

Improving Ease of Doing Business

Medium-Term Reform Roadmap

Office of the Prime Minister - Ethiopia

July 23, 2019



Improving the ease of doing business is an integral part of the national economic competitiveness and job creation agenda

Improving the ease of doing business advances:

- Entrepreneurship and **new startups**
- **Formalization** of businesses
- **Competitiveness**/productivity of local businesses
- **Investment** attraction and retention
- More and better **jobs** creation
- **Transparency** and accountability in public service delivery
- Efficient tax administration/domestic **revenue mobilization**



Vision:

Placing Ethiopia among the **TOP 100 DB** ranking Countries in 2021



Short-term reforms: key highlights

- **8 new laws and 40 procedural and administrative reforms** were enacted in 5 months
- Having **high-level reform leadership** at PMO and in each Ministries, **clearly defined reform agenda** and regular **progress tracking** mechanism helped to drive the reform agenda
- Short term reforms focused on **quick wins (laying the ground for a more ambitious medium & long term reforms)**
- Some of the legal reforms were approved **after the end of April deadline** and will count next year
- Reforms need to be **fully implemented (as verified by the private sector) to have an impact on DB ranking**



Short-term reforms: reform achievements



1 STARTING A BUSINESS

- Company name publication requirement removed
- Lease/rental agreement requirement removed
- OSS at MOTI (covering tax and authentication) created
- Legal base for the application of software replacing cash register machine created



3 TRADING ACROSS BOARDER

- Electronic single window system piloted
- Deferred payment; pre-arrival & advance ruling implemented
- Number of documents required for import & export reduced by 4 (12-10 for export; 11-9 for import)
- Risk level for both import & export improved (more yellow & green) reducing the need for physical inspection
- E-certificate of origin implemented



2 GETTING CREDIT

- Directive to include MFIs and leasing companies in to NBE credit registry system adopted
- Credit information system coverage expanded from 0.4% to over 5% of adult population
- Movable properties security rights proclamation approved



4 PAYING TAX

- E-filing & e-payment on gradual expansion beyond large tax payers (2,800 e-filing, 25% medium tax payers)
- Tax payment through banks implemented
- Dedicated medium tax payers branch opened in A/A
- Risk-base VAT refund system introduced



Short-term reforms: reform achievements

5 DEALING WITH CONSTRUCTION PERMIT

- Online construction permit application platform piloted
- Registered professionals for verifying plans; inspection and supervision hired
- Directives issued to:
 - Set time standard to connect to water (3 days) & sewerage (12 days) for commercial & industrial clients
 - Reduce time to get planning consent from 3 days to 45 minutes
 - Reduce the maximum number of days for review and approval of plan to 13 from 21 days

6 REGISTERING PROPERTY

- Digitalization of majority of title deed - 77.4% scanned & 22.8% fully digitalized
- Land plot fully digitalized
- Document requirements, land transactions and disputes availed online
- Notification period on transaction reduced from 30 to 7 days
- Time to get tax clearance reduced to 1 day

7 ENFORCING CONTRACT

- Commercial benches expanded (additional 2 benches established at FFIC)
- Commercial bench procedure code enacted setting time standard for court events and introducing new case management systems

8 GETTING ELECTRICITY

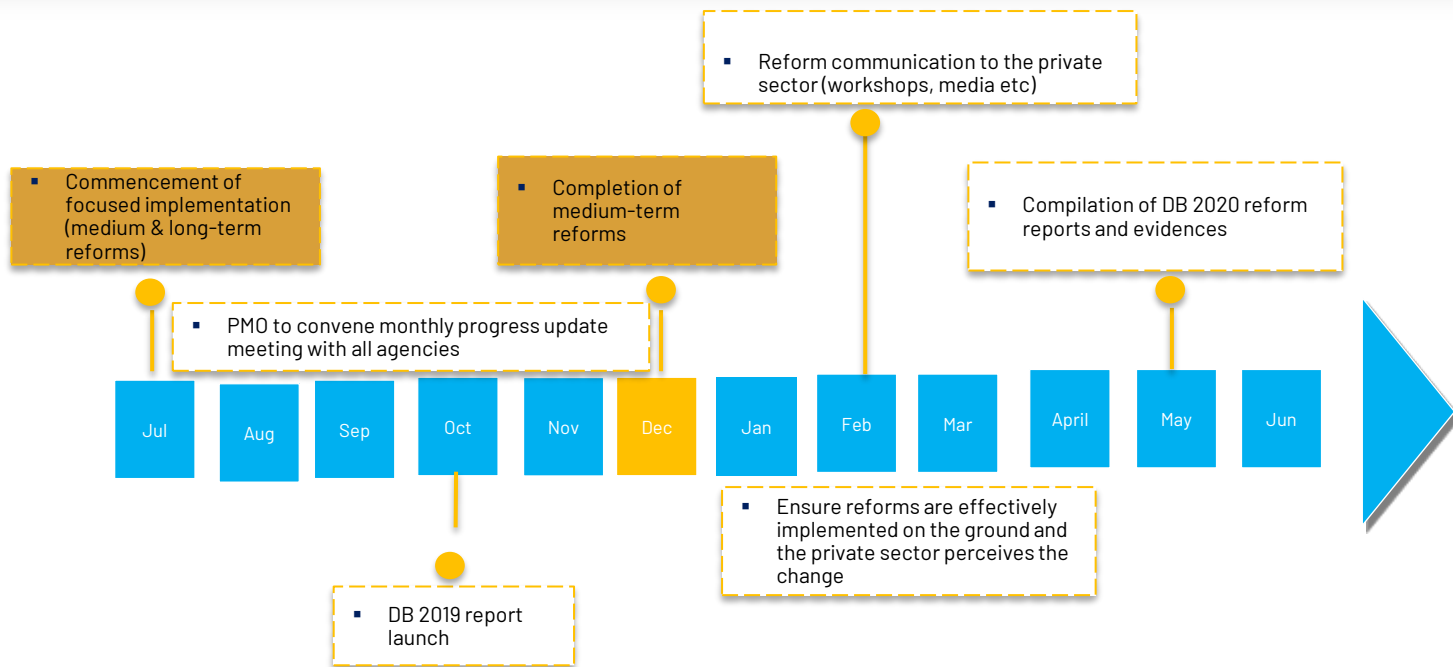
- Effective tariff information availed online
- Working procedure revised to reduce number of documents required

Moving from short to medium-term

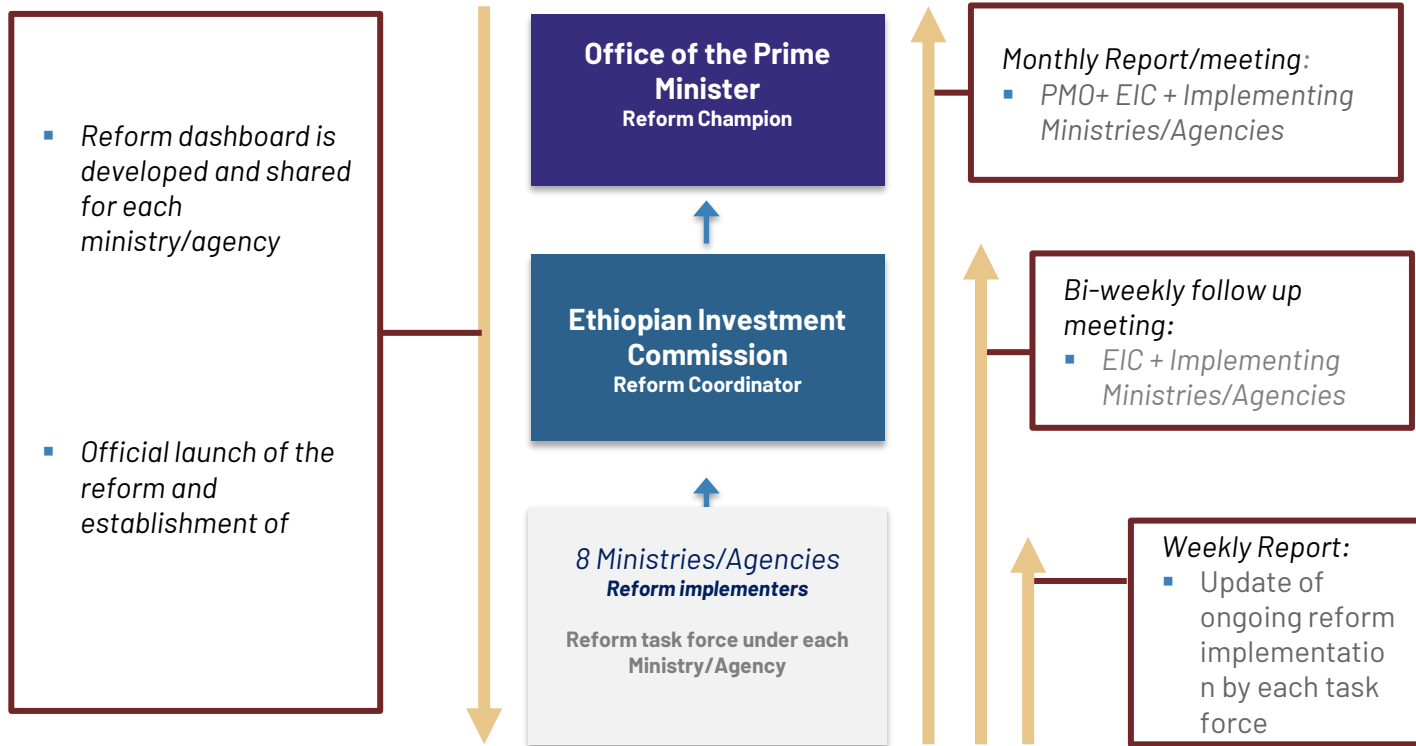


- **Medium and long-term reform action points slight revised** based on results and learnings so far
- As we move into medium-term action items, there is high need to focus on:
 - **Full/effective implementation** of short-term reforms
 - **Deeper and high-impact reforms** that significantly reduce time & cost (*process streamlining/reengineering, use of ICT solutions etc*)
- All reforms **must be implemented by 31 December, 2019**
- **Communicating reforms to all users and soliciting feedback** is vital to socialize reforms and take corrective actions, as needed.
- **Indicator on public procurement** may be included in DB score by 2020

Timeline – DB Cycle



Regular follow up mechanism will continue to be instrumental to implement deeper and more ambitious reforms



Starting a Business: Ministry of Trade and Industry



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Launch an online business registration & licensing portal that:
 - Include online name reservation/ approval system;
 - Linked with relevant government agencies involved in business licensing;
 - Should be a two-fold process for user (application & license)
- Reduce number of procedures from 11 to 5 and days from 32 to 4 by:
 - Merging TIN, VAT & pension registration
 - Merging issuance of business license & commercial registration
 - Eliminate/delegate MOTI to authenticate AOA & MOU
- Fully implement regulatory changes (remove lease agreement; newspaper publication of trade name & one stop shop services at all levels – both at HQ and sub-city levels)

Long term

- Reduce number of procedures from 5 to 2 & days from 4 to 1 (limit procedure to application for a business license & acquire VAT, TIN & business license)



Getting Credit: National Bank of Ethiopia



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Effectively implement movable properties security rights proclamation through implementing legislations (regulation and/or directive)
- Introduce & operationalize collateral registry system (hardware and software)
- Effectively operationalize credit information system (allow online service to MFI lenders and capital good financing companies)
- Further expand credit information system (by adding to the database all borrowers of banks, MFIs and capital good financing companies)
- Develop & implement a credit scoring mechanism
- Include data from retailers or utility companies to credit information system

Long term

- Expand credit information system – considering PPP and other private modalities



Paying Taxes: Ministry of Revenue



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Replace cash register machine with software for printing VAT invoice for incorporated medium tax payers in Addis Ababa
- Increase coverage of e-filing & e-payment to 100% of incorporated medium tax payers in Addis Ababa for all types of taxes (promote the use of e-filing/payment and increase taxpayer outreach)
- Introduce mobile payment & cover 30% of small tax payers for all types of taxes
- Fully automate tax payment through bank by removing requirement to bring slip to tax office
- Reduce time to obtain VAT refund by at least 90% from current average of 48.7 weeks
 - Include medium tax payers in the threshold for immediate payment or
 - Introduce deferred payment of VAT on capital purchases

- Replace cash register machine with software for printing VAT invoice for all tax payers
- Enforcement of a compulsory online tax filing and payment mechanism where
 - Large & medium tax payers use e-filing & e-payment with a back-up of payment through banks
 - Small & micro tax payers can use mobile payment with a back-up of payment through bank

Long term



Trading Across Borders: Customs Commission



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Fully implement ESW including electronic submission and processing and involving all agencies
- Approve & implement new customs service charges regulation
- Eliminate mandatory hiring of clearing agents for all exporters (revise regulation on clearing agent)
- Reduce physical and documentary inspection for import and export:
 - Import/spare parts: reduce red from 33.6% to 15%, increase yellow from 39% to 50%
 - Export/coffee: reduce yellow from 100% to 25%
- Reduce number of checkpoints at the Ethio-Djibouti transit route from 3 to 1
- Implement coordinated & risk-based inspection by border agencies (Ministry of Agriculture for coffee)
- Implementation of self-sealing of shipments for exporters at own premises
- Reduce cost of domestic transportation through competitive private sector participation
- Pilot deeper efficiency enhancing reforms on coffee & spare parts

Long term

- Ensure ESW covers electronic payment
- Investment in port infrastructure to improve efficiency
- Remove export bank permit procedures for major exports (pilot with coffee) by fully implementing post export audit



Dealing with Construction Permits: Addis Ababa City Administration



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Fully implement compulsory online system including
 - Planning consent application & approval
 - Application for construction permit including submission of all required documents (neighboring consent & mortgage clearance)
 - Fee collection, follow up & issuance of construction permit certificate
- Single application regime: include application for water and sewerage connection in the application for construction permit
- Develop & implement GIS for cost estimation to connect water & sewerage
- Full implementation of new service standard issued by AAWSA which reduced time to connect to water (3 days) and Sewerage (12 days) for business and commercial clients
- Effective implementation of revised directive 1/2011 which include
 - Risk-based inspection
 - Reduce plan approval time to 13 from 21 days
 - Planning consent to 45 minutes from 3 days

Long term

- Eliminate site inspection through full implementation of GIS for cost estimation to connect water & sewerage



Registering Property: Addis Ababa City Administration



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Digitize 100% of title deed records
- Reduce number of procedures by 2 though:
 - Merging ownership verification & price evaluation
 - Merging stamp duty & capital gain tax payment
- Launch online property transaction & registration services including
 - Application, document submission, payment, follow up & transfer title deed
- Continue updating publication on land dispute & transaction
- Effectively implement revised service standard (reduce time for property transaction to 16 from 52 days)
- Effectively implement agreement between Ministry of Revenue & Land Registration & Information Agency to reduce the number of days to get tax clearance (procedure no. 3) from 14 days to 1 day

Long term

- Enforce 100% compulsory online property registration services



Getting Electricity: Ethiopian Electric Utility



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Introduce compulsory online application and follow up/tracking to get electricity connection
- Introduce automated tool to measure frequency & duration of interruption
- Develop GIS to eliminate site visit
- Reduce the time it takes for connection by 75% (current average: 60 days Vs 15 in Rwanda).
 - Outsourcing connection and installation work to private companies or alternative mechanism to achieve above target
- Effectively implement the revised procedure which:
 - Reduced number of documents required for applying for connection
 - Reduced number of days for connecting to electricity

Long term

- Implement GIS and replace site visit
- Allow for compensation to customers where outages exceed a certain cap



Protecting Minority Investors: Federal Attorney General



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Approval of the Commercial Code by the Parliament (with new/modern rules that enhance protection and participation of minority shareholders)
 - Revise provisions on disclosure, director liability, shareholder right, corporate transparency, ownership & control
- Develop procedure for evidence rule to allow access to supporting documents/discovery by minority investors
- Approval of consolidated arbitration, mediation and conciliation law encompassing substantially all aspects of alternative dispute settlement
- Revise the civil procedure code/enact alternative legislation that regulates the maximum number of adjournments and limits the same to unforeseen and exceptional circumstances in civil matters (including commercial cases)
- Ratify the NY Convention on Recognition and Enforcement of Foreign Arbitral Awards

Long term

- Position Addis Ababa as Commercial Arbitration Hub in Africa (lead reform on New York Convention, Apostille Convention and other international commercial rules)



Resolving Insolvency: Federal Attorney General, Federal High Court



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Approval of the Commercial Code by the Parliament (with new/modern rules on bankruptcy and reorganization procedures including commencement of proceedings, management of debtor's assets, reorganization proceedings, creditor participation and recovery rate)
- Reduce time for resolving insolvency from 3 years by 50% through assigning specialized bench

Effectively implement the new insolvency law regime by:

- Enacting secondary legislation (regulation or directive that sets fees for insolvency practitioners as well as modalities and standardized forms for procedures)
- Development of insolvency regulator
- Licensing insolvency practitioners

Long term



Enforcing Contracts: Federal First Instance, High and Supreme Courts



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Implement full court automation at FFIC, FHC, FSC covering:
 - electronic case assignment system to reinforce random process
 - electronic case management system that serves both judges and lawyers (needs to be robust and comprehensive to count for DB)
- Online publication of commercial case judgments at all levels (FFIC, FHC, FSC)
- Reduce time to settle a commercial case (filling-trial-judgement-enforcement) by at least 40% (current average: 530 Vs 230 in Rwanda)
 - Increase the number of commercial benches and judges
 - Implement streamlined procedures in commercial benches (assistant judges, special secretaries etc.)
- Full implementation of commercial bench proceeding code in commercial benches (at all levels of court system)

Long term

- Reduce time to settle a commercial case by at least 60% (current average: 530 Vs 230 in Rwanda)
- Fully automate court process – include online complaint lodging, electronic fee payment etc.



Cross Cutting Reforms: Multi-Agency (including Ministry of Innovation and Technology, Ethio Telecom etc)



Medium term

Medium term

March – Dec. 2019

Long term

Jan - May 2020

- Create enabling legal and infrastructural /system framework for:
 - National ID: vital to consolidate/verify data, create trust and simplify application requirements
 - E-payment: core for full automation of all e-platforms
 - E-signature: core for full automation of all e-platforms

Long term

- E-payment, signature and ID implemented
- System interface among agencies: Ministry of Trade and Industry, Ministry of Revenue, Customs Commission, National Bank of Ethiopia, Addis Ababa Construction Bureau, Addis Ababa Land Administration, Courts etc
- Reliable access to power and internet in all government agencies



END

