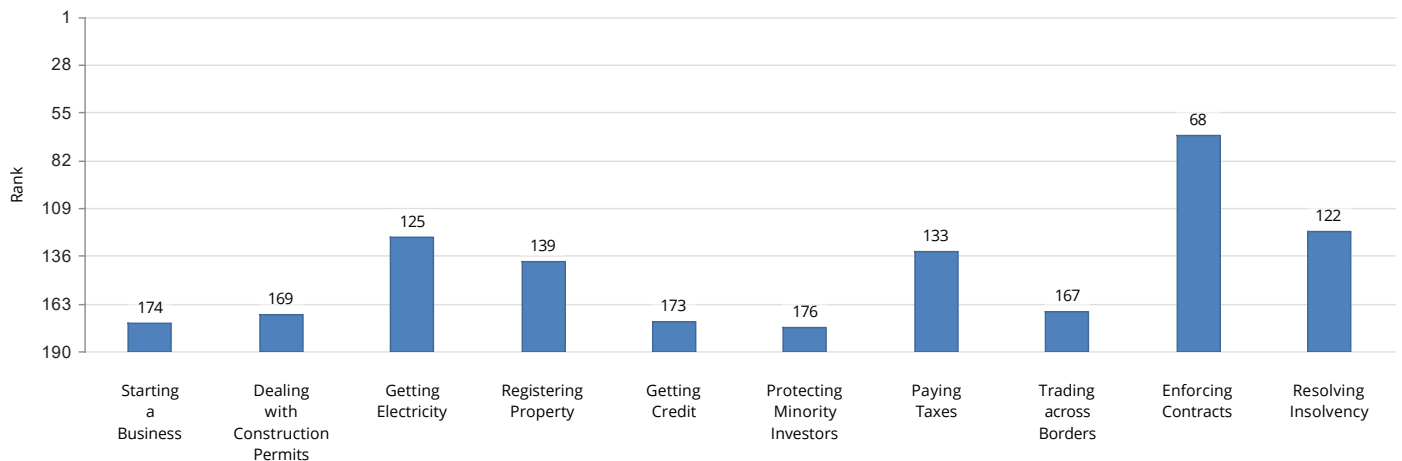


DB 2018 Distance to Frontier (DTF)

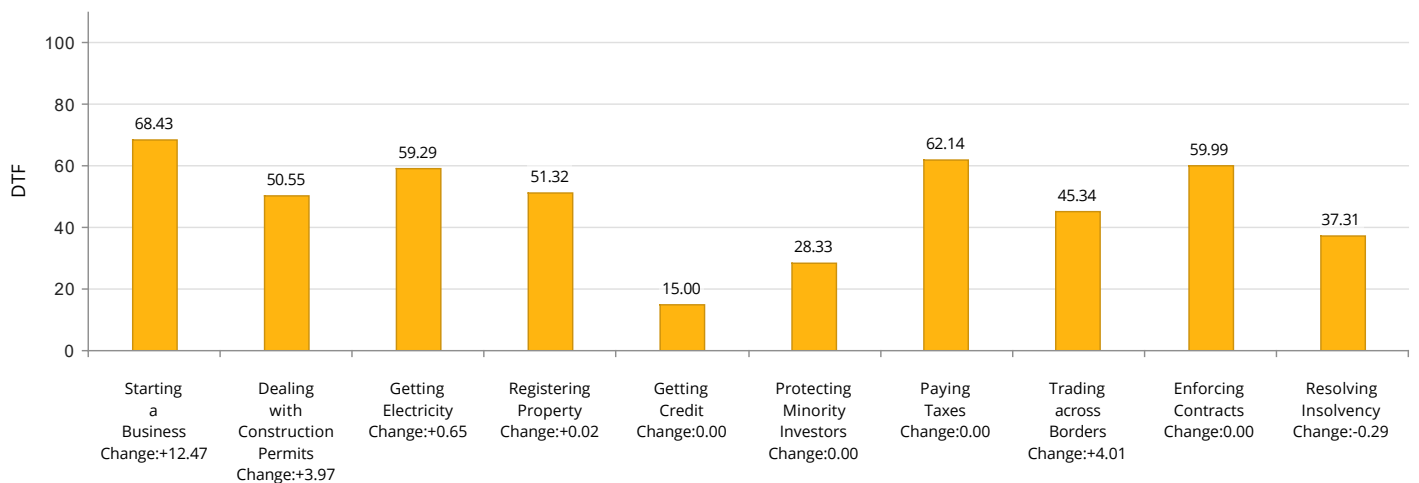


Note: The distance to frontier (DTF) measure shows the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. The ease of doing business ranking ranges from 1 to 190.

Rankings on Doing Business topics - Ethiopia



Distance to Frontier (DTF) on Doing Business topics - Ethiopia



## Starting a Business

This topic measures the paid-in minimum capital requirement, number of procedures, time and cost for a small- to medium-sized limited liability company to start up and formally operate in economy's largest business city.

To make the data comparable across 190 economies, Doing Business uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people one month after the commencement of operations, all of whom are domestic nationals. Starting a Business considers two types of local limited liability companies that are identical in all aspects, except that one company is owned by 5 married women and the other by 5 married men. The distance to frontier score for each indicator is the average of the scores obtained for each of the component indicators.

The latest round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally start and operate a company (number)

- Pre-registration (for example, name verification or reservation, notarization)
- Registration in economy's largest business city
- Post-registration (for example, social security registration, company seal)
- Obtaining approval from spouse to start business or leave home to register company
- Obtaining any gender-specific permission that can impact company registration, company operations and process of getting national identity card

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day)
- Procedures fully completed online are recorded as ½ day
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice

#### Paid-in minimum capital (% of income per capita)

- Funds deposited in a bank or with third party before registration or up to 3 months after incorporation

### Case study assumptions

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes.

#### The business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city and the entire office space is approximately 929 square meters (10,000 square feet). For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five owners, none of whom is a legal entity; and has a start-up capital of 10 times income per capita and has a turnover of at least 100 times income per capita.
- Performs general industrial or commercial activities, such as the production or sale of goods or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It does not use heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate and the amount of the annual lease for the office space is equivalent to 1 times income per capita.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of whom are domestic nationals.
- Has a company deed 10 pages long.

#### The owners:

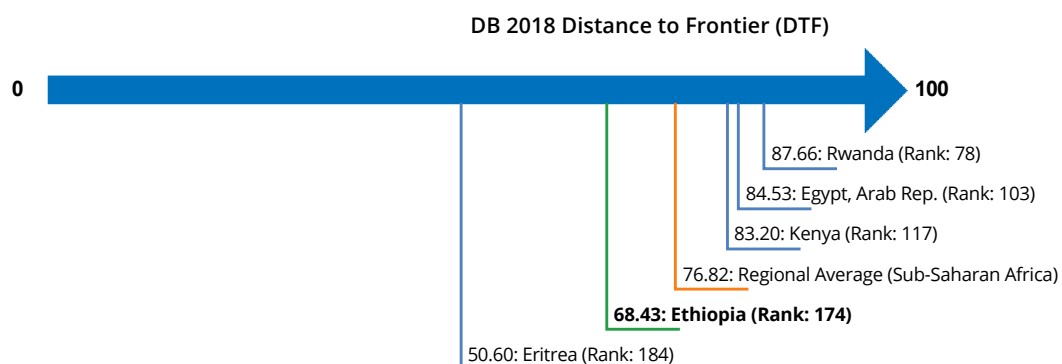
- Have reached the legal age of majority. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married and the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

Standardized Company

Legal form	Private Limited Company (PLC)
Paid-in minimum capital requirement	ETB 0
City Covered	Addis Ababa

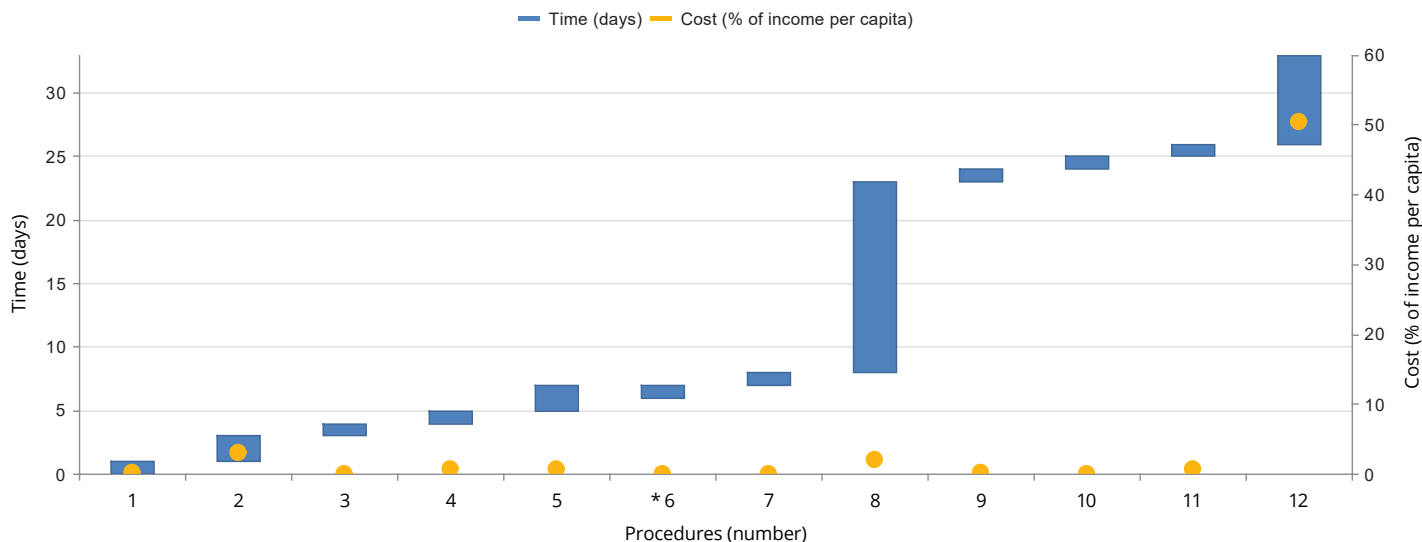
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Procedure – Men (number)	12	7.6	4.9	1.00 (New Zealand)
Time – Men (days)	33	24.0	8.5	0.50 (New Zealand)
Cost – Men (% of income per capita)	57.8	49.9	3.1	0.00 (United Kingdom)
Procedure – Women (number)	12	7.7	4.9	1.00 (New Zealand)
Time – Women (days)	33	24.1	8.5	0.50 (New Zealand)
Cost – Women (% of income per capita)	57.8	49.9	3.1	0.00 (United Kingdom)
Paid-in min. capital (% of income per capita)	0.0	25.6	8.7	0.00 (113 Economies)

Figure – Starting a Business in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Starting a Business in Ethiopia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

## Details – Starting a Business in Ethiopia – Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Reserve a unique company name</b></p> <p>Agency : Ministry of Trade or Trade Bureau at sub-city level</p> <p>The entrepreneur can reserve the unique company name. According to the Commercial Code, the company name shall be as agreed but shall not offend public policy nor the rights of third parties</p> <p>The entrepreneur completes a simple form and submits it to the agent at window No. 1. The service is partially computerized and the search is quick. A Letter of Recommendation (LR) will be given by the agent and must be attached to the Memorandum and Articles of Association for authentication.</p> <p>Once a name is reserved, a confirmation letter is issued by the Ministry/Bureau addressed to the Ethiopian Revenues and Customs Authority. This letter will enable the company to sign the bylaws at the notary and obtain a tax registration certificate.</p>	1 day	ETB 27
2	<p><b>Authentication of the company documents and the lease agreement at the Documents Authentication and Registration Office (DARO)</b></p> <p>Agency : Documents Authentication and Registration Office (DARO)</p> <p>Article 11 (1) (e) of Commercial Registration and Business Licensing Proclamation No. 686/2010, the Memorandum and Articles of Associations must be authenticated. The entrepreneur deposits the documents at DARO and will be given an appointment for the next day. The Documents Authentication and Registration Office verifies the in-kind contribution stated in the Memorandum. The partners appear in person at the appointed date, with an original copy of their letter of appointment (power of attorney) and a valid identity card. The officer checks the validity of the documents, the authenticity of the signatures, and the genuineness of the identity cards. All partners sign the documents before the notary public and pay a stamp duty flat fee of ETB 350, as well as 100 ETB /4 copy and Birr 1 per additional person. Payment is done in the same office where the documents are being registered in the books.</p>	2 days	ETB 451
3	<p><b>Obtain a tax identification number (TIN)</b></p> <p>Agency : Ethiopian Revenue and Customs Authority</p> <p>Before incorporation, the company must obtain a tax identification number by completing and submitting an application form together with its memorandum and articles of association. A taxpayer registration certificate will then be issued to the company for submission at the sub-city along with its application for incorporation.</p>	1 day	no charge
4	<p><b>Register and obtain the Commercial registration certificate</b></p> <p>Agency : Commercial Register</p> <p>The applicant registers the Memorandum and Articles of Association. After reviewing the documents, including the lease agreement, the Commercial register delivers a registration certificate. Payment is done at the same time.</p>	1 day	ETB 102



**5 Make a company seal**

1-3 days

ETB 100

Agency : Seal maker

While the law does not specifically require a company to have a seal, it is required and commonly used in practice. The seal maker is a private service provider thus, the pace of its service delivery depends on its cost, reputation and quality. The seal maker will require the business license and TIN of the company.

**⇒ 6 Register company and employees with the Private Organization Employees' Pension Fund**

1 day, simultaneous no charge

Agency : Private Organizations Employees Social Security Agency (POESSA)

According to Article 4 of the Private Organization Employees Pension Proclamation No. 715/2011 enacted June 2011, any private organization shall, for the purpose of registration, submit to the agency copies of its establishment law, personal data of its employees taken at the time of first employment, letter of employment issued to the employee and other particulars determined by the Agency within 60 days from the date of establishment of the company or employment.

**7 Register with Ethiopian Revenue and Customs Authority for VAT**

1 day

no charge

Agency : Ethiopian Revenue and Customs Authority

A newly established firm must register for VAT if its turnover is at least ETB 500,000 on the basis of VAT Proclamation No. 285/2002, Article 16. Article 16 (1) (b) of the VAT Proclamation and Article 4 (3) of Directive No. 25/2009, A Directive for VAT registration states that persons engaged in the following business activities have the obligation to register; importers, manufacturers of plastics and plastic products, shoe factories, contractors above Grade 10, computers and accessories shops, manufacturers and sellers of leather and leather products, electronic shops and jewelry shops. Once registered, the VAT certificate is obtained.

**8 Publish name in nationwide newspaper**

15 days

ETB 300

Agency : Ethiopian Press Agency

As a prerequisite to registering the name, companies are required to publish the name for 15 days in a national newspaper. If after 15 days no objection is lodged, the company may apply for the name registration certificate.

**9 Reserve a unique trade name**

1 day

ETB 27

Agency : Ministry of Trade or Trade Bureau at sub-city level

After publication in the newspaper, the company can continue to register for the trade name and pay all relevant fees. Article 24 (1) of the 2010 Commercial Registration and Business Licensing Proclamation states that any person desiring to engage in a commercial activity shall register his trade name at the place where he is registering in the commercial register.

Before the registration of a trade name in the commercial register and in the trade name register, it shall be verified that another business person has not got the trade name registered in the trade name register or in the commercial register.

<p><b>10 Obtain a Certificate of Competence</b></p> <p>Agency : Relevant Government Agencies</p> <p>The Certificate of Competence is issued by the relevant government agency which has regulatory power over the particular commercial activity for which a business license is issued. The documents required vary depending on the type of business undertaken. The company must show its Certificate of Competence in order to retrieve its business license.</p>	1 day	no cost
<p><b>11 Obtain a business license</b></p> <p>Agency : Ministry of Trade or Trade Bureau at the sub-city level</p> <p>The applicant presents Principal Registration, proof of the new Tax Identification Number obtained, a certificate of competence in the field of commercial activity in which the applicant is seeking a business license (indicated under Article 24 of the Commercial Registration and Business Licensing Proclamation No. 980/2016), and pays the relevant fees. The Business License is usually issued on the same day these documents are submitted.</p>	1 day	ETB 102
<p><b>12 Install a cash registration machine</b></p> <p>Agency : Ethiopian Revenue and Customs Authority, Point of sales software providers, and Cash register machine hardware providers</p> <p>Pursuant to the Council of Ministers Regulations No. 139/2007 'To Provide for the Obligatory Use of Sales Register Machines', all businesses must purchase and install a sales register machine in order to comply with VAT tax obligations. The machines are available at certified supplier locations around Addis Ababa. Once the machine is brought to the company offices, it must be properly installed and set up so that it is linked to the Tax Administration system.</p>	7 days on average	ETB 5,000-10,000

♀ Applies to women only.

⇒ Takes place simultaneously with previous procedure.

## Dealing with Construction Permits

This topic tracks the procedures, time and cost to build a warehouse—including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. The most recent round of data collection was completed in June 2017. [See the methodology for more information](#)

### What the indicators measure

#### Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications and receiving all necessary inspections
- Obtaining utility connections for water and sewerage
- Registering and selling the warehouse after its completion

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of warehouse value)

- Official costs only, no bribes

#### Building quality control index (0-15)

- Sum of the scores of six component indices:
- Quality of building regulations (0-2)
- Quality control before construction (0-1)
- Quality control during construction (0-3)
- Quality control after construction (0-3)
- Liability and insurance regimes (0-2)
- Professional certifications (0-4)

### Case study assumptions

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

#### The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent) and operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned; has five owners, none of whom is a legal entity. Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

#### The warehouse:

- Will be used for general storage activities, such as storage of books or stationery.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high and will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo, and the warehouse is valued at 50 times income per capita.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year; will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

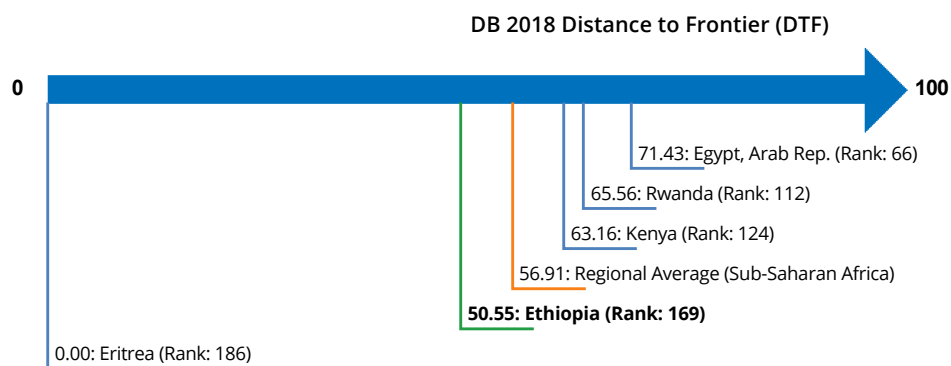
Standardized Warehouse

Estimated value of warehouse ETB 744,257.70

City Covered Addis Ababa

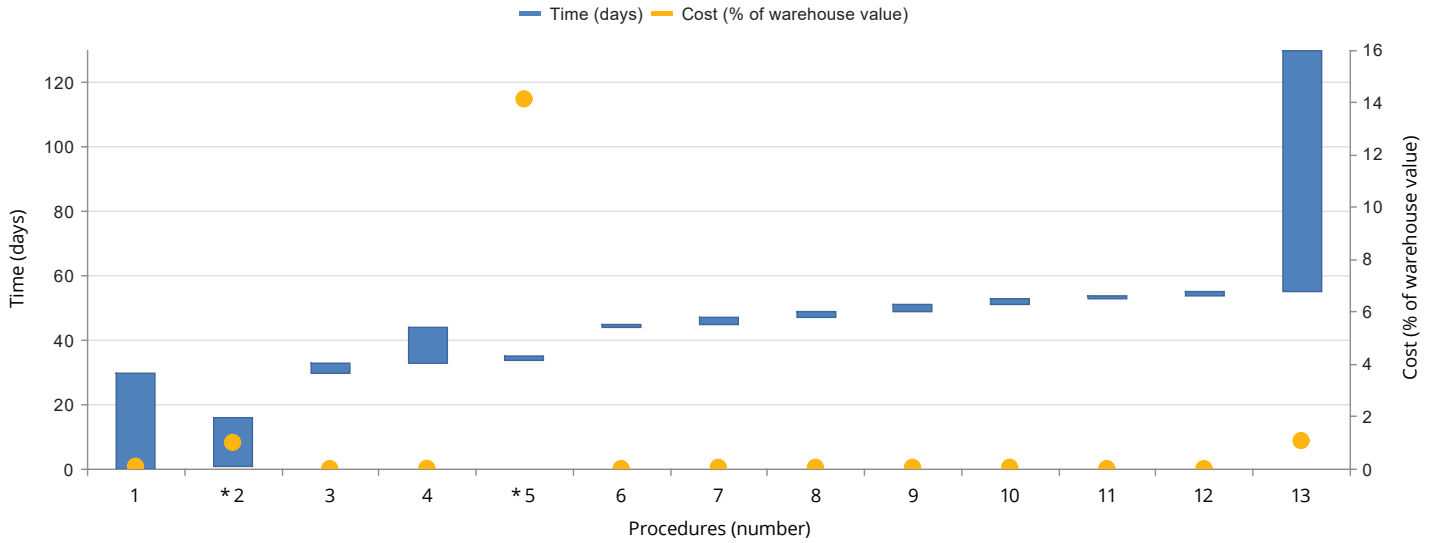
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Procedures (number)	13	14.8	12.5	7.00 (Denmark)
Time (days)	130	147.5	154.6	27.5 (Korea, Rep.)
Cost (% of warehouse value)	16.5	9.9	1.6	0.10 (5 Economies)
Building quality control index (0-15)	7.0	8.0	11.4	15.00 (3 Economies)

Figure – Dealing with Construction Permits in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

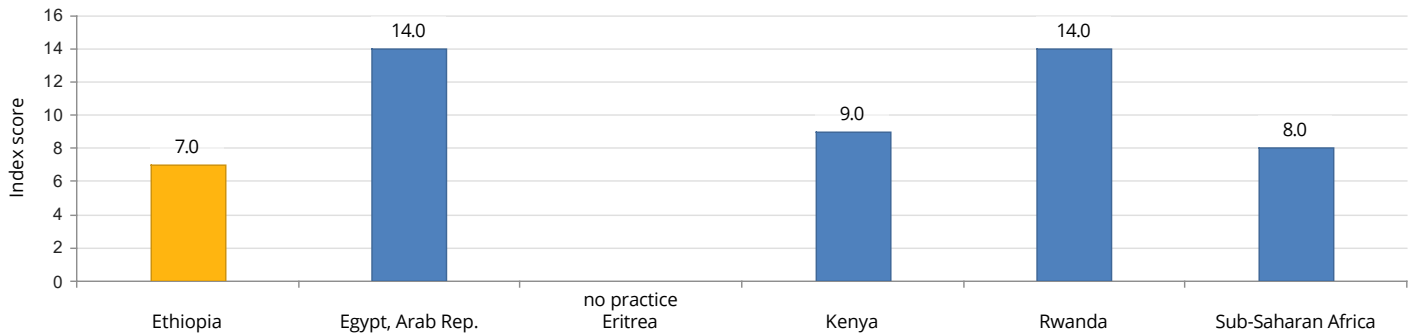
Figure – Dealing with Construction Permits in Ethiopia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Dealing with Construction Permits in Ethiopia and comparator economies – Measure of Quality



## Details – Dealing with Construction Permits in Ethiopia – Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Obtain planning consent</b></p> <p>Agency : Municipality (Subcity Building Design Department)</p> <p>According to Part 2, Section 5, Articles 1 and 2 of Building Proclamation No. 624 of 2009, the applicant must secure a planning consent prior to submitting the application for a construction permit. After having received an application for a planning consent a building officer shall grant a written declaration for compliance or noncompliance with the urban planning of the urban center.</p> <p>In order to apply for a planning consent, according to Part 2, Section 4 of Regulation No. 243 of 2011, the owner of a building shall fill the form prepared by the urban administration by showing the height and the type of service of the building to be constructed and submit his application attached with the original and a copy of the title deed in order to obtain a planning consent.</p> <p>The urban administration shall, in case of a request for planning consent to build a new building, grant:</p> <ul style="list-style-type: none"> <li>• title deed and</li> <li>• plan information describing the height and the permitted type of service.</li> </ul> <p>The building officer will also determine the category of buildings submitted for his approval in accordance with the criteria set within the regulations. For the Doing Business case study, the warehouse would fall under Category B.</p> <p>The building officer shall decide the compliance or non-compliance of the application with the urban center and notify the applicant his decision and the reasons thereto, in writing, within three working days.</p> <p>With respect to the fees, according to Part 4, Section 24, Articles 2 and 4 of Regulation No. 243 of 2011, there is a service fee of ETB 300 for the planning consent. And the plan review fee is 1/2000 of the project estimate if the project estimate is less than ETB 2,500,000.</p>	30 days	ETB 672
⇒ 2	<p><b>Obtain a geotechnical study / soil test</b></p> <p>Agency : Private laboratory</p> <p>A soil test is required prior to starting construction, and is obtained by BuildCo from a private laboratory.</p>	15 days	ETB 7,443
3	<p><b>Obtain consent from neighbors and submit it to the Municipality</b></p> <p>Agency : Municipality (Subcity)</p> <p>Once the consent has been obtained, BuildCo must obtain a written statement from the neighbors, stating that there are no land disputes on the plot where the warehouse will be built. This is set in the law - Part 2, Section 3, Articles 2 and 3 of Regulation No. 243 of 2011,</p>	3 days	no charge

<b>4 Obtain approval of plans and construction permit</b>	11 days	ETB 67
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Agency : Municipality

The following documents must be submitted in order to obtain the construction approval:

- application with full name and address of the applicant,
- permitted service for the building,
- location of construction,
- table showing the total area of the floors,
- planning consent,
- architectural, structural, sanitary, electrical designs and soil test and structural analysis report for buildings of Category "B",
- in addition to the plans required for buildings of Category "B", fire safety plans and descriptions thereof shall be submitted for buildings of Category "C",
- electro-mechanical designs and analysis for buildings using lifts and artificial ventilation (not applicable to the Doing Business case study)
- number of floors of neighboring buildings below and above ground level and their distance from the boundary lines, and
- full name, address, signature and a copy of registration certificate of professionals who prepared plan of the building
- Consent from neighbors

According to Part 2, Section 6, Article 1 of Regulation No. 243 of 2011, the time limit to review and approve the plans is 7 working days if the building is Category B or 21 working days if Category C.

With respect to the fees, according to Part 4, Section 25 of Regulation No. 243 of 2011, the plan approval fee is 10% of the plan review fee.

<b>⇒ 5 Hire an external firm to conduct technical inspections and supervision during construction</b>	1 day	ETB 105,000
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Agency : Private Firm

According to Council of Ministers Building Regulation, Regulation No 243./2011, a private and independent civil engineer must be hired to conduct the technical inspection and supervision of construction. The rate of civil engineer depends on the type of engineer and they receive a monthly pay. For the Doing Business case study, the construction is expected to last 7 months.

<b>6 Notify the Municipality of the commencement of works</b>	1 day	no charge
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Agency : Municipality

According to Article 13 of Building Regulations 243 of 2011, Any person who has an approved plan for category B and C buildings shall notify to the building officer , in writing , the starting date of each stage of work before five working days of such starting date. The warehouse in the Doing Business case study is considered a category B.

<b>7</b>	<b>Request and receive inspection upon completion of foundation</b> Agency : Municipality  According to Part 2, Section 13 of Regulation No. 243 of 2011, any person who has an approved plan for category "B" and "C" buildings shall notify to the building officer, in writing, the starting date of each stage of work before five working days of such starting date.  The stages of work for which an advance notice is required in case of new construction shall be in the following order:  a) on completion of surveying work for the foundation; b) before starting concrete cast for grade beam; c) before starting floor concrete works at all levels; d) before starting final concrete works; e) during testing of completed sanitary, electrical and electro mechanical installations; f) other stages of work required by the building officer based on the type and method of construction.  Normally the Municipality will come to inspect during the first 4 phases noted above. The inspectors are usually very prompt, and if the builder times it well, there is no delay caused by inspections. The construction manager keeps a site book, and the inspector signs in the site book at every inspection.  With respect to the fees, according to Part 4, Section 26, Article 2 of Regulation No. 243 of 2011, the inspection fees per inspection is ETB 400	2 days	ETB 400
<b>8</b>	<b>Request and receive inspection before starting concrete cast for grade beam</b> Agency : Municipality	2 days	ETB 400
<b>9</b>	<b>Request and receive inspection before starting floor concrete works</b> Agency : Municipality	2 days	ETB 400
<b>10</b>	<b>Request and receive inspection before starting final concrete works</b> Agency : Municipality	2 days	ETB 400
<b>11</b>	<b>Request water and sewage connection from WSSA</b> Agency : Addis Ababa Water Supply and Sewage Authority (WSSA)  The request for a water and sewerage connection from Addis Ababa Water Supply and Sewerage Authority must be done in person. A copy of title deed of property must be attached to the application form. Usually, Addis Ababa WASA conducts a site visit to inspect the location of the property and to decide on the specifics of the connection.	1 day	no charge
<b>12</b>	<b>Receive inspection for water and sewage</b> Agency : Addis Ababa Water Supply and Sewage Authority	1 day	no charge
<b>13</b>	<b>Obtain water and sewage connection from WSSA</b> Agency : Addis Ababa Water Supply and Sewage Authority (WSSA)	75 days	ETB 8,000



⇒ Takes place simultaneously with previous procedure.

## Details – Dealing with Construction Permits in Ethiopia – Measure of Quality

	Answer	Score
<b>Building quality control index (0-15)</b>		<b>7.0</b>
<b>Quality of building regulations index (0-2)</b>		<b>2.0</b>
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
<b>Quality control before construction index (0-1)</b>		<b>1.0</b>
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1.0
<b>Quality control during construction index (0-3)</b>		<b>2.0</b>
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections by external engineer or firm; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
<b>Quality control after construction index (0-3)</b>		<b>0.0</b>
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Final inspection is not required by law.	0.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection does not always occur in practice.	0.0
<b>Liability and insurance regimes index (0-2)</b>		<b>0.0</b>
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	No party is held liable under the law.	0.0

Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0
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**Professional certifications index (0-4)****2.0**

What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; University degree in architecture or engineering.	1.0
---	--	-----

What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Minimum number of years of experience; University degree in engineering, construction or construction management.	1.0
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## ⚡ Getting Electricity

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Value added tax excluded

#### The reliability of supply and transparency of tariffs index (0-8)

- Duration and frequency of power outages (0-3)
- Tools to monitor power outages (0-1)
- Tools to restore power supply (0-1)
- Regulatory monitoring of utilities' performance (0-1)
- Financial deterrents limiting outages (0-1)
- Transparency and accessibility of tariffs (0-1)

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

\*Note: Doing Business measures the price of electricity, but it is not included in the distance to frontier score nor the ranking on the ease of getting electricity.

### Case study assumptions

To make the data comparable across economies, several assumptions are used.

#### The warehouse:

- Is owned by a local entrepreneur and is used for storage of goods.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located and is in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).

#### The electricity connection:

- Is a permanent one with a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located and requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

#### The monthly consumption:

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons) and the monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

Standardized Connection

Price of electricity (US cents per kWh)

4.1

Name of utility

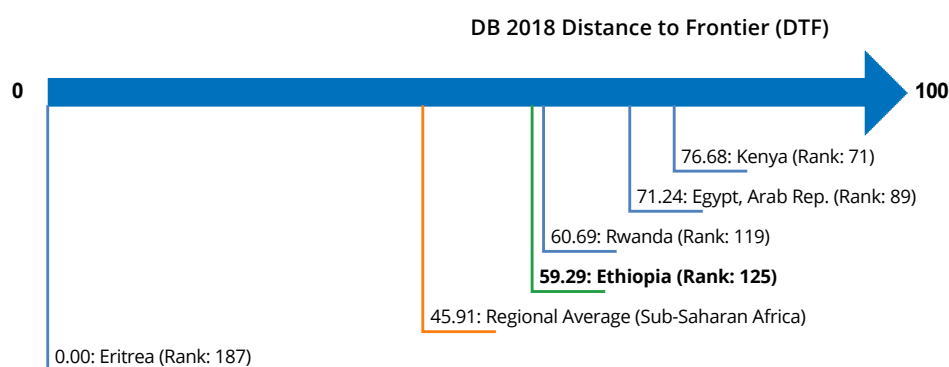
Ethiopian Electric Utility

City Covered

Addis Ababa

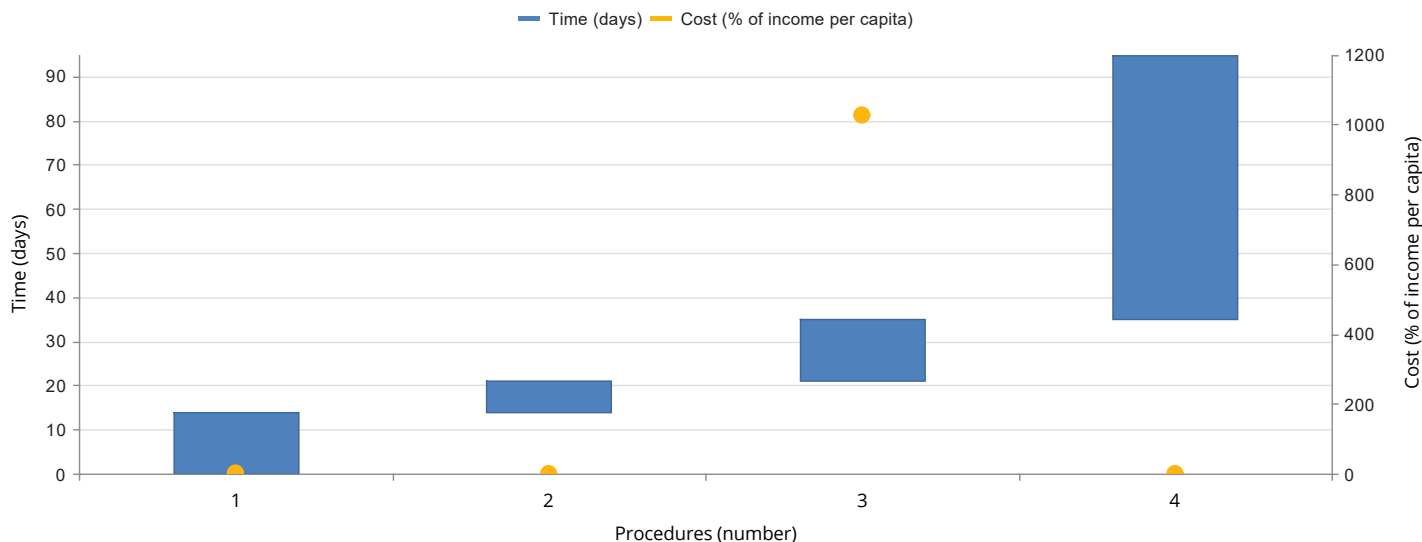
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Procedures (number)	4	5.3	4.7	2 (United Arab Emirates)
Time (days)	95	115.3	79.1	10 (United Arab Emirates)
Cost (% of income per capita)	1027.9	3737.0	63.0	0.00 (Japan)
Reliability of supply and transparency of tariff index (0-8)	0	0.9	7.4	8.00 (28 Economies)

Figure – Getting Electricity in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators.

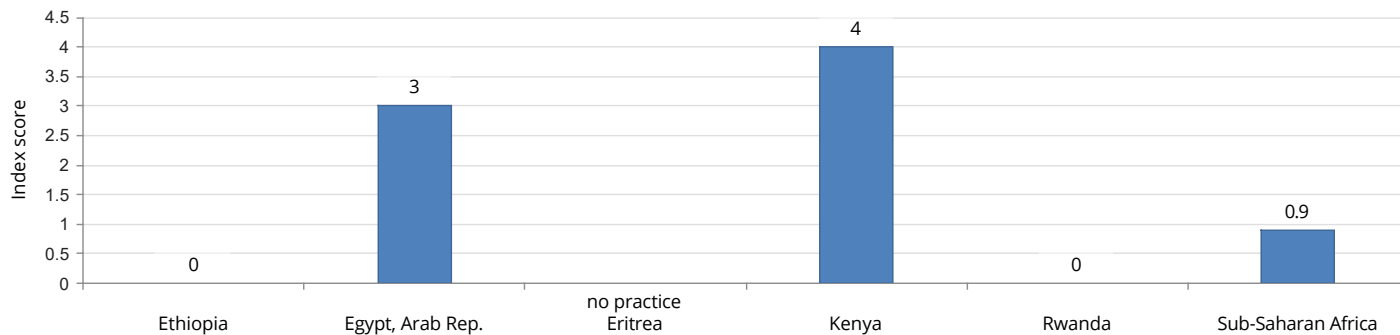
Figure – Getting Electricity in Ethiopia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Getting Electricity in Ethiopia and comparator economies – Measure of Quality



## Details – Getting Electricity in Ethiopia – Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Submit application to utility and await site visit</b></p> <p>Agency : Ethiopian Electric Utility</p> <p>The customer should bring the application paper by specifying the required power in kilo watt to the nearby EEPCO district office. If the customer requirement is greater than 15 KW power, the electrical drawing diagram, done by the professional who has electrical design license should be attached. The customer should pay for labour and transport cost of the estimator. The application must be accompanied by: the location map of the warehouse; the electrical plans, copy of business license, lease document (if applicable), certificate of conformity (obtained after the final inspection) and site plan. The professional electrician has to be licensed with EEPCO and Ministry of Urban Development (for electrical design)</p>	14 calendar days	ETB 225
2	<p><b>Receive site visit from utility engineer and await estimate</b></p> <p>Agency : Ethiopian Electric Utility</p> <p>The technician from EEPCO will visit the site plan to check for the required materials and check the electricity plan with the layout of the building and notes the nearest connection point.</p>	7 calendar days	ETB 0
3	<p><b>Receive and pay estimate and receive internal wiring inspection</b></p> <p>Agency : Ethiopian Electric Utility</p> <p>The connection cost is estimated on the power required. EEPCO provides all material and is responsible for the labor from the electrical grid to the meter. It is most likely that a distribution transformer would be required. Deposit for the meter is: 10% of the cost of power This deposit is reimbursed when the connection is terminated. The technician will visit the site plan to check for the required materials and at the same time, will do the internal inspection.</p>	14 calendar days	ETB 152,781.24
4	<p><b>Receive external connection, meter installation and electricity flow</b></p> <p>Agency : Ethiopian Electric Utility</p> <p>The connection cost requested by EEPCO will include all costs including meter installation.</p>	60 calendar days	ETB 0

⇒ Takes place simultaneously with previous procedure.

## Details – Getting Electricity in Ethiopia – Measure of Quality

	Answer
<b>Reliability of supply and transparency of tariff index (0-8)</b>	0
<b>Total duration and frequency of outages per customer a year (0-3)</b>	0
System average interruption duration index (SAIDI)	..
System average interruption frequency index (SAIFI)	..
What is the minimum outage time (in minutes) that the utility considers for the calculation of SAIDI/SAIFI	N/A
<b>Mechanisms for monitoring outages (0-1)</b>	0
Does the distribution utility use automated tools to monitor outages?	No
<b>Mechanisms for restoring service (0-1)</b>	0
Does the distribution utility use automated tools to restore service?	No
<b>Regulatory monitoring (0-1)</b>	0
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	No
<b>Financial deterrents aimed at limiting outages (0-1)</b>	0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No
<b>Communication of tariffs and tariff changes (0-1)</b>	0
Are effective tariffs available online?	No
Link to the website, if available online	NA
Are customers notified of a change in tariff ahead of the billing cycle?	Yes

**Note:**

If the duration and frequency of outages is 100 or less, the economy is eligible to score on the Reliability of supply and transparency of tariff index.

If the duration and frequency of outages is not available, or is over 100, the economy is not eligible to score on the index.

If the minimum outage time considered for SAIDI/SAIFI is over 5 minutes, the economy is not eligible to score on the index.



## Registering Property

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Procedures to legally transfer title on immovable property (number)

- Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration procedures in the economy's largest business city.
- Postregistration procedures (for example, filling title with municipality)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day - though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of property value)

- Official costs only (such as administrative fees, duties and taxes).
- Value Added Tax, Capital Gains Tax and illicit payments are excluded

#### Quality of land administration index (0-30)

- Reliability of infrastructure index (0-8)
- Transparency of information index (0-6)
- Geographic coverage index (0-8)
- Land dispute resolution index (0-8)
- Equal access to property rights index (-2-0)

### Case study assumptions

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

#### The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

#### The property (fully owned by the seller):

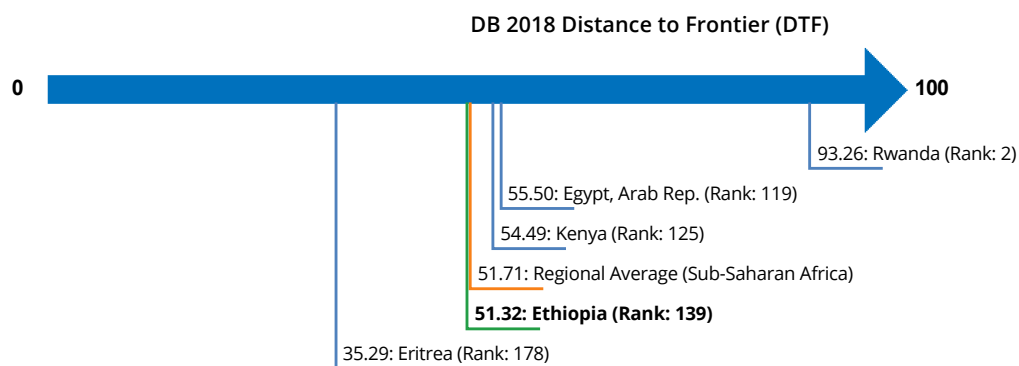
- Has a value of 50 times income per capita, which equals the sale price.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition, has no heating system and complies with all safety standards, building codes and legal requirements. The property, consisting of land and building, will be transferred in its entirety.
- Will not be subject to renovations or additional construction following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Standard Property Transfer

Property value	ETB 744,257.70
City Covered	Addis Ababa

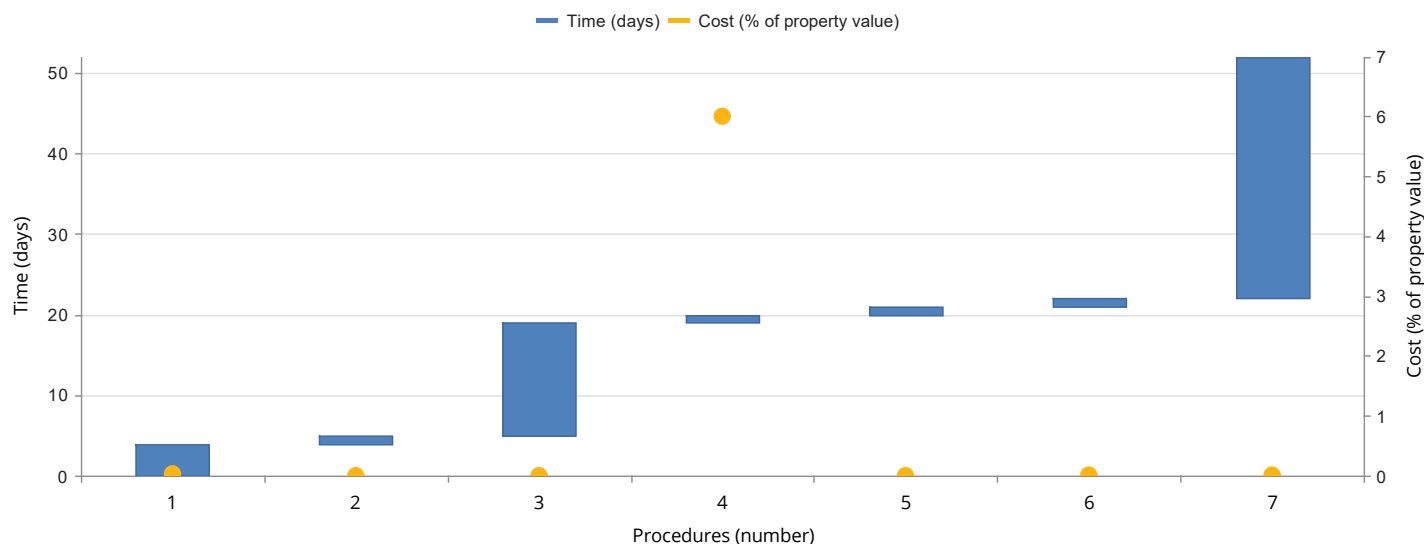
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Procedures (number)	7	6.2	4.6	1.00 (4 Economies)
Time (days)	52	59.3	22.3	1.00 (3 Economies)
Cost (% of property value)	6.0	7.8	4.2	0.00 (5 Economies)
Quality of the land administration index (0-30)	6.0	8.6	22.7	29.00 (Singapore)

Figure – Registering Property in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators.

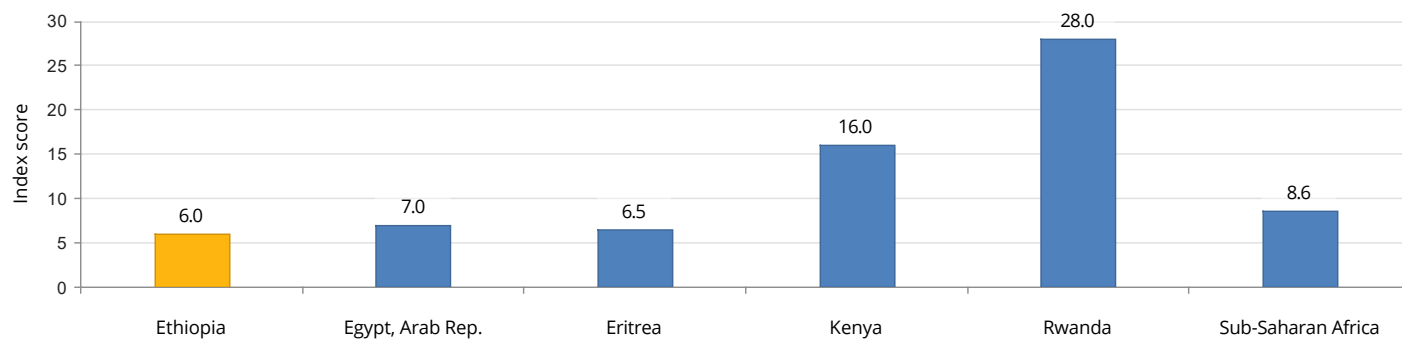
Figure – Registering Property in Ethiopia – Procedure, Time and Cost



\* This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the Doing Business website (<http://www.doingbusiness.org/methodology>). For details on the procedures reflected here, see the summary below.

Figure – Registering Property in Ethiopia and comparator economies – Measure of Quality



## Details – Registering Property in Ethiopia – Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Verify the owner of the property and obtain the Carta and plan at the sub-city office</b></p> <p>Agency : Sub-City Office</p> <p>Since 2005 the Land Registry has been decentralized into 10 sub-cities. Due diligence is conducted at the sub-city where the warehouse is located. This search will provide information on the owner of the building, construction date of the building, the basic area of the property, and whether the property is affected by encumbrances. At the same time, the carta and plan of the warehouse will be provided; the buyer needs to submit the sale agreement to obtain them. At the time of due diligence, the lawyer of the buying company will also check that the other company is properly registered.</p>	4 days	200 ETB
2	<p><b>Evaluation of the sale price by the sub-city</b></p> <p>Agency : Sub-City Office</p> <p>The parties will bring the sale and purchase agreement to the sub-city. The sub-city official will check that the price included in the sale agreement corresponds to the Master list price. If the price in the sale agreement is greater than the Master list price, the greater price will be accepted. If not, then the Master price will be applicable.</p> <p>Each sub-city has a fee schedule depending on the location of the building. In the event that the price in the sale agreement is not the same as the one indicated by the sub-city, the stamp duty will be paid based on the amount indicated by the sub-city and not on the amount written in the sale agreement.</p>	1 day	no cost
3	<p><b>The seller must obtain tax clearance from Tax Authorities</b></p> <p>Agency : Tax Authority</p> <p>The seller must obtain tax clearance on the property (from Tax Authorities for property transfer tax. This institution has also been decentralized.</p>	14 days	no cost
4	<p><b>Payment of Stamp duty at the Land Administration Office</b></p> <p>Agency : Land Administration Office</p> <p>Stamp duty is set by Proclamation 110/1998. Upon payment, the buyer will be given a receipt that he must bring back to the office of Documents Authentication and Registration.</p> <p>In the case where the property is not registered in the property master list of the municipal land administration, a land survey is required.</p>	1 day	2% of the property value for the Stamp duty and 4% of the property value for the ownership title transfer tax
5	<p><b>Payment of capital gains tax at Inland Revenue Service</b></p> <p>Agency : Inland Revenue Service</p> <p>The seller pays the capital gain tax at the Customs and Inland Revenue Authority. The tax amount is calculated based on a set scale.</p>	1 day	not counted

<b>6 Execution of the sale contract at the office of Documents Authentication and Registration</b>	1 day	10 ETB for the service charge + 51 ETB for the power of attorney
Agency : Office of Documents Authentication and Registration		
The parties go to the office of Documents Authentication and Registration where they sign the sale and purchase agreement in front of the officials. They must provide the following documents		
<ul style="list-style-type: none"> <li>• The seller gives the Title deed of the building</li> <li>• A copy of the ID of both managers</li> <li>• The power of attorney of each manager to ensure that they do have the power to sell/buy this warehouse at the specified amount.</li> <li>• A copy of the Business License for each PLC.</li> </ul>		

<b>7 Apply for registration of property and obtain title deed in the buyer's name</b>	30 days	ETB 100
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Agency : Land Administration Office

The buyer company brings the authenticated sale contract to the Land Administration Office for the final transfer.

The buyer submits the authenticated agreement, the former title deed & ID card/Passport copy with the application for the title deed registration to the office of documents authentication and registration to avoid forgery.

The buyer also needs to place an ad in the newspaper declaring the purchase and asking anyone who objects to come forward. The notice period for the ad is 15 days. After the notice period, the buyer applies for the transfer of deed.

⇒ Takes place simultaneously with previous procedure.

## Details – Registering Property in Ethiopia – Measure of Quality

	Answer	Score
<b>Quality of the land administration index (0-30)</b>		<b>6.0</b>
<b>Reliability of infrastructure index (0-8)</b>		<b>0.0</b>
What is the institution in charge of immovable property registration?	Addis Ababa City Administration	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Paper	0.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	No	0.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Cadastre department at the Addis-Ababa Sub city Administration	
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Paper	0.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	No	0.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Separate databases	0.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	No	0.0
<b>Transparency of information index (0-6)</b>		<b>0.0</b>
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Only intermediaries and interested parties	0.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, in person	0.0
Link for online access:		
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, in person	0.0
Link for online access:		
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	No	0.0

Link for online access:

Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0
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Contact information:

Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0
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Number of property transfers in the largest business city in 2016:

Who is able to consult maps of land plots in the largest business city?	Only intermediaries and interested parties	0.0
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Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, in person	0.0
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Link for online access:

Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
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Link for online access:

Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0
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Contact information:

<b>Geographic coverage index (0–8)</b>		<b>0.0</b>
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Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0
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Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0
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Are all privately held land plots in the economy mapped?	No	0.0
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Are all privately held land plots in the largest business city mapped?	No	0.0
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<b>Land dispute resolution index (0–8)</b>		<b>6.0</b>
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Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
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Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5
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Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	No	0.0
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Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar; Notary; Lawyer.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Notary; Lawyer.	
Is there a national database to verify the accuracy of identity documents?	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Sub-City First Instance Court of Addis Ababa, City Government	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Less than a year	3.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0
Number of land disputes in the largest business city in 2016:		
<b>Equal access to property rights index (-2-0)</b>		<b>0.0</b>
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0



## Getting Credit

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Strength of legal rights index (0-12)

- Rights of borrowers and lenders through collateral laws (0-10)
- Protection of secured creditors' rights through bankruptcy laws (0-2)

#### Depth of credit information index (0-8)

- Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)

#### Credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest credit bureau as a percentage of adult population

#### Credit registry coverage (% of adults)

- Number of individuals and firms listed in credit registry as a percentage of adult population

### Case study assumptions

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. For each economy it is first determined whether a unitary secured transactions system exists. Then two case scenarios, case A and case B, are used to determine how a nonpossessory security interest is created, publicized and enforced according to the law. Special emphasis is given to how the collateral registry operates (if registration of security interests is possible). The case scenarios involve a secured borrower, company ABC, and a secured lender, BizBank.

In some economies the legal framework for secured transactions will allow only case A or case B (not both) to apply. Both cases examine the same set of legal provisions relating to the use of movable collateral.

#### Several assumptions about the secured borrower (ABC) and lender (BizBank) are used:

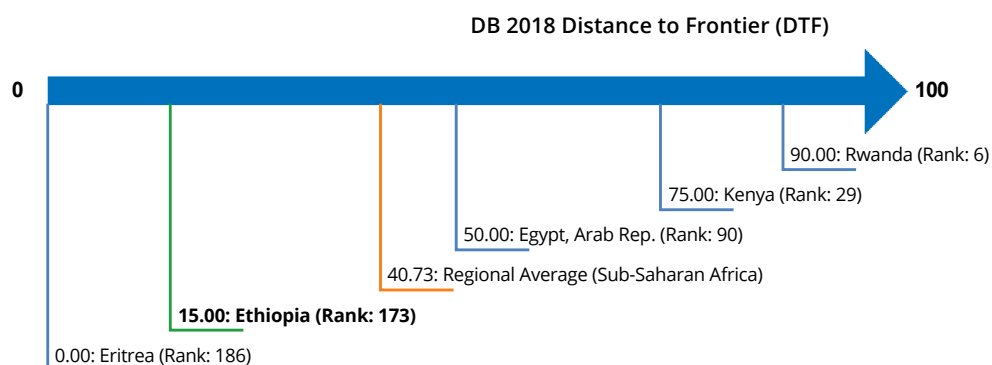
- ABC is a domestic limited liability company (or its legal equivalent).
- ABC has up to 50 employees.
- ABC has its headquarters and only base of operations in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Both ABC and BizBank are 100% domestically owned.

The case scenarios also involve assumptions. In case A, as collateral for the loan, ABC grants BizBank a nonpossessory security interest in one category of movable assets, for example, its machinery or its inventory. ABC wants to keep both possession and ownership of the collateral. In economies where the law does not allow nonpossessory security interests in movable property, ABC and BizBank use a fiduciary transfer-of-title arrangement (or a similar substitute for nonpossessory security interests).

In case B, ABC grants BizBank a business charge, enterprise charge, floating charge or any charge that gives BizBank a security interest over ABC's combined movable assets (or as much of ABC's movable assets as possible). ABC keeps ownership and possession of the assets.

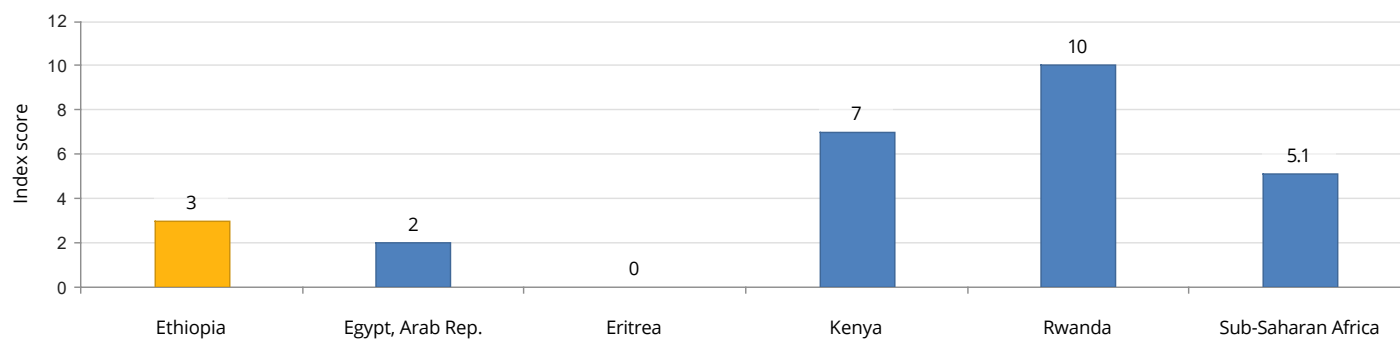
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Strength of legal rights index (0-12)	3	5.1	6.0	12.00 (4 Economies)
Depth of credit information index (0-8)	0	3.0	6.6	8.00 (34 Economies)
Credit registry coverage (% of adults)	0.3	6.3	18.3	100.00 (3 Economies)
Credit bureau coverage (% of adults)	0.0	8.2	63.7	100.00 (23 Economies)

Figure – Getting Credit in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the sum of the strength of legal rights index and the depth of credit information index.

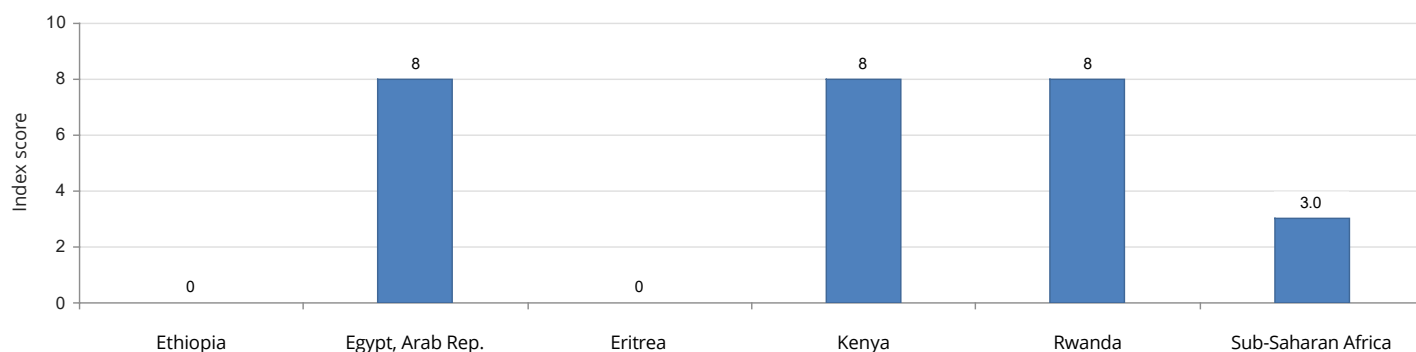
Figure – Legal Rights in Ethiopia and comparator economies



Details – Legal Rights in Ethiopia

Strength of legal rights index (0-12)	3
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	No
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and does it extend automatically to the products, proceeds and replacements of the original assets?	No
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	No
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	No
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	No
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	No
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and sets a time limit for it?	No
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction or private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	Yes

Figure – Credit Information in Ethiopia and comparator economies



## Details – Credit Information in Ethiopia

Depth of credit information index (0-8)	Credit bureau	Credit registry	Score
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative credit data distributed?	No	No	0
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	No	No	0
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	No	No	0
Are data on loan amounts below 1% of income per capita distributed?	No	No	0
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	No	No	0
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0
<b>Score ("yes" to either public bureau or private registry)</b>			<b>0</b>

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	0	158,194
Number of firms	0	12,786
Total	0	170,980
<b>Percentage of adult population</b>	<b>0.0</b>	<b>0.3</b>

## ↗ Protecting Minority Investors

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

- **Extent of disclosure index (0–10):** Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions
- **Extent of director liability index (0–10):** Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)
- **Ease of shareholder suits index (0–10):** Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses
- **Extent of conflict of interest regulation index (0–10):** Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices
- **Extent of shareholder rights index (0–10):** Shareholders' rights and role in major corporate decisions
- **Extent of ownership and control index (0–10):** Governance safeguards protecting shareholders from undue board control and entrenchment
- **Extent of corporate transparency index (0–10):** Corporate transparency on ownership stakes, compensation, audits and financial prospects
- **Extent of shareholder governance index (0–10):** Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices
- **Strength of minority investor protection index (0–10):** Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

### Case study assumptions

To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

#### The business (Buyer):

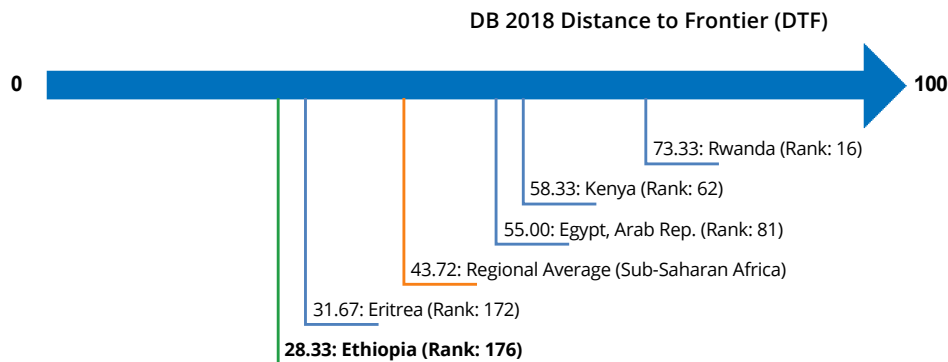
- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.
- Is a manufacturing company with its own distribution network.

#### The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

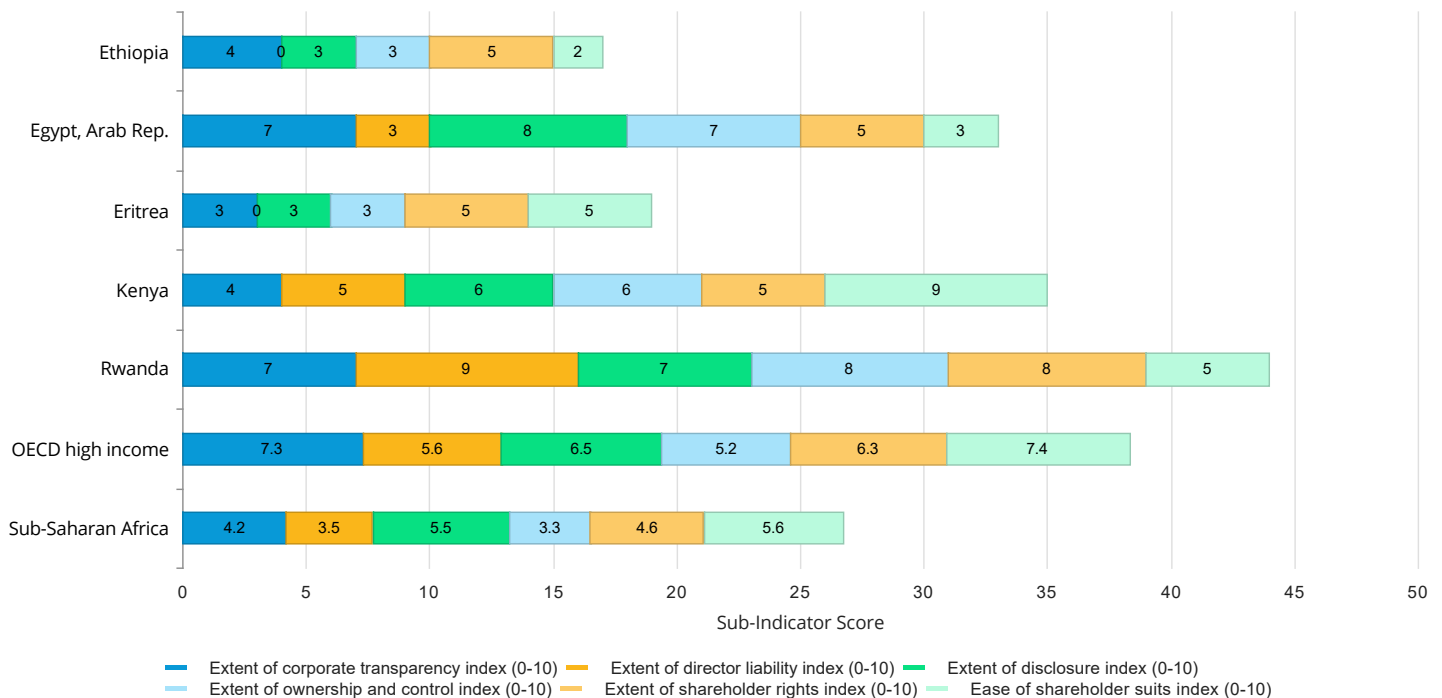
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Extent of conflict of interest regulation index (0-10)	1.7	4.8	6.4	9.3 (New Zealand)
Extent of shareholder governance index (0-10)	4	4.0	6.4	9.00 (Kazakhstan)

Figure – Protecting Minority Investors in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index.

Figure – Protecting Minority Investors in Ethiopia and comparator economies – Measure of Quality



## Details – Protecting Minority Investors in Ethiopia – Measure of Quality

	Answer	Score
<b>Extent of conflict of interest regulation index (0-10)</b>		<b>1.7</b>
<b>Extent of disclosure index (0-10)</b>		<b>3</b>
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	Board of directors excluding interested members	2.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Existence of a conflict without any specifics	1.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	No disclosure obligation	0.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	No disclosure obligation	0.0
<b>Extent of director liability index (0-10)</b>		<b>0</b>
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	No	0.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Not liable	0.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Not liable	0.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	No	0.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	No	0.0
Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Only in case of fraud or bad faith	0.0
<b>Ease of shareholder suits index (0-10)</b>		<b>2</b>
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	No	0.0

Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Documents that the defendant relied on	1.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	No	0.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	At the discretion of the court	0.0
<b>Extent of shareholder governance index (0-10)</b>		<b>4</b>
<b>Extent of shareholder rights index (0-10)</b>		<b>5</b>
Does the sale of 51% of Buyer's assets require shareholder approval?	No	0.0
Can shareholders representing 10% of Buyer's share capital call for a meeting of shareholders?	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for a meeting of members?	No	0.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	No	0.0
Assuming that Buyer is a limited company, must a member first offer to sell their interest to the existing members before they can sell to non-members?	No	0.0
<b>Extent of ownership and control index (0-10)</b>		<b>3</b>
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	Yes	1.0
Must the board of directors include independent and nonexecutive board members?	No	0.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	No	0.0



Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Must Buyer pay declared dividends within a maximum period set by law?	No	0.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer have a mechanism to resolve disagreements among members?	No	0.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law?	No	0.0
<b>Extent of corporate transparency index (0-10)</b>		<b>4</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	No	0.0
Must Buyer disclose information about board members' primary employment and directorships in other companies?	Yes	1.0
Must Buyer disclose the compensation of individual managers?	No	0.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the general meeting agenda?	No	0.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0
Must Buyer disclose its audit reports to the public?	No	0.0
Assuming that Buyer is a limited company, must members meet at least once a year?	Yes	1.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	No	0.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0

## Paying Taxes

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as measures the administrative burden in paying taxes and contributions. The most recent round of data collection for the project was completed on June 30, 2017 covering for the Paying Taxes indicator calendar year 2016 (January 1, 2016 – December 31, 2016).

Last year (Doing Business 2017) the scope of data collection was expanded to better understand the overall tax environment in an economy. The questionnaire was expanded to include new questions on post-filing processes: VAT refund and tax audit. The data shows where postfiling processes and practices work efficiently and what drives the differences in the overall tax compliance cost across economies.

The new section covers both the legal framework and the administrative burden on businesses to comply with postfiling processes.

[See the methodology for more information.](#)

### What the indicators measure

#### Tax payments for a manufacturing company in 2016 (number per year adjusted for electronic and joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

- Collecting information, computing tax payable
- Completing tax return, filing with agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

#### Total tax and contribution rate (% of profit before all taxes)

- Profit or corporate income tax
- Social contributions, labor taxes paid by employer
- Property and property transfer taxes
- Dividend, capital gains, financial transactions taxes
- Waste collection, vehicle, road and other taxes

#### Postfiling Index

- Time to comply with a VAT refund
- Time to receive a VAT refund
- Time to comply with a corporate income tax audit
- Time to complete a corporate income tax audit

### Case study assumptions

Using a case scenario, Doing Business records taxes and mandatory contributions a medium size company must pay in a year, and measures the administrative burden of paying taxes, contributions and dealing with postfiling processes. Information is also compiled on frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting.

To make data comparable across economies, several assumptions are used:

- TaxpayerCo is a medium-size business that started operations on January 1, 2015. It produces ceramic flowerpots and sells them at retail. All taxes and contributions recorded are paid in the second year of operation (calendar year 2016). Taxes and mandatory contributions are measured at all levels of government.

#### The VAT refund process:

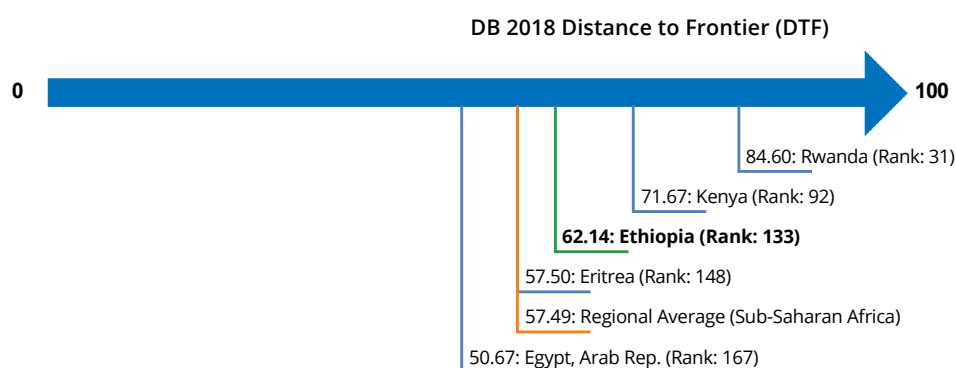
- In June 2016, TaxpayerCo. makes a large capital purchase: the value of the machine is 65 times income per capita of the economy. Sales are equally spread per month (1,050 times income per capita divided by 12) and cost of goods sold are equally expensed per month (875 times income per capita divided by 12). The machinery seller is registered for VAT and excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT rate is the same for inputs, sales and the machine and the tax reporting period is every month. Input VAT will exceed Output VAT in June 2016.

#### The corporate income tax audit process:

- An error in calculation of income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and a corporate income tax underpayment. TaxpayerCo. discovered the error and voluntarily notified the tax authority. The value of the underpaid income tax liability is 5% of the corporate income tax liability due. TaxpayerCo. submits corrected information after the deadline for submitting the annual tax return, but within the tax assessment period.

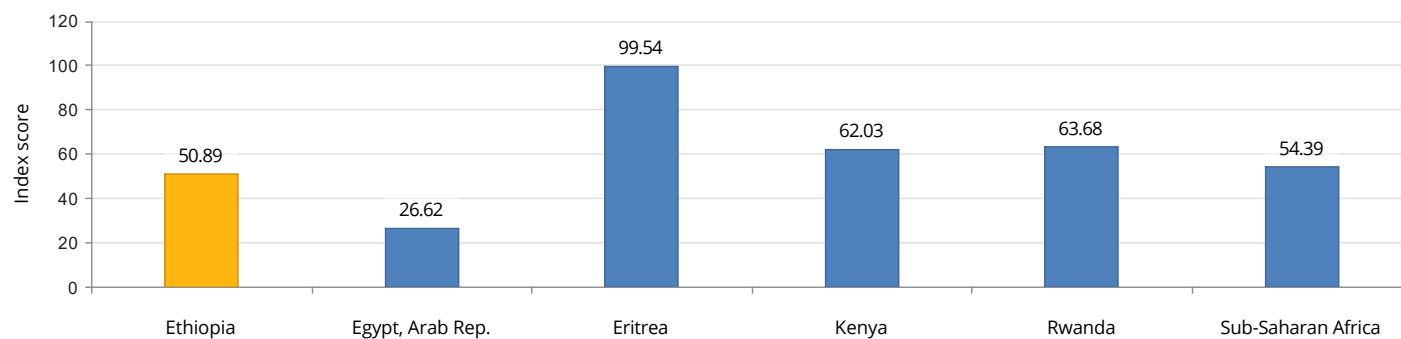
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Payments (number per year)	30	37.2	10.9	3 (Hong Kong SAR, China)
Time (hours per year)	306	280.8	160.7	50 (Estonia)
Total tax and contribution rate (% of profit)	38.6	46.8	40.1	18.47 (32 Economies)
Postfiling index (0-100)	50.89	54.39	83.45	99.38 (Estonia)

Figure – Paying Taxes in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate. The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including Doing Business 2015, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

Figure – Paying Taxes in Ethiopia and comparator economies – Measure of Quality



## Details – Paying Taxes in Ethiopia

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTR
Corporate income tax	1.0		120.0	30%	taxable profit	24.60	
Contribution for Pension of Private organization employees	12.0		114.0	11%	gross salaries	12.41	
Capital gains tax	1.0			15%	capital gains	0.76	
Property tax	1.0			2 Birr	square meter	0.38	
Tax on interest	0.0			5%	interest income	0.31	
License renewal fees	1.0			492 Birr	fixed fee	0.10	
Value added tax (VAT)	12.0		72.0	15%	value added	0.00	not included
Stamp duty on contracts	1.0			5 Birr	fixed fee	0.00	small amount
Employee paid - Pension contributions	0.0	jointly		7%	gross salaries	0.00	withheld
Excise tax on fuel	1.0				included into the fuel price	0.00	small amount
<b>Totals</b>	<b>30</b>		<b>306</b>			<b>38.6</b>	

## Details – Paying Taxes in Ethiopia – Tax by Type

Taxes by type	Answer
Profit tax (% of profit)	25.4
Labor tax and contributions (% of profit)	12.4
Other taxes (% of profit)	0.8

## Details – Paying Taxes in Ethiopia – Measure of Quality

	Answer	Score
<b>Postfiling index (0-100)</b>		<b>50.89</b>

## VAT refunds

Does VAT exist?	Yes	
Does a VAT refund process exist per the case study?	Yes	
Restrictions on VAT refund process	None	
Percentage of cases exposed to a VAT audit (%)	75% - 100%	
Is there a mandatory carry forward period?	No	
Time to comply with VAT refund (hours)	50.0	0
Time to obtain a VAT refund (weeks)	47.0	15.49

## Corporate income tax audits

Does corporate income tax exist?	Yes	
Percentage of cases exposed to a corporate income tax audit (%)	0% - 24%	
Time to comply with a corporate income tax audit (hours)	8.0	88.07
Time to complete a corporate income tax audit (weeks)	No tax audit per case study scenario	100

**Notes:** Names of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

## Trading across Borders

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Doing Business measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

Given the importance of trade digitalization, in Doing Business 2018, the Trading across Borders questionnaire included research questions on the availability and status of implementation of Electronic Data Interchange (EDI) and Single Window (SW) systems. With this information, Doing Business built a comprehensive dataset on the adoption and level of sophistication of electronic platforms in 190 economies. These data are not used to compute the distance to frontier score or ranking of the ease of doing business. The new dataset on EDI and SW systems is available [here](#).

### What the indicators measure

#### Documentary compliance

- Obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy
- Obtaining, preparing and submitting documents required by destination economy and any transit economies
- Covers all documents required by law and in practice, including electronic submissions of information

#### Border compliance

- Customs clearance and inspections
- Inspections by other agencies (if applied to more than 20% of shipments)
- Handling and inspections that take place at the economy's port or border

#### Domestic transport

- Loading or unloading of the shipment at the warehouse or port/border
- Transport between warehouse and port/border
- Traffic delays and road police checks while shipment is en route

### Case study assumptions

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

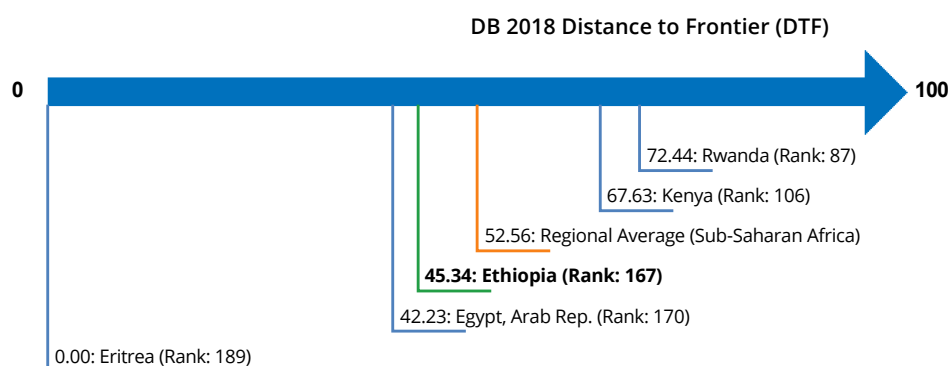
**Time:** Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose documents are submitted to a customs agency at 8:00a.m., are processed overnight and can be picked up at 8:00a.m. the next day. The time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

**Cost:** Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire. Contributors are private sector experts in international trade logistics and are informed about exchange rates.

**Assumptions of the case study:** - For all 190 economies covered by Doing Business, it is assumed a shipment is in a warehouse in the largest business city of the exporting economy and travels to a warehouse in the largest business city of the importing economy. - It is assumed each economy imports 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Shipment value is assumed to be \$50,000. - The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, or land border crossing. - All electronic information submissions requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process. - A port or border is a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy. - Relevant government agencies include customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

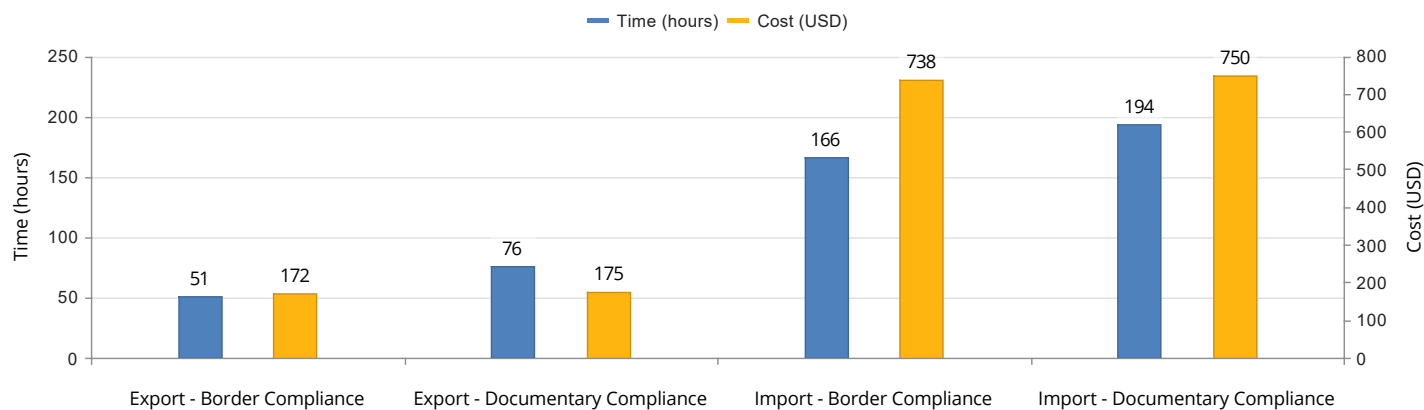
Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Time to export: Border compliance (hours)	51	100.1	12.7	0 (17 Economies)
Cost to export: Border compliance (USD)	172	592.1	149.9	0.00 (19 Economies)
Time to export: Documentary compliance (hours)	76	87.8	2.4	1.0 (25 Economies)
Cost to export: Documentary compliance (USD)	175	215.1	35.4	0.00 (19 Economies)
Time to import: Border compliance (hours)	166	136.4	8.7	0.00 (21 Economies)
Cost to import: Border compliance (USD)	738	686.8	111.6	0.00 (27 Economies)
Time to import: Documentary compliance (hours)	194	103.0	3.5	1.0 (30 Economies)
Cost to import: Documentary compliance (USD)	750	300.1	25.6	0.00 (30 Economies)

**Figure – Trading across Borders in Ethiopia and comparator economies – Ranking and DTF**



Note: The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

Figure – Trading across Borders in Ethiopia – Time and Cost



Details – Trading across Borders in Ethiopia

Characteristics	Export	Import
Product	HS 09 : Coffee, tea, matī and spices	HS 8708: Parts and accessories of motor vehicles
Trade partner	Germany	Japan
Border	Galafi-Awshaf border crossing	Galafi-Awshaf border crossing
Distance (km)	698	698
Domestic transport time (hours)	48	48
Domestic transport cost (USD)	550	529



**Details – Trading across Borders in Ethiopia – Components of Border Compliance**

	Time to Complete (hours)	Associated Costs (USD)
Export: Clearance and inspections required by customs authorities	12.0	65.0
Export: Clearance and inspections required by agencies other than customs	35.5	106.5
Export: Port or border handling	3.4	0.0
Import: Clearance and inspections required by customs authorities	72.0	120.0
Import: Clearance and inspections required by agencies other than customs	94.2	618.2
Import: Port or border handling	3.2	0.0

**Details – Trading across Borders in Ethiopia – Trade Documents**

Export	Import
Bill of lading	Commercial invoice
Commercial invoice	Packing list
Packing list	Certificate of origin
Export License	Bill of lading
Export Bank permit	Insurance certificate
Fumigation certificate	Import license
Phytosanitary certificate	Import declaration
Customs Transit Declaration	Transit document
Customs Export Declaration	Bank permit
Certificate of Origin	Agency Agreement
SOLAS certificate	SOLAS certificate
	Certificate of inspection

## Enforcing Contracts

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (-1-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

### Case study assumptions

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement.

To make the data comparable across economies, Doing Business uses several assumptions about the case:

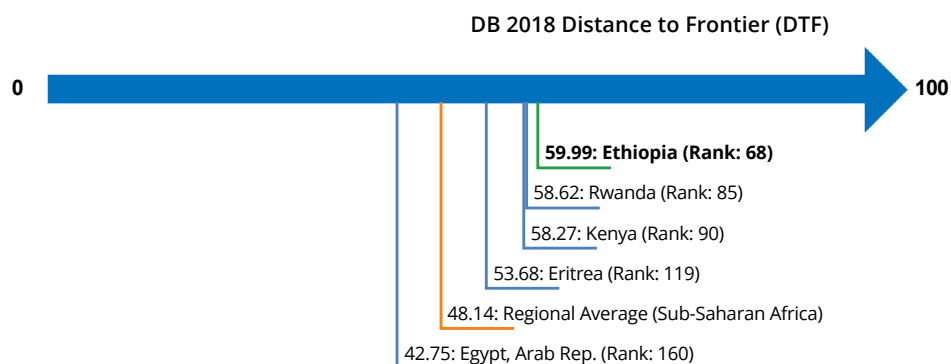
- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

#### Standardized Case

Claim value	ETB 104,599.00
Court name	Addis Ababa Federal First Instance Court
City Covered	Addis Ababa

Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Time (days)	530	656.8	577.8	164.00 (Singapore)
Cost (% of claim value)	15.2	44.0	21.5	9.00 (Iceland)
Quality of judicial processes index (0-18)	5.5	6.5	11.0	15.50 (Australia)

Figure – Enforcing Contracts in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores for enforcing contracts. These scores are the simple average of the distance to frontier scores for each of the component indicators.

Figure – Enforcing Contracts in Ethiopia – Time and Cost

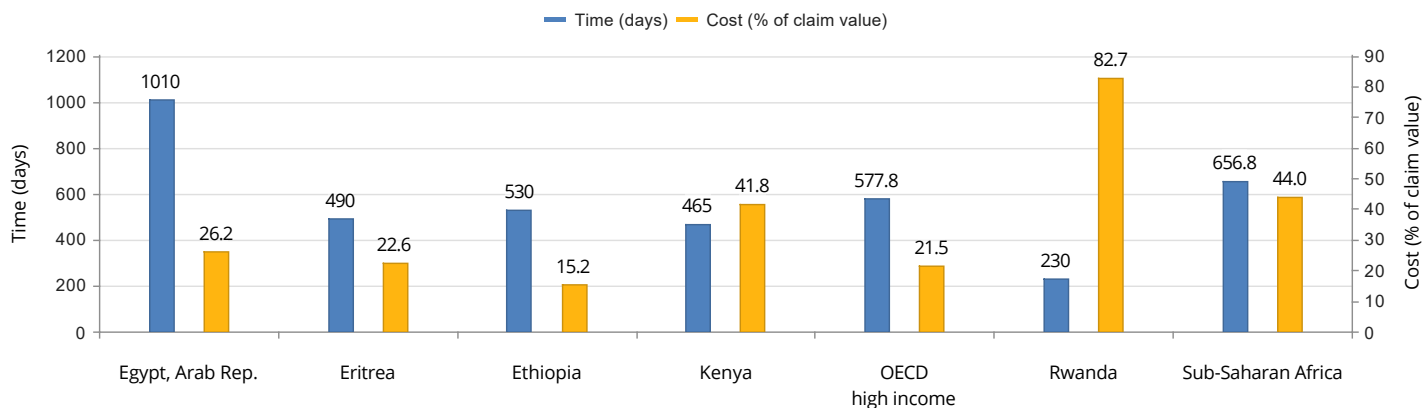
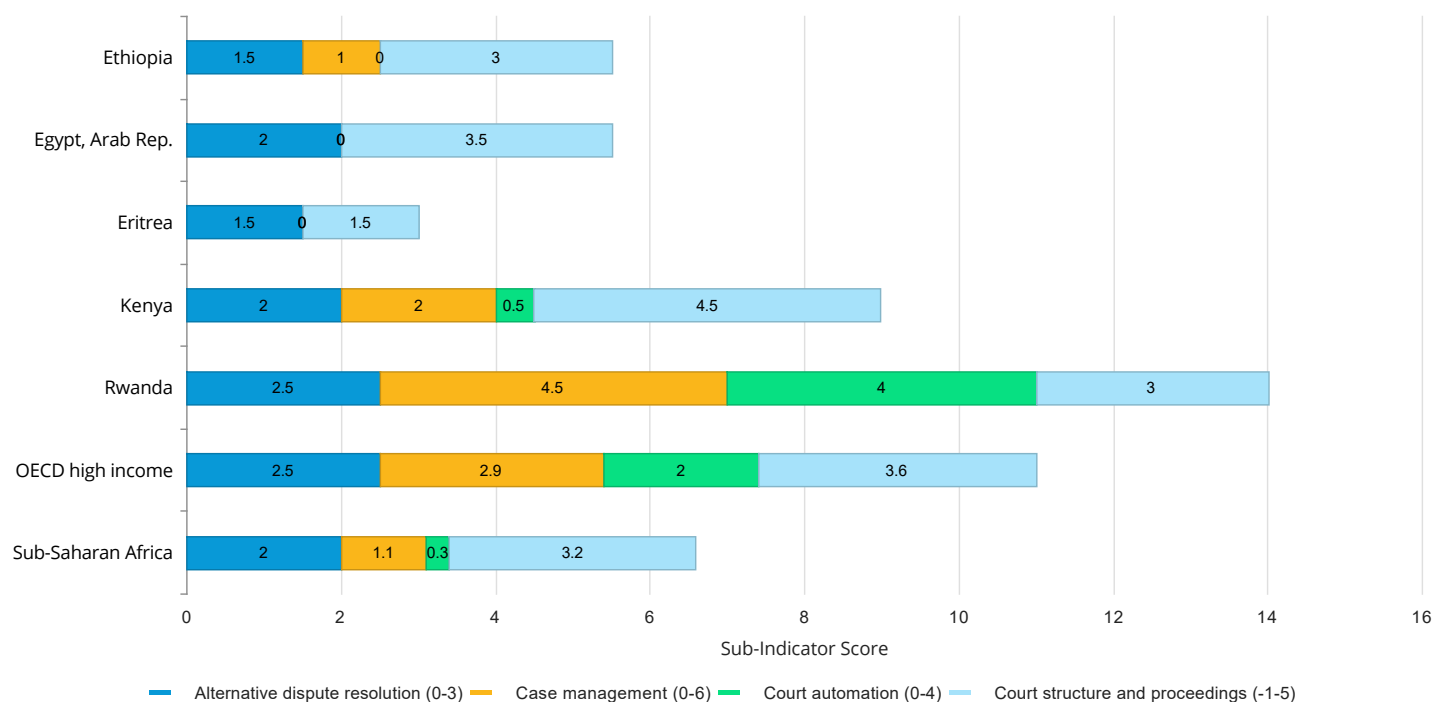


Figure – Enforcing Contracts in Ethiopia and comparator economies – Measure of Quality



Details – Enforcing Contracts in Ethiopia

	Indicator
<b>Time (days)</b>	<b>530</b>
Filing and service	30
Trial and judgment	290
Enforcement of judgment	210
<b>Cost (% of claim value)</b>	<b>15.2</b>
Attorney fees	10
Court fees	4.8
Enforcement fees	0.4
<b>Quality of judicial processes index (0-18)</b>	<b>5.5</b>
Court structure and proceedings (-1-5)	3.0
Case management (0-6)	1.0
Court automation (0-4)	0.0
Alternative dispute resolution (0-3)	1.5

## Details – Enforcing Contracts in Ethiopia – Measure of Quality

	Answer	Score
<b>Quality of judicial processes index (0-18)</b>		<b>5.5</b>
<b>Court structure and proceedings (-1-5)</b>		<b>3.0</b>
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	No	0.0
2. Small claims court		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes	
2.b. If yes, is self-representation allowed?	Yes	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, but manual	0.5
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0
<b>Case management (0-6)</b>		<b>1.0</b>
1. Time standards		0.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	No	
1.b. If yes, are the time standards set for at least three court events?	n.a.	
1.c. Are these time standards respected in more than 50% of cases?	n.a.	
2. Adjournments		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court?	No	0.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0
<b>Court automation (0-4)</b>		<b>0.0</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0

2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0
3. Can court fees be paid electronically within the competent court?	No	0.0
4. Publication of judgments		0.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
<b>Alternative dispute resolution (0-3)</b>		<b>1.5</b>
1. Arbitration		1.0
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	No	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes	
2. Mediation/Conciliation		0.5
2.a. Is voluntary mediation or conciliation available?	Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	No	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No	

## Resolving Insolvency

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, Doing Business uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

The most recent round of data collection for the project was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to recover debt (years)

- Measured in calendar years
- Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- Other related fees

#### Outcome

- Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors

- Measures the cents on the dollar recovered by secured creditors
- Outcome for the business (survival or not) determines the maximum value that can be recovered
- Official costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Present value of debt recovered

#### Strength of insolvency framework index (0- 16)

- Sum of the scores of four component indices:
- Commencement of proceedings index (0-3)
- Management of debtor's assets index (0-6)
- Reorganization proceedings index (0-3)
- Creditor participation index (0-4)

### Case study assumptions

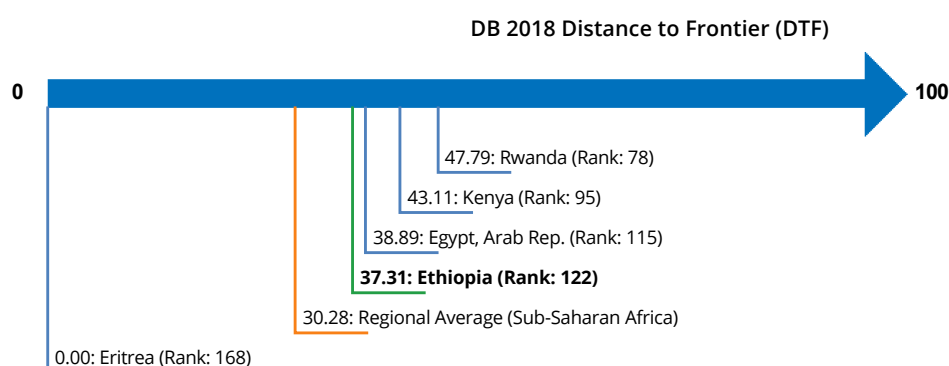
To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, Doing Business evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

Indicator	Ethiopia	Sub-Saharan Africa	OECD high income	Overall Best Performer
Recovery rate (cents on the dollar)	28.7	20.3	71.2	93.1 (Norway)
Time (years)	3.0	2.9	1.7	0.4 (Ireland)
Cost (% of estate)	14.5	22.7	9.1	1.00 (Norway)
Outcome (0 as piecemeal sale and 1 as going concern)	0	..	..	..
Strength of insolvency framework index (0-16)	7.0	6.2	12.1	15.00 (6 Economies)

Figure – Resolving Insolvency in Ethiopia and comparator economies – Ranking and DTF



Note: The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index.

Figure – Resolving Insolvency in Ethiopia – Time and Cost

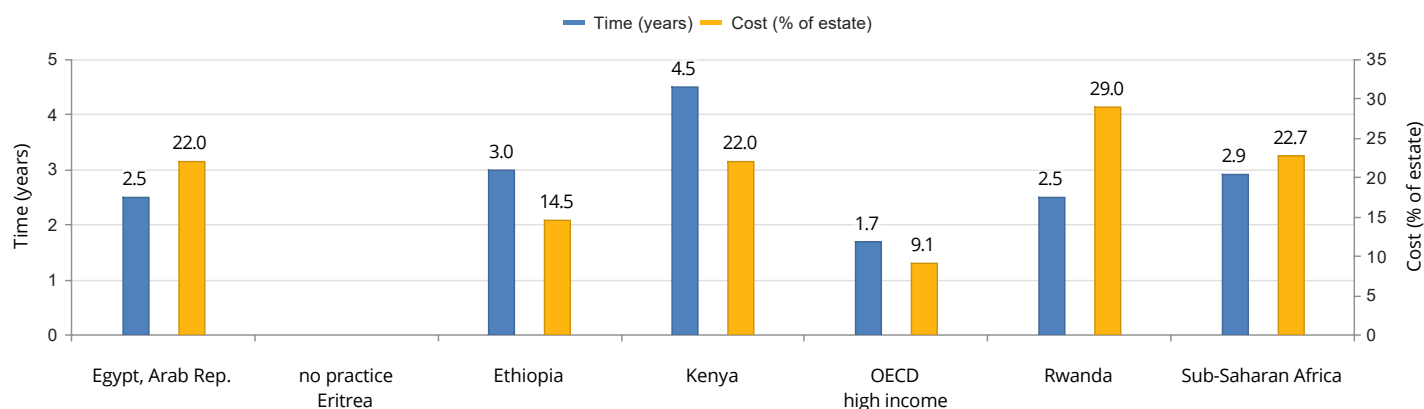




Figure – Resolving Insolvency in Ethiopia and comparator economies – Measure of Quality

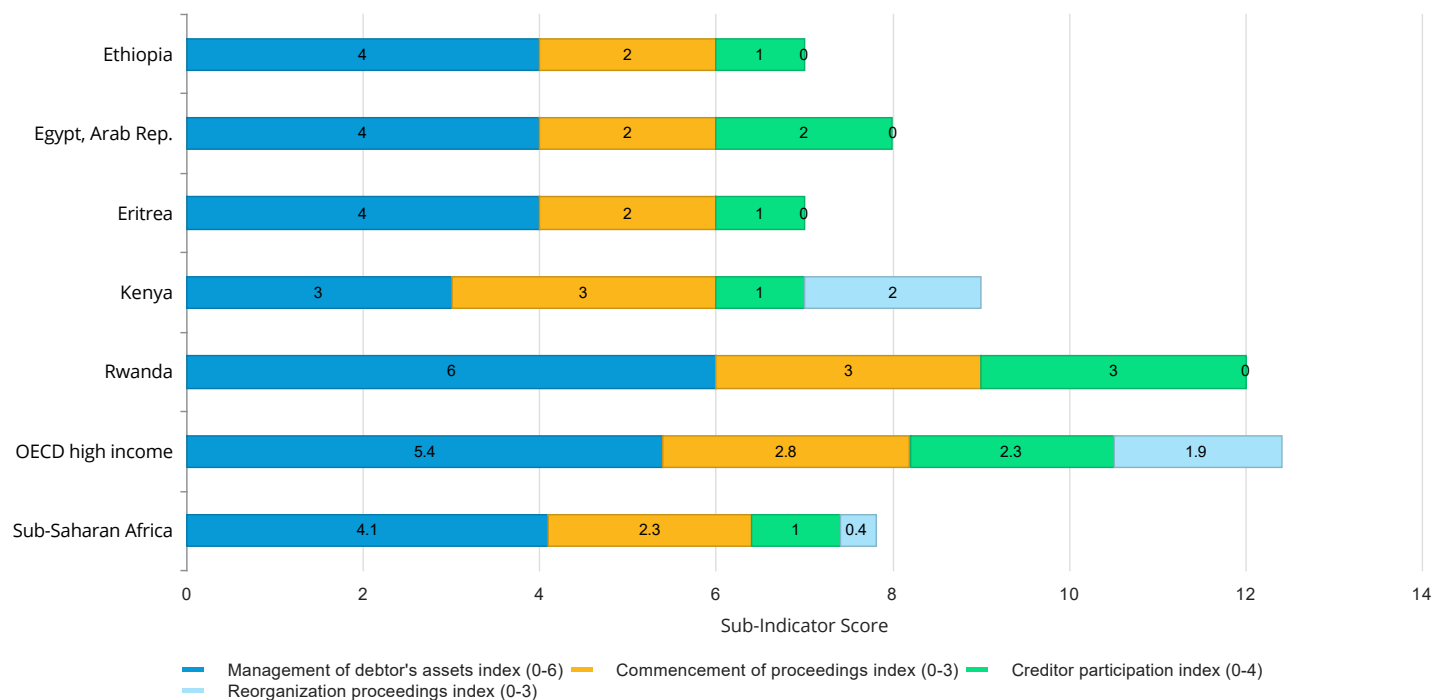
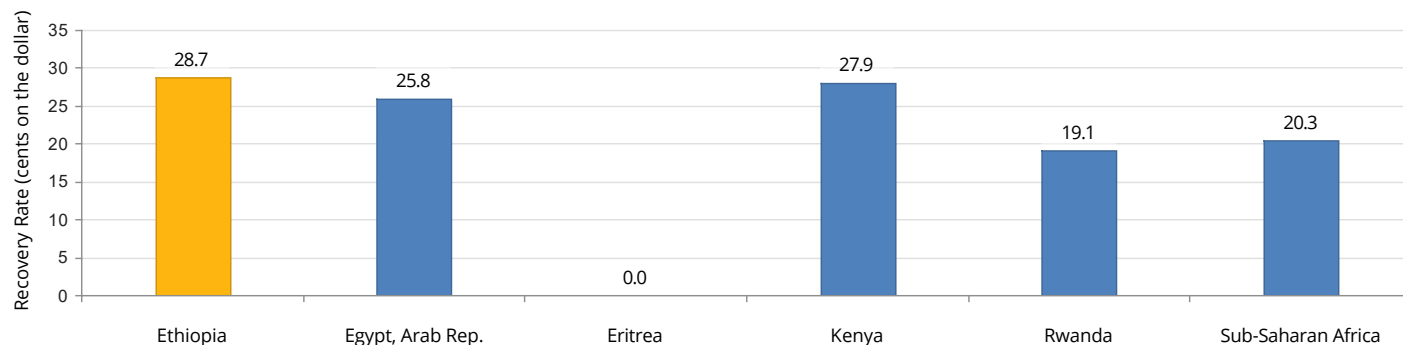


Figure – Resolving Insolvency in Ethiopia and comparator economies – Recovery Rate



**Details – Resolving Insolvency in Ethiopia**

Indicator	Answer	Explanation
Proceeding	liquidation	After Mirage's default, BizBank would initiate liquidation by filing the claim at the Federal High Court based on Article 975 of the Commercial Code. Since a foreclosure would be out-of-court, it is not taken into account for the purposes of this study.
Outcome	piecemeal sale	Upon the completion of liquidation proceeding, the hotel will stop operating and Mirage assets will be sold piecemeal. Saving of enterprise as a going concern is a very rare solution.
Time (in years)	3.0	The liquidation proceeding takes approximately 3 years. From the moment of Mirage's default, creditors will submit applications to initiate insolvency proceedings. There will be lots of disagreements between different parties involved about which procedure should be followed. In addition, preparation, execution and distribution of proceeds will take additional time until BizBank is repaid some or all of the money owed to it.
Cost (% of estate)	14.5	The liquidation procedure would approximately cost 14.5% of the total value of the estate. The cost incurred during the entire insolvency process mainly include: attorney's fees - up to 7% of the value of the estate, liquidator's fees - up to 4%, auctioneer's fee - 2%, fees of accountants and other professionals involved - 2%, and court fees - 1%.
<b>Recovery rate (cents on the dollar)</b>	<b>28.7</b>	

## Details – Resolving Insolvency in Ethiopia – Measure of Quality

	Answer	Score
<b>Strength of insolvency framework index (0-16)</b>		<b>7.0</b>
<b>Commencement of proceedings index (0-3)</b>		<b>2.0</b>
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(b) Debtor may file for liquidation only	0.5
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0
<b>Management of debtor's assets index (0-6)</b>		<b>4.0</b>
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	No	0.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0
Does the insolvency framework assign priority to post-commencement credit?	(b) Yes over ordinary unsecured creditors but not over secured creditors	1.0
<b>Reorganization proceedings index (0-3)</b>		<b>0.0</b>
Which creditors vote on the proposed reorganization plan?	N/A	0.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0
<b>Creditor participation index (0-4)</b>		<b>1.0</b>

Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	No	0.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0

**Note:** Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

## Labor Market Regulation

Doing Business presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the Doing Business website (<http://www.doingbusiness.org/data/exploretopics/labor-market-regulation>).

The most recent round of data collection was completed in June 2017. [See the methodology for more information.](#)

### What the indicators measure

#### Hiring

(i) whether fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the probationary period; (iv) minimum wage.

#### Working hours

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) whether nonpregnant and nonnursing women can work same night hours as men; (v) length of paid annual leave.

#### Redundancy rules

(i) whether redundancy can be basis for terminating workers; (ii) whether employer needs to notify and/or get approval from third party to terminate 1 redundant worker and a group of 9 redundant workers; (iii) whether law requires employer to reassign or retrain a worker before making worker redundant; (iv) whether priority rules apply for redundancies and reemployment.

#### Redundancy cost

(i) notice period for redundancy dismissal; (ii) severance payments due when terminating a redundant worker.

#### Job quality

(i) whether law mandates equal remuneration for work of equal value and nondiscrimination based on gender in hiring; (ii) whether law mandates paid or unpaid maternity leave; (iii) length of paid maternity leave; (iv) whether employees on maternity leave receive 100% of wages; (v) availability of five fully paid days of sick leave a year; (vi) eligibility requirements for unemployment protection.

### Case study assumptions

To make the data comparable across economies, several assumptions about the worker and the business are used.

#### The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

#### The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

## Details – Labor Market Regulation in Ethiopia

	Answer
<b>Hiring</b>	
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	0.0
Ratio of minimum wage to value added per worker	0.0
Maximum length of probationary period (months)	1.5
<b>Working hours</b>	
Standard workday	8.0
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0
Premium for overtime work (% of hourly pay)	25.0
Restrictions on night work?	No
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	No
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	14.0
Paid annual leave for a worker with 5 years of tenure (working days)	18.0
Paid annual leave for a worker with 10 years of tenure (working days)	23.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	18.3
<b>Redundancy rules</b>	
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	No
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	Yes
Third-party approval if nine workers are dismissed?	No

Retraining or reassignment obligation before redundancy?	Yes
Priority rules for redundancies?	Yes
Priority rules for reemployment?	No
<b>Redundancy cost</b>	
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	8.7
Notice period for redundancy dismissal for a worker with 10 years of tenure	13.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7
Severance pay for redundancy dismissal for a worker with 1 year of tenure	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure	10.0
Severance pay for redundancy dismissal for a worker with 10 years of tenure	17.1
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	10.5
<b>Job quality</b>	
Equal remuneration for work of equal value?	No
Gender nondiscrimination in hiring?	No
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	90.0
Receive 100% of wages on maternity leave?	Yes
Five fully paid days of sick leave a year?	Yes
Unemployment protection after one year of employment?	No
Minimum contribution period for unemployment protection (months)?	N/A

## Business Reforms in Ethiopia

In the year ending June 1, 2017, 119 economies implemented 264 total reforms across the different areas measured by Doing Business. Doing Business has recorded more than 2,900 regulatory reforms making it easier to do business since 2004. Reforms inspired by Doing Business have been implemented by economies in all regions. The following are the reforms for Ethiopia implemented since Doing Business 2008.

✓ = Doing Business reform making it easier to do business. ✗ = Change making it more difficult to do business.

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DB2018

✓ **Starting a Business:** Ethiopia made starting a business easier by removing the requirement to open a bank account for company registration and eliminating the paid-in minimum capital requirement.

✓ **Trading across Borders:** Ethiopia made trading across border easier through a series of initiatives including the implementation of a risk-based inspection system, the streamlining of documents for importers and the strengthening of the customs authority.

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DB2016

✓ **Starting a Business:** Ethiopia has made starting a business easier by creating clear guidance on trade name approvals.

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DB2013

✓ **Getting Credit:** Ethiopia improved access to credit information by establishing an online platform for sharing such information and by guaranteeing borrowers' right to inspect their personal data.

✗ **Paying Taxes:** Ethiopia introduced a social insurance contribution.

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DB2012

✗ **Getting Electricity:** In Ethiopia delays in providing new connections made getting electricity more difficult.

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DB2011

✓ **Trading across Borders:** Ethiopia made trading easier by addressing internal bureaucratic inefficiencies.

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DB2010

✓ **Starting a Business:** Ethiopia made starting a business easier by streamlining registration procedures.

✓ **Registering Property:** Ethiopia made transferring property easier by decentralizing administrative tasks and merging procedures at the land registry and municipality.

✓ **Enforcing Contracts:** Ethiopia made enforcing contracts easier by reducing delays in the courts—through backlog reduction, improved case management and internal training, and an expanded role for the enforcement judge.



*Doing Business 2018* is the 15th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



ISBN 978-1-4648-1146-3



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SKU 211146



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