

THE COST OF BUSINESS **REGISTRATION** AND LICENSING IN ETHIOPIA AND OPTIONS FOR REFORM



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AND LICENSING IN ETHIOPIA
AND OPTIONS FOR REFORM**

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The Ethiopia Investment Climate Program, managed by the World Bank Group's Trade and Competitiveness Global Practice aims at streamlining and simplifying high priority regulatory practices and processes burdensome to the private sector and address investment climate issues that are holding back investment and productivity growth in Ethiopia.

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Acronyms

| | |
|--------|---|
| BoTI | Addis Ababa Bureau of Trade and Industrial Development |
| CIDCA | Construction Industry Development and Control Authority |
| CRBLP | Commercial Registration and Business Licensing Proclamation |
| E.C. | Ethiopian Calendar |
| EEA | Ethiopian Electric Agency |
| EHDA | Ethiopian Horticulture Development Agency |
| EIA | Environmental impact assessment |
| ERCA | Ethiopian Revenue and Customs Authority |
| ESIC | Ethiopian Standard Industrial Classification |
| ETB | Ethiopian Birr (currency) |
| EWCA | Ethiopian Wildlife Conservation Authority |
| FMHACA | Administration and Control Authority |
| GDP | Gross Domestic Product |
| GoE | Government of Ethiopia |
| IFC | International Finance Corporation |
| MoA | Ministry of Agriculture |
| MOCIT | Ministry of Communications and Information Technology |
| MoCT | Ministry of Culture and Tourism |
| MoE | Ministry of Education |
| MoEF | Ministry of Environment and Forestry |
| MoFED | Ministry of Finance and Economic Development |
| MoI | Ministry of Industry |
| MoT | Ministry of Trade |
| MoUDC | Ministry of Urban Development and Construction |
| MoWIE | Ministry of Water, Irrigation and Energy |
| OECD | Organisation for Economic Cooperation and Development |
| SCM | Standard Cost Model |
| TIN | Tax Identification Number |
| TPCPP | Trade Practices and Consumer Protection Proclamation |

1 | Introduction

Following the regime change in 1992, the Government of Ethiopia (GoE) has implemented a series of reform measures towards a market oriented economy, including deregulation of domestic prices; liberalization of foreign trade; privatization of public enterprises; abolition of all export taxes and subsidies; devaluation of the exchange rate followed by the introduction of inter-bank foreign currency markets and the determination of exchange rates based on market forces; promulgation of a liberal investment law for the promotion and encouragement of private investment, both foreign and domestic; issuance of a new labor law; and strengthening and enhancing institutional support for the export sector through strengthening/revitalizing existing institutions and establishing such new institutions.

The development policies adopted by the GoE have recognized the private sector as the engine of the economy and pledged to nurture and support private sector development in the country. However, the role of the private sector in the economy remains rather weak. A number of studies highlighted the challenges of doing business in the country. For instance, the country's rank in the World Bank Doing Business indicator declined from 124 in 2013 to 125 in 2014.¹ With regard to starting a business in the country, Ethiopia's rank dropped from 162 in 2013 to 166 out

of 189 in 2014.² The cost of starting a business in terms of percent of income per capita is 100.1—by far higher than the Sub-Saharan African average which is 67.4.³ Meanwhile, a number of countries have embarked on regulatory reform including simplification of the entry requirements, and some of them have achieved encouraging results in terms of creating a conducive environment for business. These countries reformed their licensing regimes and reduced costs, streamlined procedures and made doing business easier. In 2009, Rwanda revamped its business start-up process by establishing a one-stop shop for business registration; as a result of this and other reforms, Rwanda is now (in Doing Business 2014) ranked as the 9th best performer *globally* for starting a business. Major reforms of licensing systems have also taken place in several other African countries such as Burundi, Liberia, Madagascar and Sierra Leone, as well as, to a lesser extent, Kenya or South Africa. Although Ethiopia's performance has improved markedly since 2010, much remains to be done in comparison with regional leaders (Figure 1).

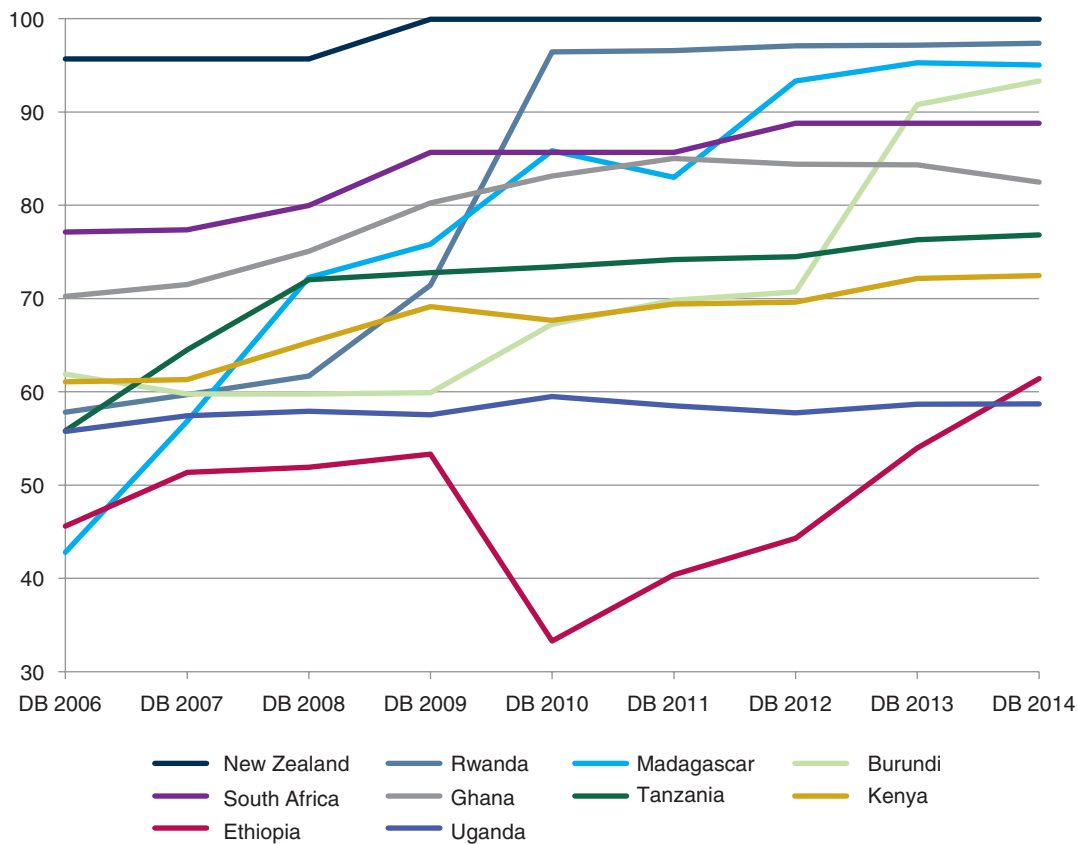
Against this background, the GoE has been working with the Investment Climate Department of the World Bank Group's International Finance Corporation (IFC) to improve the country's business environment. Part of the program includes a comprehensive review of business registration, licenses and permits required

¹ World Bank (2014), "Doing Business in Ethiopia, 2014." Available at <http://www.doingbusiness.org/data/exploreeconomies/ethiopia> (last accessed on 22 January 2014).

² Ibid.

³ Ibid.

FIGURE 1: Ethiopia's Performance for Starting Businesses Compared to Peers, Distance to Frontier, 2006–2014⁴



Source: Doing Business 2014, <http://www.doingbusiness.org/data/exploretopics/starting-a-business/frontier>.

by public agencies of private businesses operating in the country, as well as collection of data on private sector compliance costs, and recommendations for streamlining. The study was commissioned to a team of experts from BKP Development Research and Consulting GmbH with the objective to arrive at specific recommendations for streamlining of the different licensing procedures based on a comprehensive review of the procedures and compliance costs with a view to creating a more business friendly environment, thereby enhancing competitiveness and ultimately promoting economic growth in Ethiopia. The study has been prepared over the period October 2013 to April 2014.

This report presents a summary of the major findings about the business registration and licensing regime in Ethiopia and develops recommendations for streamlining and improving it. The report is based on an in-depth review of the country's more than 1,300

licenses; a detailed analysis at a sector level is presented in Annex 3.

This report consists of two main parts: in Chapter 2, we present an estimate of the costs which the registration and licensing regime in Ethiopia imposes on the business sector in the country. Chapter 3 then presents the key findings and recommendations based on the detailed analysis of Ethiopia's licensing regime and implementation practice, the details of which are presented in the Inventory of Business Licenses. A brief concluding chapter summarizes the recommendations and provides an estimate of the positive effects which they could have both for businesses and Government.

⁴ The score illustrates the distance of an economy to the "frontier" related to the "starting a business" indicator, which represents the best performance observed across all economies and years included since 2005. An economy's distance to frontier is indicated on a score from 0 to 100, where 0 represents the lowest performance and 100 the frontier, i.e., the best performance possible.

Estimating the Cost of Business

2 | Registration and Licensing to Businesses

2.1 METHODOLOGICAL CONSIDERATIONS

Business registration and licensing entail costs for businesses. These include not only the fees that have to be paid to the issuing agencies but also administrative costs directly related to the process of obtaining a license and registration, particularly the time required for registering and obtaining licenses, as well as the costs required for obtaining documents, authentication, support services, etc.⁵ In addition to these *direct* costs, the application for a license may also require *substantive* compliance costs, e.g., if compliance with license requirements demands certain investments in the business' physical or human capital. Finally, new businesses also face *opportunity costs* which result from the waiting time between the application for a license and the actual issuance of the license, which causes a delay in the start of business operations and, hence, foregone income.

As part of the study, the team has estimated the direct cost of compliance with business registration and licensing requirements. To this effect, to the extent available, data on the number of licenses issued as well as on license fees and private sector direct compliance costs have been identified through consultations with

⁵ These costs might also include bribes.

licensing agencies and private sector representatives. For calculating total compliance costs, the IFC methodology (Standard Cost Model, SCM) has been applied to the extent possible.⁶ Due to information constraints, as described below, a simplified calculation method was adopted. Thus, for each individual license type for which the necessary data could be obtained, compliance costs of an individual business were calculated as:

$$C_i = [F + (H_i \cdot S_i) + A_i]$$

where C_i : administrative compliance cost of license to business i ; F : fee to be paid for the license; H_i : working time of business i required to obtain license; S_i : salary and overhead cost of business i required to obtain license; A_i : additional costs spent by business i to obtain the license.

Based on all observations, the simple average compliance cost of a business for obtaining the license was then calculated. The total compliance cost of the registration and business regime then was obtained by

⁶ See IFC/MIGA/World Bank (2010), *Here Is Your Money: Using the Standard Cost Model to Measure Regulatory Compliance Costs in Developing Countries*, Washington: World Bank Group; Nijsen, André (2009), *SCM to Measure Compliance Costs*, in: A Nijsen et al. (eds.), *Business Regulation and Public Policy*, *International Studies in Entrepreneurship* 20, DOI 10.1007/978-0-387-77678-1_5.

multiplying the average individual compliance cost with the total number of new licenses issued in a year:

$$C = N \cdot \bar{C}$$

where N : number of licenses issued in fiscal year E.C. 2005 (2012–13); \bar{C} : simple average compliance cost.

A number of caveats should be noted: In particular, lack of data availability has been a major constraint. The calculation of compliance costs for a license requires that both the number of any given license issued and the average individual business' compliance costs must be known. Out of the 1,327 different licenses included in the database, information on the number of licenses issued could be obtained for 386 licenses, and information on the number of licenses issued frequently were estimates. Thus, the 386 licenses together were issued 28,246 times in E.C. 2005; assuming that the licenses for which no numbers could be obtained were issued with the same frequency, the total number of licenses issued in the year was 97,105.

Individual business' compliance costs could be obtained for 155 licenses, based on information collected in a survey among businesses. However, the validity of individual compliance costs reported by businesses is limited. It seems likely that some businesses overestimated compliance costs, e.g., by including substantive compliance costs, while others did not include all cost factors. For the calculations, we took the simple average of costs reported by businesses in a sector.

Furthermore, it has not been possible to distinguish the cost of commercial registration from the cost of obtaining licenses. Therefore, the calculated licensing compliance costs also include the cost of registration for businesses. Likewise, compliance costs for obtaining a new license and renewing the license were assumed to be identical—this assumption appears to be quite realistic in view of the fact that most licenses have to be renewed yearly and requirements for a renewal are in most cases identical to those of a new license.

As a result of these constraints, the total calculated compliance costs as presented below should be

considered as approximate estimates rather than precise figures.

2.2 ESTIMATE OF THE COST TO BUSINESS OF THE REGISTRATION AND LICENSING REGIME

2.2.1 The Macro Perspective: Total Fees and Compliance Costs

The total cost which businesses in Ethiopia face as a result of complying with the registration and licensing regime is estimated at ETB 3.46 billion or 0.47% of Ethiopia's GDP (Table 1). It should be kept in mind that this figure excludes the substantive costs of compliance, which in Ethiopia can be estimated to be very significant as a result of the intensive use of competence certificates which often require businesses to engage in additional costs in order to meet the requirements established for competence certificates (see the discussion in Chapter 3).

When comparing overall compliance costs with the total fees collected by licensing agencies (Table 2), it becomes clear that fees constituted only a small share in total compliance costs: 3.3%. In other words, more than 95% of the costs for businesses are the result of cumbersome documentation and other requirements as well as time consuming procedures. On the other hand, the contribution of total fees collected to the State

TABLE 1: Estimation of Total Compliance Costs with Business Registration and Licensing Regime in Ethiopia

| | |
|--|----------------|
| Average cost of compliance per license (ETB) | 35593.1 |
| Extrapolated total no of licenses issued in E.C. 2005 | 97,105 |
| Estimated (extrapolated) total cost of compliance with all licenses (ETB M) | 3,456.3 |
| GDP 2012 (ETB B) | 736.6 |
| Share of estimated total compliance cost in relation to Ethiopia's GDP 2012 (%) | 0.47 |

Sources: Calculations based on authors' consultations; GDP per capita: World Development Indicators.

TABLE 2: Estimation of Total Fees Collected from Licensing Regime in Ethiopia

| | |
|--|-------------|
| Total no. of licenses in database | 1327 |
| Observations (licenses for which all required data are available) | 383 |
| Total calculated fees collected from all observed licenses (ETB M) | 19.9 |
| Average total fees collected per license, calculated based on all observed licenses (ETB '000) | 52.0 |
| Estimated (extrapolated) total fees collected from all licenses (ETB M) | 69.0 |
| Share of fees collected in total compliance costs (%) | 3.3 |
| Total Federal Budget E.C. 2005 (planned) (ETB B) | 124.2 |
| Share of fees collected compared to total federal budget (%) | 0.06 |

Sources: Calculations based on authors' consultations. Federal Budget: MOFED, Budget Proclamation 2005.

TABLE 3: Fees and Compliance Costs per License, Summary Statistics

| | Fees to Be Paid | | Av Compliance Cost per Business | | Ratio Compliance Cost/Fee | |
|-----------------------------|-----------------|---------------|---------------------------------|---------------|---------------------------|---------|
| | ETB | % of GDP p.c. | ETB | % of GDP p.c. | | |
| Most expensive license | 240,000 | 2989% | 1,613,657 | 20095% | Max | 3,541.5 |
| Least expensive license | 0 | 0% | 617 | 8% | Min | 1.1 |
| Av license cost/fee: Mean | 1,359.0 | 17% | 35,593.1 | 443% | Mean | 43.5 |
| Av license cost/fee: Median | 254.0 | 3% | 5,660.4 | 70% | Median | 11.9 |
| No. of observations | 792 | | 155 | | 153 | |

Sources: Calculations based on authors' consultations; GDP per capita: World Development Indicators (2012: ETB 8,030.33).

budget is negligible, not even reaching 0.1% of Federal Government revenue (Table 2).⁷

2.2.2 The Business Person's Perspective: Fees and Compliance Costs Per License

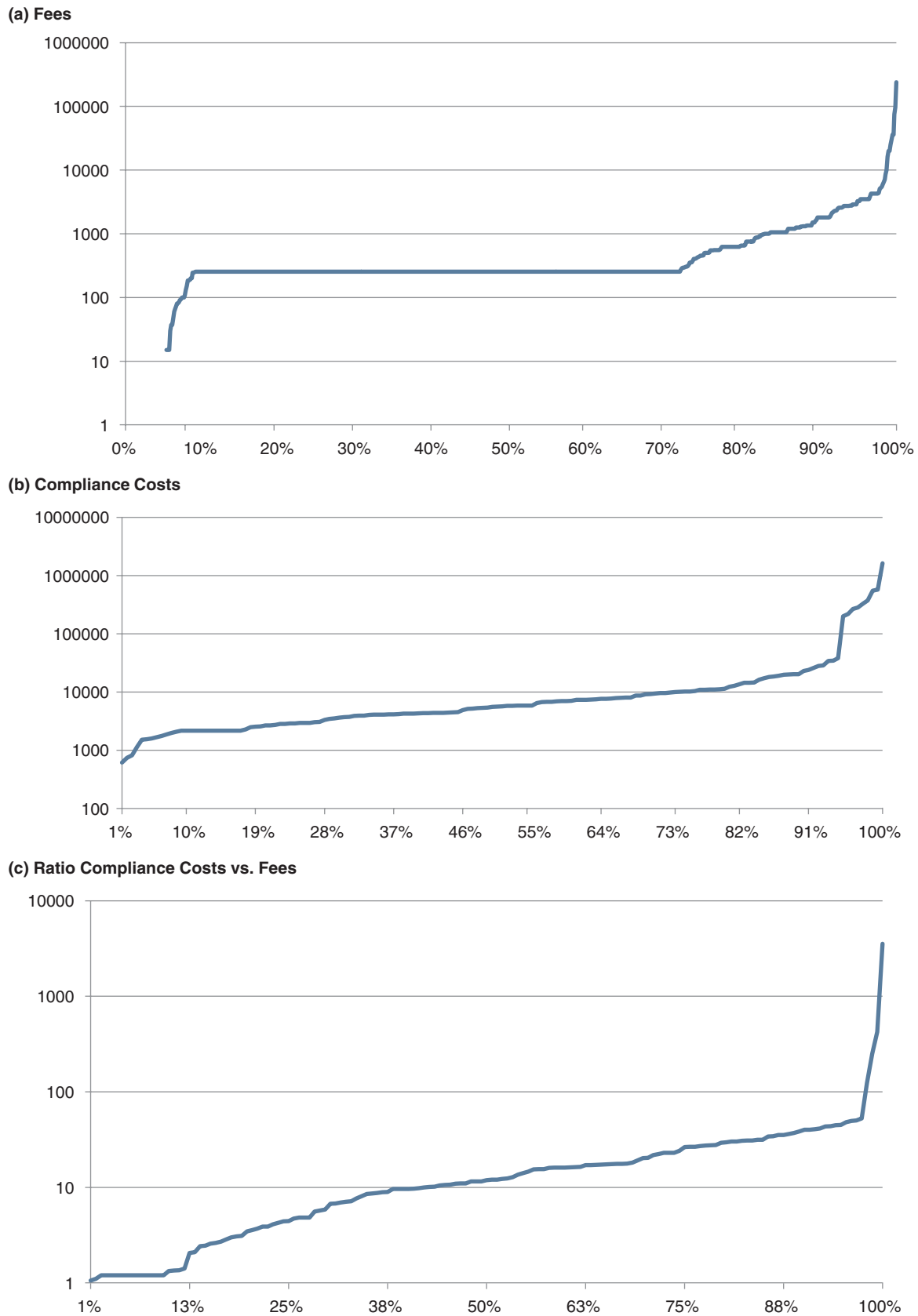
From the point of view of an individual business, more interesting than aggregated figures are the costs associated with obtaining an individual license. Table 3 provides a summary. As can be seen, the license fees to be paid to the issuing agency varies from ETB 0 to ETB

75,000, with the average license fee ranging from ETB 254 (median) to ETB 695 (mean). This rate is modest when compared to per capita income (only 3%–9% of GDP per capita).

More importantly, total compliance costs for businesses are substantially higher, ranging from an absolute low of ETB 617 to an absolute high of ETB 1.6 million. Averages are in the range of ETB 5,660 to ETB 35,593, or 70% to 443% of income per capita. These results are in line with the findings presented in the Doing Business 2014 which, as stated above, calculates the cost of starting a business in Ethiopia at 100.1% of per capita income. They also confirm that, by international comparison, compliance costs with licensing requirements are high in Ethiopia. It is recalled that the average cost for starting a business in Sub-Saharan Africa is 67.4%; the corresponding figure in OECD countries is 3.6%. Although these figures and the compliance costs calculated in the present study are not directly comparable, the magnitude of the difference

⁷ It should be noted that the revenue from category 1417—Business and Professionals Registration & License Fees planned in the 2005 E.C. Budget Proclamation amounts to ETB 9,569,914 only. The difference between this figure and the reported figure can be explained by various factors: some fees reported by agencies may be exaggerated, some fees do not accrue to the Federal Budget, and some reported fees do not fall into category 1417 of the Budget. Finally, the estimation method of simply extrapolating the average fees/compliance costs is prone to overestimate collected fees and compliance costs: it is likely that licenses for which data could not be obtained are used less often, or not at all, and thus would contribute less than average to overall fees and compliance costs.

FIGURE 2: Distribution of Fees and Compliance Costs Across Licenses



Source: Authors' calculations based on consultations.

does provide strong evidence for the comparatively high cost of complying with the business registration and licensing regime in Ethiopia.

Finally, the analysis of the individual businesses' perspective confirms the macro-findings, presented in the previous section, that the vast majority of compliance costs are not due to high licensing fees charged, but due to documentation and other requirements, as well as time consuming procedures.

Figure 2 provides a further analysis of the distribution of license fees, compliance costs and the ration between

the two. It shows that most license fees are modest—more than 70% cost ETB 254 or less. To the contrary, more than 90% of licenses have total compliance costs of more than ETB 2,000, and 32% more than ETB 8,030, the national per capita income. Finally, for more than half of all licenses the compliance costs are ten times or more the application fee.

In sum, there is a strong case to be made for reducing compliance costs by simplifying and streamlining the licensing regime in Ethiopia. The next chapter further elaborates on this and develops recommendations.

3 | Key Findings and Recommendations for a Streamlined Business Licensing Regime in Ethiopia

In Ethiopia, the Commercial Registration and Business Licensing Proclamation (CRBLP) is the main body of law governing business licensing across sectors. The analysis and recommendations below revolve around the key elements of this piece of legislation and are based on the team's discussions on the overall business registration and licensing regime, the inventory of licenses by sectors as well as the feedback from the private sector. Attempts have also been made to draw lessons from international best practices in business licensing, where relevant and appropriate. The analyses and recommendations are meant to help in the effort to improve the regulatory environment on business registration and licensing, facilitate business entry and operation thereby enhancing the role of the private sector in economic development and poverty eradication.

The findings and recommendations presented in the following sections have been grouped into two categories, based on their importance. Section 3.1 analyzes some fundamental issues with the current licensing regime and provides corresponding recommendations which would likely boost the ease of starting and maintaining a business. Section 3.2 presents operational issues and recommendations which would streamline the system and reduce the “hassle” factor of the system.

3.1 CORE CONCEPTUAL ISSUES AND RECOMMENDATIONS

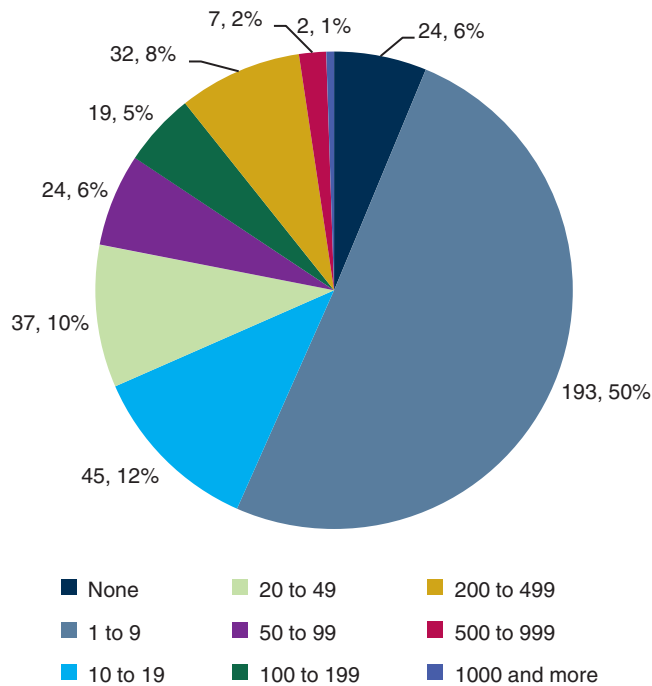
3.1.1 Too Many and Over-Specified Business Licenses

The revised Ethiopian Standard Industrial Classification (ESIC) has defined over 1,320 specific licenses, and the list is likely to increase even further since the Ministry of Trade (MoT) continues to add licenses to the ESIC list from time to time.⁸ Moreover, a number of additional licenses are being issued based on specific laws or practices.

This number of licenses is very high by international standards. One of the implications is that business persons are required to obtain multiple licenses for closely related business activities. Even though in practice the MoT provides the list of business activities a licensee can undertake at the back of a single document, the applicant needs to comply with all the requirements for each specific license. This saves only paper not the time and cost of the business person. Furthermore, the existence of several, often potentially overlapping licenses reduces transparency and clarity for business, which are not always certain about which

⁸ For example, the first version of the ESIC published in January 2010 only listed approximately 980 licenses.

FIGURE 3: Frequency of Issuance of Licenses, E.C. 2005 (2012–2013)



Source: Computed based on authors’ consultations. Total number of different licenses for which data could be obtained: 383.

licenses they have to obtain. Taken together, this creates a substantial barrier to business start-up and expansion.

It should also be noted that, as a result of the high number of licenses, most licenses are issued only very infrequently (Figure 3). Of the 383 different licenses for which figures could be obtained, 6% were not issued at all in E.C. 2005, and another 50% were issued less than ten times during the budget year. Only 10% were issued more than 100 times. It is likely that most of the licenses for which no data on the issued number are available are also rarely used. This means that at least 80% of the legal existing more than 1,300 licenses are in practice very rarely used.

International best practices indicate that a good regulatory framework should not be unduly prescriptive in specifying how businesses should operate. Many studies found that a licensing regime which is unduly prescriptive, including through prescribing too specific and too many licenses, hampers business start-up as well as growth of business firms by limiting and slowing

their ability to expand.⁹ Accordingly, the international trend is towards providing general licenses which allows private firms to engage in any activity within a sector, except in those limited activities which require sector specific licenses. Many economies no longer require private business even to state objectives of their business activities for registration purposes and streamlined their licensing regime to few licenses.¹⁰

In sum, compared to international best practice and trends followed in many economies, the business licensing regime in Ethiopia is unduly prescriptive: it establishes too many and too specific licenses.

Recommendations

1. It is recommended that the number of business licenses be reduced significantly, taking into account two parameters. First, it is suggested that in principle a single license be issued covering all business activities under each of the “Major Groups” defined by the ESIC.¹¹ Only exceptionally and when duly justified, a specific license would be required for a particular activity within the group of activities.

Secondly, it is recommended that the different licenses involving the same kind of product or service be merged together as a single license. This means, for example, that the importation, wholesale and retail trade of the same or closely related products would require a single license rather than multiple licenses for each type of trade, as per the current practice.

⁹ See e.g., World Bank/IFC (2010), Policy Framework Paper on Business Licensing Reform and Simplification.

¹⁰ World Bank Group (2013), Reforming Business Registration: A Toolkit for Practitioners, p 18.

¹¹ “Major Groups” are coded in the ESIC with a 3-digit code. For example, in Division 11, “Agriculture, Hunting and Related Services,” there are the following “Major Groups”: 111—Growing of Crops; Market Gardening; Horticulture; 112—Farming of Animals; 113—Growing of Crops Combined with Farming of Animals (Mixed Farming); 114—Agricultural and Animal Husbandry Services, except Veterinary Activities (Artificial Breeding Including Bulls); 115—Hunting, Trapping and Game Propagation, Including Related Services; and 116—Production of Organic Fertilizer.

Annex 2 provides a suggested simplification of the existing ESIC for further consideration and refinement.

The streamlining of licenses along these lines would significantly reduce the number of licenses and contribute to the ease of doing business in Ethiopia. Streamlining the ESIC based on this recommendation would reduce the number of licenses significantly—by about 70%, from the current 1,320 licenses to about 400 licenses.

2. In many countries that have reformed their licensing regimes, licenses are now required only for specific commercial activities with important implications on public interest, national security, health, protection of the environment, etc. In all other cases a business person can engage in trade with a registration only, but without the need for obtaining a license. While this is the international trend, it is suggested that reforms to be successful need to be undertaken step-by-step and streamlining the licenses as suggested above should be the priority for Ethiopia. Once the streamlining exercise is undertaken the issue whether to abolish licenses for certain business activities could be considered. Note however recommendation 3 below.

3.1.2 Lack of Compatibility between the ESIC and the Sectoral Laws

The study has found that the ESIC is not in conformity with sector specific laws. It is indeed common to find licenses listed in the ESIC not being covered in the specific sector laws and vice versa. There are also great variations between the ESIC and sector specific laws in terms of nomenclature as well as scope and coverage of licenses. This has created confusion in the entire licensing system, not only among businesses applying for licenses but also among issuing agencies.

This incompatibility between the ESIC and sector-specific regimes appears to have arisen because of lack of extensive examination of the sector specific laws and consultations with the concerned agencies dealing with licenses in the preparation process of the ESIC.

Furthermore, the ESIC currently performs two different functions: it is used to structure the licensing regime, and it is used as a statistical tool to structure business activity in the country. However, combining these two functions in one tool leads to ineffective outcomes for both functions: with regard to the licensing regime, the lack of compatibility with sector laws, as already mentioned, and with regard to the statistical purposes, a lack of coherence with international standard classifications and, thus, difficulties in producing internationally comparable statistics.

Recommendations

3. There is an urgent need for a comprehensive review of the ESIC with a view to bringing it into conformity with specific sector laws. This would include the elimination of licenses from the ESIC which are not required by sector legislation.
4. It is recommended that the two roles that the ESIC currently fulfils are separated by splitting the ESIC into two separate classifications, the ESIC used for statistical purposes, and an Ethiopian License Classification (ELC), used for the licensing regime.¹²

3.1.3 Application of Competence Certification for Almost All Licenses

The findings made in Section 3.1 above regarding the excessive use of licenses are compounded by the frequent use of competence certification requirements in order to obtain licenses. Competence certification is one of the most radical innovations in Ethiopia's current business licensing system. The requirements of professional competence to be met while applying for licenses are envisaged in Article 32(8) of the CRBLP. The central objective of this requirement is to certify whether or not a business person has the capacity and capability of operating a business. The financial and technical competence of a business should be ascertained before operating any business. Before the issuance of the CRBLP and the ESIC, competence

¹² Note that, notwithstanding this recommendation, this report uses the term ESIC throughout.

certificates were required only in limited sectors based on sector-specific laws.

The international trend in many economies and the best practice is to limit the very requirement to obtain licenses only to selected activities which may have a significant impact on health, security, environment, etc. Thus, ex-ante verifying the competence of a business person is an exception required only in limited sector-specific licenses. However, contrary to this international best practice, the requirement of certifying the competence of a business person prior to issuing a business license has become the rule, not the exception, in the post CRBLP and ESIC period.

In general, there are a number of problems in connection with the existing competence certification regime. Major issues include:

- **Lack of adequate regulatory purpose:** When seen in the light of international trends and best practices, ex-ante certifying the competence of business firms can have a valid regulatory purpose only for limited types of licenses in some sensitive and risky sectors. For the majority of business activities, requiring a competence certificate does not have a valid regulatory purpose and can only be considered as a barrier to business start-up and expansion. No valid regulatory purpose could be identified for the competence certificate requirement in relation to the majority of licenses listed in the ESIC. In fact, during consultations even some representatives of agencies issuing competence certificates stated that they are not sure about the need and importance as well as the effectiveness of the competence certification system. Some argued that it would be more appropriate and effective to regulate the product or services, where there are valid concerns, instead of regulating the capacity of the trader through ex-ante competency certification. Some ESIC designated competence verifying agencies, like the Ministry of Industry (MoI) for the manufacturing sector or the Ministry of Education (MoE) for trade in educational materials, questioned the need and purpose of requiring competence certificates in these sectors and refused to act as certifying agency. In general, making competence certification requirement the rule

and applying to all licenses is one of the major issues (with significantly hampering business start-up as well as promoting informal business) in the existing licensing regime in Ethiopia.

- **Lack of adequate legal basis:** The CRBLP envisages that requirements of professional competence are to be met while applying for licenses as defined in directives to be issued or specified by relevant sector government institutions. However, while some of the 35 competence verifying agencies identified in the ESIC are mandated by their respective establishing or sector legislation to issue competence certificates, some of them are not specifically mandated so. Moreover, even for those agencies mandated by specific laws to issue competence certificates, their legal mandates do not usually cover all the licenses in respect of which they are authorized to issue competence certificates under the ESIC. As a result, most of the competence verifying agencies are not certain or convinced about their legal mandate to issue competence certificates to businesses and many of them consider that this mandate is imposed on them by the MoT.

There appears to be a misunderstanding of Article 32(8) of the CRBLP which reads as follows:

“There shall be submitted a certificate of professional competence in testimony of the fulfillment of the requirements set by the relevant government office in a directive, for the business a business license has been requested, and a statement signed by the applicant. The appropriate authority shall inform the concerned government office about the implementation of the directive.”

This provision clearly indicates a number of points. First, competence certificates are not necessarily required for all business activities. Second, competence is required only when relevant agencies require it in a directive they issue not by the MoT. There indeed are laws and regulations that require certification in such areas as food, medicine agricultural products, electricity, construction, etc. This means that except in those cases where sector-specific laws envisage certification the sector

agencies may not require competence certification. But the practice is that the MoT allocates licenses for agencies requiring them to issue directives on competence certification even if such certification is not envisaged in the establishing laws of the agencies. In many cases agencies refuse to issue those directives stating that their laws do not mandate them to do so or the requirement is simply unnecessary. The MoT does not appear to be justified in requiring competence certification in all cases except those activities considered requiring competence certification by specific laws.

Only recently the MoT issued a circular exempting some retail trade activities from the requirement of competence certificates. However, a further simplification of competence certification requirements is called for, because there is a:

- **Lack of clear demarcation between the different institutions** with respect to the mandates of issuance of competence certificate (mandate overlaps), creating a lot of inconvenience on businesspeople; and
- **Lack of preparation and little interest** in handling the task by some of the institutions in charge of administering certifications.

Recommendations

5. The requirement to obtain competence certificates should be applied only to limited types of licenses in selected sensitive and risky sectors as foreseen by sector specific law, and should be abolished for the majority of licenses.

We recommend that the requirement for competence certification be abolished for the licenses listed in Annex 1.

6. To ensure the general purpose that businesses provide goods and services of adequate quality, the tools for consumer protection and competition entailed in the Trade Practices and Consumer Protection Proclamation (TPCPP) should be strengthened, instead of having a standard requirement for competence certification. This approach would be more in line with the overall objectives of the CRBLP, which are to further the ideals of a market-oriented economy, achieve economic development, remove barriers that hinder the smooth operation of businesses, and offer public services to the business community in ways that are efficient and capable of contributing to economic growth.

The effect of recommendation 5 in terms of compliance cost savings for businesses is estimated in Table 4. Based on information obtained from the survey among businesses, the private sector costs stemming from certification requirements amount to approx. 70% of total compliance costs. As a result of recommendation 5, certification requirements for approx. half of all different licenses would be eliminated. As a result, the total cost savings would amount to 35% of compliance costs under the status quo, or ETB 1.2 billion per year.

TABLE 4: Estimation of Compliance Cost Savings Resulting from Recommendation 5

| | | | |
|---|-------------|--|----------------|
| Status quo | a | Total number of licenses in database | 1327 |
| | b | Average cost of compliance per license (ETB) | 35,593 |
| | c | Estimated total number of licenses issued in E.C. 2005 | 97,105 |
| | d = b * c | Estimated total cost of compliance with all licenses (ETB M) | 3,456.3 |
| | e | Estimated compliance costs related to certification requirements (% of total compliance cost) | 70% |
| | f = d * e | Estimated total compliance costs related to certification requirements (ETB M) | 2,419.4 |
| Annual compliance cost savings, Rec. 5 | g | Proposed reduction in number of licenses with certification requirements | 672 |
| | h = f * g/a | Reduction in compliance costs resulting from reduced certification requirements (ETB M) | 1,225.2 |
| | i = h/d | Reduction in compliance costs resulting from certification requirements (% of total compliance costs in status quo) | 35% |

3.1.4 Overly Demanding Requirements for Competence Certification

Out of the 35 competence verifying agencies identified by the ESIC, about 25 have prepared specific directives or manuals outlining the requirements to be met for competence certification to be issued in their respective institutions. Based on a review of these directives/manuals, requirements for certification are often cumbersome and it is questionable if they match the realities in the country. Unnecessary and subjective requirements like sufficient capital and the necessary skilled manpower are commonly identified in these directives/manuals which open the gate for varied interpretation and at times corruption. Strict enforcement of the requirements may drive a number of people out of business as well as deter new entrants from establishing businesses.

In addition, competence certificates for most of the licenses have to be renewed yearly, which is a pre-requisite for the renewal of a business license. Thus, a business has to pass through the same costly process each year, the regulatory purpose of which is questionable. Indeed, in many cases maintaining a business from a licensing perspective is like establishing the business anew every year. This diverts significant cash and human capital from productive activities. It also creates a heavy administrative burden on competence verifying agencies, which have to check whether a business meets the requirements on a yearly basis.

Recommendations

7. For those licenses that require competence certification and which are therefore not abolished in line with recommendation 5, it is suggested that competence certificate issuing agencies review the requirements with a view to making them clearer, less cumbersome and enforceable. Sector-specific recommendations are provided in the detailed inventory report.
8. The need for an annual renewal of competence certification is questionable. As noted, the process as it stands now is generally cumbersome, costly and time consuming. It is suggested that after a competence certificate is issued once, it is better to

follow up through other ways such as inspection rather than requiring businesses to go through this process annually. Alternatively, a competence certificate should be valid for at least five years and renewal be required thereafter.

3.1.5 No Necessity for Renewal of Commercial Registration

Under the CRBLP registration is a prerequisite to start any business undertaking in Ethiopia. A set of requirements need to be complied with for the registration. While there are different views on specific aspects of the requirements of commercial registration, there appears to be a consensus on the part of the private sector that a one-time commercial registration is necessary and justified. However, under the CRBLP business registration must be renewed, in principle, every year—although an amendment to the CRBLP now permits the renewal for up to five budget years.

The requirements for renewal of commercial registration are more or less the same as those for original registration and under current practice the applicant has to go through the same procedure periodically. Even if a business person is now able to renew the commercial registration for every budget year or for five consecutive budget years, the very idea of renewal of commercial registration remains questionable. Renewal of commercial registration is of course on top of renewal of business licenses and whatever legitimate objective there might be in renewal of commercial registration could be achieved through renewal of licenses.

The need for renewal of commercial registration appears to be not sufficiently justified. Two reasons seem to have dictated the renewal of commercial registration requirement: information gathering/ updating, and collection of revenue. However, if the renewal is meant to gather and update information about a business, this could be achieved by requiring businesses to provide an update or inform the registration agency about any changes in the business, failure of which could result in measures including deregistration.

On the other hand, in principle, the collection of revenue should not be a primary objective for this renewal of business registration, but a reasonable fee could be an important factor for the smooth functioning of the entire system. There are, however, other ways of addressing the concerns related to the fee, such as increasing the one-time registration fee to a reasonably higher level. The business community considers the current fee for registration as generally reasonable and indicated that increasing the fee is by far better and less costly than the requirement to annually renew the registration.

Recommendation

9. The renewal of business registration should be abolished with a specific requirement that changes with regard to the details in the registry should be notified to the MoT promptly. Failure to inform about changes should have consequences including in some cases deregistration.

3.2 OPERATIONAL ISSUES AND RECOMMENDATIONS

3.2.1 Weaknesses in the Practice of Trade Name Registration

Registration of a trade name is a common practice in business registration and licensing. Part Three of the CRBLP has established a system of trade name registration and among others outlines the obligations and conditions for registration of trade names and provides a long list of names that would not be regarded as trade names. The legality of the requirement is clear. There are different purposes for requiring trade names; they are used to identify a particular business from others, help in consumer protection and protection of unfair competition, etc. Registration of trade names indeed is part of international practice. The list of names that are not considered trade names have legitimate purposes and are internationally accepted.

However, the business community complains about how the provisions on trade name are being enforced. There are several problems with regard to trade name registration:

- **Lack of detailed and specific regulations, manuals and explanatory notes** that could guide the front desk officers while handling trade name related issues.
- **Lack of transparency in trade name registration:** Business persons are often refused to register a trade name of their choice for no valid reasons (or without sufficient explanation). They have no option but to visit trade offices on several occasions until such time that their proposed trade names are accepted. Many complain that the way proposed trade names are verified by registration offices lacks transparency.
- **Inexistence of a publicly available database of registered trade names:** No database of trade names is available to the public for checking. Therefore, business people cannot verify if their trade names have been taken by others before visiting the registration offices.
- **Inexperienced agency staff handling trade name registration:** It is not clear if front desk officers at the MoT can easily understand the legal intricacies of the provisions on trade name registration and make a sound decision which in many cases is subjective.
- **Length of time required for trade name registration:** In practice, registration of trade names takes a long time (up to three weeks).
- **Centralized decision-making structure and lack of information in regions:** Trade name registration is particularly challenging for business people from the regional states since the regional bureaus cannot take decisions on a trade name registration application before checking with the registry at the MoT in Addis Ababa. The regional trade offices are, however, not linked by a network with the MoT in Addis Ababa, which causes additional delays.

Recommendation

10. In order to address the identified issued, it is recommended that the practice of trade name registration be improved through the following measures:
 - In order to improve the legal certainty and transparency of trade name registration,

detailed directives, manuals and explanatory notes on trade name registration should be put in place. This should also foresee the requirement for the agency to sufficiently explain the rejection of a trade name, as well as the establishment of an appeal mechanism against decisions made by front desk officers;

- The database of registered trade names should be made available to the public;
- Extensive training should be given to front desk officers on the application of provisions related to trade name registration; and
- Regional trade bureaus should be linked with the central trade name registry so that business people will be able to get decisions quickly.

3.2.2 Evidence of Physical Address

Besides disclosing the exact address of the business, applicants for registration and licenses are obligated to produce title deeds if they use their own property or, if leased, an authenticated contract of lease or, alternatively, a certification from the Woreda Administration of the physical address. Although a physical address for a business is required, among other things, for traceability, it is not clear if that registered address should be a residential or commercial address.

It has been difficult to fully implement the requirement to provide evidence of a physical address, because the legal provisions have not taken account of the realities on the ground. Among the implementation problems the following ones are particularly noteworthy: First, many leasers are not willing to enter into officially authenticated contracts. Second, given that many houses in Addis Ababa do not have title deeds and plans, it is very difficult for business persons to get a fixed address for their business activities. The Trade Bureau of Addis Ababa has temporarily solved the problem through temporary rules whereby business persons can present an agreement signed in the presence of local elders as evidence of physical permit. The requirement has also somehow been relaxed since the proof can be made by submitting a letter from the Woreda Administration testifying to the physical address of the business person.

Recommendation

11. Requiring a commercial address for every business activity may be too restrictive since some business activities (e.g., consultancy) can be undertaken at one's own residence. This implies that it is important to look into the use of personal residence as registered home office for selected business activities. There is also a need to be more flexible with regard to this requirement as more and more business are being undertaken without as such a permanent physical address through the use of technology.

3.2.3 Redundancy of Requirements for Registration and Licensing/Requirements with No Clear Legal Basis

A closer look at the current practice of issuing business licenses shows that the system involves, to a considerable degree, duplication of information, with business registration. A business person is required to submit some documents several times to obtain a commercial registration, a competence certificate and a business license, as shown in Table 5. These requirements are simply redundant and could be directly generated from the certificate of registration.

There are also some requirements which do not have a clear legal basis. The best example is the requirement of bank confirmation of deposited capital with regard to sole businesses. While this requirement is only applicable for business organizations under the CRBLP, in practice sole businesses are also being required to furnish same bank confirmation deposited capital.

Recommendation

12. To simplify the process and in particular to reduce administrative burden for issuing agencies, it is recommended that supporting/evidence documents are checked only once during the registration and licensing process. Most documentary requirements for a business license could be abolished as the duplicate the requirements which a business person already has to comply with during registration (shown in red in Table 5). In addition the bank confirmation of deposited capital for sole business

TABLE 5: Comparison of Requirements for Business Registration and Licenses

| | Requirements for Registration | Requirements for Business License |
|--|---|---|
| New registration/ license (sole business person) | <ul style="list-style-type: none"> • Tax identification number • Bank confirmation of deposited capital • Proof of physical address (title deed/ authenticated lease agreement/kebelle confirmation) • Valid identification card/passport • Two passport size photographs taken within the last six months • For a foreign investor, an investment permit • Where the application is submitted by an attorney, an authenticated power of attorney | <ul style="list-style-type: none"> • Valid business registration certificate • Competence certificate • A document evidencing the capital allocated for the commercial activity • Proof of physical address (title deed/ authenticated lease agreement/kebelle confirmation) • Two passport size photographs taken within the last six months • For a foreign investor, the investment and residence permits • Where the application is submitted by an attorney, an authenticated power of attorney |
| New registration/ license (business organizations) | <ul style="list-style-type: none"> • Tax identification number • Bank confirmation of deposited capital • Proof of physical address (title deed/ authenticated lease agreement/kebelle confirmation) • Valid identification card/passport of the manager • Two passport size photographs of the manager taken within the last six months • Authenticated Memorandum of Association and Articles of Association • Where the application is signed by an attorney; a power of attorney given by all of the founders • Where there are foreign nationals as members of the business organization; documents evidencing that the foreign nationals are considered as domestic investors or their investment permits | <ul style="list-style-type: none"> • Valid business registration certificate • Competence certificate • A document evidencing the capital allocated for the commercial activity • Proof of physical address (title deed/ authenticated lease agreement/kebelle confirmation) • Authenticated original copies of memorandum and article of association of the business organization • Two passport size photographs of the manager taken within the last six months • For a foreign investor, the investment and residence permits • Where the application is submitted by an attorney, an authenticated power of attorney |

should be abolished since the requirement does not have a legal basis.

3.2.4 Lack of Agency Coordination and Integrated Systems

Multiple government institutions are involved, directly or indirectly, in the process of business registration and licensing, making registration and license renewal cumbersome and costly. Moreover, there appears to be little coordination within and across various institutions involved in the registration and licensing process. It is a common practice that applicants have to often visit the same institution on multiple occasions and comply with procedures sequentially rather than in parallel. They have to manually submit numerous forms containing

duplicate information, and visit multiple offices in person because the institutions are not interconnected via technology.

One particular example of the lack of inter-agency coordination relates to the link between the licensing regime and the tax regime. Many businesses question the appropriateness of how this currently functions. For example, a registration officer cannot easily check the tax status of an applicant on-line because the trade and tax institutions are not connected by a network.

Although there is no question that the business community needs to pay taxes and government has a legitimate responsibility to collect taxes, the government may wish to enforce its right to collect taxes in a way

that appears more practical and enforceable. Licensing regimes are typically linked to the tax regime in a number of countries but the processes are simple and short. The issue to be considered is whether there is a possibility of doing this more efficiently than the way it is being done now.

Recommendations

13. Investment in networking is an important issue that the Government needs to take as a top priority with a view to address these problems. Specifically, there is a need to create networking between the licensing and tax institutions and improve the coordination and information flow between the two.
14. It is also useful to develop an integrated online system to provide information to the business community which is relevant for the registration and licensing process. This will help the business community to have access to practical and up-to-date information regarding the types of documents required and where to go for obtaining or renewing their licenses.

3.2.5 Insufficient Institutional Capacity

There is a serious capacity gap in the Trade and Industry Offices at various levels. At times, the License Officers at the Trade and Industry Offices as well as the MoT lack the necessary information about the rules. It has been reported that business persons at the MoT were stranded due to lack of the required information since employees at Commercial Registration and Business Licensing Directorate were not well conversant with the new law.

Trade and Industry Offices at the Woreda level particularly suffer from lack of capacity in terms of both human resources and other materials: shortages of office materials and computers which are not functioning due to maintenance problems slow down the processing of registration and license. In addition, the current registration and licensing system or software being used by many Trade and Industry Offices is not only inefficient but also it cannot control multiple licenses. This not only affects the speed of registration but also increases compliance costs for business persons.

Apart from the Trade and Industry Offices, most of the competence verifying agencies are not well prepared and organized to issue competence certificates. They lack the necessary commitment, capacity and organizational structure to efficiently and effectively carry out the certification process. In particular, the data management system in most competence certifying agencies is very poor.

Recommendation

15. Given the identified constraints, the MoT and certifying agencies need to give utmost attention to address the serious capacity limitations in terms of manpower, equipment and organizational structure.

3.2.6 Awareness Creation and Participation

Many of the consulted business persons do not know the contents of the CRBLP. Nor are the agency staff and service providers (such as lawyers/consultants/accountants) in charge of and assisting with registration and licensing fully familiar with the requirements of the CRBLP. As a result, they have at times been unable to provide the necessary information to their clients (business community). This seems to suggest that there is a need for extensive awareness creation activity at both levels. While the primary responsibility for this rests on the Government, the Ethiopian and Addis Ababa Chamber of Commerce and Sectoral Associations could play an important role by raising awareness about the laws to their memberships. Furthermore, the business community needs to be consulted and actively participate in the formulation and design of laws and regulations.

Recommendation

16. It is recommended that the GoE and Chamber system work together to improve awareness among public sector officials and the private sector regarding the CRBLP. The Government should also work closely with all stakeholders throughout the drafting and review process so that the laws are understood by stakeholders. As a result, there would be some merit in creating a standing mechanism for dialogue between the

government and the business community on issues related to commercial registration and business licensing.

3.2.7 Time Required to Obtain a License

The CRBLP does not prescribe the maximum period of time allowed from the submission of an application to the issuance of certificates. In practice, some licenses require about four months to be issued (for financial institutions and various telecommunications services). There is a need to include the maximum period of time the entire process should take once the necessary requirements have been complied with. This gives a right to the applicant to ask for a license within the prescribed time while creating accountability on the licensing office.

Recommendation

- 17.** It is recommended that the CRBLP prescribes a maximum time period after submission of an

application within which certificates should be issued.

3.2.8 Penalties

The CRBLP prescribes severe penalties, both in terms of imprisonment and fines. Furthermore, the fine and criminal penalties are put cumulatively, not alternatively, which is not the case in other countries. This means that Ethiopian courts must apply both fines and imprisonment should they find a violation of the provisions of the CRBLP. The penalties need to be revisited with a focus on education and reform rather than driving people out of business.

Recommendation

- 18.** It is recommended that the penalty provisions prescribed under the CRBLP be revisited.

4 | Summary and Conclusions

The recommendations made in this report are intended to streamline the registration and licensing regime in Ethiopia, thereby reducing the cost which it imposes both on businesses and the public agencies in charge of its administration.

The current **cost of the business registration and licensing regime for the public sector** is impossible to quantify with certainty, but our findings suggest that it might be very high: first, the need to devise rules, procedures and administrative structures for competence certification for hundreds of different business activities has consumed vast resources by the numerous involved agencies, and has not even been completed to date. Second, duplication of procedures and documents for registration, licensing and competence certification entails unnecessary costs. Third, lack of coordination among the different institutions involved in registration, licensing and certification requires frequent physical visits by applicants which in turn also entails substantial administrative burden and cost. Finally, the vast number of different licenses being issued and the small number of specific licenses being issued per year mean that agencies forego “economies of scale” which they could reap from the more frequent issuance of a lower number of different licenses. Therefore, reducing the administrative burden of the business registration and licensing regime for issuing agencies is expected to

improve public sector service quality in the registration and licensing process—issuing licenses faster, more predictably and with improved legal certainty.

With regard to **compliance costs for businesses**, a quantification of cost savings is difficult for the individual recommendations and almost impossible for the combination of recommendations. However, taken together it is expected that the recommendations could help reduce cutting *administrative compliance costs* by half or more—the effect of recommendation 5 alone is estimated to cut private sector compliance costs by 35%. This would eliminate the gap which Ethiopia’s registration and licensing regime has in comparison with the Sub-Saharan African average, and bring it to the same level as Africa’s top-performing group. Furthermore, in addition to administrative compliance costs, the proposed recommendations would help significantly reduce *substantive compliance costs* resulting from overly demanding (or outright superfluous) licensing requirements.

In the longer term, the abolition of licenses with exception of commercial activities with important implications on public interest, national security, health, protection of the environment, etc., should also be considered.

Table 6 provides a short summary of the recommendations made and their expected effects.

TABLE 6: Summary of Recommendations and Expected Effects

| Recommendation | Expected Effect |
|---|---|
| <i>Core Recommendations</i> | |
| <p>1. Significantly reduce the number of business licenses (detailed proposal in annex):</p> <ul style="list-style-type: none"> • Principle: a single license should be issued covering all business activities under each of the “Major Groups” defined by the ESIC. Only exceptionally and when duly justified, a specific license would be required for a particular activity within the group of activities. • Merge different licenses involving the same kind of product or service (e.g. import, wholesale and retail trade of same or closely related products). Annex 2 provides a suggested simplification of the existing ESIC for further consideration and refinement. | <p>The streamlining of licenses along these lines would significantly reduce the number of licenses and contribute to the ease of doing business in Ethiopia. Streamlining the ESIC based on this recommendation would reduce the number of licenses significantly—by about 70%, from the current 1,320 licenses to about 400 licenses. It would increase transparency in the licensing regime, clarifying which licenses have to be obtained. Implementation would benefit from economies of scale and more coherent administrative practice. Compliance costs are expected to be reduced substantially by abolishing the need for businesses to obtain multiple licenses.</p> |
| <p>2. Apply gradual approach to removal of licenses. First step, streamline license regime as per recommendation 1. Once the streamlining exercise is undertaken, consider abolition of licenses for certain business activities.</p> | <p>The gradual approach would ensure buy-in from all concerned stakeholders and increase likelihood of successful reform. The long-term objective would be to align Ethiopia’s regime with international best practice, where licenses are now only required for specific commercial activities with important implications on public interest, national security, health, protection of the environment, etc. In all other cases a business person can engage in trade with a registration only, but without the need for obtaining a license.</p> |
| <p>3. Urgently and comprehensively review the ESIC with a view to bringing it into conformity with specific sector laws. This would include the elimination of licenses from the ESIC which are not required by sector legislation.</p> | <p>Same effect as recommendation 1.</p> |
| <p>4. Separate the two roles which the ESIC currently fulfils by splitting the ESIC into two separate classifications:</p> <ul style="list-style-type: none"> • the ESIC used for statistical purposes • an Ethiopian License Classification (ELC) used for the licensing regime. | <p>Increased consistency of Ethiopian industrial statistics with international standards and greater flexibility in the licensing regime.</p> |
| <p>5. Apply the requirement to obtain competence certificates only to limited types of licenses in selected sensitive and risky sectors as foreseen by sector specific law, and abolish the requirement for majority of licenses (list in Annex 1).</p> | <p>Significant reduction in administrative and substantive compliance costs for businesses, by about 35% of total compliance costs at the status quo. Also, significant reduction of administrative burden for competence certification agencies. Also, reduced discretionary power (and incentives for corruption) of competence certifying officials.</p> |
| <p>6. Strengthen the tools for consumer protection, and competition in the Trade Practices and Consumer Protection Proclamation (TPCPP) should be strengthened, instead of having a standard requirement for competence certification.</p> | <p>This will ensure general purpose, currently pursued with the almost universal competence certification requirement, that businesses provide goods and services of adequate quality. The approach focusing on consumer protection, rather than competence certification, would be more in line with the overall objectives of the CRBLP, which are to further the ideals of a market-oriented economy, achieve economic development, remove barriers that hinder the smooth operation of businesses, offer public services to the business community in ways that are efficient and capable of contributing to economic growth.</p> |

| Recommendation | Expected Effect |
|--|---|
| <p>7. For those licenses that require competence certification and which are therefore not abolished in line with recommendation 5, review the requirements for competence certificates with a view to making them clearer, less cumbersome and enforceable. Sector-specific recommendations are provided in the Business License Inventory.</p> | <p>Same effect as recommendation 5.</p> |
| <p>8. Rather than requiring annual renewal, issue competence certificates once and follow up through other means such as inspection. Alternatively, extend validity of competence certificates to at least five years before renewal is requested.</p> | <p>Significant reduction in administrative compliance costs for businesses, as well as administrative burden for competence certification agencies: costs related to competence certification would be reduced by 80%.</p> |
| <p>9. Abolish the renewal of business registration and introduce the obligation for businesses to promptly notify to the MoT changes with regard to the details in the registry. Failure to inform about changes should have consequences including in some cases deregistration.</p> | <p>Significant reduction in administrative compliance costs for businesses, given that registration renewal requirements are typically comparable to initial registration requirements. Likewise, the administrative burden for registration agencies would be reduced.</p> |
| <p>Operational Recommendations</p> | |
| <p>10. Improve the practice of trade name registration through the following measures:</p> <ul style="list-style-type: none"> • Put in place detailed directives on trade name registration. This should also foresee the requirement for the agency to sufficiently explain the rejection of a trade name, as well as the establishment of an appeal mechanism against decisions made by front desk officers; • The database of registered trade names should be made available to the public; • Extensive training should be given to front desk officers on the application of provisions related to trade name registration; and • Regional trade bureaus should be linked with the central trade name registry so that business people will be able to get decisions quickly. | <p>Improved legal certainty and transparency of trade name registration. Faster registration process.</p> |
| <p>11. Allow flexibility to businesses for providing either a commercial or residential address for registration purposes.</p> | <p>Facilitate business start-up especially in some business activities (e.g., consultancy) which can be undertaken at one's own residence or without a permanent physical address through the use of technology.</p> |
| <p>12. Check supporting/evidence documents only once during the registration and licensing process. Most documentary requirements for a business license could be abolished as the duplicate the requirements which a business person already has to comply with during registration.</p> | <p>Checking identical supporting documents only once during the registration and licensing process will simplify the process, shorten the time required for issuing licenses and in particular reduce the administrative burden for issuing agencies.</p> |
| <p>13. Invest in inter-agency networking. Specifically, create a network between the licensing and tax institutions and improve the coordination and information flow between the two.</p> | <p>Reduced duplication of document requirements. Improved level of information by Government agencies about businesses. Faster, less cumbersome renewal of business registrations and licenses.</p> |

(continues)

TABLE 6: Continued

| Recommendation | Expected Effect |
|--|--|
| 14. Develop an integrated online system to provide information to the business community which is relevant for the registration and licensing process. | This will help the business community to have access to practical and up-to-date information regarding the types of documents required and where to go for obtaining or renewing their licenses. |
| 15. The MoT and certifying agencies need to give utmost attention to address the serious capacity limitations in terms of manpower, equipment and organizational structure. | Improved service quality. |
| 16. GoE and Chamber systems should work together to improve awareness among public sector officials and the private sector regarding the CRBLP. The Government should also work closely with all stakeholders throughout the drafting and review process so that the laws are understood by stakeholders. Consider creating a standing mechanism for dialogue between the government and the business community on issues related to commercial registration and business licensing. | Better compliance with the registration and licensing regime. |
| 17. Amend the CRBLP to prescribe a maximum time period after submission of an application within which certificates should be issued. | Faster issuance of licenses. |
| 18. Revise penalty provisions prescribed under the CRBLP. | Develop focus on education and reform rather than driving people out of business. |

Annex 1 | Licenses for Which Competence Certificates Are Proposed to Be Abolished

1. Agriculture, Hunting, Forestry and Fishing
 - 1.1. Coffee
 - 1.1.1. Growing of coffee license (ESIC code 11120)¹³
 - 1.1.2. Retail trade of coffee license (62207)
 - 1.1.3. Import of coffee license (65214)
 - 1.1.4. Retail trade of coffee straw (62267)
 - 1.2. Sesame and White Pea Beans
 - 1.2.1. Growing of oilseeds license (11112)
 - 1.2.2. Growing of pulses license (11113)
 - 1.2.3. Manufacture of oilseed cake and meal license (30142)
 - 1.2.4. Wholesale of oilseeds license (61212)
 - 1.2.5. Wholesale of pulses license (61213)
 - 1.2.6. Retail trade of oilseeds license (62206)
 - 1.2.7. Import of oilseeds license (65212)
 - 1.2.8. Import of pulses license (65213)
 - 1.2.9. Export of oilseeds license (66112)
 - 1.2.10. Export of pulses license (66113)
 - 1.3. Apiculture
 - 1.3.1. Commercial beekeeping license (11220)
 - 1.4. Fertilizer Production and Transaction
 - 1.4.1. Fertilizer manufacture license (33320)
 - 1.4.2. Fertilizer import license (65442)
 - 1.4.3. Fertilizer export license (66342)
 - 1.4.4. Fertilizer wholesale license (61442)
 - 1.4.5. Fertilizer retail license (62393)
 - 1.4.6. Production of organic fertilizer license (11600)
 - 1.5. Horticulture
 - 1.5.1. Growing of vegetables (11161)
 - 1.5.2. Growing of fruits (11162)
 - 1.5.3. Growing of herbs (11163)
 - 1.5.4. Aquatic vegetable production (11167)
 - 1.5.5. Growing of vegetables, fruits horticultural specialties, herbs and nursery products other than floriculture n.e.c. (11169)
 - 1.5.6. Floriculture (11170)
 - 1.5.7. Wholesale of cut flowers and plants (61217)
 - 1.5.8. Retail trade in cut flowers & plants (62204)
 - 1.5.9. Import of cut flowers and plants (65217)
 - 1.5.10. Export of non-processed fruits & vegetables (66116)
 - 1.5.11. Export of cut flowers and plants (66117)
 - 1.6. Forestry and Related Services (12100)
 - 1.6.1. Logging and related services (12200)
 - 1.6.2. Other activities of forestry and hunting n.e.c. (12900)
 - 1.6.3. Manufacturing of mill products, including wattle bark grinding and compressing (32120)
 - 1.6.4. Wholesale trade in incense & gums (61263)
 - 1.6.5. Wholesale of sawn timber, plywood and related products (61432)
 - 1.6.6. Retail trade of incense, gums and others smoky forest products (62264)
 - 1.6.7. Retail trade of logs and timber (62351)
 - 1.6.8. Retail trade of sawn fiber, plywood and related products (62352)
 - 1.6.9. Sawmilling and preserving of timber (32110)
 - 1.6.10. Wholesale of logs (61431)
 - 1.6.11. Import trade in incense, gums (65263)
 - 1.6.12. Export trade in incense and gums (66163)
 - 1.6.13. Import of logs (65431)
 - 1.6.14. Export of logs (66331)
 - 1.6.15. Import trade in forest products (na)
 - 1.6.16. Export trade in forest products (na)
 - 1.7. Other Agricultural Production and Transaction Activities
 - 1.7.1. Growing of cereals (11111)
 - 1.7.2. Growing of sugarcane (11130)
 - 1.7.3. Growing of tea and other beverage, spice crops and medicinal crops (11140)
 - 1.7.4. Growing of fiber crops (11150)
 - 1.7.5. Growing of enset (11180)

¹³ In some instances, where a license is not listed in ESIC, an ESIC code has been issued based on a “best match” assumption.

- 1.7.6. Farming of cattle (11211)
- 1.7.7. Farming of sheep and goats (11212)
- 1.7.8. Farming of camels (11213)
- 1.7.9. Farming of pack animals (horses, asses, mules, etc.) (11214)
- 1.7.10. Farming of cattle and pack animals n.e.c. (11219)
- 1.7.11. Poultry (11240)
- 1.7.12. Swine farming (11250)
- 1.7.13. Production of silk (11260)
- 1.7.14. Other animal farming; production of animal products n.e.c. (11290)
- 1.7.15. Growing of crops combined with farming of animals (mixed farming) (11300)
- 1.7.16. Harvesting (11401)
- 1.7.17. Cleaning and other related activities (11402)
- 1.7.18. Animal boarding and care (11404)
- 1.7.19. Animal breeding (11405)
- 1.7.20. Agricultural and animal husbandry services activities n.e.c. (11409)
- 1.7.21. Processing of animal byproducts including hides, bones, etc. (30113)
- 1.7.22. Wholesale trade in livestock (61221)
- 1.7.23. Wholesale of livestock byproducts including hides, bones, etc. (61224)
- 1.7.24. Wholesale of beverage crops (except coffee and tea) (61262)
- 1.7.25. Wholesale trade in other agricultural products, n.e.c. (61270)
- 1.7.26. Wholesale trade in agricultural machinery and equipment (61512)
- 1.7.27. Retail trade in grains (62201)
- 1.7.28. Retail trade of gessho and malt (62208)
- 1.7.29. Retail trade in agricultural raw materials n.e.c. (62209)
- 1.7.30. Retail trade of livestock (62250)
- 1.7.31. Retail trade of beverage crops (62261)
- 1.7.32. Retail trade of cotton (62262)
- 1.7.33. Retail trade of sugar cane (62265)
- 1.7.34. Retail trade of fiber (rope) products (62266)
- 1.7.35. Retail trade of other agricultural products (62269)
- 1.7.36. Retail trade of agricultural machinery and equipment (62702)
- 1.7.37. Installation and maintenance of green houses including inside equipments and machines (63153)
- 1.7.38. Import of cereals (65211)
- 1.7.39. Import of pepper and spices (65215)
- 1.7.40. Import trade in agricultural raw materials n.e.c. (65219)
- 1.7.41. Import trade in livestock (65221)
- 1.7.42. Import trade in livestock and livestock products n.e.c. (65229)
- 1.7.43. Import trade in crude rubber (65267)
- 1.7.44. Import trade in other agricultural products, n.e.c. (65279)
- 1.7.45. Import of sawn timber, plywood and related products (65432)
- 1.7.46. Import trade in agricultural machinery and equipment (65512)
- 1.7.47. Export of cereals (66111)
- 1.7.48. Export of pepper and spices (66115)
- 1.7.49. Export trade in agricultural raw materials n.e.c. (66119)
- 1.7.50. Export trade in livestock (66121)
- 1.7.51. Export trade in livestock and livestock products n.e.c. (66129)
- 1.7.52. Export of beverage crops (except coffee and tea) (66162)
- 1.7.53. Export trade in crude rubber (66167)
- 1.7.54. Export trade in medicinal crops (moringa, qasil etc.) (66171)
- 1.7.55. Export trade in other agricultural products n.e.c. (66179)
- 1.7.56. Exports of agricultural byproducts (66393)
- 1.7.57. Export trade in agricultural machinery and equipment (66412)
- 1.7.58. Renting of agricultural machinery and equipment (85210)
- 1.7.59. Research and experimental development on agricultural and livestock research (87120)
- 1.7.60. Consultancy service for food security (88215)
- 1.7.61. Consultancy service for agro-ecosystem development (88223)
- 1.7.62. Agricultural consultancy (88224)
- 2. Mining and Quarrying (the licenses identified in the ESIC lack legal basis and duplicate licenses with legal basis under the relevant mining sector laws, but competence certification is not applied to the additional/overlapping licenses identified in the ESIC)
 - 2.1. Wholesale trade in gold (61391)
 - 2.2. Casting of gold (35330)
 - 2.3. Mining of coal and lignite (21000)
 - 2.4. Other extraction of crude petroleum and natural gas (22110)
 - 2.5. Activities for control of natural radio nuclides (22130)
 - 2.6. Prospecting and developing of uranium and thorium minerals (23400)
 - 2.7. Prospecting of minerals n.e.c. (23900)
 - 2.8. Precious mineral (excludes gold and uranium) mining (24100)
 - 2.9. Semiprecious mineral mining (24200)
 - 2.10. Metallic mineral mining (24300)
 - 2.11. Industrial mineral mining (24400)
 - 2.12. Construction mineral mining (24500)
 - 2.13. Strategic mineral mining (24600)
 - 2.14. Mining of gold & uranium ores mining (24700)
 - 2.15. Dimension stone (granite, marble, slate, and wonder stone) (25110)
 - 2.16. Limestone and lime works (25120)
 - 2.17. Other stone quarrying, including stone crushing and clay and sandpits (25190)
 - 2.18. Mining of diamonds (including alluvial diamonds) and opals (25200)
 - 2.19. Mining of chemical and fertilizer minerals (25310)
 - 2.20. Extraction and evaporation of salt (25320)
 - 2.21. Other mining and quarrying n.e.c. (25390)
 - 2.22. Other mining n.e.c. (26900)

- 2.23. Research & training and service activities incidental to mining of minerals (27000)
- 2.24. Manufacture of coke oven products (33100)
- 2.25. Manufacture of mining and surveying tools (35720)
- 2.26. Mining and queering machines & equipments (61515)
- 2.27. Retail trade of mining and queering machines & equipments (62705)
- 2.28. Import trade in precious stones, jewelry and silverware (65392)
- 2.29. Import trade in mining and querying equipments (65515)
- 2.30. Service activities incidental to oil and gas extraction, excluding surveying (22120)
- 3. Manufacturing Sector (no competence certification required under this category; but the licenses identified under the ESIC generally lack legal basis)
 - 3.1. Preparatory activities in respect of animal fibers, including washing, combing and carding of wool (31111)
 - 3.2. Preparatory activities in respect of vegetable fibers (31112)
 - 3.3. Spinning, weaving and finishing of yarns and fabrics predominantly of wool and other animal fibers (31113)
 - 3.4. Spinning, weaving and finishing of yarns and fabrics predominantly of vegetable fibers (31114)
 - 3.5. Spinning, weaving and finishing of traditional clothes (31115)
 - 3.6. Cotton ginning (31116)
 - 3.7. Finishing yarns and fabrics (31117)
 - 3.8. Spinning, weaving and finishing of textiles n.e.c. (31119)
 - 3.9. Manufacture of blankets, made-up furnishing articles and stuffed (31211)
 - 3.10. Manufacture of tents, tarpaulins, sails and other canvas goods (31212)
 - 3.11. Manufacture of automotive textile goods (including safety belts, and seat covers) (31213)
 - 3.12. Manufacture of carpets, rugs and mats (31214)
 - 3.13. Manufacture of cordage, rope, twine and netting (31215)
 - 3.14. Manufacture of bags, sacks, rapping & packing materials (31216)
 - 3.15. Manufacture of other textile articles (except apparel) n.e.c. (31219)
 - 3.16. Manufacture of knitted and crocheted fabrics and articles (31220)
 - 3.17. Manufacture of wearing apparel, except fur apparel (31230)
 - 3.18. Dressing and dyeing of fur, manufacture of artificial fur, fur apparel and other articles of fur (31310)
 - 3.19. Other dressing and dyeing of fur manufacture of articles of fur (31390)
 - 3.20. Manufacture of manmade fiber (31400)
 - 3.21. Leather and hide tanning and finishing (31510)
 - 3.22. Manufacture of leather clothes, travel goods, ladies' handbags, and other general and small goods of leather (31520)
 - 3.23. Manufacture of artificial leather substitutes (31530)
 - 3.24. Manufacture of footwear (31540)
 - 3.25. Manufacture of components and accessories used for leather products (31550)
 - 3.26. Other tanning and dressing of leather; manufacture of luggage, handbags, saddler and harness (31590)
 - 3.27. Sawmilling and preserving of timber (32110)
 - 3.28. Sawmilling and planing of wood and production of articles of straw n.e.c. (32190)
 - 3.29. Manufacture of veneer sheets; manufacture of plywood, lamina board, particle board and other panels and boards (32210)
 - 3.30. Manufacture of builders' carpentry and joinery (32220)
 - 3.31. Manufacture of wooden containers (32230)
 - 3.32. Manufacture of coffins (32240)
 - 3.33. Picture frames and framing (32250)
 - 3.34. Manufacture of other products of wood products except furniture n.e.c. (32290)
 - 3.35. Manufacture of pulp, paper and paperboard, and of containers made from paper products (32310)
 - 3.36. Manufacture of stationery (32320)
 - 3.37. Manufacture of paper and paper products (32390)
 - 3.38. Other printing of paper related (32490)
 - 3.39. Petrol, fuel oils, lubricating oils and greases, primarily from crude oil (33210)
 - 3.40. Petrol, fuel oils, lubricating oils and greases, primarily from coal (33220)
 - 3.41. Petrol, fuel oils, lubricating oils and greases, primarily from natural gas (33230)
 - 3.42. Lubricating oils and greases, primarily from other organic products (33240)
 - 3.43. Compounded and blended lubricating oils and greases from purchased materials other than crude petroleum (33250)
 - 3.44. Other petroleum/synthesized products n.e.c. (33290)
 - 3.45. Manufacture of basic chemicals, except fertilizers and nitrogen compounds (33310)
 - 3.46. Manufacture of fertilizers and nitrogen compounds (33320)
 - 3.47. Manufacture of plastics in primary form and of synthetic rubber (33330)
 - 3.48. Other manufacture of basic chemicals (33390)
 - 3.49. Manufacture of pesticides and other agro-chemical products (33410)
 - 3.50. Manufacture of candle and tawaf (33451)
 - 3.51. Manufacture of other preparations such as polishes, waxes and dressings n.e.c. (33459)
 - 3.52. Manufacture of paints, varnishes and similar coatings, printing ink and mastics (33461)
 - 3.53. Manufacture of printer ink (33462)
 - 3.54. Manufacture of industrial and general purpose salts (33463)
 - 3.55. Manufacture of adhesives, and glues (33464)
 - 3.56. Manufacture of gases (33465)
 - 3.57. Manufacture of dry cell (33466)
 - 3.58. Manufacture of other chemical products except basic chemicals (33469)
 - 3.59. Manufacture of tires and tubes (33511)
 - 3.60. Rebuilding and retreading of tires (33512)

- 3.61. Manufacture of other rubber products (33519)
- 3.62. Manufacture of plastic products (33520)
- 3.63. Manufacture of sheet & plate glass, glass blocks, tubes & rods; glass fibers & glass wool (34101)
- 3.64. Manufacture of glass containers; glass kitchenware, tableware & other glass products (34102)
- 3.65. Manufacture of glass and glasses products n.e.c. (34109)
- 3.66. Manufacture of non-structural clay and ceramic products (34210)
- 3.67. Manufacture of structural clay and ceramic products (34220)
- 3.68. Manufacture of cement, lime and plaster (34230)
- 3.69. Manufacture of articles of concrete, cement and plaster (34250)
- 3.70. Cutting, shaping and finishing of stone (34260)
- 3.71. Manufacture of mills from stone (34270)
- 3.72. Manufacture of non-metallic mineral products n.e.c. (34290)
- 3.73. Basic iron and steel industries, except steel pipe and tube mills (35101)
- 3.74. Manufacture of ferrous metal products other than precious metals, used for production inputs (35102)
- 3.75. Other manufacture of basic iron and steel (35109)
- 3.76. Manufacture of primary non-ferrous metal products, excluding precious metals (35202)
- 3.77. Other manufacture of basic precious and non-ferrous metals (35209)
- 3.78. Casting of iron and steel (35310)
- 3.79. Casting of non-ferrous metals (35320)
- 3.80. Other casting of metals n.e.c. (35390)
- 3.81. Manufacture of metal structures or parts thereof (35411)
- 3.82. Manufacture of galvanized steel sheets (35412)
- 3.83. Manufacture of metal structures from aluminum (35413)
- 3.84. Manufacture of metal structures from steel (35414)
- 3.85. Other structural metal products, e.g., metal doors, windows & gates (35415)
- 3.86. Manufacture of structural metal products, tanks, reservoirs (35419)
- 3.87. Manufacture of tanks, reservoirs, safe boxes and similar containers of metal (35420)
- 3.88. Forging, pressing, stamping and roll-forming of metal; powder metallurgy (35510)
- 3.89. Treatment and coating of metals; general mechanical engineering on a fee or contract basis (35520)
- 3.90. Manufacture of cutlery, hand tools and general hardware (35530)
- 3.91. Steel pipe and tube mills (35540)
- 3.92. Manufacture of crown cork and can (35550)
- 3.93. Manufacture of other fabricated metal products n.e.c. (35590)
- 3.94. Manufacture of engines and turbines, except aircraft, vehicle and motor cycle engines (35610)
- 3.95. Manufacture of pumps, compressors, taps and valves (35620)
- 3.96. Manufacture of bearings, gears, gearing and driving elements (35630)
- 3.97. Manufacture of ovens, furnaces and furnace burners (35640)
- 3.98. Manufacture of lifting and handling equipment (35650)
- 3.99. Manufacture of fire extinguishers and other related activities (35660)
- 3.100. Manufacture of metal mills (35670)
- 3.101. Manufacture of agricultural and forestry machinery (35710)
- 3.102. Manufacture of machinery for metallurgy (35730)
- 3.103. Manufacture of machinery for food, beverage and tobacco processing (35750)
- 3.104. Manufacture of machinery for textile, apparel and leather production (35760)
- 3.105. Manufacture of other special purpose machinery n.e.c. (35790)
- 3.106. Manufacture of umbrellas (39260)
- 3.107. Manufacture of brushes and brooms (39291)
- 3.108. Manufacture of buttons, buckles, slide fasteners, etc. (39293)
- 3.109. Manufacture of number plates, signs and advertising displays, that are not electrical (39294)
- 3.110. Manufacture of engraving (39295)
- 3.111. Recycling of metal waste and scrap (39310)
- 3.112. Recycling of non-metal waste and scrap (39320)
- 3.113. Other recycling n.e.c. (39390)
- 4. Electricity, Gas and Water Supply
 - 4.1. Electricity Sector
 - 4.1.1. Manufacture, wholesale, import and export of electrical machines, equipment and apparatus
 - 4.1.1.1. Manufacture of electric motors, generators and transformers (36100)
 - 4.1.1.2. Manufacture of electricity distribution and control apparatus (36200)
 - 4.1.1.3. Manufacture of insulated wire and cable (36300)
 - 4.1.1.4. Manufacture of accumulators, primary cells and primary batteries (36400)
 - 4.1.1.5. Manufacture of electric lamps and lighting equipment (36500)
 - 4.1.1.6. Manufacture of electrical baking stove (36600)
 - 4.1.1.7. Manufacture of energy-saving technology devices (36700)
 - 4.1.1.8. Manufacture of other electrical equipment n.e.c. (36900)
 - 4.1.1.9. Manufacture of electronic valves and tubes and other electronic components (capacitors, resistors, transistors, etc.) (37100)
 - 4.1.1.10. Wholesale trade in lifts, escalators, and industrial and office air-conditioning equipment (61514)
 - 4.1.1.11. Wholesale trade in electrical motors, generators, transformer, pumps, others not mentioned in

- other places except household and office electrical equipments (61531)
 - 4.1.1.12. Wholesale trade in lighting and lighting accessories (61533)
 - 4.1.1.13. Wholesale trade in electricity distribution and controlling apparatus (61534)
 - 4.1.1.14. Wholesale trade in wiring and cables accessories (61535)
 - 4.1.1.15. Wholesale trade in solar energy equipments (61536)
 - 4.1.1.16. Wholesale trade in electrical equipment n.e.c. (61539)
 - 4.1.1.17. Installation and maintenance of electrical equipments (63151)
 - 4.1.1.18. Import trade in electrical motors, generators, transformers, pumps, others not mentioned in other places except household and office electrical equipments (65531)
 - 4.1.1.19. Import of household electrical appliances and equipment (including household air-conditioners) (65532)
 - 4.1.1.20. Import of lighting and lighting accessories (65533)
 - 4.1.1.21. Import of electricity distribution and controlling apparatus (65534)
 - 4.1.1.22. Import trade in wiring and cables accessories (65535)
 - 4.1.1.23. Import of solar energy equipments (65536)
 - 4.1.1.24. Import trade in electrical equipment n.e.c. (65539)
 - 4.1.1.25. Export trade in electrical motors, generators, transformers, pumps, others not mentioned in other places except household and office electrical equipments (66431)
 - 4.1.1.26. Export trade in household and office electrical appliances and equipment (including household air-conditioners) (66432)
 - 4.1.1.27. Export trade in lighting and lighting accessories (66433)
 - 4.1.1.28. Export trade in electricity distribution and controlling apparatus (66434)
 - 4.1.1.29. Export trade in wiring and cables accessories (66435)
 - 4.1.1.30. Export trade in solar energy equipments (66436)
- 5. Construction
 - 5.1. Mapping Equipment and Services
 - 5.1.1. Surveying (na)
 - 5.1.2. Import trade in road site accuracy equipment (na)
 - 5.1.3. Import trade in GPS equipment (na)
 - 5.1.4. Import trade in road site accuracy equipments (na)
 - 5.1.5. Import trade in GPS equipments (na)
 - 5.1.6. Geospatial information service (na)
 - 5.2. Wholesale, Retail, Repair, Import & Export Trade (though competence certification is not applied to these licenses to date, the requirements are in the final stages of preparation)
 - 5.2.1. Broker (intermediary) in house renting and sailing (61111)
 - 5.2.2. Broker (intermediary) in vehicles renting and sailing (61112)
 - 5.2.3. Brokers of livestock (61113)
 - 5.2.4. Broker (intermediary) of crops, vegetables and fruits (61114)
 - 5.2.5. Broker (intermediary) of machinery and industry materials (61115)
 - 5.2.6. Broker (intermediary) household goods (61116)
 - 5.2.7. Other brokers (intermediary) duties (61119)
 - 5.2.8. Domestic trade agent (61120)
 - 5.2.9. Wholesale trade in agricultural raw materials n.e.c. (61219)
 - 5.2.10. Wholesale of wool, raw hides and skins (61222)
 - 5.2.11. Wholesale of pickle, wet blue, crust and finished leather (61223)
 - 5.2.12. Wholesale trade in livestock and livestock products n.e.c. (61229)
 - 5.2.13. Wholesale trade in ethanol & molasses (61246)
 - 5.2.14. Wholesale of bee wax (61265)
 - 5.2.15. Wholesale trade in crude rubber (61267)
 - 5.2.16. Wholesale trade in cork, wood & pulp (61268)
 - 5.2.17. Wholesale trade in cotton (61269)
 - 5.2.18. Wholesale trade in textiles fibers and yarn (61311)
 - 5.2.19. Wholesale trade in textile (61312)
 - 5.2.20. Wholesale trade in apparel and clothing (61313)
 - 5.2.21. Wholesale trade in footwear (61314)
 - 5.2.22. Wholesale trade in leather and textile goods, bags and luggage (61315)
 - 5.2.23. Wholesale of accessories and components used for finishing textile and leather products (61316)
 - 5.2.24. Wholesale of made-up textile articles, except apparel (61317)
 - 5.2.25. Wholesale of synthetics (61318)
 - 5.2.26. Wholesale trade in other textile and leather products, n.e.c. (61319)
 - 5.2.27. Wholesale of household and office furniture, requites, boards and appliances (61321)
 - 5.2.28. Wholesale of households including mattresses, cushions, blankets, etc. (61322)
 - 5.2.29. Wholesale of furnishings (including curtains, carpets, wallpaper) (61323)
 - 5.2.30. Wholesale of crockery, cutlery and kitchen utensils (61324)

- 5.2.31. Wholesale of sponges and foam (61325)
- 5.2.32. Wholesale sanitary and sanitary accessories (61327)
- 5.2.33. Wholesale flora foam (61328)
- 5.2.34. Wholesale of furniture, home and office furnishings and other office and household equipment n.e.c. (61329)
- 5.2.35. Wholesale of record albums, cassette tapes, laser discs and compact discs (including VCDs, DVDs) (61333)
- 5.2.36. Wholesale of paper and paper products (61341)
- 5.2.37. Wholesale of packaging materials (61342)
- 5.2.38. Wholesale of stationery (61343)
- 5.2.39. Wholesale of books and magazines (61344)
- 5.2.40. Wholesale trade of materials used for promotion and advertising (61345)
- 5.2.41. Wholesale of paper products packaging materials including plastic and fiber materials and stationery n.e.c. (61349)
- 5.2.42. Wholesale trade in photographic apparatus, equipment and supplies and optical goods (61392)
- 5.2.43. Wholesale trade in iron and steel (61421)
- 5.2.44. Wholesale trade in non-ferrous metals (61422)
- 5.2.45. Wholesale trade in scraps (61423)
- 5.2.46. Wholesale trade in non-metallic minerals (61424)
- 5.2.47. Wholesale trade in metal, non-metals, metal ores and scraps n.e.c. (61429)
- 5.2.48. Wholesale of fabricated metals except general hardware (e.g., steel pipes) (61433)
- 5.2.49. Wholesale of general hardware (e.g., locks, hinges) (61434)
- 5.2.50. Wholesale of structural clay and concrete products (e.g., mosaic tiles, bricks) (61435)
- 5.2.51. Wholesale of paints (including varnishes, adhesives and supplies) (61436)
- 5.2.52. Wholesale of cement (61437)
- 5.2.53. Wholesale of sand, gravel, stones and related materials (61438)
- 5.2.54. Wholesale trade in construction materials, n.e.c. (61439)
- 5.2.55. Wholesale trade in basic industrial chemicals except fertilizers (61441)
- 5.2.56. Wholesale trade in chemical fertilizers (61442)
- 5.2.57. Wholesale trade in petrochemical products/Vaseline, glycerin, wastes of petrochemicals, tar etc. (61443)
- 5.2.58. Wholesale of dyeing, tanning and coloring materials (61444)
- 5.2.59. Wholesale of dry cells (61445)
- 5.2.60. Wholesale trade in chemicals and chemical products n.e.c. (61449)
- 5.2.61. Wholesale trade in other intermediate products, waste and scrap of both metals and non-metals (61490)
- 5.2.62. Wholesale trade in industrial, machinery and equipment (61511)
- 5.2.63. Wholesale trade in grain mill and its spare parts (61516)
- 5.2.64. Wholesale of pesticides and agro chemicals (61546)
- 5.2.65. Wholesale trade in commercial food service equipment (e.g., hotel kitchen equipment) (61591)
- 5.2.66. Wholesale trade in service establishment equipment and supplies (e.g., beauty salon equipment) (61592)
- 5.2.67. Wholesale trade in security and fire-fighting equipment (61593)
- 5.2.68. Wholesale trade in machinery and equipment n.e.c. (61599)
- 5.2.69. Department store (mall) (62110)
- 5.2.70. Supermarket (62120)
- 5.2.71. Mini market/shop (62130)
- 5.2.72. Hyper market (62140)
- 5.2.73. Small shop (kiosk) (62150)
- 5.2.74. Retail trade of fabricated metals except general hardware (e.g., steel pipes) (62353)
- 5.2.75. Retail trade of general hardware (e.g., locks, hinges, nails, tins, etc.) (62354)
- 5.2.76. Retail trade of structural clay and concrete products (e.g., mosaic tiles, bricks) (62355)
- 5.2.77. Retail trade of paints (including varnishes and supplies) (62356)
- 5.2.78. Retail trade of cements (62357)
- 5.2.79. Retail trade of sand, gravel, stone and related materials (62358)
- 5.2.80. Retail trade of other construction materials, hardware plumbing, and health equipment and supplies (62359)
- 5.2.81. Retail trade in men's, boys' and children's clothing (62361)
- 5.2.82. Retail trade in ladies', girls' and children's clothing (62362)
- 5.2.83. Retail trade in apparel and clothing (62364)
- 5.2.84. Retail trade of shoes and leather goods (62365)
- 5.2.85. Retail trade of textile products (except apparel and clothing) (62366)
- 5.2.86. Retail trade of bags, luggage and related products (62367)
- 5.2.87. Retail trade of traditional wear (62368)
- 5.2.88. Retail trade in textiles, and leather goods n.e.c. (62369)
- 5.2.89. Retail trade in household and office furniture, requisites, boards, and appliances (62371)
- 5.2.90. Retail trade of household materials (blanket, bed sheet, quilt and pillow) (62372)
- 5.2.91. Retail trade of household and office furnishings and decorative (curtain, carpet and wallpaper) (62373)
- 5.2.92. Retail trade of crockery, cutlery and kitchen utensils (62375)
- 5.2.93. Retail trade of sanitary and sanitary accessories (62378)

- 5.2.94. Retail trade of household and office furniture's furnishing and other household and office equipments n.e.c. (62379)
- 5.2.95. Retail trade in glasses and glass products (62381)
- 5.2.96. Retail trade in books and stationery materials (62382)
- 5.2.97. Retail trade in blank and recorded CDs, DVDs and related products (62384)
- 5.2.98. Retail trade in basic industrial chemicals except fertilizers (62391)
- 5.2.99. Wholesale trade in chemical fertilizers (62392)
- 5.2.100. Retail trade in petrochemical products/Vaseline, glycerin, wastes of petrochemicals, tar, etc. (62393)
- 5.2.101. Retail trade in dyeing, tanning and coloring materials (62394)
- 5.2.102. Retail trade in plastics in primary forms and non-primary forms (62395)
- 5.2.103. Retail trade of chemicals n.e.c. (62399)
- 5.2.104. Retail trade in outside stores (62400)
- 5.2.105. Retail trade in second-hand goods in stores (62410)
- 5.2.106. Retail trade in industrial machinery and equipment (62701)
- 5.2.107. Retail trade of commercial food service equipment, e.g., hotel kitchen (62811)
- 5.2.108. Retail trade of service establishment equipment and supplies (e.g., beauty salon equipment) (62812)
- 5.2.109. Retail trade of security and firefighting equipment (62813)
- 5.2.110. Retail trade of materials used for promotion and advertising including painting ink (62814)
- 5.2.111. Retail trade of non-agricultural intermediate products, waste and scrap (62820)
- 5.2.112. Maintenance and repair of footwear and leather products (63110)
- 5.2.113. Maintenance and repair of household and office goods (63120)
- 5.2.114. Maintenance of personal goods (63130)
- 5.2.115. Installation and maintenance of machineries (63155)
- 5.2.116. Installation and maintenance services n.e.c. (63190)
- 5.2.117. Foreign trade agent (65111)
- 5.2.118. Commercial representative (65120)
- 5.2.119. Import of wool, raw and hides, skins (65222)
- 5.2.120. Import of pickle, wet blue, crust and finished leather (65223)
- 5.2.121. Import trade in ethanol and molasses (65245)
- 5.2.122. Import trade in cork, wood & pulp (65268)
- 5.2.123. Import trade in cotton (65269)
- 5.2.124. Import trade in textile fibers and yarn (65311)
- 5.2.125. Import trade in textiles (65312)
- 5.2.126. Import trade in apparel and clothing (65313)
- 5.2.127. Import trade in footwear and leather goods (65314)
- 5.2.128. Import trade in bags, luggage, handbags and related products (65315)
- 5.2.129. Import of accessories and components used for finishing textile and leather products (65316)
- 5.2.130. Import trade in made-up textile articles, cordage, rope, twine and netting, bags, sacks, rapping & packing materials (except apparel and clothing) (65317)
- 5.2.131. Import trade in synthetic leather (65318)
- 5.2.132. Import trade in other textile and leather products n.e.c. (65319)
- 5.2.133. Import of household and office furniture, requites, boards and appliances (65321)
- 5.2.134. Import of furnishings (including curtains, carpets, wallpaper)/sanitary tools/brooms (65322)
- 5.2.135. Import of households including mattresses, cushions, blankets, etc. (65323)
- 5.2.136. Import of sponges and foam (65325)
- 5.2.137. Import of sanitary and sanitary accessories (65327)
- 5.2.138. Import of flora foam (65328)
- 5.2.139. Import of furniture, home and office furnishings and other household and office equipment n.e.c. (65329)
- 5.2.140. Import of blank record albums, cassette tapes, laser discs and compact discs including VCDs, DVDs) (65333)
- 5.2.141. Import of paper and paper products (65341)
- 5.2.142. Import of packaging materials made from plastics and papers (65342)
- 5.2.143. Import of stationery (65343)
- 5.2.144. Import of books and magazines (65344)
- 5.2.145. Import trade of materials and painting inks used for promotion and advertising (65345)
- 5.2.146. Import of paper, paper and cellophane products and stationery n.e.c. (65349)
- 5.2.147. Import trade in photographic apparatus, equipment and supplies and optical goods (65393)
- 5.2.148. Import trade in iron and steel (65421)
- 5.2.149. Import trade in non-ferrous metals (aluminum, zinc, silver, copper, etc.) (65422)
- 5.2.150. Import trade in scraps (65423)
- 5.2.151. Import trade in non-metallic minerals (clay, ceramics, gypsum, lime, and their products except cement and glass) (65424)
- 5.2.152. Import trade in glass and glasses products (65425)
- 5.2.153. Import trade in metal, non-metals, metal ores and scraps n.e.c. (65429)
- 5.2.154. Import of fabricated metals except general hardware (e.g., steel pipes) (65433)

- 5.2.155. Import of general hardware (e.g., locks, hinges, nails, etc.) (65434)
- 5.2.156. Import of structural clay and concrete products (e.g., mosaic tiles, bricks) (65435)
- 5.2.157. Import of paints (including varnishes, adhesive, glues and supplies) (65436)
- 5.2.158. Import of cements (65437)
- 5.2.159. Import of heating equipment and related materials (65438)
- 5.2.160. Import trade in construction materials (65439)
- 5.2.161. Import trade in basic industrial chemicals except fertilizers (65441)
- 5.2.162. Import trade in chemical fertilizers (65442)
- 5.2.163. Import trade in petro chemical products/ Vaseline, glycerin, tar, etc. (65443)
- 5.2.164. Import of dyeing, tanning and coloring materials (65444)
- 5.2.165. Import of plastics in non-primary form and primary forms (65447)
- 5.2.166. Import trade in chemicals and chemical products n.e.c. (65449)
- 5.2.167. Intermediate products, waste and scrap (65490)
- 5.2.168. Import trade in industrial machinery and equipment (65511)
- 5.2.169. Import trade in commercial food service equipment (e.g., hotel kitchen equipment) (65592)
- 5.2.170. Import trade in service establishment equipment and supplies (e.g., beauty salon equipment) (65593)
- 5.2.171. Import trade in security and fire-fighting equipment (65594)
- 5.2.172. Import trade in candles and tawaf (65712)
- 5.2.173. Import trade in drycells (65713)
- 5.2.174. Import trade in torch light (65714)
- 5.2.175. Import of grain mill spare parts (65801)
- 5.2.176. Export of wool, raw hides, and skins (66122)
- 5.2.177. Export of pickle, wet blue, crust and finished leather (66123)
- 5.2.178. Export of ethanol and molasses (66146)
- 5.2.179. Export of honey and honey products (except bee wax) (66164)
- 5.2.180. Export of bee wax (66165)
- 5.2.181. Export trade in cork, wood & pulp (66168)
- 5.2.182. Export trade in cotton (66169)
- 5.2.183. Export trade in textile fibers and yarn (66211)
- 5.2.184. Export trade in textiles (66212)
- 5.2.185. Export trade in apparel and clothing (66213)
- 5.2.186. Export trade in footwear and leather goods (66214)
- 5.2.187. Export trade in bags and luggage (66215)
- 5.2.188. Export accessories and components used for leather textile products (66216)
- 5.2.189. Export trade in other textile product cordage, rope, twine and netting, bags, sacks, rapping & packing materials except apparel and clothing (66218)
- 5.2.190. Export trade in other textile and leather products n.e.c. (66219)
- 5.2.191. Export of household and office furniture, requisite, boards, appliances (66221)
- 5.2.192. Export of households (including mattresses, cushions, blankets, etc.) (66222)
- 5.2.193. Export of sponges and foam (66224)
- 5.2.194. Export of crockery, cutlery and kitchen utensils (66225)
- 5.2.195. Export of flora foam (66226)
- 5.2.196. Export of sanitary and sanitary accessories (66228)
- 5.2.197. Export of furniture, home furnishings and other household equipment n.e.c. (66229)
- 5.2.198. Export of record albums, cassette tapes, laser discs and compact discs (including VCDs, DVDs) (66233)
- 5.2.199. Export of recreational goods n.e.c. (66239)
- 5.2.200. Export of paper and paper products (66241)
- 5.2.201. Export of packaging materials made of plastics and papers (66242)
- 5.2.202. Export of stationery (66243)
- 5.2.203. Export of books and magazines (66244)
- 5.2.204. Export of paper, paper and cellophane products and stationery n.e.c. (66249)
- 5.2.205. Export of sporting goods n.e.c. (66259)
- 5.2.206. Export of photographic apparatus, equipment and supplies and optical goods (66292)
- 5.2.207. Export trade in other household goods n.e.c. (66299)
- 5.2.208. Export trade in iron and steel (66321)
- 5.2.209. export trade in non-ferrous metals (66322)
- 5.2.210. export trade in scraps (66323)
- 5.2.211. export trade in non-metallic minerals (66324)
- 5.2.212. export trade in glass and glasses products (66325)
- 5.2.213. export trade in metal, non-metals, metal ores and scraps n.e.c. (66329)
- 5.2.214. Export of sawn timber, plywood and related products (66332)
- 5.2.215. Export of fabricated metals except general hardware (e.g., steel pipes) (66333)
- 5.2.216. Export of general hardware (e.g., locks, hinges) (66334)
- 5.2.217. Export of structural clay and concrete products (e.g., mosaic tiles, bricks) (66335)
- 5.2.218. Export of paints (including varnishes and supplies) (66336)
- 5.2.219. Export of cements (66337)
- 5.2.220. Export trade in construction materials (66339)
- 5.2.221. Export of basic industrial chemicals except fertilizers (66341)
- 5.2.222. Export of chemical fertilizers (66342)
- 5.2.223. Export of petrochemical/Vaseline, glycerin, etc. products (66343)
- 5.2.224. Export of dyeing, tanning and coloring materials (66344)

- 5.2.225. Export of plastics in primary forms and non-primary forms (66347)
- 5.2.226. Export of chemicals and chemical products n.e.c. (66349)
- 5.2.227. Export of inedible animal product (66371)
- 5.2.228. Export of metallic scrap and wastes (66391)
- 5.2.229. Export of non-metallic scraps and wastes (66392)
- 5.2.230. Export trade in industrial machinery and equipment (66411)
- 5.2.231. Export trade in commercial food service equipment (e.g., hotel kitchen equipment) (66492)
- 5.2.232. Export trade in service establishment equipment and supplies (e.g., beauty salon equipment) (66493)
- 5.2.233. Export trade in security and fire-fighting equipment (66494)
- 5.2.234. Import trade in candles and tewaf (66502)
- 5.2.235. Import trade in drycells (66503)
- 5.2.236. Import trade in torch light (66504)
- 5.2.237. Import of grain mill spare parts (66505)
- 6. Transport, Storage and Communication
 - 6.1. Telecommunication, Information Technology and Computer Sub-Sector
 - 6.1.1. Communication and electronics equipments installation and maintenance (63154)
 - 6.1.2. Data processing-digitization and e-filing systems work (86300)
 - 6.1.3. Database activities (86300)
 - 6.1.4. Export trade in computer hardware and peripheral equipment (including accessories) (66423)
 - 6.1.5. Export trade in computers and accessories (66423)
 - 6.1.6. Export trade in pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) (66421)
 - 6.1.7. Export trade in telecommunications apparatus equipment (including accessories) (66422)
 - 6.1.8. Import trade in computer and computer accessories and components (65523)
 - 6.1.9. Import trade in computer hardware and peripheral equipment (including accessories) (65523)
 - 6.1.10. Import trade in pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) (65521)
 - 6.1.11. Import trade in software (65524)
 - 6.1.12. Import trade in telecommunications equipment (65522)
 - 6.1.13. Competence for office, computation and computers maintenance service (63154)
 - 6.1.14. Other computer related activities (86900)
 - 6.1.15. Retail trade of pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) (62801)
 - 6.1.16. Retail trade of software (62804)
 - 6.1.17. Retail trade of telecommunications equipment (62802)
 - 6.1.18. Retail trade of computer hardware and peripheral equipment (including accessories) (62803)
 - 6.1.19. Software design, development and implementation consultancy service (86200)
 - 6.1.20. Wholesale trade in telecommunications equipment (61522)
 - 6.1.21. Wholesale trade in computer hardware and peripheral equipment (including accessories) (61523)
 - 6.1.22. Wholesale trade in pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) (61521)
 - 6.1.23. Wholesale trade in software (61524)
 - 6.1.24. Computer network design and implementation/installation consultancy service (86100)
 - 6.1.25. Data center/hosting service (86500)
 - 6.1.26. Network cable installation (86400)
 - 6.1.27. Training service in information and communication technology (92230)
 - 6.1.28. Information and communication technology consultancy (88740)
 - 6.1.29. National postal activities (75110)
 - 6.1.30. Other postal and related courier activities (75190)
 - 6.1.31. National telecommunication service (75200)
 - 6.1.32. Computer network cable installation (86400)
 - 6.1.33. Manufacture of pagers, hand phones and other palmtops, smart watches, wearable computer and electronic books (39121)
 - 6.1.34. Wholesale trade in telecom and computers equipment and accessories n.e.c. (61529)
 - 6.1.35. Retail trade of telecom and computers equipment and accessories n.e.c. (62809)
 - 6.1.36. Computer and computer accessories maintenance (63154)
 - 6.1.37. Import trade in lifts, escalators and industrial and office air-conditioning equipment (65514)
 - 6.1.38. Manufactures of telecommunications equipments and apparatus (39122)
 - 6.1.39. Manufactures of computer equipments and apparatus (39123)
 - 6.1.40. Manufacture of telecommunications and computer equipments and apparatus n.e.c. (39129)
 - 6.2. Customs and Tax Sub-Sector
 - 6.2.1. General storage and warehousing (na)
 - 6.3. Measurement and Other Scientific Equipment and Services (certification to be maintained)
 - 6.4. Radiation Emitting Equipment and Services (certification to be maintained)
- 7. Community, Social and Personal Services
 - 7.1. Culture and Tourism
 - 7.1.1. Tourism sector
 - 7.1.1.1. Tour operators (74141)
 - 7.1.1.2. Travel agent (74142)

- 7.1.1.3. Tour operators and travel agents (74143)
- 7.1.1.4. Tourism promotion (74144)
- 7.1.1.5. Travel agency and related services n.e.c. (74149)
- 7.1.1.6. Event organizers (74150)
- 7.1.1.7. Hotel & tourism consultancy (88130)
- 7.1.1.8. Steam and hot water supply (41300)
- 7.1.1.9. Individual tour guide not listed in ESIC (74149)
- 7.1.1.10. Tourist car rental not listed in ESIC (71223)
- 7.1.2. Art and culture sector
 - 7.1.2.1. Printing of books, brochures, musical books and others (32410)
 - 7.1.2.2. Manufactures of musical instruments and scores (39211)
 - 7.1.2.3. Manufactures of souvenirs, artifacts and artificial jewelry (39212)
 - 7.1.2.4. Manufactures of toys and games (39213)
 - 7.1.2.5. Manufactures of computer games (including electronic games and video game consoles) (39214)
 - 7.1.2.6. Manufacture of blank CDs, cassette tapes, laser discs and compact discs (39215)
 - 7.1.2.7. Manufacture of other recreational goods (39219)
 - 7.1.2.8. Wholesale of musical instruments and scores (61332)
 - 7.1.2.9. Wholesale of toys and computer games (61334)
 - 7.1.2.10. Wholesale of electronic games and video game consoles (61335)
 - 7.1.2.11. Wholesale of sSouvenirs and artifacts (61336)
 - 7.1.2.12. Retail trade in toys, computer and electronic video games (62363)
 - 7.1.2.13. Retail trade of souvenirs, artifacts and artificial jewelry (62815)
 - 7.1.2.14. Import of musical instruments and scores (film, theater and other related instruments) (65332)
 - 7.1.2.15. Import of toys and games (65334)
 - 7.1.2.16. Import of computer games (including electronic games and video game consoles) (65335)
 - 7.1.2.17. Import of other recreational goods n.e.c. (65339)
 - 7.1.2.18. Export of musical instruments and scores (66232)
 - 7.1.2.19. Export of toys and games (66234)
 - 7.1.2.20. Export of computer games (including electronic games and video game consoles) (66235)
 - 7.1.2.21. Export trade of souvenir, artifacts and artificial jewelry (66236)
 - 7.1.2.22. Consultancy service for social affairs (88213)
 - 7.1.2.23. Art & culture consultancy (88320)
 - 7.1.2.24. Theater, music, film modeling, dance, video & photograph, design school, etc. (92221)
 - 7.1.2.25. Body circus school (92222)
 - 7.1.2.26. Motion picture, theatre and video production and distribution (96111)
 - 7.1.2.27. Related activities—film and tape renting to other industries, booking, delivery and storage (96112)
 - 7.1.2.28. Motion picture, theatre and video production and distribution (audio visual production and distribution/ radio and TV/and related arts) n.e.c. (96119)
 - 7.1.2.29. Motion picture projection by cinemas (96121)
 - 7.1.2.30. Motion picture projection by driver in house (96122)
 - 7.1.2.31. Other motion picture projection (96129)
 - 7.1.2.32. Rental of musical instruments (music, film, theatre and other arts interments renting) (96141)
 - 7.1.2.33. Player of musical instruments (DJ) (na)
 - 7.1.2.34. Arts gallery (96144)
 - 7.1.2.35. Arts studio (96145)
 - 7.1.2.36. Arts contest and awards (music, film, theatre, gallery and other) (96146)
 - 7.1.2.37. Arts festival (music, film, theatre, gallery and other) (96147)
 - 7.1.2.38. Other dramatic arts, music and other arts activities n.e.c. (96149)
 - 7.1.2.39. Music band (96150)
 - 7.1.2.40. Mini cultural band (96151)
 - 7.1.2.41. Medium cultural band (96152)
 - 7.1.2.42. General cultural band (96153)
 - 7.1.2.43. Mini modern band (96154)
 - 7.1.2.44. Medium modern band (96155)
 - 7.1.2.45. General modern band (96156)
 - 7.1.2.46. Classical music modern band (96157)

- 7.1.2.47. Jazz modern band (96158)
 - 7.1.2.48. Dance team (96159)
 - 7.1.2.49. Film production (96161)
 - 7.1.2.50. Cinema hall (96162)
 - 7.1.2.51. Film studio (96163)
 - 7.1.2.52. Film capturing (96164)
 - 7.1.2.53. Theatre production (96170)
 - 7.1.2.54. Library activities (96311)
 - 7.1.2.55. Archives activities (96312)
 - 7.1.2.56. Library and archives activities n.e.c. (96319)
 - 7.1.2.57. Preservation of historical sites and buildings (96322)
 - 7.1.2.58. Cultural center service (96323)
 - 7.1.2.59. Museum activities and preservation of historical sites and buildings (arts center) n.e.c. (96329)
 - 7.1.2.60. Botanical and zoological gardens and nature reserve activities (96330)
 - 7.1.2.61. Topographic beauty (96340)
 - 7.1.2.62. Circus group (96450)
 - 7.1.2.63. Decorating activities (99140)
 - 7.1.2.64. Fashion and beauty contest services (99150)
 - 7.1.2.65. Research and experimental development on culture and sociology (87210)
 - 7.1.2.66. Research and experimental development on linguistics and literature (87230)
 - 7.1.2.67. Symphony orchestra (not listed in ESIC)
 - 7.1.2.68. Art promotion (not listed in ESIC)
 - 7.1.2.69. Theater promotion (not listed in ESIC)
 - 7.1.2.70. Pair promotion (not listed in ESIC)
 - 7.1.2.71. Music promotion (not listed in ESIC)
 - 7.1.2.72. Literature promotion (not listed in ESIC)
 - 7.1.2.73. Sculpture promotion (not listed in ESIC)
 - 7.1.2.74. Animation film studio (not listed in ESIC)
- 7.2. Sporting Sub-Sector
- 7.2.1. Manufacture of sports goods (39220)
 - 7.2.2. Wholesale of other recreational and musical goods n.e.c. (61339)
 - 7.2.3. Wholesale of sporting goods and equipment (including healthcare equipment) (61351)
 - 7.2.4. Wholesale of sporting goods n.e.c. (61359)
 - 7.2.5. Retail trade of sporting goods and equipment (including healthcare equipment) (62330)
 - 7.2.6. Retail trade of recreational and musical goods (62340)
 - 7.2.7. Import of sporting goods and equipment (including healthcare equipment) (65351)
 - 7.2.8. Import of other sporting goods n.e.c. (65359)
 - 7.2.9. Export of sporting goods and equipment (including healthcare equipment) (66259)
 - 7.2.10. Research and experimental development on physical science (87160)
 - 7.2.11. Activities of sports associations (licensing on activities of sport association) (95100)
 - 7.2.12. Sporting services (96410)
 - 7.2.13. Pool and billiard houses (96421)
 - 7.2.14. Places for game sports (96430)
 - 7.2.15. Sports enrichment centers (96440)
 - 7.2.16. Other sporting and recreational activities (96490)
- 7.3. Education Sector
- 7.3.1. Short term language study and training (92160)
 - 7.3.2. Manufacture of crayons, chalk, pens and pencils (39292)
 - 7.3.3. Manufacture of educational support equipments (39297)
 - 7.3.4. Wholesale of educational equipments (61549)
 - 7.3.5. Import trade in educational support equipments (65596)
 - 7.3.6. Retail trade of education equipments (62317)
 - 7.3.7. Export trade in education support equipments (66496)
 - 7.3.8. Other educational services including tuition (92190)
 - 7.3.9. Other education related services n.e.c. (92290)
- 7.4. Media and Communication Sub-Sector (these licenses lack legal basis and are not currently administered by the BA; but, they are included in the ESIC)
- 7.4.1. Electronics printing (32510)
 - 7.4.2. Retail trade of broadcasting equipment/ radio, television sets, sound reproducing and recording equipment and supplies dish, decoder, etc. (66227)
 - 7.4.3. Export trade of materials that are used for promotion and advertising (66245)
 - 7.4.4. Newspapers, journals and periodicals distributor (89520)

Annex

2 | Suggested Simplified List of Licenses

DETAILED CLASSIFICATION 1: Agriculture, Hunting, Forestry and Fishing

| No. | Title of Category |
|-----|--|
| | Agriculture, hunting and related services |
| 1. | Growing of crops; market gardening; horticulture |
| 2. | Farming of animals |
| 3. | Growing of crops combined with farming of animals (mixed farming) |
| 4. | Agricultural and animal husbandry services, except veterinary activities (artificial breeding including bulls) |
| 5. | Hunting, trapping and game propagation, including related services |
| 6. | Production of organic fertilizer |
| | Forestry, logging and related services |
| 7. | Forestry and related services |
| 8. | Logging and related services |
| 9. | Other activities of forestry and hunting n.e.c. |
| | Fishing, operation of fish hatcheries and fish farms |
| 10. | In-land fishing |
| 11. | Fish hatcheries and fish farms |
| 12. | Other activities of fish farms and related services |

DETAILED CLASSIFICATION 2: Mining and Quarrying

| No. | Title of Category |
|-----|---|
| | Mining of coal and lignite |
| | Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction |
| 13. | Extraction of crude petroleum and natural gas |
| 14. | Service activities incidental to oil and gas extraction, excluding surveying |
| 15. | Activities for control of natural radio nuclides |
| | Prospecting of minerals |
| 16. | Reconnaissance |
| 17. | Exploration |
| 18. | Retention |
| 19. | Prospecting and developing of uranium and thorium minerals |
| 20. | Prospecting of minerals n.e.c. |
| | Mining |
| 21. | Precious mineral (excludes gold and uranium) mining |
| 22. | Semiprecious mineral mining |
| 23. | Metallic mineral mining |
| 24. | Industrial mineral mining |
| 25. | Construction mineral mining |
| 26. | Strategic mineral mining |

(continues)

DETAILED CLASSIFICATION 2: Continued

| No. | Title of Category |
|-----|---|
| 27. | Mining of gold & uranium ores mining Other mining and quarrying |
| 28. | Stone quarrying, clay and sandpits |
| 29. | Mining of diamonds (including alluvial diamonds) and opals Mining and quarrying |
| 30. | Mining of chemical and fertilizer minerals |
| 31. | Extraction and evaporation of salt |
| 32. | Other mining and quarrying n.e.c. Extraction |
| 33. | Large scale mining |
| 34. | Small scale mining |
| 35. | Artisanal mining |
| 36. | Other mining n.e.c. |
| 37. | Research & training and service activities incidental to mining of minerals |

DETAILED CLASSIFICATION 3: Manufacturing

| No. | Title of Category |
|-----|--|
| | Manufacture of food products, beverages and tobacco products |
| | Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats |
| 38. | Production, processing and preserving of meat and meat products |
| 39. | Processing and preserving of fish and fish products |
| 40. | Processing and preserving of fruit and vegetables |
| 41. | Manufacture of vegetable and animal oils and fats |
| 42. | Manufacture of dairy products |
| 43. | Manufacture of grain mill products, starches and starch products and prepared animal feeds |
| 44. | Manufacture of other food products |
| 45. | Manufacture of beverages |
| 46. | Manufacture of tobacco products Manufacture of textiles, clothing and leather goods |
| 47. | Spinning, weaving and finishing of textiles |
| 48. | Manufacture of other textiles |
| 49. | Dressing and dyeing of fur; manufacture of articles of fur |
| 50. | Manufacture of manmade fiber |

| No. | Title of Category |
|-----|---|
| 51. | Tanning and dressing of leather, manufacture of luggage, handbags, saddlery and harness Manufacture of wood & of products of wood & cork, except furniture; manufacture of articles of straw & plaiting materials; manufacture of paper and paper products; publishing, printing and reproduction of recorded media |
| 52. | Saw milling and planing of wood and production of articles of straw |
| 53. | Manufacture of products of wood, cork, straw and plaiting materials |
| 54. | Manufacture of paper and paper products |
| 55. | Paper related printing |
| 56. | Electronic related printing |
| 57. | Manufacture of coke oven products Petroleum refineries/synthesisers |
| 58. | Petrol, fuel oils, lubricating oils and greases, primarily from crude oil |
| 59. | Petrol, fuel oils, lubricating oils and greases, primarily from coal |
| 60. | Petrol, fuel oils, lubricating oils and greases, primarily from natural gas |
| 61. | Lubricating oils and greases, primarily from other organic products |
| 62. | Compounded and blended lubricating oils and greases from purchased materials other than crude petroleum |
| 63. | Other petroleum/synthesized products n.e.c. Manufacture of basic chemicals |
| 64. | Manufacture of basic chemicals, except fertilizers and nitrogen compounds |
| 65. | Manufacture of fertilizers and nitrogen compounds |
| 66. | Manufacture of plastics in primary form and of synthetic rubber |
| 67. | Other manufacture of basic chemicals Manufacture of other chemical products |
| 68. | Manufacture of pesticides and other agro-chemical products |
| 69. | Manufacture of edible salts |
| 70. | Manufacture of pharmaceuticals, medicinal chemicals and botanical products |
| 71. | Manufacture of pharmaceuticals, medicinal chemicals and botanical products for human use |
| 72. | Manufacture of pharmaceuticals, medicinal chemicals and botanical products for veterinary use |

DETAILED CLASSIFICATION 3: Continued

| No. | Title of Category |
|-----|---|
| 73. | Manufacture of chemicals used for medical manufacture, food and medicine including precursor chemicals |
| 74. | Manufacture of cleansing and cosmetics |
| 75. | Manufacture of other chemical products except basic chemicals. |
| 76. | Manufacturing of drycell |
| 77. | Manufacture of rubber and plastics products Manufacture of other non-metallic mineral products |
| 78. | Manufacture of glass and glasses products |
| 79. | Manufacture of non-metallic mineral products n.e.c. Manufacture of basic metals, fabricated metal products, machinery and equipment |
| 80. | Manufacture of basic iron and steel |
| 81. | Manufacture of basic precious and non-ferrous metals |
| 82. | Casting of metals |
| 83. | Manufacture of structural metal products, tanks, reservoirs |
| 84. | Manufacture of other fabricated metal products; metalwork service activities |
| 85. | Manufacture of general purpose machinery |
| 86. | Manufacture of special purpose machinery Manufacture of electrical machinery and apparatus n.e.c. |
| 87. | Manufacture of electric motors, generators and transformers |
| 88. | Manufacture of electricity distribution and control apparatus |
| 89. | Manufacture of insulated wire and cable |
| 90. | Manufacture of accumulators, primary cells and primary batteries |
| 91. | Manufacture of electric lamps and lighting equipment |
| 92. | Manufacture of electrical baking stove |
| 93. | Manufacture of energy-saving technology devices |
| 94. | Manufacture of other electrical equipment n.e.c. Manufacture of radio, television and communication equipment and apparatus and of medical, precision and optical instruments, watches and clocks |
| 95. | Manufacture of electronic valves and tubes and other electronic components (capacitors, resistors, transistors, etc.) |

| No. | Title of Category |
|------|---|
| 96. | Manufacture of broadcast equipments (television and radio receivers, sound or video recording or reproducing apparatus and associated goods) Manufacture of medical appliances & instruments & appliances for measuring, checking, testing, navigating and for other purposes, except optical instruments |
| 97. | Manufacture of medical and surgical equipment and orthopedic appliances |
| 98. | Manufacture of radiation emitting equipments & radioactive sources |
| 99. | Manufacture of instruments and appliances for measuring, checking and testing of industrial process |
| 100. | Manufacture of industrial process control equipment |
| 101. | Manufacture of watches and clocks |
| 102. | Other manufacture of medical appliances & instruments & appliances for measuring, checking, testing, navigating and for other purposes, except optical instruments |
| 103. | Manufacture of security cameras |
| 104. | Manufacture of optical instruments and photographic equipment Manufacture of transport equipment |
| 105. | Manufacture of motor vehicles |
| 106. | Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers |
| 107. | Manufacture of parts and accessories for motor vehicles and their engines |
| 108. | Building of ships and boats |
| 109. | Manufacture of railway and tramway locomotives and rolling stock |
| 110. | Manufacture of aircraft and spacecraft |
| 111. | Manufacture of transport equipment n.e.c. Manufacture of furniture; manufacturing n.e.c.; recycling Manufacture of furniture; manufacturing |
| 112. | Manufacture of office and household furniture |
| 113. | Manufacture of telecommunications and computer equipments and apparatus |
| 114. | Manufacturing of n.e.c. |
| 115. | Recycling of metals and non-metals wastes and scraps n.e.c. |

DETAILED CLASSIFICATION 4: Electricity, Gas and Water Supply

| No. | Title of Category |
|------|--|
| | ELECTRICITY, GAS, STEAM AND HOT WATER SUPPLY |
| | Generation, production, and distribution and sale of electricity |
| 116. | Generation of electric energy from renewable sources |
| 117. | Generation of electric energy from non-renewable sources |
| 118. | Distribution and sales of electricity |
| 119. | Transmission of electricity |
| 120. | Installation of electric line (level A–level D) |
| 121. | Manufacture of gas; distribution of gaseous fuels through mains |
| 122. | Steam and hot water supply |
| 123. | Collection, purification and distribution of water including bottled water |
| 124. | Other electricity, gas, steam and hot water supply n.e.c. |

DETAILED CLASSIFICATION 5: Construction

| No. | Title of Category |
|------|---|
| | Construction |
| 125. | Road contractor |
| | Building of complete constructions or parts thereof; civil engineering |
| 126. | Buildings contractor |
| 127. | Construction of water works |
| 128. | General contractor except water work contractor |
| 129. | Other building of complete constructions or parts thereof; civil engineering |
| | Building installation (specialized) contractor |
| 130. | Plumbing |
| 131. | Electrical contracting |
| 132. | Electromechanical work constructor |
| 133. | Sanitary work contractor |
| 134. | Wood & metal work contractor |
| 135. | Landscaping contractor |
| 136. | Pile foundation work contractor |
| 137. | Other building installation (specialized) contractor |

| No. | Title of Category |
|------|--|
| | Building completion |
| 138. | Painting and decorating |
| 139. | Water-proofing services |
| 140. | Building and road construction contractor |
| 141. | Other related activities n.e.c. |
| 142. | Demolition and site preparation for construction |
| 143. | Other construction works |

DETAILED CLASSIFICATION 6: Wholesale and Retail Trade; Repair; Hotels and Restaurants; Import & Export

| No. | Title of Category |
|------|---|
| | Wholesale and commission trade |
| 144. | Domestic trade auxiliary |
| 145. | Wholesale trade in agricultural raw materials, livestock, food, beverages and tobacco & tobacco products |
| 146. | Wholesale trade in household goods |
| 147. | Wholesale trade in solid, liquid and gaseous fuels, equipment, chemicals, non-agricultural intermediate products, waste and scrap |
| 148. | Wholesale trade in machinery, equipment and supplies |
| 149. | Wholesale sale of motor vehicles, spare parts and parts |
| | Retail trade, of motor vehicles and motorcycles; repair of personal and household goods |
| 150. | Retail trade in non-specialized stores |
| 151. | Retail trade in agricultural raw materials, food, beverages and tobacco in specialized stores |
| 152. | Retail trade in new goods in stores |
| 153. | Retail trade in outside stores |
| 154. | Retail trade in second-hand goods in stores |
| 155. | Retail sale of motor vehicles, bicycle, fuel, oil, lubricants |
| 156. | Retail sale of parts and accessories |
| 157. | Retail trade in machinery, equipment and supplies |
| 158. | Retail trade of telecom, computers equipment and accessories |
| | Maintenance and repair service |
| 159. | Maintenance and repair of household, personal and public goods |
| 160. | Maintenance and repair of vehicles and its parts |
| 161. | Car wash service and grease |

DETAILED CLASSIFICATION 6: Continued

| No. | Title of Category |
|------|--|
| | Hotels and restaurants |
| 162. | Hotels, camping sites of short and long stay accommodation, home stays and other provision |
| 163. | Restaurants, bars and canteens |
| | Import trade |
| 164. | Import trade on a fee or contract basis |
| 165. | Import trade in agricultural raw materials, livestock, food, beverages tobacco and tobacco products |
| 166. | Import trade in household and office goods |
| 167. | Import trade in solid, liquid and gaseous fuels and related products, industrial products, chemicals and chemical products, construction materials, explosives, pyrotechnic products Intermediate products, waste and scrap |
| 168. | Import trade in machinery, equipment and supplies |
| 169. | Import of vehicles and spare parts |
| 170. | Import trade in processed agricultural products |
| 171. | Import trade in other factory products |
| 172. | Import trade in other machinery and equipments |
| | Export trade |
| 173. | Export trade in agricultural raw materials, livestock, food, beverages and tobacco & tobacco products |
| 174. | Export trade in household goods |
| 175. | Export trade in solid, liquid and gaseous fuels and related products, industrial products, chemicals and chemical products, construction materials, explosives, pyrotechnic products Intermediate products, waste and scrap |
| 176. | Export trade in machinery, equipment and supplies |
| 177. | Import trade in other factory products |
| 178. | Export of vehicles and spare parts |

DETAILED CLASSIFICATION 7: Transport, Storage and Communication

| No. | Title of Category |
|------|--|
| | Land transport; transport via pipelines |
| | Railway transport |
| 179. | Inter-urban railway transport |
| 180. | Railway commuter services |
| | Other land transport |
| 181. | Other scheduled passenger land transport |
| 182. | Other non-scheduled passenger land transport |

| No. | Title of Category |
|------|---|
| 183. | Taxis |
| 184. | Safaris and sightseeing service |
| 185. | Tourist transport service |
| 186. | Other passenger transport, including the renting of passenger motor vehicles with drivers |
| 187. | Freight transport by road |
| 188. | Transport of cargo trucks |
| 189. | Transport of fuel |
| 190. | Transport of water liquid sewage and others |
| 191. | Transport of dry freight |
| 192. | Other freight transport by road |
| 193. | Transport via pipelines |
| | Water transport |
| 194. | Inland water transport |
| 195. | Passenger water transport |
| | Air transport |
| 196. | Passenger air transport |
| 197. | Cargo air transport |
| 198. | Ground handling |
| 199. | Balloon operation |
| 200. | Flying club |
| 201. | Banner towing |
| 202. | Glider |
| 203. | Parachute rigger |
| 204. | Other activities of air transport n.e.c. |
| | Supporting and auxiliary transport activities; activities of travel agencies |
| 205. | Cargo handling |
| 206. | Storage and warehousing |
| 207. | Bonded warehousing |
| 208. | General storage and warehousing |
| 209. | Other supporting transport activities |
| 210. | Parking garages and parking lots |
| 211. | Salvaging of distressed vessels and cargoes |
| 212. | Maintenance and operation of harbor works, lighthouses, etc., pilot age |
| 213. | Operation, construction and administration of airports |
| 214. | Operation of roads and toll roads |
| 215. | Other supporting transport activities n.e.c. |
| 216. | Travel agency and related activities |
| 217. | Tour operators |
| 218. | Travel agent |
| 219. | Tour operators and travel agents |

(continues)

DETAILED CLASSIFICATION 7: Continued

| No. | Title of Category |
|------|--|
| 220. | Tourism promotion |
| 221. | Travel agency and related services n.e.c. |
| 222. | Event organizers |
| 223. | Trade promotion service |
| 224. | Activities of other transport agencies |
| 225. | Ship agents |
| 226. | Freight forwarders |
| 227. | Customs clearance |
| 228. | Multimodal transport operator |
| 229. | Harbor works |
| 230. | Activities of other transport agencies n.e.c. |
| | Post and telecommunication |
| | Postal and related courier activities |
| 231. | National postal activities |
| 232. | Courier activities other than national postal activities |
| 233. | Others postal and related courier activities |
| | National telecommunication service |
| 234. | Tele-center |
| 235. | Internet café |
| 236. | Telecommunication inside cable installation and maintenance |
| 237. | Telecommunication outside cable installation and maintenance |
| 238. | Telecommunication exchange installation and maintenance |
| 239. | Telecommunication terminal equipments maintenance |
| 240. | Telecommunication value added services |

DETAILED CLASSIFICATION 8: Financial Intermediation, Insurance, Real Estate and Business Services

| No. | Title of Category |
|------|---|
| | Financial intermediation, except insurance and pension funding |
| | Monetary intermediation |
| 241. | Banking service |
| 242. | Saving & credit associations |
| 243. | Micro finance institutions |
| 244. | Discount houses and commercial and other banking |
| 245. | Other monetary intermediation |

| No. | Title of Category |
|------|---|
| | Other financial intermediation n.e.c. |
| 246. | Lease financing |
| 247. | Other lease granting |
| 248. | Other financial intermediation n.e.c. |
| | Activities auxiliary to financial intermediation, except insurance and pension funding |
| 249. | Security dealing activities |
| 250. | Activities auxiliary to financial intermediation n.e.c. Activities auxiliary to financial intermediation, except insurance and pension funding |
| | Insurance and pension funding, except compulsory social security |
| 251. | Life insurance institutions |
| 252. | Pension funding institutions |
| 253. | Medical aid funding institutions |
| 254. | General insurance institutes |
| 255. | Life and general insurance |
| 256. | Reinsurance institutions |
| 257. | Asset valuation |
| 258. | Other insurance n.e.c. |
| | Activities auxiliary to insurance and pension funding |
| 259. | Activities auxiliary to pension funding |
| | Activities auxiliary to insurance |
| 260. | Insurance broker |
| 261. | Insurance sales agent |
| 262. | Actuary |
| 263. | Loss assessor |
| 264. | Loss adjuster |
| 265. | Insurance survey |
| 266. | Other activities auxiliary to insurance and pension funding n.e.c. |
| | Real estate activities |
| 267. | Real estate activities with leased property |
| 268. | Real estate activities on a fee or contract basis |
| | Renting of machinery and equipment, without operator and of personal and household goods |
| 269. | Renting of transport equipment |
| 270. | Renting of other machinery and equipment |
| 271. | Renting of personal and household goods |
| | Computer and related activities |
| 272. | Computer network design and installation |
| 273. | Software design, development and implementation |
| 274. | Data base activities and data processing |
| 275. | Computer network cable installation |

DETAILED CLASSIFICATION 8: Continued

| No. | Title of Category |
|------|--|
| 276. | Data center/hosting |
| 277. | Other computer related activities |
| | Research and experimental development |
| 278. | Research and experimental development on natural sciences engineering and technology |
| 279. | Research and experimental development on social sciences and humanities |
| 280. | Other business activities |
| 281. | Accounting, bookkeeping and auditing activities; finance and administration services |
| | Consultancy services on social and natural sciences |
| 282. | Social science consultancy |
| 283. | Natural science consultancy |
| 284. | Hotel & tourism and art & culture consultancy |
| 285. | Quality management system consultancy |
| 286. | Occupational safety & health control consultancy |
| 287. | Consultancy on education |
| | Architectural, engineering, construction and related technical consultancy |
| 288. | Architectural construction and related consultancy services |
| 289. | Construction and related specialized consultancy services |
| 290. | Urban planning and related consultancy |
| 291. | Construction management consultancy |
| 292. | Consulting architects |
| 293. | Other construction related professional consultancy services n.e.c. |
| 294. | Consulting engineers |
| 295. | Electrical consulting engineers |
| 296. | Mechanical consulting engineers |
| 297. | Industrial consulting engineers |
| 298. | Mining consulting engineers |
| 299. | Chemical consulting engineers |
| 300. | Civil consulting engineers |
| 301. | Water works consultancy |
| 302. | Information communication technology consultancy |
| 303. | Consultancy service on scientific machineries selection, installation, commissioning, maintenance and disposal consultancy |
| 304. | Consultancy service metrology |

| No. | Title of Category |
|------|--|
| | Consultancy on transport |
| 305. | Maritime consultancy service |
| 306. | Aviation consultancy |
| 307. | Land transport (car) consultancy |
| 308. | Land transports (train) consultancy |
| 309. | Consultancy service on geo-information product and service |
| | Other services |
| | Technical testing, analysis and related services |
| 310. | Inspection |
| 311. | Testing laboratories |
| 312. | Product certification |
| 313. | System certification |
| 314. | Person certification |
| 315. | Calibration of laboratories |
| 316. | Verification |
| 317. | Vehicles technical assessment service |
| 318. | Quality award service |
| 319. | Irrigation line installation |
| | Advertising |
| 320. | Newspapers, journals and periodicals publisher |
| 321. | Newspapers, journals and periodicals distributor |
| 322. | Publishing service of books, brochures, musical books and others |
| 323. | Notice |
| | Other business activities |
| 324. | Conveyance |
| 325. | Labor recruitment and provision of staff |
| 326. | Local activities of employment agencies and recruiting organizations |
| 327. | Abroad activities of employment agencies and recruiting organizations |
| 328. | Security activities |
| 329. | Building, industries, airplane, resident house and other related cleaning activities |
| 330. | Photographic activities |
| 331. | Packaging activities |
| 332. | Geospatial information service |
| 333. | Surveying service |
| 334. | Mapping service |
| 335. | Remote sensing works service |
| 336. | GIS works service |

(continues)

DETAILED CLASSIFICATION 8: Continued

| No. | Title of Category |
|------|--|
| 337. | Quality control on geo-information product and service |
| 338. | Property management |
| 339. | Pesticide fumigation |
| 340. | International bid (according to the bid that the company wins) |
| 341. | Logistic, supplies and support service (except other trade activities) |
| 342. | Road marking paint |

DETAILED CLASSIFICATION 9: Community, Social and Personal Services

| No. | Title of Category |
|------|--|
| | Education |
| | Educational services |
| | Pre-primary education and activities of after-school centre |
| 343. | Primary and secondary education |
| 344. | Cross boundary higher education |
| 345. | Education by technical colleges and technical institutions |
| 346. | Education by techniques (TVET) and training (including short-term training) |
| 347. | Short-term language study and training |
| 348. | Regular higher education |
| 349. | Regular distance higher education |
| 350. | Other educational services including tuition |
| | Education related service |
| 351. | Driving education both in regular and by special machineries |
| 352. | Culture & arts education |
| 353. | Theater, music, film modeling, dance, video & photograph, design school, etc.) |
| 354. | Body circus school |
| 355. | Training service in information and communication technology |
| 356. | Maritime training school |
| 357. | Aviation training school |
| 358. | Other education related services n.e.c. |
| | Health and social work |
| | Human health activities |
| 359. | Hospital activities |
| 360. | Specialized hospital |

| No. | Title of Category |
|------|---|
| 361. | General hospital |
| 362. | Primary hospital |
| 363. | Health center |
| 364. | Medical/speciality center |
| 365. | Diagnostic imaging |
| 366. | Diagnostic laboratory |
| 367. | Kela health station |
| 368. | Other human health activities |
| 369. | Supplementary health services or paramedical staff (practitioners) |
| 370. | Clinics and related health care services |
| 371. | Nursing services |
| 372. | Specialty clinic |
| 373. | Middle clinic |
| 374. | Primary clinic |
| 375. | Day care services |
| 376. | Traditional medical service |
| 377. | Other medical and health services n.e.c. |
| 378. | Veterinary activities |
| 379. | Social work activities |
| | Other community, social and personal service activities |
| 380. | Sewage and refuse disposal, sanitation and similar activities |
| | Activities of membership organisations |
| 381. | Activities of sports associations (licensing on activities of sport association) |
| | Recreational, cultural and sporting activities |
| | Motion picture, radio, television creative arts, and other entertainment activities |
| 382. | Motion picture and video production and distribution |
| 383. | Motion picture projection |
| 384. | Radio and television activities |
| 385. | Dramatic arts, music and other arts activities (promotion service on theatre, music, film, gallery) |
| 386. | Music band |
| 387. | Film production |
| 388. | Theatre production |
| 389. | Wildlife related commercial activities |
| 390. | Other entertainment activities n.e.c. |
| 391. | News service activities |
| | Library, archives, museums and other cultural activities |
| 392. | Library and archives activities |
| 393. | Museum activities and preservation of historical sites and buildings |

DETAILED CLASSIFICATION 9: Continued

| No. | Title of Category |
|------|--|
| 394. | Botanical and zoological gardens and nature reserve activities |
| 395. | Topographic beauty |
| 396. | Sporting, sports enrichment and related recreational services |
| | Other service activities |
| 397. | Washing and (dry-) cleaning of textiles and fur products |
| 398. | Hairdressing and other beauty treatment |
| 399. | Printing & book services |
| 400. | Decorating activities |
| 401. | Fashion and beauty contest services |
| 402. | Other service activities |

DETAILED CLASSIFICATION 10: Private Households, Exterritorial Non-Governmental Organizations, Representatives of Foreign Governments and Other Activities Not Adequately Defined

| No. | Title of Category |
|------|---|
| 403. | Private households with employed persons— example, tutor |
| 404. | Other activities not adequately defined |

Annex

3 | Detailed Analysis of Licenses

This annex is organized in three chapters. The first one briefly discusses the conceptual background for government regulation of the private sector, including the need and approaches for regulatory reform in business licensing. Chapter 2 provides an overview of the regulatory framework for business registration and licensing in Ethiopia. It discusses the general business registration and licensing regime, which is applicable to all businesses nation wide. Chapter 3 presents the detailed inventory of business licenses by sectors. It describes and analyzes all business licenses which are applicable to businesses operating in a specific sector or sub-sector.

1. BACKGROUND ON GOVERNMENT REGULATION

1.1 Government Regulation through Licensing

Government regulation is an important tool to achieve a wide range of social, economic, environmental, equity and other public policy objectives. There are often reasons for governments to regulate markets and businesses. Regulation could for example be intended to address risks that potentially cause harm or are a detriment to consumers, the public or the environment. There may also be a market failure which needs to be addressed by a government regulation. Above all, a well-functioning regulatory system provides a stable environment for business by reducing

transaction costs, providing certainty and encouraging healthy competition, thus enhancing competitiveness, investment, growth and employment.¹⁴ Indeed, a well-functioning regulatory system is an essential component of the modern economic order. The issue is not whether or not government should regulate, as there are good reasons to do so, but what kind of regulation, the extent of such regulation and how to do it. However, while there are always good reasons to justify regulation such as market failure and public interest, it is generally accepted that the presence of these reasons justifies government regulation only where the benefits of such regulation exceed the costs and also where regulation is the best (e.g., most efficient) way of achieving policy objectives.¹⁵ To achieve this there are accepted features of a high quality regulation (see Box 1). In addition, the regulations need to be administered in a transparent, reasonable and impartial manner to achieve their objectives.

Licensing is a commonly used type of regulation, by which governments regulate businesses' entries into markets and operations within markets. This can involve the use of permits, certification, and other forms of authorizations and notifications. Licenses typically impose on businesses a range of conditions, obligations and rights, breaches of which typically involve

¹⁴ World Bank/IFC (2010), Policy Framework Paper on Business Licensing Reform and Simplification, at 25.

¹⁵ Ibid.

BOX 1: Key Features of High Quality Regulations

- Minimum requirements used to achieve objectives;
- Not being unduly prescriptive in specifying how businesses should operate;
- Accessible, transparent and accountable;
- Integrated and consistent with other laws/regulations (including international, national and sub-national regulations);
- Communicated effectively to business and other stakeholders;
- Minimizing administrative compliance burdens on business; and
- Enforceable.

Source: World Bank/IFC (2010), Policy Framework Paper on Business Licensing Reform and Simplification.

imposition of sanctions by the relevant regulatory authority—such as a fine or revocation of permission to perform an activity.

Licenses as a regulatory tool offers a number of potential benefits. First the application and notification component of the licensing process allows governments to identify, verify and contact businesses. Second, prior approval allows governments to test businesses and exclude those unlikely to meet minimum standards, such as businesses or business activities which generate significant health, safety, security, environmental or other costs and/or risks. Third, licenses can allow the controlled use of valuable and scarce community resources, such as telecommunications spectrums, forests or fisheries.

However, from an economic and business point of view, licensing can also be damaging for business (Box 2). First, licenses could be costly. To obtain the required licenses, businesses typically have to comply with a series of legal requirements, which can impose substantial administrative and financial burdens on their activities. Potential entrepreneurs may be discouraged from setting up businesses by prohibitively high costs and time-consuming licensing procedures, and may thus be forced to join the informal sector

BOX 2: Potential Risks and Costs of Licensing

- Unnecessarily restrict entry into a market and/or competition within a market;
- Providing barriers to businesses operating in the informal sector moving to the formal sector;
- Severely limit the supply of important goods and services (e.g., taxis or medical services);
- Result in standards being unnecessarily high and otherwise distortive;
- Be costly and/or difficult for governments to administer and properly enforce;

Source: World Bank/IFC (2010), Policy Framework Paper on Business Licensing Reform and Simplification.

and stay “invisible” for the public sector.¹⁶ Across the developing world, close to 15% of firms consider business licenses and permits as a major constraint to doing business.¹⁷ In business, where time is money, both the delay and the business administrative time required to deal with regulations detract from economic competitiveness where businesses in other countries do not experience similar impositions.

Second, in addition to imposing regulatory compliance burdens licensing requirements impose regulatory requirement burdens and restrict healthy competition by establishing unnecessary entry barriers to a particular business activity.¹⁸ Third, licensing and the associated compliance requirements—as with other types of regulation—can also often offer significant discretion to the issuing authorities, which may lead to abuse, corruption, uncertainty and other risks.

All of these outcomes could reduce significantly levels of productivity, incomes and wealth creation of an economy.

¹⁶ Ibid.

¹⁷ See www.enterprisesurveys.org (last accessed on 8 August 2012).

¹⁸ Bruhn, Miriam (2011), “License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico.” *Review of Economics and Statistics* 93(1): 382–386.

Cognizant of these constraints and potential negative effects of licensing, most governments seek to limit licensing to a limited number of specified sectors and activities where prior control of the behavior of businesses is deemed necessary to achieve important economic, social, safety, security or environmental outcomes.

1.2 The Need for a Comprehensive Licensing Reform

A number of recent studies have found that simpler licensing systems (Box 3) translate into advantages for workers and employers, including greater employment opportunities, more productive jobs, and higher total factor productivity.¹⁹ In addition, society as a whole benefits from licensing reform, which requires that businesses pay taxes, play by the rules, and provide productive, decent employment. These factors can lead to increased consumer welfare as enhanced competition results in better quality products and/or lower prices.²⁰

While reforming business licensing can generate significant economic, social and environmental benefits for developing countries it can also be difficult, complex and challenging. The challenge could take different forms. To begin with, identification of all licenses and consideration whether such licenses can be justified because they generate net benefits for society is not a simple task especially for least developed countries (LDCs) where resources and expertise are limited. In addition, there could be interest groups (who benefit from the existing system) that feel threatened by the reform and attempt to block the reform agenda in different ways. Furthermore, governments may consider licensing as a source of revenue and hence may show little interest in reform that may potentially reduce its revenues.

Hence, a high level political commitment is essential to successfully implement licensing reforms.

In recent years a number of countries have embarked on regulatory reform including simplification of the entry requirements, and some of them have achieved

¹⁹ The World Bank Group (2013), “Reforming Business Licensing: A Toolkit for Practitioners.”

²⁰ Ibid.

BOX 3: The Key Features of Good Regulatory Administration and Practice

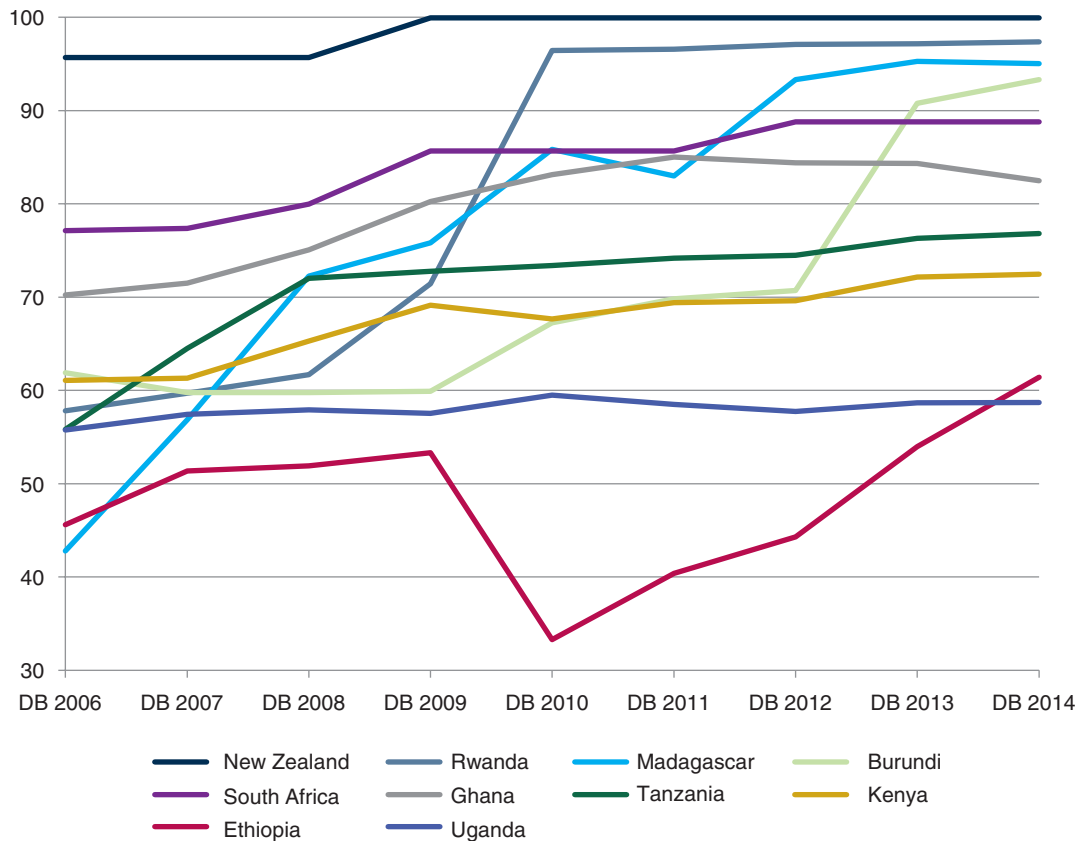
- Sound and transparent governance;
- Effective information management;
- Good relationship management with stakeholders;
- Adequate resourcing of regulatory institutions;
- Capacity to efficiently and effectively receive applications from business and monitor compliance;
- Ability to address non-compliance; and
- Provide adequate response to adverse events.

Source: World Bank Group 2010, *How to Reform Business Licenses*.

encouraging results in terms of creating a conducive environment for business. These countries reformed their licensing regimes and reduced costs, streamlined procedures and made doing business easier. In 2009, Rwanda revamped its business start-up process by establishing a one-stop shop for business registration; as a result of this and other reforms, Rwanda is now (in Doing Business 2014) ranked as the 9th best performer *globally* for starting a business. Major reforms of licensing systems have also taken place in several other African countries such as Burundi, Liberia, Madagascar and Sierra Leone, as well as, to a lesser extent, in Kenya or South Africa. Ethiopia’s performance has improved markedly since 2010, but much remains to be done in comparison with regional leaders (Figure 4).

Experience shows that licensing reform follows different steps. The first step in the process is to identify and compile the existing licenses. Different laws issued in different times may require licenses, permits, and authorizations for different activities and there are often no systematic records of such licenses. The compilation exercise identifies the licenses, the legal basis for each license, conditions to be complied with, etc. The next step would be to assess if each of the licenses is based on law, or even if it is necessary. This will be followed by an assessment of the compliance costs of licenses. The final stage will be to come up with a comprehensive proposal to simplify the licensing regime. This may involve elimination of some licenses, amalgamation of some licenses as well

FIGURE 4: Ethiopia's Performance for Starting Businesses Compared to Peers, Distance to Frontier, 2006–14²¹



Source: Doing Business 2014, <http://www.doingbusiness.org/data/exploretopics/starting-a-business/frontier>.

BOX 4: Key Arguments in Favor of a Comprehensive and Systemic Reform

- **Efficiency:** evaluating all licenses through one reform process, proposing one reform package, and implementing a series of changes at one time, through one process, rather than setting up new reform machinery, with heavy transaction costs every time.
- **Efficacy:** not giving into special interests, which will emerge for almost every license or sector where reforms are proposed. A piecemeal approach (e.g., one sector after the other) gives special interests much more leverage to impede reforms from happening.
- **Addressing systemic issues:** comprehensive approach allows for clean-up of the whole system, and the establishment of tools (e-registry) and institutions such as a regulatory reform units, which help solve some of the systemic problems that led to poor business regulations (fixing the stock of valid regulations through the registry, and ensuring a healthy flow of future regulation through the regulatory reform unit).

Source: WB/IFC, Investment Climate Advisory Services (2010).

as simplification of others. Since the entire process involves a range of government institutions, the best option will be to establish an inter-institutional committee to follow up the entire process.

A well-functioning licensing system provides a stable environment for business by reducing transaction costs, providing certainty and encouraging

healthy competition, thus enhancing international competitiveness, investment, growth and employment.

²¹ The score illustrates the distance of an economy to the “frontier” related to the “starting a business” indicator, which represents the best performance observed across all economies and years included since 2005. An economy’s distance to frontier is indicated on a score from 0 to 100, where 0 represents the lowest performance and 100 the frontier, i.e., the best performance possible.

BOX 5: Review Criteria Used in a Number of Licensing Reforms

- **Legality:** is there a legal basis in a parent law or higher ranking regulation to issue the license?
- **Necessity:** is the license used to protect the environment, health or safety. Does the license duplicate other licenses or regulations?
- **Consistency:** is it consistent with other regulations?
- **Business friendliness:** can the processes and documentation requirements be further streamlined to reduce the administrative burdens imposed on businesses? Is the license unduly prescriptive, is it performance and outcomes focused, is it accessible, transparent and easy to understand, and can it be enforced?

1.3 Overview of Government Regulation in Ethiopia

Following the regime change in 1992, the Government of Ethiopia (GoE) has implemented a series of reform measures towards a market oriented economy, including deregulation of domestic prices; liberalization of foreign trade; privatization of public enterprises; abolition of all export taxes and subsidies; devaluation of the exchange rate followed by the introduction of inter-bank foreign currency market and the determination of exchange rates based on market forces; promulgation of a liberal investment law for the promotion and encouragement of private investment, both foreign and domestic; issuance of a new labor law; and strengthening and enhancing institutional support for the export sector through strengthening/revitalizing existing institutions and establishing such new institutions.

The development policies adopted by the GoE have recognized the private sector as the engine of the economy and pledged to nurture and support private sector development in the country. However, the role of the private sector in the economy remains rather weak. The development of the private sector has been constrained by, among others, high transaction costs and risks, lack of finance, lack of access to information, absence of contract and property right laws, weak technical know-how, high handling costs, and

inadequate market institutions.²² Though the marketing system has been liberalized, it remains costly, risky, and segmented, which together makes it unfavorable for business activities.²³ A number of studies highlighted the challenges of doing business in the country. For instance, the country's rank in the World Bank Doing Business indicator declined from 124 in 2013 to 125 in 2014.²⁴ With regard to starting a business in the country, Ethiopia's rank dropped from 162 in 2013 to 166 out of 189 in 2014.²⁵ The cost of starting a business in terms of percent of income per capita is 100.1—by far higher than the Sub-Saharan African average which is 67.4.²⁶

The business licensing and regulatory framework has an important implication for private sector development. While the licensing regime and practice and the costs associated with it in Ethiopia have not yet been systematically documented the private sector considers the existing licensing regime and practice as cumbersome, costly and complex.²⁷ Some of the business licensing processes and procedures are considered to lack transparency, be time consuming and in many cases unnecessary.²⁸ This presents an important impediment to the country's effort to improve the quality of the business environment, promote investment, employment and wealth creation.

The private sector may play a crucial role in the country's fight against poverty through investment and job creation. Where an effective private sector is

²² Demeke, M., Amha, W., Ferede, T. and Getnet, A. (2011), "Structure and firm dynamics in the grain markets in selected Eastern and Southern African countries: the case of Millers and Wholesale traders in Ethiopia," a research report prepared for the FAO, Addis Ababa.

²³ Ibid.

²⁴ World Bank (2014), "Doing Business in Ethiopia, 2014." Available at <http://www.doingbusiness.org/data/exploreeconomies/ethiopia> (last accessed on 22 January 2014).

²⁵ Ibid.

²⁶ Ibid.

²⁷ See for example, Fikremarkos Merso and Tadele Ferede (2012), "The Regulatory Regime on Commercial Registration and Business Licensing, and Competition and Consumer Protection." PSD Hub, Ethiopian Chamber of Commerce and Sectoral Association, Addis Ababa, Ethiopia.

²⁸ Ibid.

lacking, as is the case in Ethiopia, business licensing reform has been shown to be one of the essential first steps toward fostering private-sector growth. The easier, faster, and cheaper the business registration process becomes, the higher the number of businesses in an economy. Studies from Mexico, Colombia, Portugal, Belarus, Rwanda, and Malaysia as well as a number of cross-country studies have all illustrated this link.²⁹ Hence simplifying and even abandoning unnecessary requirements is critical in terms of creating a healthy business environment.

2. THE REGULATORY FRAMEWORK ON BUSINESS REGISTRATION AND LICENSING IN ETHIOPIA

Several pieces of legislation were introduced in Ethiopia at different times with the purpose of governing businesses within the general framework laid out by the Commercial Code of Ethiopia of 1960.³⁰ Despite the amendment of some of its provisions (with a view to respond to changes brought about with the lapse of time and/or because they could not have possibly been foreseen at the time of its promulgation), the Commercial Code remains the principal source of commercial law. A series of specific legislation dealing with particular subject matters or aspects of business were promulgated at different times since its enactment, with some of them already envisaged by the Code itself.

The *Commercial Registration and Business Licensing Proclamation* No. 686/2010 (the CRBLP) and the Commercial Code as amended by piecemeal legislation of various kinds, promulgated at different times, provide the general legal framework to govern registration and licensing of businesses.³¹ The licensing

regime provided for by the CRBLP applies to all business activities except in a limited number of sectors which are regulated by specific laws.

2.1 Overview of the Ethiopian Commercial Registration and Business Licensing Proclamation (CRBLP)

Object, purpose and scope: The preamble of the CRBLP refers to a host of ideals as its objectives.³² In its first line it puts forth what could be an overarching goal, which is creating an environment conducive to commercial activities in keeping with a free market economic policy.³³ The free market economic policy seems to form the basis of action and the organizing economic principle to do business in Ethiopia. Further, the CRBLP declares to improve the system of commercial registration and business licensing with a view to further the ideals of a market-oriented economy, achieve economic development, remove barriers that hinder the smooth operation of businesses, and offer public services to the business community in ways that are efficient and capable of contributing to economic growth.

Another overriding legislative consideration behind the enactment of the CRBLP is stated as the need for modernization of the system of registration and licensing with the purported intention of suitability for data management. Dealing with illegal activities by putting in place a robust regulatory mechanism based on international standards of business classifications and criteria is yet another of the stated rationales behind the promulgation of the Proclamation.³⁴

A “business person” is defined essentially in the way the Commercial Code of 1960 defines a trader as “any person (natural or juridical) who professionally and for gain carries on any one of the activities specified under Article 5 of the Commercial Code or who dispenses services.” However, the CRBLP introduces a further clause whereby any activity designated as commercial by law could also be assimilated here as

²⁹ The World Bank Group (2013), “Reforming Business Licensing: A Toolkit for Practitioners.”

³⁰ The Commercial Code of 1960 was promulgated by Emperor Haile Selassie along with other codes as part of the modernization drive pursued vigorously.

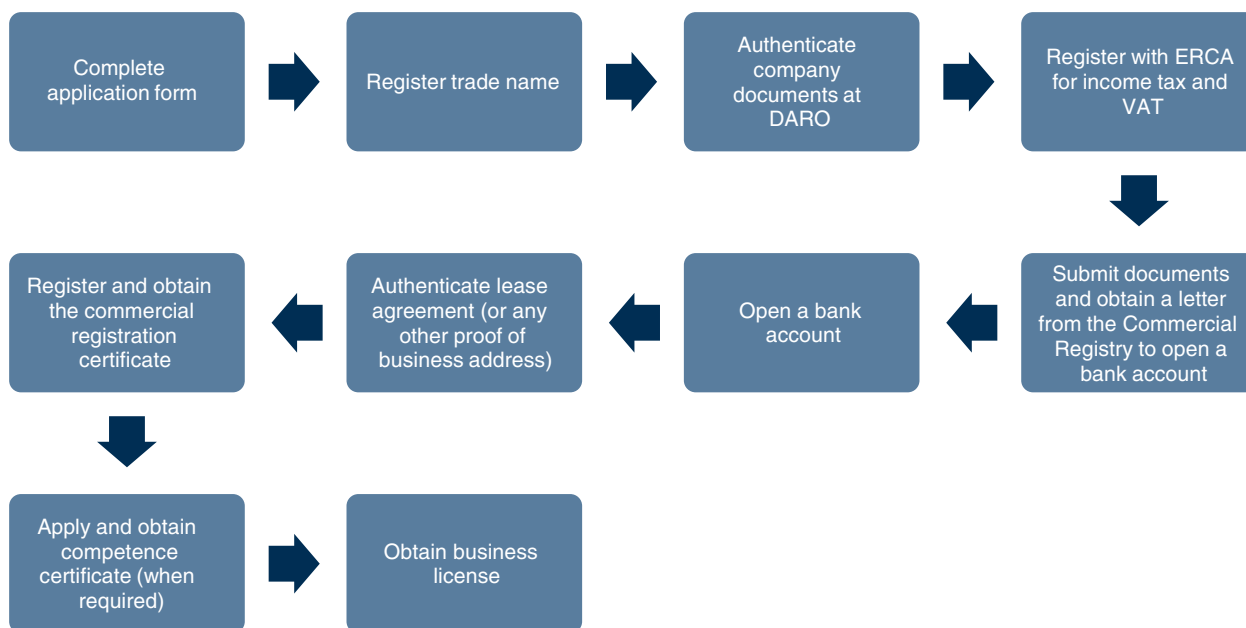
³¹ The CRBLP replaces the Commercial Registration and Business Licensing Proclamation No. 67/97; Federal Government Commercial Registration and Business Licensing Council of Ministers Regulations No. 13/1997; Addis Ababa/Dire Dawa Administrations Commercial Registration and Business Licensing Council of Ministers Regulations No. 14/1997.

³² See Preamble CRBLP.

³³ Ibid.

³⁴ See the fourth line of the CRBLP Preamble.

FIGURE 5: Steps Required for Obtaining a Business Registration and License



commercial.³⁵ This appears to make it easier to ensure that commercial activities designated by any future law to be as such are accommodated within the ambits of the legislation. The Commercial Code use of “trader” seems to have been replaced under the CRBLP with the term “business person” with apparently little legal consequence, although the CRBLP itself uses the term “trader” in a few instances.³⁶ All persons engaged in commercial activities³⁷ as defined in the CRBLP are the subject of this piece of legislation.

Two separate processes are provided for by the CRBLP: commercial registration and business licensing. Engaging in any commercial activity without registration and obtaining the appropriate license is prohibited. Figure 5 shows the different steps required to obtain a business registration and license.

2.2 Commercial Registration

Any person, including companies, engaged in any commercial activity must be registered (Article 6(1) CRBLP), and engaging in commercial activities without

first registering is prohibited. A business is required to register only once, even if it has different commercial activities in many regions (Article 6(3)). According to Article 5 of the CRBLP the Ministry of Trade (MoT) is given the power to administer a nationwide commercial register. However, in accordance with powers delegated to them by the MoT, relevant regional bureaus and the Ethiopian Investment Agency can carry out commercial registration themselves.³⁸ Registration in the commercial register shall take place at the place where the main office of the business is located (Article 6).

Article 7 of the CRBLP stipulates that the application for registration should be made at least a month before starting operation of the business being contemplated. It further provides that where the requirements are met, certificates of registration shall be issued upon payment of a fee set for the purpose in regulations. The period of time between the submission of an application and the issuance of certificates is not indicated in the CRBLP, but the CRBLP stipulates that any commercial registration shall be valid and will have all the effects

³⁵ See the CRBLP’s section on definitions of terms under Article 2(2).

³⁶ See for instance Article 2(8) CRBLP defining commercial representatives.

³⁷ Commercial activities are defined in an indirect way to refer to activities undertaken by business persons.

³⁸ See proclamation Article 5(1) and (2) CRBLP providing for the institutions empowered to register commercial activities which include the MoT or its branches, regional trade and industry bureaus, or appropriate regional bodies, regional bureaus empowered to issue investment permits and the Ethiopian Investment Agency.

TABLE 7: Basic Requirements for Registration and Fees

| Services | Requirements | Fee |
|---|--|---------|
| New registration (sole/individual business) | <ul style="list-style-type: none"> • Tax identification number • Bank confirmation of deposited capital • Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) • Valid identification card/passport • Two passport size photographs taken within the last six months • Where the applicant is a foreign investor, an investment permit | ETB 102 |
| New registration (business organizations) | <ul style="list-style-type: none"> • Tax identification number • Bank confirmation of deposited capital • Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) • Valid identification card/passport of the manager • Two passport size photographs of the manager taken within the last six months • Authenticated Memorandum of Association and Articles of Association • Where the application is signed by an attorney, a power of attorney given by all of the founders • Where there are foreign nationals as members of the business organization, documents evidencing that the foreign nationals are considered as domestic investors or their investment permits | ETB 102 |
| Renewal of registration | <ul style="list-style-type: none"> • Bank confirmation of deposited capital • Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) • Valid identification card/passport • Two passport size photographs taken within the last six months | ETB 102 |

as from the date of registration of the applicant in the commercial register.

Where the registering body rejects the application for registration it must give the reasons thereof in writing. However, the CRBLP does not specify where an aggrieved party can turn to in case of such rejection.

Table 7 summarizes basic requirements for business registration and fees. The following sub-sections provide further details.

2.2.1 Requirements for Registration

The CRBLP provides for specific sets of requirements for different types of business persons.

Sole Business Persons (Sole Proprietors)

From among a long list of these requirements, most of which are required as a matter of routine, the following are worth mentioning:

- Tax identification number;
- Bank confirmation of deposited capital;

- Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation);
- Valid identification card/passport;
- Two passport size photographs taken within the last six months;
- Where the applicant is a foreign investor or a foreign investor is involved, an investment permit;
- Where a foreigner is treated as a domestic investor, documents certified to that effect by the Ethiopian Investment Agency should be produced.³⁹

Business Organizations Other than Share Companies⁴⁰

Founders or the legal representatives of business organizations should submit original copies of their memorandum and articles of association. Where foreigners are shareholders in the business organization,

³⁹ See provisions under Article 10 CRBLP.

⁴⁰ See Articles 6(7)–(10) and 7 CRBLP.

documents certifying their treatment as domestic investors or their investment permits should be submitted. Besides, where a foreign juridical entity is a shareholder in a business organization being formed, its certificate of incorporation, memorandum and articles of association, minutes of the decision to be a shareholder by the authorized body of this foreign juridical entity, and investment permits should be submitted. Further, a bank statement of the capital to be contributed in cash is deposited and contributions in kind should be submitted. When the commercial registration of a business organization is completed, the bank should release the funds deposited in blocked accounts ordered by the registering body during the processing of a business organization upon a written instruction from the same. The CRBLP does away with requirements of publication in newspapers for the acquisition of legal personalities by business organizations as provided in the Commercial Code Articles 87, 219, 220, 223, and 224. The commercial registration of business organizations is open for public access. This makes it particularly important for those interested to verify, for instance, whether there are pre-existing trade names that they should not duplicate if they want to start businesses, or form business organizations. In addition, it also encourages partnerships and commercial contracts, thereby improving business formation.

Share Companies

A unique set of rules apply in respect of share companies. The following documents have to be submitted for registration:

- A bank statement indicating that at least one fourth of the par value of the subscribed shares of the company have been deposited in a blocked account;
- Original copies of minutes of the resolutions of the subscribers of the company, and other related documents;
- Original copies of the memorandum and articles of association.

The founders of a share company to be formed by public subscription as stipulated under Articles 318 to 322 of the Commercial Code should first secure a prior written permission of the registering body for them to start formation of the company.

Commercial Representatives

A commercial representative⁴¹ is also required to register and fulfill specific requirements including the following: under Article 15 a commercial representative should submit duly authenticated documents certifying proof of registration and juridical existence of the business organization in the country of registration or in the country where the principal business person operates. In addition, if it is a business organization, original copies of the memorandum and articles of association or similar documents should be produced. There is also a financial requirement to comply with: a bank certification of a minimum of USD 100,000 brought into the country for administrative expenses and salary is needed. It is explicitly provided in the CRBLP that a commercial representative may not offer goods or services for sale or enter into contracts on behalf of the principal as he is not a trader.

2.2.2 Renewal

Rules for renewal are provided for in Article 18 CRBLP. The renewal of commercial registration can be made every year or for five prospective years at once, provided this is done within the time after the completion of the budget year of the registration. Unless renewed as provided for by Article 18, the commercial registration shall be cancelled. While the CRBLP does not list the specific requirements for the renewal of a registration, in practice the following documents are required:

- Bank confirmation of deposited capital;
- Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation);
- Valid identification card/passport;
- Two passport size photographs taken within the last six months.

⁴¹ A commercial representative is defined as one who is not domiciled in the country where the head office of the business organization or business person he represents is situated and bound to the business organization or sole business person (sole proprietor) by a contract of employment and carries on business promotion activities on behalf and in the name of the business organization or sole business person (sole proprietor) he represents without being a trader himself. See Article 2 CRBLP.

2.2.3 Cancellation

Article 17 CRBLP stipulates cases of cancellation of registration. While the Commercial Code provisions of Articles 112, 113 and 226 operate in cases involving cancellation, the CRBLP provides further specific provisions. The registering body may decide to cancel registration where:

- It is aware that the business person has ceased to operate his business;
- The business person is lawfully prohibited to carry on his business;
- The business person has violated the provisions of the Proclamation;
- The registration has not been renewed; or
- The business person has submitted false information or documents for registration.

The registering body follows a set of procedures before it decides to cancel the registration of a particular business person. Accordingly, a business person, the subject of cancellation, shall be offered the opportunity to give their opinion before any decision of cancellation is made. However, its opinion may not be sought where the person ceased to operate their business, or has applied for the cancellation of the registration of their business or has failed to renew the registration of their business. Similarly, in cases where the business person could not be reached at the address given on registration, the registering body may go ahead and give its decision thereon with whatever information it has at its disposal.

When the cancellation takes effect depends on the type of business concerned. If, for instance, it is a business organization, the cancellation shall be effective as from the date of publication of cancellation in a newspaper.⁴² All other cancellations of commercial registration shall be effective from the date of the entry of the cancellation in the register.⁴³ The cancellation of the commercial registration of a business for violating provisions of the CRBLP and regulations issued pursuant to the CRBLP will have the effect that re-registration would not be allowed before the lapse of

⁴² See Article 17(4) CRBLP.

⁴³ Ibid.

a year.⁴⁴ The CRBLP does not clearly specify if this time limit extends to cases of cancellation other than violation of its provisions or those of the regulations.

2.2.4 Registration of Trade Names

The CRBLP institutes a trade names register to be administered by the MoT.⁴⁵ Much in the same way as in the commercial register, the MoT may delegate its powers to regional bureaus or the Ethiopian Investment Agency to conduct trade name registration while carrying out commercial registration.⁴⁶ It is a duty upon any person to register his trade name while being registered in the commercial register.⁴⁷ Foreign business organizations are required to submit authenticated documents of commercial and trade name registration or any other document of similar effect from the country of registration.⁴⁸

Before registering a trade name, the registering body should ascertain that the requirements set by Article 24 CRBLP are complied with. Where the registering body rejects an application for registration of a trade name, it must notify the applicant in writing of the reasons for the rejection.⁴⁹ With regard to trade names registered before the coming into force of the CRBLP, there is a transitional clause that treats them for legal purposes as being registered in accordance with the requirements of the CRBLP.⁵⁰

Trade names may be cancelled where the registration body determines that:

- The commercial registration of the business person has been cancelled;
- The owner of the trade name requests to change the trade name; or
- The registration was made fraudulently.⁵¹

Where the cancellation of the trade name registration is on the grounds of fraud, the registering body shall give the business person whose trade name is the subject

⁴⁴ See Article 17(6) CRBLP.

⁴⁵ See Article 22(1) CRBLP.

⁴⁶ See Article 22(2) CRBLP.

⁴⁷ See Article 24(1) CRBLP.

⁴⁸ See Article 24(2) CRBLP.

⁴⁹ See Article 24(6) CRBLP.

⁵⁰ See Article 24(7) CRBLP.

⁵¹ See Article 28(1) CRBLP.

of the cancellation under reviews the opportunity to be heard. The registering body will go ahead with the cancellation where it is not satisfied with submissions made by the business person, or fails to respond within 30 days after notification or where the business person cannot be contacted.⁵² Cancellation certificates are issued when it occurs.⁵³ The business person whose trade name has been cancelled should come up with a new trade name provided it is not cancelled from the commercial register as well.⁵⁴

2.3 Business Licensing

In addition to commercial registration, Article 31 of the CRBLP proclaims that no person shall carry on a commercial activity without obtaining a valid business license. No commercial activity may be ventured into without getting a license for it first, and the authorities are empowered to order the closure of any business without a valid license. This pretty much stands in contrast to requirements of registration for commercial activities under Article 6(1) which, the way it is worded, appears to imply, the operation of businesses without necessarily having a license.⁵⁵

Under Article 30 of the CRBLP the appropriate authorities—the MoT, the Ethiopian Investment Agency or a regional bureau—issue licenses other than licenses issued for the following commercial activities by other relevant government institutions:

- prospecting and mining;
- various water works services excluding water works construction services;
- banking, insurance and micro finance services;
- air transport and other aviation services;
- commercial activities involving the use of radioactive materials and radiation emitting equipment;
- telecommunication services;

⁵² See Article 28(2) CRBLP.

⁵³ See Article 28(3) CRBLP.

⁵⁴ See Article 28(4) CRBLP.

⁵⁵ Article 6(1) CRBLP which has the title “Registration in the commercial register” stipulates that “No person shall engage in any commercial activity which requires business license without being registered in the commercial register.”

- the business of generating or transmitting, or, distributing, or selling electricity;
- repairing and maintaining of arms and firearms and sale of explosives;
- sea and inland water ways transportation services;
- multimodal transport services;
- the business of warehouse receipt system; and
- trade in tobacco and tobacco products.

Table 8 summarizes basic requirements for business licenses and fees. The following sub-sections provide further details.

Based on its power under the CRBLP, the MoT has developed the **Ethiopian Standards Industrial Classification (ESIC)** which classifies licenses into 10 major categories, identifies the licensing agencies as well as the agency in charge of competence certification for each license. There are over 1,320 licenses categorized under nine major business sectors for the purpose of licensing:

- Agriculture, Hunting, Forestry and Fishing;
- Mining and Quarrying;
- Manufacturing;
- Electricity, Gas and Water Supply;
- Construction;
- Wholesale and Retail Trade, Repair, Hotel and Restaurants, Import & Export;
- Transport, Storage and Communication;
- Financial intermediation, Insurance, Real Estate, and Business Services;
- Community, Social and Personal Services.

Each category is further subdivided into major group, group and sub-group

2.3.1 Licensing Requirements

Article 32 CRBLP sets out the detailed requirements and procedures involved in getting a business license. The key requirements for a license for a sole business include:

- Valid business registration certificate;
- Competence certificate;
- A document evidencing the capital allocated for the commercial activity;

TABLE 8: Basic Requirements for Business Licenses and Fees

| Services | Requirements | Fee |
|---|--|---------|
| New business license (sole business) | <ul style="list-style-type: none"> Valid business registration certificate Competence certificate A document evidencing the capital allocated for the commercial activity Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) Two passport size photographs taken within the last six months For a foreign investor, the investment and residence permits Where the application is submitted by an attorney, an authenticated power of attorney | ETB 102 |
| New business license (business organizations) | <ul style="list-style-type: none"> Valid business registration certificate Competence certificate A document evidencing the capital allocated for the commercial activity Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) Authenticated original copies of memorandum and article of association of the business organization Two passport size photographs of the manager taken within the last six months For a foreign investor, the investment and residence permits Where the application is submitted by an attorney, an authenticated power of attorney | ETB 102 |
| Renewal of business licenses | <ul style="list-style-type: none"> Tax clearance (not older than one month) Competence certificate Bank confirmation of capital Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation) Two passport size photographs taken within the last six months | ETB 102 |

- Proof of physical address (title deed/authenticated lease agreement/kebelle confirmation);⁵⁶
- Two passport size photographs taken within the last six months;
- If the applicant is a foreign investor, his investment and residence permits; and
- Where the application is submitted by an attorney, an authenticated power of attorney.

In the case of a foreign citizen wishing to be considered as a domestic investor, a document certifying same by

⁵⁶ Under Article 10(6) and (7) CRBLP which is of application to both sole proprietors and business organizations (see Article 11(1)(e) CRBLP, which cross refers to the preceding provisions), besides disclosing the exact address of the business, applicants are obligated to produce title deeds if they use their own property. And if leased, an authenticated contract of lease and a certification from the Kebele Administration of the said address should be produced.

the Ethiopian Investment Agency should be produced. Moreover applicants seeking business licenses should produce documents showing recommendations by concerned government bodies on the suitability of the business premises for the intended business. There are specific provisions involving foreign investors who wish to take over an existing business enterprise. They are required, among other things, to produce documents of purchase of the enterprise from the Privatization and Public Enterprise Supervisory Agency where it is bought from the agency or, where it is bought from private owners, an authenticated document of proof of purchase.⁵⁷ Under Article 30(1) CRBLP, license holders are obligated to submit statements that they have complied with their tax and other related obligations while renewing their licenses.

⁵⁷ See Article 32(4) CRBLP.

Another requirement under Article 32 CRBLP is the need to have product or activity-specific licenses as opposed to what used to be licenses of a general nature.

Licensed business persons have the following obligations:⁵⁸

- They cannot carry on various businesses at the same place or premises where this endangers public health and safety or property;
- May not concurrently carry on different activities where doing so entails harm to consumers or gives rise to conflict of interests;
- May not assign or lease the license to any other person or put it up as a guarantee; and
- Permits for expansion and upgrading could be obtained where one wishes to expand or upgrade existing industry or agricultural development or a service business by filing their applications with the appropriate authorities under this proclamation.⁵⁹

2.3.2 Suspension and Cancellation

Licenses can be **suspended** for different reasons.

The following constitute grounds for suspension of licenses:⁶⁰

- Failure to maintain the standards of health and sanitary conditions;
- Failure to protect the environment;
- Failure to maintain safety measures and standards of quality of goods and services;
- Engaging in illegal activities in connection with the business the business person is carrying on;
- Failure to observe the obligations accompanying the issuance of the license.

The concerned body shall in writing notify the licensee of the reasons of the suspension and the measures to be taken to ensure the grounds for suspension are rectified within a specified period of time presumably within the discretion of the appropriate authority in the absence of any indication of specific time limits. In the meantime the **business** may be closed down or sealed by the appropriate authority.

⁵⁸ See Article 34 CRBLP.

⁵⁹ See Article 35 CRBLP.

⁶⁰ See Article 37 CRBLP.

Licenses may also be **cancelled** for a range of reasons. Cancellation of a business license could occur where grounds that follow exist:⁶¹

- Where the license is secured fraudulently;
- Where the license is employed for purpose other than that which it is issued for;
- Where it is used for unfair trade practices;
- Where bankrupt or the business ceases to operate;
- Failure to renew the license in accordance with the requirements of the CRBLP;
- Where the commercial registration is cancelled;
- Where the appropriate government institution determines that carrying on the business poses harm to public health and safety or the national economy and is sealed before cancellation.

The appropriate authority goes ahead with the decision to cancel the business when the licensee does not submit his views within 30 days of notification about the impending cancellation or where he has, it is found to be inadequate. This may also hold true in cases where the licensee could not be reached and hence obtaining his opinion becomes impossible.

The appropriate authorities or sector government agencies which issue directives on, or certificates of, professional competence have the responsibility to monitor and inspect whether the licenses are being used for the purposes for which they are issued. The relevant sector government agencies are responsible for informing the appropriate authorities where the licensee transgresses the purposes of the license so that administrative measures could be taken.⁶²

2.3.3 Renewal of Licenses

A business license is valid as long as it is renewed. Unless the business license is renewed within four months after the expiry of the budget year⁶³ in which the license has been issued or renewed upon payment of the appropriate fee, the business license shall not, in anyway be put in use.⁶⁴ The CRBLP grants an

⁶¹ See Article 39 CRBLP.

⁶² See Article 44 CRBLP.

⁶³ The Ethiopian budget year starts on July 1 and ends on June 30.

⁶⁴ See Article 36(2) CRBLP.

additional two month grace period (Hidar and Tahisas) to renew a license without penalty.⁶⁵ A business person who fails to renew the license within this period can still renew it from Tir 1 to Sene 30 but only upon paying, in addition to the renewal fee, a penalty of ETB 2,500 for the month Tir and ETB 1,500 for each subsequent month of delay (up to Sene 30).⁶⁶ A business license not renewed within the time provided shall be cancelled after the expiry of the time made available for the renewal of the business license with penalty.⁶⁷ Where a business license is cancelled because of lack of renewal, as stated above, the business person can apply to get the cancelled license back within one year after the cancellation, provided the reason for not getting the license renewed in due time is accepted by the higher official of the appropriate authority and upon payment of double of the penalty.⁶⁸

With regard to requirements for renewal, the requirements set for the issuance of a new business license shall be applicable to the renewal of business licenses.⁶⁹ But in addition, the applicant should submit a tax clearance and the renewed commercial registration.⁷⁰

2.3.4 Appeals and Penalties

Any person aggrieved by administrative measures taken by relevant authorities under the CRBLP could appeal the administrative decisions in courts of law only on points of law.⁷¹ The Proclamation does not provide indications as to the administrative structures in place to entertain grievances internally.

The CRBLP prescribes fines and penalties for the violations of its provisions. While fines could go as high as ETB 300,000, imprisonment could be up to 15 years. Engaging in a commercial activity without a valid license entails a fine ranging from ETB 150,000 to ETB 300,000 and with rigorous imprisonment from 7 to 15 years; in addition, the goods and/or the service delivery equipment and/or manufacturing equipment

with which the business was being conducted will be confiscated by the government (Article 60.1 TPCPP). Registration with false information may also entail a fine ranging from ETB 60,000 to ETB 120,000 and rigorous imprisonment from 7 to 12 years (Article 60.2 TPCPP). Violations of other provisions of the TPCPP or regulations or public notices in turn entails a fine ranging from ETB 30,000 to ETB 60,000 and rigorous imprisonment from 3 to 5 years (Article 60.3 TPCPP).

3. INVENTORY OF BUSINESS LICENSES BY SECTORS

This chapter presents a description and analysis of the various licenses, permits, certificates and authorizations currently applying to businesses by law or administrative practice. For ease of analysis, the presentation of the inventory and analysis of the business licenses is categorized by sectors. While the report uses the ESIC major business sector classifications for description and analysis of business licenses, for ease and proper analysis some adjustments have been made, such as pulling together licenses for some major sectors which are scattered under different sectors in the ESIC.

Under each major sector, the description and analysis of business licenses has been made by further dividing licenses into sub-sectors. Under each sub-sector, attempts have been made to identify all currently applicable business licenses, and to analyze the legal basis and objectives/purposes of licenses as well as the requirements, fees charged and time required to obtain the licenses.

3.1 Agriculture, Hunting, Forestry and Fishing

Although agriculture, hunting, forestry and fishing is identified as one of the 10 major business sectors in the ESIC, the licenses listed under this section of the ESIC mainly cover the production aspects of the sector. Licenses related to the manufacturing and trade aspects of agricultural products are scattered under other major sectors of the ESIC. For ease of analysis, this section discusses business licenses related to both the production and trade activities of agricultural products.

⁶⁵ See Article 36(3) CRBLP.

⁶⁶ See Article 36(4) CRBLP.

⁶⁷ See Article 36(5) CRBLP.

⁶⁸ See Article 36(6) CRBLP.

⁶⁹ See Article 36(14) CRBLP.

⁷⁰ See Article 36(8) CRBLP.

⁷¹ See Article 61 CRBLP.

The production and marketing/trade of most, but not all, agricultural products and inputs are governed by specific legislations. For ease of analysis, this section discusses agricultural sub-sectors governed by specific legislations separately.

3.1.1 Coffee Production and Marketing

Coffee production and trade are primarily governed by the Coffee Quality Control and Marketing Proclamation No. 602/2008 and Coffee Quality Control and Transaction Council of Ministers Regulation No. 161/2009. Article 8 of Regulation No. 161/2009 provides that any coffee supplier, exporter, wholesaler, roaster, processor or coffee warehouse operator shall obtain a certificate of competence prior to applying for a trade license. Accordingly, the Regulation has established the following licenses in relation to coffee marketing/ transaction and stipulated the requirements to obtain competence certificates for each these licenses.

| | |
|-----------|----------------------------|
| License 1 | Coffee supplier license |
| License 2 | Coffee export |
| License 3 | Coffee wholesale |
| License 4 | Coffee roasting |
| License 5 | Coffee processing |
| License 6 | Coffee warehouse operation |

According to Regulation No. 161/2009, competence certificates for coffee export licenses are to be issued by the Ministry of Agriculture, while appropriate regional organs (i.e., regional organs responsible for Agriculture) are authorized to issue competence certificates for the remaining five coffee transaction licenses identified in the Regulation. Regulation No. 161/2009 does not provide for the renewal of competence certificates and requires the issuance only once, prior to obtaining trade licenses.

The objectives of the competence certificate and licenses for the coffee business activities are not expressly stated in either Proclamation No. 602/2008 or Regulation No. 161/2009. From the preamble of Proclamation No. 602/2008, the major objectives of the Proclamation are promoting efficient supply of quality and competitive coffee to the global market; improving the earning of coffee producers by making

the coffee marketing system fast and cost effective; and harmonizing coffee marketing with the organizational work of the Ethiopia Commodity Exchange. Thus, the purpose and necessity of the competence certificate requirement for the above coffee transaction licenses should be viewed in light of these general objectives of the Proclamation.

According to Regulation No. 161/2009, the major requirements to obtain competence certificates for the above business activities relate to a warehouse (applicable to all activities); necessary machines and equipment (depending on the type of activities); weighing scale and moisture calibrator certified by the Quality and Standards Authority of Ethiopia (for coffee supplier, exporter, wholesaler and processor); waste disposal processes (for coffee supplier, exporter and processor); procedures to process coffee products of different ecological properties separately (for coffee supplier and processor); service catering office (for all activities); and permanent staff sufficiently qualified in coffee quality matters (for coffee supplier, exporter, roaster and processor).

The revised ESIC issued by the MoT identifies only coffee exporter and coffee wholesaler licenses from the above six coffee transactions related licenses established by Regulation No. 161/2009. It does not include coffee supplier, roaster and processor as well as coffee warehouse operator licenses. However, the ESIC includes the following additional licenses which are not established in Regulation No. 161/2009.

| | |
|------------|---|
| License 7 | Growing of coffee |
| License 8 | Manufacture of coffee, coffee substitutes |
| License 9 | Retail trade of coffee |
| License 10 | Import of coffee |
| License 11 | Retail trade of coffee straw |

In relation to the above listed business licenses, the ESIC tasked the Food, Medicine and Health Care Administration and Control Authority (FMHACA) to issue competence certificates for the manufacture of coffee and coffee substitutes license, whereas it authorized the Ministry of Agriculture (MoA) to issue competence certificates for the remaining licenses. In March 2012, the MoA issued a Directive to determine

requirements for competence certification of business activities on which the MoA is mandated to prepare requirements as per the ESIC. In this Directive, requirements for competence certification are provided only for coffee production and marketing licenses that are identified in the ESIC (coffee grower, exporter, wholesaler, retailer and coffee straw retailer). However, no competence certification requirements are put in the Directive for coffee supplier, roaster and processor as well as coffee warehouse operator licenses, which are not directly identified in the ESIC.

The regulatory requirement for competence certification for coffee grower and retailer as well as for coffee straw retailer activities does not have a clear legal basis, since this is not provided under Regulation No. 161/2009, which is the most relevant law for the subject. The MoA established competence certificate requirements for these licenses citing Article 30(3) of the CRBLP, which in general terms authorizes relevant sectoral government institutions to issue directives for competence certification.

In practice, business licenses related to coffee production and marketing are being issued as per the ESIC, based on competence certificates issued in accordance with the requirements of the Directive issued by the MoA. Businesses engaged in coffee roasting and processing activities in Addis Ababa operate by obtaining a business license for the manufacture of coffee and coffee substitutes (as per the ESIC) from the Bureau of Trade and Industry (BoTI) in Addis Ababa. However, this license is issued based on competence certificates issued by the Urban Agriculture Extension Department of the BoTI at the sub-city level, although the ESIC authorizes the FMHACA to issue a competence certificate in relation to this business license. In general, the business licensing regime (types of licenses and requirements) established under Coffee Quality Control and Transaction Council of Ministers Regulation No. 161/2009 are disregarded and not applied in practice.

The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in agricultural production and marketing is to serve the public by establishing a more transparent and

accountable process than customarily used by bodies that are engaged in agricultural development and trade.

According to the Directive issued by MoA, the requirements to obtain competence certificates for coffee grower licenses include possession of appropriate land for coffee development, adequate capital, necessary infrastructure/machinery, qualified human resources and commitment to conduct an environmental impact assessment (EIA) and put in place an adequate information system. For coffee exporter and wholesaler licenses, the requirements include having necessary equipment, warehouse, sufficient capital, weighing scale, well equipped office and permanent qualified staff as well as the commitment to put in place an adequate information system and to have inspected and tested the quality of coffee to be supplied. For coffee and coffee straw retail trade licenses, the requirements are having a shop and adequate capital.

Competence certificates for coffee production and marketing related licenses issued as per the ESIC and the MoA Directive are required to be renewed annually. However, as noted above, Regulation No. 161/2009 does not require competence certificates for coffee transaction activities to be renewed annually or otherwise.

Regulation No. 161/2009 stipulates that an application for a competence certificate shall be processed within 15 days. However, as stated above coffee production and marketing related licenses are being processed in practice as per the ESIC and the MoA Directive, not as per the requirements of Regulation No. 161/2009. In practice, obtaining coffee production and marketing licenses approximately takes 2–4 weeks.

Regulation No. 161/2009 as well as the Directive issued by MoA do not provide for any fee to obtain a competence certificate to engage in coffee production and marketing activities. However, businesses engaged in coffee production and marketing activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license.

A total of 32 licenses (all of them for coffee exporter licenses, except one) were issued in 2012–2013 and

the administrative compliance cost for this category of licenses approximately ranges from ETB 2,500 to ETB 9,000.

Findings

- Coffee sector related licenses identified in Regulation No. 161/2009 and in the ESIC do not directly match, as some licenses identified in Regulation No. 161/2009 are not included in the ESIC and vice versa. This creates confusion and practical problems in the licensing process.
- The legal basis as well as validity of the regulatory purpose to certify the competence of coffee growers and retail traders of coffee and coffee straw is questionable.
- The requirements listed in Regulation No. 161/2009 to certify the competence of coffee supplier, exporter, wholesaler, roaster, processor and coffee warehouse operator are largely considered reasonable.
- However, there are variations in the list of requirements for competence certification provided in Regulation No. 161/2009 and in the Directive issued by the MoA in 2012 for some similar types of coffee transaction licenses. The MoA directive usually provides for more stringent and subjective requirements, such as sufficient capital.

Recommendations

- The type of coffee production and transaction related licenses identified in the ESIC should be revised taking into account the type of licenses established under Regulation No. 161/2009.
- Competence certification requirements should be applied only to coffee production and marketing licenses established under Regulation No. 161/2009 and only based on the requirements set in the Regulation.
- The competence certificate licenses for coffee growers and retail traders of coffee and coffee straw should be eliminated.

3.1.2 Production and Sale of Sesame, White Pea Beans and Other Oilseeds and Pulses

The production and trade of sesame and white pea beans is governed by the Sesame and White Pea Beans Transaction Council of Ministers Regulation

No. 178/2010. Article 5 of the Regulation provides that any sesame and white pea beans supplier, exporter or service provider shall obtain a certificate of competence prior to applying for a trade license. Accordingly, it has established the following licenses in relation to sesame and white pea beans transactions and stipulated requirements to obtain competence certificates for each of these licenses.

| | |
|-----------|---|
| License 1 | Sesame and white pea beans supplier's license |
| License 2 | Sesame and white pea beans exporter license |
| License 3 | Sesame and white pea beans processing service provider license |
| License 4 | Sesame and white pea beans warehousing service provider license |

According to Regulation No. 178/2010, competence certificates for sesame and white pea beans export licenses are to be issued by the MoA, whereas appropriate regional organs (regional organs responsible for Agriculture) are authorized to issue competence certificates for the remaining three sesame and white pea beans transaction licenses. The Regulation does not provide for the renewal of competence certificates, i.e., they are required only once prior to obtaining trade licenses.

The regulatory purposes of licenses in the sector are not expressly and separately stated in Regulation No. 178/2010. However, the reference to Article 31(2) of the Ethiopian Commodity Exchange Proclamation No. 550/2007 in the preamble of the Regulation suggests that the objectives of these licenses are associated with ensuring quality and harmonizing sesame and white pea beans marketing with the organizational work of the Ethiopian Commodity Exchange.

The requirements for a competence certificate under Regulation No. 178/2010 relate to: warehouse (for all licenses) and other equipment relevant to the specific license, weighing scale verified by the Ethiopian Standards Authority (supplier, exporter and processor), operational procedures to process different types of sesame and white pea beans separately (supplier, processor and warehouse service provider), catering

office (all licenses), permanently deployed staff with appropriate qualifications (supplier, exporter and processor), information mechanisms (supplier and exporter), and waste disposal processes (exporter and processor).

The ESIC issued by the MoT has not identified specific and separate licenses for businesses engaged in sesame and white pea beans transactions. It rather identifies licenses related to the production and transaction of oilseeds and pulses in general terms. Moreover, the ESIC provides licenses for production, import and retail trade of oilseeds and pulses, whereas the licenses established in Regulation No. 178/2010 do not cover these business activities. The ESIC establishes the following licenses related to the production and transaction of oilseeds and pulses.

| | |
|------------|--|
| License 5 | Growing of oilseeds license |
| License 6 | Growing of pulses license |
| License 7 | Manufacture of oilseed cake and meal license |
| License 8 | Wholesale of oilseeds license |
| License 9 | Wholesale of pulses license |
| License 10 | Retail trade of oilseeds license |
| License 11 | Import of oilseeds license |
| License 12 | Import of pulses license |
| License 13 | Export of oilseeds license |
| License 14 | Export of pulses license |

The mandate to issue competence certificates for the above licenses is allocated to the MoA through the ESIC. The Directive issued by MoA in March 2012 to determine the requirements for competence certification of business activities falling within its mandate (as per the ESIC) provides requirements for competence certification only for oilseeds and pulses production and marketing licenses that are identified in the ESIC. No competence certification requirements are put in the Directive for sesame and white pea beans supplier and processing and warehousing service provider licenses, which are not specifically identified in the ESIC.

The regulatory requirement of competence certification for the growing, wholesale, retail, import and export of oilseeds and pulses as well as manufacture of oilseed cake and meal licenses does not have a clear legal

basis. The MoA established competence certificate requirements for these licenses citing Article 30(3) of the CRBLP, which in general terms authorizes relevant sectoral government institutions to issue directives for competence certification.

The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in agricultural production and marketing is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade.

The requirements for competence certification for growing of oilseeds and pulses are: securing an investment permit; possession of appropriate land; adequate capital; qualified human resources; commitment to conduct EIA; the necessary machinery and camp facilities. The license for manufacture of oilseed cake and meal requires: appropriate (location) land; adequate capital; appropriate qualifications or capacity to engage qualified staff. The MoA Directive does not establish the requirements for wholesale of oilseeds and pulses licenses and retail of pulses licenses. The requirements for retail of oilseeds license are shop space and adequate capital while import of oilseeds license, and import of pulses license are appropriate warehousing facilities, adequate capital, office space and qualified staff. Export of oilseeds license requires warehousing and preparation facilities, weighing scales certified by the Quality and Standards Authority, waste disposal facilities, staff with relevant qualifications and office space.

Competence certificates for the growing, wholesale, retail, import and export of oilseeds and pulses as well as manufacture of oilseed cake and meal licenses issued as per the ESIC are to be renewed annually. On the other hand, the provisions of Regulation No. 178/2010 governing sesame and white pea beans transactions do not provide for renewal of supplier, exporter and service provider licenses.

Regulation No. 178/2010 does not provide for the payment of any fees for the issuance of competence certificates. The same is true for the Directive issued by MoA. Yet, businesses engaged in sesame and white pea beans transactions as well as activities related

to the growing, wholesale, retail, import and export of oilseeds and pulses are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license. Obtaining oilseeds/pulses production and marketing licenses approximately takes 2–4 weeks.

A total of 417 licenses (all of them for export of oilseeds or pulses, save one) were issued in 2012–2013 and the estimated administrative compliance cost for obtaining export of oilseeds or pulses licenses is about ETB 5,000.

Findings

- Licenses related to sesame and white pea beans transactions defined in Regulation No. 178/2010 and in the ESIC do not directly match, as some licenses defined in Regulation No. 178/2010 are not included in the ESIC and vice versa. This creates confusion and practical problems in the licensing process.
- The requirements listed in Regulation No. 178/2010 to certify the competence of sesame and white pea beans suppliers, exporters, processors and warehouse services providers are largely considered reasonable.
- However, there are variations in the list of requirements for competence certification provided in Regulation No. 178/2010 and in the Directive issued by the MoA in 2012 for some similar types of oilseed and pulses transaction licenses. The MoA Directive usually provides for more stringent and subjective requirements, such as sufficient capital.

Recommendations

- The licenses identified in the ESIC should be revised taking into account the type of licenses established under Regulation No. 178/2010.
- Competence certification requirements should be applied only to sesame and white pea beans supplier, exporter, processing and warehouse services provider licenses established under Regulation No. 178/2010, and only based on the requirements set in the Regulation.
- The competence certificate requirements for growing, wholesale, retail, import and export of other oilseeds and pulses as well as manufacture of oilseed cake and meal should be eliminated, as their legal basis and regulatory purpose are questionable.

3.1.3 Seed Production and Transaction

The recently issued Plant Seed Proclamation No. 782/2013 governs the production of seed and seed transactions. According to Article 19 of the Proclamation, any importer, exporter, producer, processor, wholesaler, distributor or retailer of seed is required to obtain competence certificates. The Proclamation mandates the MoA to prescribe, through a Directive, the requirements to be satisfied to obtain competence certificates for these licenses. Moreover, the MoA is mandated to issue competence certificates for seed import and export licenses as well as for other seed production and transaction businesses that are operated in more than one region. For other seed production and transaction businesses that are operated within one regional state, a regional organ responsible for agriculture is mandated to issue competence certificates. Businesses are required to pay fees to get competence certificates in accordance with a schedule to be determined in a regulation to be issued under the Proclamation. However, such regulation has not been issued yet.

The Proclamation does not expressly state the purpose/objective of ex-ante regulating the competence of businesses engaged in seed production and transaction. However, the preamble of the Proclamation emphasizes the importance of the seed sector to ensure the country's agricultural development and the need to facilitate the introduction of improved seed varieties and ensure the supply of quality seed to farmers and other seed users.

The revised ESIC identified the licenses listed below in relation to seed production and transaction and authorized the MoA to issue competence certificates in relation to same.

| | |
|-----------|--------------------------------|
| License 1 | Growing of plant seeds |
| License 2 | Growing of different seedlings |
| License 3 | Plant micro propagation |
| License 4 | Collection of plant species |
| License 5 | Wholesale of plant seed |
| License 6 | Retail trade plant seed |
| License 7 | Import of plant seed |
| License 8 | Export trade in plant seeds |

The MoA has established competence certificate requirements for these licenses citing Article 30(3) of the CRBLP, which in general terms authorizes relevant sectoral government institutions to issue directives for competence certification. Yet, the close similarities between the licenses identified in the Plant Seed Proclamation No. 782/2013 and the ESIC and the mandating of the MoA to issue directives to implement the proclamation suggest that the Proclamation could be used as a legal basis for the above listed licenses and competence certificates identified in the ESIC.

The Directive issued by the MoA in March 2012 for competence certification specifies the requirements that should be met to obtain competence certificates for each of these licenses. The requirements for the growing of plant seed licenses under the Directive are: possession of appropriate land, adequate capital, availability of adequate inputs and water resources, appropriate facilities, feasibility and appropriateness of seedlings to the area or market, and qualified human resources. The license for collection of plant seeds requires a work permit, adequate capital, appropriate facilities, qualified staff, appropriate equipment, and information on location of seed provenance. The MoA Directive sets similar requirements for wholesale, import and export of plant seeds licenses. These are: appropriate warehousing; qualified expert/staff; adequate capital, and office space.

The Seed Proclamation No. 782/2013 does not explicitly provide for the payment of fees; nor does it address the renewal of certificates of competence. Instead, Article 20(3) of the Proclamation directs the MoA to issue a directive prescribing the duration of validity of competence certificates and conditions of their renewal. In practice, businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license. Obtaining seed production and marketing licenses approximately takes 2–4 weeks.

A total of two licenses, both of which for the import of plant seeds, were issued in 2012–2013 and the estimated administrative compliance cost for this category of licenses ranges from ETB 3,000 to ETB 9,000.

Findings

- Seed production and transaction related licenses identified in Proclamation No. 782/2013 and in the revised ESIC are closely matched. The same is true for institutional mandates since the MoA is mandated to regulate seed production and transactions under both instruments. However, the correlation is not complete.
- The similarities between the licenses identified in the Proclamation and the ESIC, and the mandating of the MoA also give the licenses a firmer legal basis.
- Considering the importance of the seed sector in agricultural development and the environmental and other concerns related to seed production and marketing, the regulatory measure to ex-ante certify the competence of businesses engaged in the seed business can be considered as having a valid regulatory purpose.
- The requirements listed in the MoA Directive for competence certification of businesses engaged in seed production and transaction contain some inappropriate or subjective requirements, such as sufficient capital, etc.

Recommendations

- The licenses identified under Proclamation No. 782/2013 endorse the ESIC and should be maintained.
- The requirements outlined in the MoA Directive should be streamlined to make them appropriate and clear.

3.1.4 Fisheries

The Fisheries Development and Utilization Proclamation No. 315/2003 is the key legal instrument governing fishing activities. Article 6(1) of the Proclamation provides that any person who wishes to undertake commercial fishing from natural and manmade water bodies shall do so upon acquisition of a legal fishing permit.

| | |
|-----------|----------------------|
| License 1 | Legal fishing permit |
|-----------|----------------------|

The permits are to be issued by the relevant federal or regional authority, namely the MoA and regional

government bodies responsible for the agricultural sector. The MoA is also mandated to issue directives regarding standards for the establishment and operation of aquaculture facilities and aquaculture as necessary.

The objectives of the Fisheries Development and Utilization Proclamation are: to conserve fish biodiversity and its environment as well as to prevent and control over-exploitation of the fisheries resource; to increase the supply of safe and good quality fish and to ensure a sustainable contribution of the fisheries towards food security; and to expand aquaculture development.

The requirements for a permit to establish an aquaculture facility or undertake aquaculture under the Proclamation are: adequate land and water resources; permit to utilize water resources from the appropriate federal or regional administrative organization; and, ensuring that the commercial activity does not have a negative impact on the environment or fish species in the water body. While the Proclamation does not directly address renewal of aquaculture licenses, Article 12 stipulates that laws to be issued as per the Proclamation should address the procedures for issuing, renewal and suspension of aquaculture fish trade licenses.

The ESIC identifies the following three licenses in relation to fisheries business.

| | |
|-----------|--|
| License 2 | In-land fishing (ESIC only) |
| License 3 | Fish hatcheries and fish farms (both ESIC & proclamation) |
| License 4 | Other activities of fish farm and related services (ESIC only) |

The ESIC assigns the MoA to issue competence certificates for these licenses.

Although the Fisheries Development and Utilization Proclamation No. 315/2003 mandates the MoA to issue directives on the establishment and operation of aquaculture facilities and aquaculture, the MoA Directive only refers to the CRBLP. Moreover, the list of licenses under the ESIC and MoA Directive cover a broader area extending to an open ended license for ‘other activities of fish farm and related services.’

The Directive issued by the MoA in March 2012 for competence certification specifies the requirements that should be met to obtain competence certificates for each of these licenses. Inland fishing licenses are issued after confirming Ethiopian nationality, exclusive engagement in fishing as a livelihood, possession of appropriate and permitted equipment, capacity to engage qualified or trained staff, and commitment to sell catches only to licensed businesses. The requirements for fish hatcheries and fish farms under the Directive include adequate water supply and grounds (aquaculture), adequate capital, appropriate water body (cage culture), and qualified staff.

The Fisheries Development and Utilization Proclamation No. 315/2003 does not provide for the payment of fees for the issuance or renewal of competence certificates. However, the Proclamation directs the Council of Ministers, regional states and MoA to issue regulations, regional laws and directives respectively to implement the Proclamation. These laws are expected to address procedures for the issuance and renewal of permits among other things. In practice, businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain or renew commercial registration, trade name and business license.

No license under this sector was issued at the Federal or Addis Ababa levels.

Findings

- The rationale for the permit required under Proclamation No. 315/2003 is environmental protection and efficient utilization of a scarce resource. The Proclamation has also stated the requirements for the permit very clearly and in a manner linked with its stated objectives. As such, it is justifiable.
- The three types of licenses identified in the ESIC and the MoA mandate to set requirements for competence certification are backed by provisions of Proclamation No. 315/2003.

Recommendation

- The license under Proclamation No. 315/2003 and identified in the ESIC should be maintained.

3.1.5 Veterinary Drug and Feed Production and Transaction

The Veterinary Drug and Feed Administration and Control Proclamation No. 728/2011, among others, regulates trade in veterinary drug and feed. As defined in the Proclamation, veterinary drug or feed trade includes veterinary drug or feed production/processing, repacking, import, export, wholesale and retail as well as veterinary drug or feed quality control laboratory service and acting as commercial agent for veterinary drug or feed. Article 12 and 19 of the Proclamation provide that no person may engage in veterinary drug or feed trade without obtaining a certificate of competence from the appropriate organization. As per the Proclamation, for import, export and trans-regional transactions and services of veterinary drugs and feed, the appropriate organization to issue competence certificates is the Veterinary Drug and Feed Administration and Control Authority (VDFACA) to be established by the Council of Ministers Regulation. This Authority was established by Council of Ministers Regulation No. 272/2012, which was published in December 2012. Competence certificates to veterinary drug and feed trade activities limited in one regional state are to be issued by regional organizations authorized to exercise veterinary drug and feed administration and control activities.

According to Proclamation No. 728/2011, the need to regulate the production, distribution and use of veterinary drugs and feed is related to addressing animal health concerns and thereby enhancing public health safety and the productivity of animal and animal products. This objective could be considered as the regulatory purpose of the requirement of competence certificates for veterinary drug and feed trade activities identified in the Proclamation.

The revised ESIC issued by the MoT identifies the following 12 licenses in relation to the production and transaction of veterinary drugs and feed.

These licenses do not fully match with the type of veterinary drug and feed trade activities defined under Proclamation No. 728/2011. Moreover, the revised ESIC authorizes the MoA to issue competence certificates in relation to veterinary drug and feed

| | |
|------------|--|
| License 1 | Growing of animals feed license |
| License 2 | Manufacture of prepared animal feeds license |
| License 3 | Manufacture for veterinary use license |
| License 4 | Wholesale trade in feeding stuff for animals license |
| License 5 | Wholesale of veterinary drugs, medicines and equipments license |
| License 6 | Retail trade of animal feed license |
| License 7 | Retail trade of veterinary drugs and medicines license |
| License 8 | Import of veterinary drugs, medicines and equipment's license |
| License 9 | Export trade in fodder for animals license |
| License 10 | Export trade in veterinary drugs, medicines and equipments license |
| License 11 | Research and experimental development on veterinary license |
| License 12 | Veterinary activities license |

licenses in contradiction to Proclamation No. 728/2011 and Regulation No. 272/2012, which authorize the Veterinary Drug and Feed Administration and Control Authority to issue competence certificates for veterinary drug and feed trade activities.

As per the ESIC and citing Article 30(3) of the CRBLP, the MoA included (in the Directive it issued in 2012) requirements to be fulfilled to obtain competence certificates for veterinary drug and feed business activities listed in the revised ESIC. The requirements for growing and manufacture of animal feed include having appropriate land, adequate capital, appropriate storage facility/warehouse and qualifications or capacity to engage qualified staff. The requirements for manufacture of veterinary drugs include appropriate production facilities, adequate capital and qualifications or capacity to engage qualified staff. For wholesale, retail, import and export trade in animal feed, the requirements include a properly located warehouse, sale and distribution facilities, weighing scale certified by the Quality and Standards Authority and adequate capital. For wholesale, retail, import and export trade in veterinary drugs the requirements include having veterinarian, adequate capital, and appropriate store. For a veterinary service license, the requirements include having appropriate (education and experience)

qualifications, veterinary clinic (office, laboratory, store, shower and toilet), appropriate uniform and veterinary equipment and chemicals.

The Regulation for the establishment of the Veterinary Drug and Feed Administration and Control Authority was issued at the end of 2012, whereas the Authority was actually established and started operation only recently around the end of 2013. Accordingly, until 2013 veterinary drug and feed related business licenses were issued as per the ESIC by MoT (for import and export activities) and by BoTIs based on competence certificates obtained in accordance with requirements of the MoA Directive.

Obtaining veterinary drug and feed trade licenses approximately takes 2–4 weeks. A total of ten licenses were issued in 2012–2013 under this sector and the estimated compliance costs for this category of licenses range from ETB 2,500 to ETB 8,000.

Findings

Most licenses for veterinary drug and feed trade that are identified in Proclamation No. 728/2011 are covered in the ESIC. However, the import of animal feed license, which is identified in the Proclamation, is not included in the ESIC listing. Moreover, the names of some of the licenses in the Proclamation and the ESIC do not exactly match and this may create confusions in the licensing process.

- There is a contradiction between the ESIC and Proclamation No. 728/2011 in terms of identifying the authorized organization to issue competence certificates in relation to veterinary drug and feed trade licenses. While the ESIC authorizes the MoA, Article 20(2) of Proclamation No. 728/2011 and Regulation No. 272/2012 specifically authorize the Veterinary Drug and Feed Administration and Control Authority to set standards and issue competence certificates for veterinary drug and feed trade licenses that fall under the federal jurisdiction.
- As stated in Proclamation No. 728/2011, the requirement of getting competence certificates to obtain licenses for veterinary drug and feed trade activities is justified on account of animal and human health concerns. Hence, the requirement for

competence certificates for these activities could be considered as having a valid regulatory purpose.

Recommendations

- The type of veterinary drug and feed trade licenses identified in the ESIC should be revised taking into account the type of licenses established under Proclamation No. 728/2011.
- The assignment of institutional mandate for the issuance of competence certificate licenses for veterinary drug and feed trade activities in the ESIC should be corrected in light of Proclamation No. 728/2011.
- The competence certification requirement for licenses for veterinary drug and feed trade activities serves a regulatory purpose related to animal and human health concerns and should be maintained.

3.1.6 Apiculture

The Apiculture Resources Development and Protection Proclamation No. 660/2009 provides that any person who wishes to undertake commercial beekeeping development shall obtain a business license issued pursuant to the relevant laws. The Proclamation thus does not establish any form of competence certification. The revised ESIC, on the other hand, establishes a beekeeping license.

| | |
|-----------|--|
| License 1 | Commercial beekeeping license (both ESIC and proclamation) |
|-----------|--|

The ESIC identifies the MoA as the issuing authority for a competence certificate license for commercial beekeeping.

The Directive issued by the MoA in March 2012 for competence certification states that the objective of certifying the competence of businesses engaged in apiculture is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade. The Directive also specifies the requirements that should be met to obtain a beekeeping license. These include submission of a business plan, qualified staff, adequate capital, and an environmental protection plan.

Finding

- Apart from a general business license, the Proclamation No. 660/2009 does not require obtaining a competence certificate to engage in commercial beekeeping. Thus, the legal basis of the competence certificate is doubtful. Moreover, no valid regulatory purpose for the competence certificate license is ascertained.

Recommendation

- The competence certificate license for commercial beekeeping activity should be eliminated, as its legal basis and regulatory rationale are doubtful.

3.1.7 Pesticide Production, Transaction and Services

Pesticide production, transaction and services are regulated by the Pesticide Registration and Control Proclamation No. 674/2010. According to Article 15(1) of the Proclamation, any person who intends to manufacture, formulate, pack, repack, label, import, export, store, sell, distribute, transport, or offer pesticide application services shall obtain a certificate of competence, which shall be a precondition for the issuance of a business license. The objective of registration and control under the Proclamation is stated as minimizing the adverse effects that pesticide use might cause to human beings, animals, plants and the environment in the preamble to the Proclamation. No specific requirements have been set for the issuance of a competence certificate under the Proclamation.

The Proclamation further stipulates that competence certificates for the manufacture, formulation, import and export of pesticides as well as for pesticide application services involving fumigation shall be issued by the MoA, whereas the actual business license for these activities shall be issued by the MoT. For the remaining pesticide related licenses, competence certificates shall be issued by regional organizations responsible for agriculture, and the business licenses by BoTIs.

The revised ESIC also identifies licenses related to pesticide production and services. While the wording is different in the documents, the ESIC has identified licenses relating to manufacture, selling (retail and wholesale), import and export of pesticides. Pesticide services have been further disaggregated into pest

control, fumigation and spraying of pesticides for household purposes under the ESIC.

| | |
|-----------|--|
| License 1 | Pesticide manufacture and formulation license (Proclamation & ESIC) |
| License 2 | Pest control license (Proclamation & ESIC) |
| License 3 | Wholesale of pesticides and agrochemicals (ESIC) |
| License 4 | Retail trade of pesticides and herbicides license (ESIC) |
| License 5 | Import trade in pesticides and agrochemicals license (Proclamation & ESIC) |
| License 6 | Export of pesticides and agrochemicals license (Proclamation & ESIC) |
| License 7 | Pesticide fumigation license (ESIC & Proclamation) |
| License 8 | Spraying of pesticides for household purposes (ESIC) |

For pesticide related licenses, the revised ESIC authorizes the MoA to issue competence certificates. Accordingly, the Directive issued by the MoA in March 2012 for competence certification specifies the requirements that should be met to obtain competence certificates for pesticide related licenses identified in the ESIC. The legal basis of the Directive is Article 30(3) of the CRBLP directing the appropriate authority to issue licenses as may be appropriate.

The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in pesticide transactions and services is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade.

The Pesticide Registration and Control Proclamation No. 674/2010 does not provide for renewal of licenses, nor does it address the issue of fees for licensing or renewal. Instead, Article 15(4) stipulates that the issuance, renewal, suspension and revocation of competence certificates shall be prescribed by a regulation to be issued for the implementation of the Proclamation. The anticipated regulation has not been issued by the Council of Ministers to date. Similarly, the MoA Directive does not set fees for the issuance or renewal of competence certificates for pesticide

transactions and services. In practice, licenses are renewed annually and businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license.

A total of five licenses have been issued in 2012–2013 under this sector and the estimated compliance cost for this category of licenses ranges from ETB 3,000 to ETB 10,000.

Findings

- Most of the licenses for pesticide trade that are identified in Proclamation No. 674/2010 are covered in the ESIC. Some of the licenses covered in the Proclamation are also subdivided into two or more licenses in the ESIC. Moreover, the names of some of the licenses in the Proclamation and the ESIC do not exactly match, which may create confusion in the licensing process.
- The additional licenses identified in the ESIC lack a legal basis since they do not match with the list of licenses under the Proclamation. In addition, the absence of a Council of Ministers regulation determining the conditions for the issuance, renewal, suspension and revocation of licenses for pesticide transactions and services casts doubt on the legality of the current practice relating to competence certification. The MoA Directive, whose legal status is far from clear, cannot replace the anticipated regulation.
- The Proclamation clearly identifies the regulatory rationale for the licenses identified therein in terms of protecting human and animal health as well as the environment. As such, the requirement of competence certificates is justified.
- Most of the requirements under the MoA Directive correlate with the regulatory purpose of the Proclamation. However, some of the requirements such as adequate capital are not relevant when seen in light of the other requirements for training and equipment.

Recommendation

- The licenses identified in the Proclamation and reflected in the ESIC are valid in terms of legal basis,

regulatory purpose and clarity. Thus, these licenses should be maintained.

3.1.8 Fertilizer Production and Transaction

The Fertilizer Manufacturing and Trade Proclamation No. 137/1998 regulates the production of and transactions in fertilizer. Article 4 of the Proclamation stipulates that any person who wants to engage in the fertilizer business shall obtain a competence certificate. As defined under Article 2(5) of the Proclamation, the fertilizer business includes import, wholesale, retail, export and manufacture of fertilizer. The Proclamation does not explicitly state the objective of competence licenses. Nevertheless, the preamble to the Proclamation refers to the importance of maintaining an adequate supply of quality fertilizer to the agricultural sector and the need for special care in handling fertilizers.

The general requirements for engaging in the fertilizer business are not stated in the Proclamation. Article 5 of the Proclamation merely states that competence certificates will be given to applicants having fulfilled the requirements of the Agency, i.e., the National Fertilizer Industry Agency. However, persons engaged in the manufacture of fertilizer are required to have qualified personnel directly engaged in the manufacturing process and to establish a laboratory to test the quality and contents of the fertilizer.

The revised ESIC also identifies the manufacture, wholesale, retail, import and export of chemical fertilizers. It also identifies the production of organic fertilizer as a separate license. Based on Proclamation No. 137/1998 and the ESIC, the following fertilizer production and transaction licenses are identified.

| | |
|-----------|--|
| License 1 | Fertilizer manufacture license (Proclamation & ESIC) |
| License 2 | Fertilizer import license (Proclamation & ESIC) |
| License 3 | Fertilizer export license (Proclamation & ESIC) |
| License 4 | Fertilizer wholesale license (Proclamation & ESIC) |
| License 5 | Fertilizer retail license (Proclamation & ESIC) |
| License 6 | Production of organic fertilizer license (ESIC) |

The ESIC assigns competence licensing for wholesale, retail, import and export trade in fertilizer to the MoT while the production of organic fertilizer and the manufacture of fertilizer are assigned to MoA and MoI respectively. In practice, the MoI does not provide competence certificates to fertilizer manufacturing.

The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in fertilizer transactions and services is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade. The Directive sets requirements only for the production of organic fertilizer. These requirements are: a business plan, production process and environmental impact assessment; materials and inputs for the production of compost; adequate capital; qualified staff/employees; and possession of land.

The proclamation stipulates that competence licenses for fertilizer businesses should be renewed annually. However, it does not provide for fees. Similarly, the MoA Directive does not set fees for the issuance or renewal of competence certificates for pesticide transactions and services. In practice, licenses are renewed annually and businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license.

In this sector, only one license for wholesale of fertilizer was issued in 2012–2013. The estimated compliance cost for this category of licenses ranges from ETB 2,500 to ETB 10,000.

Finding

- The status of the Fertilizer Manufacturing and Trade Proclamation No. 137/1998 is far from clear. For instance, the National Fertilizer Industry Agency does not exist anymore.

Recommendation

- The competence certificate licenses for fertilizer business should be eliminated, as their legal basis and regulatory purpose are doubtful.

3.1.9 Horticulture

The revised ESIC establishes or provides for 11 types of business licenses related to horticulture activities. These are:

| | |
|------------|--|
| License 1 | Growing of vegetables |
| License 2 | Growing of fruits |
| License 3 | Growing of herbs |
| License 4 | Aquatic vegetable production |
| License 5 | Growing of vegetables, fruits horticultural specialties, herbs and nursery products other than floriculture n.e.c. |
| License 6 | Floriculture |
| License 7 | Wholesale of cut flowers and plants |
| License 8 | Retail trade in cut flowers & plants |
| License 9 | Import of cut flowers and plants |
| License 10 | Export of non-processed fruits & vegetables |
| License 11 | Export of cut flowers and plants |

The ESIC further authorizes the Ethiopian Horticulture Development Agency (EHDA) to issue competence certificates in relation to the above listed licenses. However, issuing licenses or competence certificates to businesses is not included in the powers and responsibilities of the EHDA listed under Article 5 of the Council of Ministers Regulation No. 152/2008, which established the Agency. Nevertheless, mainly due to pressure from the MoT, the EHDA has issued a Directive in November 2010 (with entry into force date of 01 December 2011) that defines the requirements of professional competence to be satisfied by businesses that engage in horticulture activities. Article 30(3) of the CRBLP, which authorizes relevant sectoral government institutions to issue directives for competence certification, was cited as the legal basis for issuing this Directive.

The Directive states that its objective is to ensure that horticulture products which are produced in the country and exported to foreign markets meet acceptable quality requirements so that they can generate the required foreign currency by supplying customers with quality products. According to the Directive, it is necessary to ensure the competence of businesses that engage in the sector from the beginning (ex-ante) to achieve the above objective.

The Directive enumerates 12 general requirements that apply to all of the above listed 11 licenses. These requirements mainly relate to proof of identity, investment permit, tax identification number, proof of land possession, etc. Moreover, it sets out 9–13 specific requirements for each of the licenses. These requirements commonly include having sufficient capital, appropriate land, facilities and working systems to ensure product qualities and qualified human resources.

Although the Directive was supposed to come into force on 01 December 2011, the EHDA has not yet started applying it or issuing competence certificates. The EHDA mandate relates only to horticulture businesses operated through investment permits and directed at export to foreign market. No application to start a new horticulture business directed at an export market has been submitted to the EHDA since the issuance of the Directive. Businesses that already engaged in the sector before the issuance of the directive are, in principle, required to obtain a competence certificate to renew their business licenses. However, the existing practice for the renewal of business licenses in the horticulture export sector is that 1) the business applies to the EHDA to be provided with a support letter to renew its license; 2) the EHDA verifies only the fact that the business has actually started or is engaged in exporting horticulture products. If the business started exporting, then the EHDA writes a support letter to the MoT requesting the renewal of the license; and 3) the MoT renews the license based on the support letter.

As stated above, the organizational mandate of the EHDA relates to promoting exports of horticulture products. Accordingly, the EHDA is not involved in certifying the competence of horticulture business activities (production and trade of fruits, vegetables, herbs and flowers) directed at the domestic market. In practice, the Urban Agriculture Departments in Addis Ababa sub-cities issue competence certificates to these horticulture related businesses without any clear legal basis.

No application or renewal fee for competence certification is provided in the EHDA Directive.

However, the regular commercial registration, trade name and business license application and renewal fees apply to businesses engaged in the horticulture sector.

The EHDA Directive provides that the Agency shall process applications submitted in accordance with the requirements and issue competence certificates within not more than seven working days. However, the Agency has not started implementing the Directive and it has only been writing support letters for business license renewal to businesses that started exporting horticulture products. Obtaining this support letter is usually completed within a day.

According to information obtained from EHDA, no new application for export related horticulture business was submitted to the Agency in 2012–2013. However, according to data from the MoT, a total of 78 horticulture business licenses were issued in 2012–2013, and the estimated compliance cost per license for this category of licenses ranges from ETB 2,500 to ETB 5,000.

Findings

- The competence certificate licenses for horticulture business activities (both for foreign and domestic markets) as well as the mandates of the EHDA and agricultural bureaus to issue these licenses do not have clear legal basis.
- The objective of competence certificate licenses for horticulture activities relates to increasing foreign currency earnings from the sector and not directly to the most common and valid regulatory purposes of licenses such as addressing health, safety, security and environmental concerns.
- The requirements in the existing directive could be considered as stringent. If the Directive starts to be implemented, businesses who want to engage in the sector need to meet too many requirements and have to produce large amount of documents to obtain a license.
- Most of the requirements in the Directive are very general and subjective. For instance, for most of the licenses the applicant is required to produce evidence of sufficient capital for the work or employment of

professionals with appropriate knowledge and skills for the work. However, what constitutes “sufficient capital” or “appropriate professionals” is not provided in the Directive.

Recommendations

- The competence certificate licenses for horticulture business activities should be eliminated, as they lack clear legal basis and valid regulatory purposes.
- If they are to be maintained, the excessively stringent, vague and subjective requirements should be simplified and clarified.

3.1.10 Hunting and Wildlife Utilization

The Development, Conservation and Utilization of Wildlife Proclamation No. 541/2007 prohibits any activity of trade in wildlife and their products unless a permit is obtained from the Ministry of Agriculture and Rural Development or Regional Authorities. However, Proclamation No. 575/2008, which established the Ethiopian Wildlife Conservation Authority (EWCA), has transferred the power to issue hunting and other wildlife utilization permits/licenses to the Authority. Moreover, the Wildlife Development, Conservation and Utilization Council of Ministers Regulation No. 163/2008 has identified different types of hunting and other wildlife utilization licenses and specified the fees payable to obtain each type of license.

The ESIC also identified 12 types of licenses related to hunting and wildlife utilization and tasked the Ethiopian Wildlife Conservation Authority to issue competence certificates for these licenses. To facilitate the competence certification process, the Ministry of Culture and Tourism (MoCT), to which the Authority is accountable, has issued a Directive in June 2012 that sets out the requirements to be met to engage in business activities related to wildlife utilization. The Directive establishes requirements for 22 types of licenses related to hunting and other wildlife utilization activities. Most of these licenses relate to competence certificates to operate different types of business in a sector, while some are related to professional certificates to individuals and others are related to permits to carry out specific activities in the sector.

| | |
|------------|---|
| License 1 | Raising birds license |
| License 2 | Game propagation license |
| License 3 | Civet ranch or capturing license |
| License 4 | Crocodile farming license |
| License 5 | Ostrich farming license |
| License 6 | Hunting operation license |
| License 7 | Foreign tourist hunting license |
| License 8 | Resident tourist hunting license |
| License 9 | Full professional hunter's license |
| License 10 | Assistant professional hunter's license |
| License 11 | Apprentice professional hunter's license |
| License 12 | Bird hunting operation license |
| License 13 | Falcon hunting service license |
| License 14 | Wildlife capturing professional license |
| License 15 | Wildlife taxidermy operation license |
| License 16 | Various wildlife products trade license |
| License 17 | Wildlife filming license |
| License 18 | License for research and study in wildlife conservation areas |
| License 19 | Live wildlife trade license |
| License 20 | Live wild plant trade license |
| License 21 | Wildlife conservation areas lodges and guest house building license |
| License 22 | Publishing of wildlife postcard and posters trade license |

After the revised ESIC was published, the following four licenses related to hunting and wildlife utilization have been added in Annex II of the ESIC which was issued in January 2014.

| | |
|------------|------------------------------------|
| License 23 | Import trade wild animals |
| License 24 | Import trade wild animals products |
| License 25 | Export trade wild animals |
| License 26 | Export trade wild animals products |

The above listed business licenses, competence certificates, professional certificates and permits related to hunting and wildlife utilization basically emanate from Proclamation No. 541/2007 and Regulation No. 163/2008. According to the preamble of Proclamation No. 541/2007, one of the objectives of the Proclamation is to address the depilation and endangered existence of the country's wildlife resources.

This objective could be considered as the regulatory purpose for the above listed hunting and wildlife utilization business licenses.

According to the Directive issued by the MoCT in June 2012, the requirements to obtain competence certificates for game propagation activities include: adequate and appropriate accommodation, securing technical and veterinary support from the Woreda/ Zonal agriculture bureau or ability to employ a veterinarian, conducting EIA and annual audit, expertise in trapping or ability to engage a qualified trapper when necessary, vehicle for transporting animals, appropriate trapping equipment for the animal species to be raised, knowledge of the species to be raised or ability to engage an expert, food, water and cages appropriate for the species. The requirements to obtain competence certificates for hunting operation activities include: having a registered business with no tax arrears, possession of hunting rifle, professional qualifications in hunting or engaging a professional hunter, at least ten standard tents, one pick-up 4×4 vehicle, two insured 4×4 station wagon vehicles with radio facilities, five short-range radios, office space (3 rooms), qualified staff (2 cooks, 1 camp manager, 2 cleaners, drivers and 1 ranger per 10 sq.km), initial capital of ETB 1.5 million.

Regulation No. 163/2008 specifies the fees payable to obtain the different hunting and wildlife utilization licenses. The fees to obtain competence certificates for the different wildlife raising or farming, hunting operation as well as trade in wildlife and their products range from ETB 2,500 to ETB 4,000. The amount and currency of fees payable to obtain permits for wildlife hunting, filming and researching varies depending on whether the applicant is an Ethiopian resident or a foreigner. The highest amount of fee is for wildlife filming from air, which is 15,000 USD. Data on the total number of hunting and other wildlife utilization licenses issued in 2012–2013 is not available.

Findings

- The licenses under this section serve a valid regulatory purpose, as they are directed to ensure the sustainable utilization of wildlife resources.
- Some of the licenses can be merged with other licenses to avoid multiple licenses for similar

activities. For instance, game propagation, civet ranch, crocodile farming and ostrich farming, which are now separate licenses, can be merged under one wildlife farming/ranch license.

- Some of the requirements for establishing business organizations to engage in game propagation, hunting operations and trade activities in wildlife and their products, such as minimum capital requirements, lack reasonableness and appropriateness.

Recommendations

- Merging some of the licenses under this section to avoid multiple licenses should be considered.
- Revise the Directive issued by the MoCT with a view to simplify and clarify the requirements for obtaining the different licenses listed under this section.

3.1.11 Forestry

The Forest Development, Conservation and Utilization Proclamation No. 542/2007 governs activities in the forestry subsector. Article 6(4) of the Proclamation provides that a forest products trade license shall be issued in accordance with the management plan, taking into account the utilization of the country's limited forest resources and in a manner that shall not disturb the natural resource balance of the area. However, the Proclamation does not define forest products, nor does it specify/enumerate the types of forest products trade. Article 13 of the Proclamation identifies two types of permits in relation to harvesting and transporting forest products.

| | |
|-----------|---|
| License 1 | Harvesting forest products from state forest permit |
| License 2 | Forest products movement permit |

A forest products movement permit is issued for moving forest products from the production site to the local market or from within the country to the international market. The above two permits are to be issued by appropriate regional bodies, i.e., regional organizations responsible for development, conservation and utilization of forests.

The preamble to the Proclamation states its objectives in terms of preventing soil erosion, expansion of desertification, disturbance of ecological balance,

depletion of biodiversity and reduction of agricultural production due to the alarming situation of forest degradation in the country. The requirements for the issuance of permits have not been set in the Proclamation.

The revised ESIC has established the following 15 forest products trade licenses.

| | |
|------------|--|
| License 3 | Forestry and related services |
| License 4 | Logging and related services |
| License 5 | Other activities of forestry and hunting n.e.c. |
| License 6 | Manufacturing of mill products, including wattle bark grinding and compressing |
| License 7 | Wholesale trade in incense & gums |
| License 8 | Wholesale of sawn timber, plywood and related products |
| License 9 | Retail trade of incense, gums and other smoky forest products |
| License 10 | Retail trade of logs and timber |
| License 11 | Retail trade of sawn fiber, plywood and related products |
| License 12 | Sawmilling and preserving of timber |
| License 13 | Wholesale of logs |
| License 14 | Import trade in incense, gums |
| License 15 | Export trade in incense and gums |
| License 16 | Import of logs |
| License 17 | Export of logs |

Annex II of the revised ESIC has identified the following two additional licenses.

| | |
|------------|---------------------------------|
| License 18 | Import trade in forest products |
| License 19 | Export trade in forest products |

The ESIC has further authorized the MoA to set requirements and issue competence certificates for businesses that engage in the above activities. Accordingly, the Directive issued by the MoA in March 2012 for competence certification specifies the requirements that should be met to obtain competence certificates for forest products trade licenses identified in the ESIC. Until recently, the MoA had been issuing competence certificates for the above listed licenses based on the requirements set in the Directive. However, the recently issued Proclamation No. 803/2013 established the Ministry of Environment and Forestry (MoEF) and transferred the forestry related mandates

of the MoA to the MoEF. Accordingly, the MoEF is currently issuing competence certificates in relation to the 15 forestry related business licenses identified in the ESIC based on the requirements already set out in the Directive issued by the MoA in March 2012.

The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in forestry activities is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade.

The generic requirements for all forestry subsector activities are adequate capital, human resources (with special qualifications for manufacturing of mill products), valid business license, tax payer identification number, processing/seasoning and storage facilities. An investment permit is also required for logging and related services, wholesale trade in incense and gum, import trade in incense and gum, and export trade in incense and gum. Import trade in incense and gums additionally requires a certificate indicating the product is free from invasive species and things that are harmful to the environment and health.

In practice, competence certificates are renewed annually and businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license.

A total of 197 licenses have been issued in 2012–2013 and the estimated compliance cost for this category of licenses ranges from ETB 3,000 to ETB 4,000.

Findings

- The two permits established by Proclamation No. 542/2007 are aimed at ensuring the sustainable utilization of forest products and could be considered as having a valid legal basis and regulatory purpose.
- In relation to the seventeen forest products trade licenses identified in the revised ESIC and Annex II, the requirement to ex-ante certify the competence of businesses to engage in these activities does not seem to have a clear legal basis as well as a valid regulatory purpose. Obtaining the general business

registration and trade license should be sufficient to engage in these business activities.

- Moreover, the existing list of requirements to obtain a competence certificate to engage in forest products trade (set out in the Directive issued by the MoA in March 2012) commonly contain several stringent, inappropriate and subjective requirements.

Recommendations

- The two permits established by Proclamation No. 542/2007 should be maintained.
- The competence certification under the revised ESIC and Annex II of the ESIC should be eliminated.

3.1.12 Other Agricultural Production and Transaction Activities

The ESIC identifies a number of licenses related to agricultural production and transaction business activities which are not regulated by specific agriculture sector laws. The ESIC further authorized the MoA to set out requirements and issue competence certificates for these licenses.

| | |
|------------|--|
| License 1 | Growing of cereals |
| License 2 | Growing of sugarcane |
| License 3 | Growing of tea and other beverage, spice crops and medicinal crops |
| License 4 | Growing of fiber crops |
| License 5 | Growing of enset |
| License 6 | Farming of cattle |
| License 7 | Farming of sheep and goats |
| License 8 | Farming of camels |
| License 9 | Farming of pack animals (horses, asses, mules, etc.) |
| License 10 | Farming of cattle and pack animals n.e.c. |
| License 11 | Poultry |
| License 12 | Swine farming |
| License 13 | Production of silk |
| License 14 | Other animal farming; production of animal products n.e.c. |
| License 15 | Growing of crops combined with farming of animals (mixed farming) |
| License 16 | Harvesting |
| License 17 | Cleaning and other related activities |
| License 18 | Animal boarding and care |
| License 19 | Animal breeding |

| | |
|------------|---|
| License 20 | Agricultural and animal husbandry services activities n.e.c. |
| License 21 | Processing of animal by-products including hides, bones, etc. |
| License 22 | Wholesale trade in livestock |
| License 23 | Wholesale of livestock by-products including hides, bones, etc. |
| License 24 | Wholesale of beverage crops (except coffee and tea) |
| License 25 | Wholesale trade in other agricultural products, n.e.c. |
| License 26 | Wholesale trade in agricultural machinery and equipment |
| License 27 | Retail trade in grains |
| License 28 | Retail trade of gesso and malt |
| License 29 | Retail trade in agricultural raw materials n.e.c. |
| License 30 | Retail trade of livestock |
| License 31 | Retail trade of beverage crops |
| License 32 | Retail trade of cotton |
| License 33 | Retail trade of sugarcane |
| License 34 | Retail trade of fiber (rope) products |
| License 35 | Retail trade of other agricultural products |
| License 36 | Retail trade of agricultural machinery and equipment |
| License 37 | Installation and maintenance of greenhouses including inside equipment and machines |
| License 38 | Import of cereals |
| License 39 | Import of pepper and spices |
| License 40 | Import trade in agricultural raw materials n.e.c. |
| License 41 | Import trade in livestock |
| License 42 | Import trade in livestock and livestock products n.e.c. |
| License 43 | Import trade in crude rubber |
| License 44 | Import trade in other agricultural products, n.e.c. |
| License 45 | Import of sawn timber, plywood and related products |
| License 46 | Import trade in agricultural machinery and equipment |
| License 47 | Export of cereals |
| License 48 | Export of pepper and spices |
| License 49 | Export trade in agricultural raw materials n.e.c. |
| License 50 | Export trade in livestock |

(continues)

Continued

| | |
|------------|--|
| License 51 | Export trade in livestock and livestock products n.e.c. |
| License 52 | Export of beverage crops (except coffee and tea) |
| License 53 | Export trade in crude rubber |
| License 54 | Export trade in medicinal crops (moringa, qasil, etc.) |
| License 55 | Export trade in other agricultural products n.e.c. |
| License 56 | Exports of agricultural byproducts |
| License 57 | Export trade in agricultural machinery and equipment |
| License 58 | Renting of agricultural machinery and equipment |
| License 59 | Research and experimental development on agricultural and livestock research |
| License 60 | Consultancy service for food security |
| License 61 | Consultancy service for agro-ecosystem development |
| License 62 | Agricultural consultancy |

The Directive issued by the MoA in March 2012 for competence certification specifies the requirements that should be met to obtain competence certificates for most of these licenses identified in the ESIC.

The above listed licenses are not supported by any sector laws. Therefore, the licenses lack a clear legal basis. The Directive issued by the MoA states that the objective of certifying the competence of businesses engaged in forestry activities is to serve the public by establishing a more transparent and accountable process than customarily used by bodies that are engaged in agricultural development and trade.

The requirements for growing of cereals and mixed farming are an investment permit, possession of land, 30% of total capital, commitment to conduct environmental impact assessment, proof of human resources, experts, machinery and camp facilities. Most other competence certificates require appropriate land or building, adequate capital, qualified human resources. Land use and environmental plans as well as commitment to conduct environmental impact assessments are also included for some of the certificates. No requirements have been set for many of the competence certificates in this group.

The revised ESIC does not provide for renewal of licenses and payment of fees. In practice, competence certificates are renewed annually and businesses engaged in these activities are subjected to the regular fees applicable to all businesses to obtain and renew commercial registration, trade name and business license.

A total of 563 licenses have been issued in 2012–2013 under this section and the estimated compliance cost for this category of licenses ranges from ETB 2,900 to ETB 9,000.

Findings

- The competence certification for the activities falling within this group does not have a clear legal basis.
- The requirement to ex-ante certify the competence of businesses that want to engage in the above listed activities does not seem to have a valid regulatory purpose.
- Moreover, the existing list of requirements to obtain a competence certificate to engage in the above listed agricultural production and transaction activities (set out in the Directive issued by the MoA in March 2012) commonly contains several stringent, inappropriate and subjective requirements.

Recommendation

- All of the competence certificate licenses falling within this group should be eliminated. Obtaining the general business registration and trade license should be sufficient to engage in these business activities.

3.2 Mining and Quarrying

The Ministry of Mines (MoM) is the government agency in charge of licensing business activities related to mining and quarrying which have to be renewed annually. Article 7 of the Mining Operations Proclamation No. 678/2010 (Mining Proclamation) provides that no person may undertake mining operations or hold, transport or sell any minerals in their natural state without having obtained the relevant license. The Mining Operations Council of Ministers Regulation No. 182/1994 (Mining Regulation) complements the Mining Proclamation insofar as it is consistent with it.

The MoM has issued the Mining Licensing Implementation Directive 1/2003 EC and the Directive on Processing of Mining Exploration

License Applications No. 1/2006 to facilitate its duties, but the focus of these directives is on processing procedures and different technical aspects of applications rather than listing of requirements for licenses and permits. The specific directive that addresses requirements for licensing is the Directive on Professional Competence Certification of Consultants for Mining Activities No. 3/90.

In addition to the Mining Proclamation, the Transaction of Precious Minerals Proclamation No. 651/2009 (Precious Metals Proclamation) empowers the MoM to license the purchase, custody, transport, crafting, refining, sale or export of precious minerals or products of precious minerals for commercial purposes. The Precious Metal Proclamation reiterates that no person shall carry out the transaction of precious minerals unless he/she is registered in the appropriate government office and is a holder of an appropriate and valid license or certificate of competence as appropriate.

Still another law that vests licensing powers on the MoM is the Petroleum Operations Proclamation No. 295/1986 (Petroleum Proclamation) which regulates all petroleum operations in the country. Despite its age, the law is still applicable.

The licenses identified based on the laws described above are the following:

| | |
|------------|---|
| License 1 | Reconnaissance license |
| License 2 | Exploration license |
| License 3 | Retention license |
| License 4 | Artisanal mining |
| License 5 | Small scale mining license |
| License 6 | Large scale mining license |
| License 7 | Certificate of discovery |
| License 8 | Certificate of professional competence |
| License 9 | Precious minerals brokerage license |
| License 10 | Precious minerals crafting license |
| License 11 | Precious minerals refining license |
| License 12 | Precious mineral trade certificate of competence |
| License 13 | Precious mineral export certificate of competence |
| License 14 | License petroleum production sharing agreement |
| License 15 | Small and large scale mining licenses for construction minerals |

Some of these licenses have some particular characteristics. For instance, the petroleum production sharing agreement is more of a negotiation process than a licensing one between petroleum companies and the MoM. A certificate of discovery, reconnaissance and retention licenses are issued temporarily. Furthermore, artisanal mining and precious minerals brokerage licenses are issued at regional levels mainly because of the absence of precious minerals in Addis Ababa. In the case of small and large scale mining licenses for construction minerals, they are issued by the Addis Ababa City Government Environment Protection Authority based on the powers given to state bodies under Article 52(1) of Proclamation No. 678/2010.

The revised ESIC provides for 41 types of business licenses related to the MoM as a competence or license issuing body, but only licenses listed in the above table are mentioned in the laws and are being issued by the MoM. One particular feature of the interface between the licenses in the laws and in the ESIC is, in mining and exploration (sometimes referred as prospecting) the ESIC mentions licenses for particular minerals while the mineral related laws described above do not state so. The following licenses provided for by the ESIC are not being administered by the MoM or at least not in the name the licenses are described.

| | |
|------------|--|
| License 16 | Wholesale trade in gold |
| License 17 | Casting of gold |
| License 18 | Mining of coal and lignite |
| License 19 | Other extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction |
| License 20 | Activities for control of natural radio nuclides |
| License 21 | Prospecting and developing of uranium and thorium minerals |
| License 22 | Prospecting of minerals n.e.c. |
| License 23 | Precious mineral (excludes gold and uranium) mining |
| License 24 | Semiprecious mineral mining |
| License 25 | Metallic mineral mining |
| License 26 | Industrial mineral mining |
| License 27 | Construction mineral mining |
| License 28 | Strategic mineral mining |
| License 29 | Mining of gold & uranium ores mining |

(Continues)

Continued

| | |
|------------|--|
| License 30 | Dimension stone (granite, marble, slate, and wonder stone) |
| License 31 | Limestone and lime works |
| License 32 | Other stone quarrying, including stone crushing and clay and sandpits |
| License 33 | Mining of diamonds (including alluvial diamonds) and opals |
| License 34 | Mining of chemical and fertilizer minerals |
| License 35 | Extraction and evaporation of salt |
| License 36 | Other mining and quarrying n.e.c. |
| License 37 | Other mining n.e.c. |
| License 38 | Research & training and service activities incidental to mining of minerals |
| License 39 | Manufacture of coke oven products |
| License 40 | Manufacture of mining and surveying tools |
| License 41 | Mining and quarrying machines & equipments |
| License 42 | Retail trade of mining and quarrying machines & equipments |
| License 43 | Import trade in precious stones, jewelry and silverware |
| License 44 | Import trade in mining and quarrying equipments |
| License 45 | Service activities incidental to oil and gas extraction, excluding surveying |
| License 46 | Mining of coal and lignite |
| License 47 | Other extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction |
| License 48 | Activities for control of natural radio nuclides |
| License 49 | Prospecting and developing of uranium and thorium minerals |

The objectives of the licenses issued under the Mining Proclamation are not directly given but can only be inferred from general principles in Article 7 and the preamble which include: the conservation and development of mineral resources to the socio-economic progress of all Ethiopians, protection of the environment for the benefit of present and future generations and to ensure ecologically sustainable development of minerals, promotion of employment, provision for security of tenure and developing the field in an orderly and sustainable manner. The mineral transaction licenses and competences under the Precious Metal Proclamation on their part, do not have a clearly stated objective but having responsible

operators to purchase, hold and transport precious minerals and, carry out smithery or lapidary and sale of its product locally or abroad, can be inferred as possible objectives from the reading of the law. The Petroleum Proclamation states the purpose of petroleum extraction licenses to be: the carrying out of petroleum extraction with modern technology and sound principles of resource conservation and developing infrastructure by fostering the acquisition of petroleum technology.

Under the Mining Proclamation there are documentation and other requirements for exploration and large scale mining, for reconnaissance and for small scale mining respectively. These comprise: ID Card/ Passport, Principal Business Registration Certificate, evidence verifying the financial status of the applicant, work program/exploration work proposal, feasibility study, Environmental and Social Impact Assessment (ESIA) report, Tax Identification Number (TIN), Article of Association and Memorandum of Association. On the other hand, a laboratory result for a strategic mineral is demanded for discovery licenses while educational and work evidence as well as nonemployment by government is needed for professional competence.

Similarly, there are documentation and other requirements for petroleum production sharing agreements. These include: the identified block to which the application applies; evidence of the financial standing and technical qualification and experience of the applicant, including a copy of the most recent audited accounts of the applicant and of any corporate body having control of the applicant; where the application is made by a group of companies, the name of the operator and the participating interest of each company; and the terms proposed by the applicant in respect of the major aspects of the model agreement.

For the licenses and competencies required under the Precious Metal Proclamation, the number of documentation and substantive required to be submitted range from seven to nine.⁷² On

⁷² For example, the requirements of a Precious Mineral Export license are: ID card, proof of work experience, if known to him/her at the time of application, his potential markets or any contractual commitment entered, proof of legal source of the precious minerals he/she wishes to export, TIN, and 2 photos.

the other hand, the license given by the Addis Ababa Environment Protection Bureau has four documentation and substantive requirements: ID, geographical coordinates (UTM-ADINDAN), location map, Memorandum of Association and Articles of Association.

The time required to complete the process is not indicated in laws but is mentioned in the citizen's charter of the MoM. The duration ranges from minutes for crafting and refining licenses to 23 days for petroleum, although for the latter, negotiations may sometimes take years.

In practice, processing times are reported to be slow partly because of shortage of manpower at the MoM. All private sector interviewees gave very poor evaluation for the licensing services at the MoM, stating that the current licensing system of the MoM is slow and archaic. The MoM believes the main cause is the low salary scale of the MoM which has resulted in a high turnover of staff. In fact, the manpower shortage is so severe that there is only half of what is recommended for the licensing work in a MoM Business Processing Reengineering (BPR) study. On a positive note, the MoM has introduced software named FlexiCadastre⁷³ to facilitate and bring transparency into its licensing process, but its positive effects remain to be seen.⁷⁴

The license fees range from no license fees for petroleum (although there are expenses like land rent) to ETB 1,000.

Based on figures available a total of 70 licenses have been issued for mining and exploration in 2005 E.C.,

and the estimated administrative compliance cost for this category of licenses ranges from ETB 3,415 to ETB 838,766.

Findings

- Comparison of the licensing fields in the revised ESIC with what is statutorily laid out demonstrates the licenses that are actually issued are referred in general terms such as large scale mining and exploration (with mention of the mineral type in the license) while the ESIC classifies licenses based on individual mineral types such as: gold, salt, limestone, clay, diamonds, opal, etc., while at the same time mentioning larger categories like large scale mining and small scale mining. This certainly looks repetitive. Besides, the exact difference between mining and extracting divisions in the Mining and Quarry Chapter of the ESIC is not clear; it appears they can be merged together.
- There are licenses/certificates that are not included in the ESIC. Of particular importance are the precious mineral transaction licenses and certificates (precious minerals crafting license and Precious Mineral Trade Certificate of competence). Moreover, certificates of discovery are not addressed. The exclusion makes the licensing information available incomplete for licensees that want to understand and plan their investment and exposes them to unplanned wastage of time and money in getting these.
- There is a regulatory purpose to the licenses in terms of safeguarding the interest of licensees, environmental protection and to ensure the most sustainable exploitation of mineral resources.
- There is a severe shortage of manpower and capacity in processing the mining and exploration license applications at the MoM. This has made the application process time-consuming and might induce investors to lose interest.
- Although the introduction of FlexiCadastre software is a positive measure to resolve issues that may arise in terms of processing and possible tampering with applications, its inaccessibility from Ethiopia (indicated by licensees and alluded by MoM for internet connection issues) is thwarting progress made to improve licensing.

⁷³ The FlexiCadastre system has a central server in MoM. It applies mainly FlexiCadastre, data base (access, SQL) & ArcGIS software. It is real time internet/web based mineral license data management. It uses topographic maps as a main background in Arc map. Its purpose is to establish modern & computerized mineral license data handling and management as per the existing Mining legislation, thus establishing a transparent and efficient licensing system. Particularly, it automatically makes available license information of the whole country at a time, making it possible to avoid overlap of license areas, as well as bringing about integrated administration.

⁷⁴ This might dispel some of the corruption allegations made in Plummer, Janelle. 2012. *Diagnosing Corruption in Ethiopia: Perceptions, Realities, and the Way Forward*. Washington, DC: World Bank. DOI 10.1596/978-0-8213-9531-8. License: Creative Commons Attribution CC BY 3.0.

- Some of the directives at the legal department of the MoM are not shared with the personnel that process the applications which might show the existence of disconnect between policy/law and implementation.
- Some of the requirements are very general and subjective. For example, for some of the licenses the applicant is required to present financial standing and technical qualification and experience of the applicant, work program and proposal. Nonetheless, the precise nature of the criteria remains unclear.
- The licensing office is centralized and not easily accessible, especially for those applicants that come from regional states.

Recommendations

- The discrepancies between the revised ESIC and the mining laws on licensing fields should be resolved in a way that helps the development of the sector. Cutting out the overlap in licenses should be a good start.
- Requirements should be clear and objective to avoid confusion and are helpful in the planning of investments.
- The severe shortage of manpower needs to be addressed urgently as it is slowing down the licensing process.

3.3 Manufacturing Sector

The licenses identified and discussed under this section are licenses in the manufacturing sector with the exclusion of manufacturing licenses governed as part of other sectors, such as manufacturing of medicines (health sector) or manufacturing of agricultural products (agriculture sector). In other words, this section discusses manufacturing licenses supposed to be regulated or verified by the Ministry of Industry (MoI) as per the ESIC. The revised ESIC identifies a total of 277 licenses under the manufacturing sector. Out of these, it assigned the below listed 113 licenses to be verified by the MoI.

However, the MoI has not been convinced with the need to ex-ante certify the competence of businesses engaged in the manufacturing sector. The MoI notified the MoT that it will not issue competence certificates for the manufacturing sector, arguing that requiring

competence certificates in the sector would hamper the development of the infant manufacturing sector in the country. Mentioning the position of the MoI, the MoT issued a circular to BoTIs to issue manufacturing business licenses without requiring for competence certificates.

| | |
|------------|--|
| License 1 | Preparatory activities in respect of animal fibers, including washing, combing and carding of wool |
| License 2 | Preparatory activities in respect of vegetable fibers |
| License 3 | Spinning, weaving and finishing of yarns and fabrics predominantly of wool and other animal fibers |
| License 4 | Spinning, weaving and finishing of yarns and fabrics predominantly of vegetable fibers |
| License 5 | Spinning, weaving and finishing of traditional clothes |
| License 6 | Cotton ginning |
| License 7 | Finishing yarns and fabrics |
| License 8 | Spinning, weaving and finishing of textiles n.e.c. |
| License 9 | Manufacture of blankets, made-up furnishing articles and stuffed |
| License 10 | Manufacture of tents, tarpaulins, sails and other canvas goods |
| License 11 | Manufacture of automotive textile goods (including safety belts, and seat covers) |
| License 12 | Manufacture of carpets, rugs and mats |
| License 13 | Manufacture of cordage, rope, twine and netting |
| License 14 | Manufacture of bags, sacks, rapping & packing materials |
| License 15 | Manufacture of other textile articles (except apparel) n.e.c. |
| License 16 | Manufacture of knitted and crocheted fabrics and articles |
| License 17 | Manufacture of wearing apparel, except fur apparel |
| License 18 | Dressing and dyeing of fur, manufacture of artificial fur, fur apparel and other articles of fur |
| License 19 | Other dressing and dyeing of fur manufacture of articles of fur |
| License 20 | Manufacture of manmade fiber |
| License 21 | Leather and hide tanning and finishing |
| License 22 | Manufacture of leather clothes, travel goods, ladies' handbags, and other general and small goods of leather |

| | | | |
|------------|--|------------|--|
| License 23 | Manufacture of artificial leather substitutes | License 52 | Manufacture of paints, varnishes and similar coatings, printing ink and mastics |
| License 24 | Manufacture of footwear | License 53 | Manufacture of printer ink |
| License 25 | Manufacture of components and accessories used for leather products | License 54 | Manufacture of industrial and general purpose salts |
| License 26 | Other tanning and dressing of leather; manufacture of luggage, handbags, saddles and harness | License 55 | Manufacture of adhesives, and glues |
| License 27 | Sawmilling and preserving of timber | License 56 | Manufacture of gases |
| License 28 | Sawmilling and planing of wood and production of articles of straw n.e.c. | License 57 | Manufacturing of drycell |
| License 29 | Manufacture of veneer sheets; manufacture of plywood, lamina board, particle board and other panels and boards | License 58 | Manufacture of other chemical products except basic chemicals |
| License 30 | Manufacture of builders' carpentry and joinery | License 59 | Manufacture of tires and tubes |
| License 31 | Manufacture of wooden containers | License 60 | Rebuilding and retreading of tires |
| License 32 | Manufacture of coffins | License 61 | Manufacture of other rubber products |
| License 33 | Picture frames and framing | License 62 | Manufacture of plastic products |
| License 34 | Manufacture of other products of wood products except furniture n.e.c. | License 63 | Manufacture of sheet & plate glass, glass blocks, tubes & rods, glass fibers & glass wool |
| License 35 | Manufacture of pulp, paper and paperboard and of containers made from paper product | License 64 | Manufacture of glass containers: glass kitchenware, tableware & other glass products |
| License 36 | Manufacture of stationery | License 65 | Manufacture of glass and glasses products n.e.c. |
| License 37 | Manufacture of paper and paper products | License 66 | Manufacture of non-structural clay and ceramic products |
| License 38 | Other printing of paper related | License 67 | Manufacture of structural clay and ceramic products |
| License 39 | Petrol, fuel oils, lubricating oils and greases, primarily from crude oil | License 68 | Manufacture of cement, lime and plaster |
| License 40 | Petrol, fuel oils, lubricating oils and greases, primarily from coal | License 69 | Manufacture of articles of concrete, cement and plaster |
| License 41 | Petrol, fuel oils, lubricating oils and greases, primarily from natural gas | License 70 | Cutting, shaping and finishing of stone |
| License 42 | Lubricating oils and greases, primarily from other organic products | License 71 | Manufacture of mills from stone |
| License 43 | Compounded and blended lubricating oils and greases from purchased materials other than crude petroleum | License 72 | Manufacture of non-metallic mineral products n.e.c. |
| License 44 | Other petroleum/synthesized products n.e.c. | License 73 | Basic iron and steel industries, except steel pipe and tube mills |
| License 45 | Manufacture of basic chemicals, except fertilizers and nitrogen compounds | License 74 | Manufacture of ferrous metal products other than precious metals, used for production inputs |
| License 46 | Manufacture of fertilizers and nitrogen compounds | License 75 | Other manufacture of basic iron and steel |
| License 47 | Manufacture of plastics in primary form and of synthetic rubber | License 76 | Manufacture of primary nonferrous metal products, excluding precious metals |
| License 48 | Other manufacture of basic chemicals | License 77 | Other manufacture of basic precious and nonferrous metals |
| License 49 | Manufacture of pesticides and other agro-chemical products | License 78 | Casting of iron and steel |
| License 50 | Manufacture of candle and tawaf | License 79 | Casting of nonferrous metals |
| License 51 | Manufacture of other preparations such as polishes, waxes and dressings n.e.c. | License 80 | Other casting of metals n.e.c. |
| | | License 81 | Manufacture of metal structures or parts thereof |

(continues)

Continued

| | |
|-------------|--|
| License 82 | Manufacture of galvanized steel sheets |
| License 83 | Manufacture of metal structures from aluminum |
| License 84 | Manufacture of metal structures from steel |
| License 85 | Other structural metal products, e.g., metal doors, windows & gates |
| License 86 | Manufacture of structural metal products, tanks, reservoirs |
| License 87 | Manufacture of tanks, reservoirs, safe boxes and similar containers of metal |
| License 88 | Forging, pressing, stamping and roll-forming of metal; powder metallurgy |
| License 89 | Treatment and coating of metals; general mechanical engineering on a fee or contract basis |
| License 90 | Manufacture of cutlery, hand tools and general hardware |
| License 91 | Steel pipe and tube mills |
| License 92 | Manufacture of crown cork and can |
| License 93 | Manufacture of other fabricated metal products n.e.c. |
| License 94 | Manufacture of engines and turbines, except aircraft, vehicle and motorcycle engines |
| License 95 | Manufacture of pumps, compressors, taps and valves |
| License 96 | Manufacture of bearings, gears, gearing and driving elements |
| License 97 | Manufacture of ovens, furnaces and furnace burners |
| License 98 | Manufacture of lifting and handling equipment |
| License 99 | Manufacture of fire extinguishers and other related activities |
| License 100 | Manufacture of metal mills |
| License 101 | Manufacture of agricultural and forestry machinery |
| License 102 | Manufacture of machinery for metallurgy |
| License 103 | Manufacture of machinery for food, beverage and tobacco processing |
| License 104 | Manufacture of machinery for textile, apparel and leather production |
| License 105 | Manufacture of other special purpose machinery n.e.c. |
| License 106 | Manufacture of umbrellas |
| License 107 | Manufacture of brushes and brooms |
| License 108 | Manufacture of buttons, buckles, slide fasteners, etc. |

| | |
|-------------|---|
| License 109 | Manufacture of number plates, signs and advertising displays, that are not electrical |
| License 110 | Manufacture of engraving |
| License 111 | Recycling of metal waste and scrap |
| License 112 | Recycling of non-metal waste and scrap |
| License 113 | Other recycling n.e.c. |

The BoTIs issue the above manufacturing business licenses without requiring a competence certificate, provided that the general business registration and license requirements are fulfilled.

In practice, obtaining any of the above manufacturing business licenses approximately takes 1 to 2 weeks. A total of ten licenses were issued in 2012–2013 and the administrative compliance cost for this category of licenses approximately ranges from ETB 1,200 to ETB 3,000.

Findings

- The MoI position to avoid competence certificate licenses seems valid, as the regulatory purpose of such certificates for the above list of manufacturing activities is doubtful.
- The licenses under these categories are too specific with no apparent regulatory purpose.

Recommendations

- The elimination of competence certificate licenses for the above list of manufacturing activities should be maintained.
- The licenses need to be streamlined and the too many licenses should be reduced by sub-categories.

3.4 Electricity, Gas and Water Supply

3.4.1 Electricity Sector

3.4.1.1 Electricity Generation, Transmission, Distribution, Sale, Importation and Exportation

Article 10(1) of the Electricity Proclamation No. 86/1997 provides that “No person may generate, transmit, distribute or sell electricity for commercial purposes unless he is a holder of a license.” In relation to electricity generation, transmission, distribution and sale, the Electricity Operations Council of Ministers Regulation No. 49/1999 has established four licenses to be issued by the Ethiopian Electric Agency (EEA). It also sets out requirements to be met to obtain each

| No. | License | Maximum Duration of License (Years) | License Fees in ETB |
|------------|---|-------------------------------------|---|
| License 1 | Hydro power generation license | 40 | 1.00 per kilowatt; minimum 1000.00 |
| License 2 | Thermal power generation license | 30 | " |
| License 3 | Geothermal power generation license | 25 | " |
| License 4 | Biomass power generation license | 20 | " |
| License 5 | Wind power generation license | 20 | " |
| License 6 | Solar power generation license | 20 | " |
| License 7 | Diesel power generation license | 15 | " |
| License 8 | Electricity transmission license | 50 | 20 per circuit kilo meter; minimum 2000 |
| License 9 | Electricity distribution and sale license | 50 | 2 per kilo volt ampere; minimum 1000.00 |
| License 10 | Electricity importation license | 10 | 1.00 per megawatt hour; minimum 2000.00 |
| License 11 | Electricity exportation license | 10 | " |

type of license. The generation of electricity from non-hydro sources is further subdivided into five licenses under a Directive issued by the previous Ministry of Infrastructure (Maximum Duration of License for Non-Hydro Power Generation Plants for Commercial Purposes Directive No. 1/2005). Accordingly, the above 11 business licenses are identified for electricity generation, transmission, distribution and sale activities.

According to Proclamation No. 86/1997, it is necessary to regulate the activities of electricity suppliers to ensure the supply of efficient and reliable electricity services to the public. Thus, ensuring the efficient and reliable supply of electricity services, which is one of the basic utilities and networked services, is the regulatory purpose for requiring licenses for electricity generation, transmission, distribution and sale activities. As specified in Regulation No. 49/1999, the requirements to obtain electricity generation, transmission, distribution and sale licenses mainly include an application, feasibility study and Environmental Impact Assessment (EIA report).

As per Regulation No. 49/1999, applications for the above licenses are required to be registered and advertised. Moreover, the copies of the maps of the proposed area of license are required to be made available for public inspection for 60 days. If no

objection to an application is filed, the Agency shall grant the requested license within 30 days from the expiry of the 60 days notice period, provided that the relevant requirements are fulfilled. If an objection is filed, the granting of license shall be deferred pending a decision by the Agency within 120 days on the objection filed.

The Ethiopian Electric Agency (EEA) has given investment and operational licenses as per the Proclamation No. 86/1997 and Regulation No. 49/1999. However, almost all electricity operation licenses issued by the EEA have been given to the Ethiopian Electric Power Cooperation.

Findings

- All of the licenses related to electricity generation, transmission, distribution and sale, and importation and exportation have a firm legal basis and serve valid regulatory purposes.
- The requirements to obtain the licenses are largely necessary and reasonable when seen in light of the regulatory purpose.

Recommendation

- All of the licenses related to electricity generation, transmission, distribution and sale, and importation and exportation should be maintained.

3.4.1.2 Electrical and Electromechanical Work Construction and Consultancy

Proclamation No. 86/1997 and Regulation No. 49/1999 authorize the EEA to issue professional competence certificates to electrical contractors. Although these laws refer to electrical contractors, the certificate envisaged under them is to certify individual professionals, not business institutions engaged as electrical contractors or consultants.

| | |
|------------|--|
| License 12 | Electrical professional competence certificate |
|------------|--|

Regulation No. 49/1999 establishes four categories (Grade A–D) for electrical professional competence certificates. The Regulation further provides for a maximum of 30 days to process the issuance of a certificate as well as fees payable to obtain each category of certificate (ETB 500 for Grade A, ETB 400 for Grade B, ETB 300 for Grade C and ETB 100 for Grade D).

The Electricity Proclamation No. 86/1997 and Regulation No. 49/1999 do not establish licenses to be issued to business organizations engaged in electrical or electromechanical work construction or consultancy, nor do they authorize the EEA to verify and issue competence certificates to business organizations engaged in these activities. However, the revised ESIC has established the following three licenses in relation to electrical or electromechanical work contractors or consultants and authorized the EEA to verify and issue competence certificates to businesses in relation to these licenses.

| | |
|------------|--|
| License 13 | Electrical work contractor (Grade 1–8) license |
| License 14 | Electromechanical work contractor (Grade 1–8) |
| License 15 | Electrical engineering consultancy license (Grade 1–5) |

The EEA issued a Directive to determine requirements for competence certification for electrical and electric-related trade activities in December 2011 and it revised the Directive in June 2013. This Directive sets out requirements (mainly related to office/work place,

human resources, machineries) to be met to obtain competence certificates in relation to each of the above licenses. The actual business licenses for electrical works contractor, electromechanical work contractor and electrical engineering consultants are issued/renewed by the Bureau of Trade and Industry (BoTIs) after obtaining competence certificates from the EEA. No fee is charged by EEA to issue competence certificates for these licenses.

A total of ten licenses have been issued in 2012–2013 under this sector and the estimated compliance cost for this category of licenses is about ETB 8,700.

Findings

- Proclamation No. 86/1997 and Regulation No. 49/1999 mandates the EEA only to certify the professional competence of individuals in the electric field, not business organizations. These laws do not mandate the EEA to issue competence certificates to businesses that engage as electrical or electromechanical work contractors. This could be considered as a legal gap in the mandate of the EEA.
- The certification of electrical professionals and the competence of electrical and electromechanical contractors as well as electrical engineering consultants serve valid regulatory purposes.
- The requirements to obtain the electrical and electromechanical work contractor licenses and electrical engineering consultant licenses in the first Directive issued in December 2011 were considered very stringent and not realistic to the country context. The revised Directive tried to make the requirements less stringent.
- With regard to electromechanical work contractor license, there is an overlap and lack of clarity between the mandate of the EEA and the Ministry of Urban Development and Construction (MoUDC) in issuing competence certification.

Recommendation

- The certification of electrical professionals and the competence of electrical and electromechanical contractors as well as electrical engineering consultants should be maintained.

3.4.1.3 *Manufacture, Wholesale, Import and Export of Electrical Machines, Equipment and Apparatus*

The ESIC identifies/establishes the licenses listed below regarding business activities related to the manufacture, wholesale, import and export of electrical machineries, equipment and appliances. It further authorizes the EEA to issue competence certificates and BoTIs to issue the actual licenses in relation to these activities. However, Proclamation No. 86/1997 and Regulation No. 49/1999 do not establish competence certificate licenses, nor do they mandate the EEA to issue competence certificates to businesses that engage in the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus. Article 30(3) CRBLP is cited as the legal basis for these competence certificate licenses.

| | |
|------------|--|
| License 16 | Manufacture of electric motors, generators and transformers |
| License 17 | Manufacture of electricity distribution and control apparatus |
| License 18 | Manufacture of insulated wire and cable |
| License 19 | Manufacture of accumulators, primary cells and primary batteries |
| License 20 | Manufacture of electric lamps and lighting equipment |
| License 21 | Manufacture of electrical baking stove |
| License 22 | Manufacture of energy-saving technology devices |
| License 23 | Manufacture of other electrical equipment n.e.c. |
| License 24 | Manufacture of electronic valves and tubes and other electronic components (capacitors, resistors, transistors, etc.) |
| License 25 | Wholesale trade in lifts, escalators and industrial and office air-conditioning equipment |
| License 26 | Wholesale trade in electrical motors, generators, transformer, pumps, others not mentioned in other places except household and office electrical equipments |
| License 27 | Wholesale trade in lighting and lighting accessories |
| License 28 | Wholesale trade in electricity distribution and controlling apparatus |
| License 29 | Wholesale trade in wiring and cables accessories |
| License 30 | Wholesale trade in solar energy equipments |

| | |
|------------|--|
| License 31 | Wholesale trade in electrical equipment n.e.c. |
| License 32 | Installation and maintenance of electrical equipments |
| License 33 | Import trade in electrical motors, generators, transformers, pumps, others not mentioned in other places except household and office electrical equipments |
| License 34 | Import of household electrical appliances and equipment (including household air-conditioners) |
| License 35 | Import of lighting and lighting accessories |
| License 36 | Import of electricity distribution and controlling apparatus |
| License 37 | Import trade in wiring and cables accessories |
| License 38 | Import of solar energy equipments |
| License 39 | Import trade in electrical equipment n.e.c. |
| License 40 | Export trade in electrical motors, generators, transformers, pumps, others not mentioned in other places except household and office electrical equipments |
| License 41 | Export trade in household and office electrical appliances and equipment (including household air-conditioners) |
| License 42 | Export trade in lighting and lighting accessories |
| License 43 | Export trade in electricity distribution and controlling apparatus |
| License 44 | Export trade in wiring and cables accessories |
| License 45 | Export trade in solar energy equipments |

The EEA has been issuing competence certificates in relation to the above listed licenses based on the Directive it issued in December 2011 and revised in June 2013. According to the Directive, the objective of the competence certificate requirement for the above listed business activities is safeguarding the property and safety of the public.

No fee is charged by the EEA to issue competence certificates in relation to these licenses. Processing this group of licenses may take from 2–4 weeks. A total of seven licenses have been issued in 2012–2013 and the estimated administrative compliance cost ranges from ETB 2,500 to ETB 8,000.

Findings

- Proclamation No. 86/1997 and Regulation No. 49/1999 do not mandate the EEA to issue competence certificates to businesses that engage in the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus. This could be considered as a legal gap in the mandate of the EEA.
- Ensuring ex-ante the competence of businesses engaged in the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus is not considered to serve a strong regulatory purpose. Even the regulators stated that it would be more appropriate to regulate the quality of the products than the competence of the traders.
- The licenses for the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus are unnecessarily prescriptive/specific.

Recommendations

- The competence certificate licenses for the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus should be eliminated, as their legal basis and regulatory purpose is doubtful.
- Most of the business licenses for the manufacture, wholesale, import and export of electrical machineries, equipments and apparatus should be merged to avoid multiple business licenses.

3.4.1.4 Retail Trade in Electrical Machines, Equipment and Apparatus

The ESIC established the following eight licenses in relation to retail trade activities in electrical machines, equipment and apparatus. It also authorized the EEA to issue competence certificates and the BoTIs to issue the actual business licenses to these activities. The EEA, in the Directive it issued in December 2011, included requirements to obtain competence certificates for these activities. However, based on a recent circular issued by the MoT to exempt retail trade activities in most sectors, the EEA has stopped issuing competence

certificates and has not included requirements for retail trade activities in electrical machines, equipment and apparatus in its revised Directive issued June 2013.

| | |
|------------|--|
| License 46 | Retail trade of electrical motors, generators, transformers, pumps, others not mentioned in other places except household and office electrical equipments |
| License 47 | Retail trade of household electrical appliances and equipment (including household air-conditioners) |
| License 48 | Retail trade of lighting and lighting accessories |
| License 49 | Retail trade of electricity distribution and controlling apparatus |
| License 50 | Retail trade of wiring and cable accessories |
| License 51 | Retail trade of solar energy equipments |
| License 52 | Retail trade of electrical equipment n.e.c. |
| License 53 | Retail trade of lifts, escalators and industrial and office air-conditioning equipment |

Findings

- Exempting retail trade activities in electrical machines, equipment and apparatus from the requirement to obtain competence certificates is a right decision, as the ex-ante regulation of the competence of businesses engaged in these activities does not serve a valid and strong purpose.
- The licenses for the retail trade in electrical machineries, equipments and apparatus are unnecessarily specified and may result in requiring one trader to obtain multiple licenses.

Recommendation

- All the business licenses for retail trade activities in electrical machines, equipment and apparatus should be merged into one license to avoid multiple licenses.

3.4.2 Water Sector

3.4.2.1 Water Utilization Permits

The Ethiopian Water Resources Management Proclamation No. 197/2000 (Articles 11–18) establishes the following three permits related to the utilization of water resources.

| No. | License | License Fees in ETB |
|-----------|--------------------------------|--|
| License 1 | Water use permit | 87 for issuance and 55 for cancellation, transfer or alteration |
| License 2 | Waterworks construction permit | 94 for issuance and 54 for extension, cancellation, transfer or alteration |
| License 3 | Waste water discharge permit | 81 for issuance and 41 for cancellation or alteration |

These permits are not business licenses *per se*, but are usually required to be obtained by businesses engaged in drinking water supply, irrigation, industry, power generation, transport, animal husbandry, fishing, mining, etc. Although the objective of these permits is not expressly stated, the purpose of Proclamation No. 197/2000, which established these permits, is to ensure that the water resources of the country are protected and utilized for the highest social and economic benefits of the people of Ethiopia. According to Proclamation No. 197/2000, applications for the above permits shall be processed within 60 days. More specific application requirements and fees to obtain the above permits are further stipulated in the Council of Ministers Ethiopian Water Resources Management Regulation No. 115/2005. The permits are to be issued by the Ministry of Water, Irrigation and Energy (MoWIE) or other organs delegated by the Ministry, usually river basin authorities or regional water bureaus.

The revised ESIC identified the following water supply/use related licenses and authorized the MoWIE to issue competence certificates: 1) production of bottled waters (with FMHACA), 2) collection, purification and distribution of water including bottled water (with FMHACA), 3) steam and hot water supply (with MoCT), 4) in-land fishing (with MoA), and 5) fish farms (with MoA). However, the water use permit discussed above applies to these businesses or any other type of water use and the MoWIE is not providing competence certificates for these licenses as envisaged in the ESIC.

Findings

- All of the above 3 permits serve valid regulatory purposes, ensuring sustainable utilization of water, which is one of the scarce resources.
- The requirements to obtain the licenses are largely necessary and reasonable.

3.4.2.2 Water Works Professionals, Contractors and Consultancy

The Ethiopian Water Resources Management Proclamation No. 197/2000 (Articles 11–18) provides that no person shall engage, without holding Certificate of Professional Competence, in the field of waterworks construction activity, including in water well drilling, cleaning activity or giving a consultancy service relating thereto. The competence certificates for these activities are to be issued by the MoWIE or other organs delegated by it and are required to be renewed annually. Regulation No. 115/2005 has further specified the type of competence certificates to be issued for waterworks professionals, contractors and consultants.

The MoWIE has issued a Directive for the implementation of competence certification based on the power given to it by Proclamation No. 197/2000. The Directive was revised on 4 October 2013. The revised Directive specifies the types of competence certificates to be issued in the field of waterworks professionals, contractors and consultants, including the detail requirements to obtain each type of competence certificate. Based on Proclamation No. 197/2000, Regulation No. 115/2005 and the revised Directive issued by the MoWIE, the following licenses are identified in relation to waterworks professionals, contractors and consultants.

| | |
|-----------|--|
| License 1 | Certificate of professional competence in waterworks construction |
| License 2 | Certificate of professional competence in waterworks study, design and supervision |
| License 3 | Certificate of highly experienced professional water designer |
| License 4 | Certificate of professional competence in water well drilling |
| License 5 | Waterworks contractor (Grade 1–10) |
| License 6 | Water well drilling and cleaning contractor license (Grade 1–5) |
| License 7 | General water resource consultant (Grade 1–6) |
| License 8 | Water supply and sanitary engineering consultant (Grade 1–7) |
| License 9 | Hydro-power generation engineering consultant (Grade 1–8) |

The first four types of certificates aim to certify the qualification/competence of individual professionals, not businesses *per se*, whereas the last five types of certificates are directed at certifying the competence of business organizations engaged in the field of waterworks construction and consultancy.

Although the Directive issued by the MoWIE identifies five types of licenses for business organizations engaged as contractors or consultants in the area of waterworks, the revised ESIC identifies only the following three general licenses:

| | |
|------------|---|
| License 10 | Construction of waterworks (contractor) |
| License 11 | Sanitary work contractor |
| License 12 | Waterworks consultancy |

Thus, the licenses identified by the MoWIE Directive for competence certification purposes do not directly match with the licenses identified by the revised ESIC for issuance of business licenses. In practice, MoWIE issues competence certificates as per its Directive, while BoTIs issue actual business licenses as per the ESIC for business engaged as water works contractors and consultants. Moreover, while the relevant laws and the Directive issued by the MoWIE authorizes the MoWIE to exclusively issue competence certificates for all businesses engaged in the area of water works construction and consultancy, the revised ESIC authorizes the MoWIE and the MoUDC to jointly issue competence certificates for business licenses for water works contractors and sanitary work contractors.

Although Proclamation No. 197/2000 and Regulation No. 115/2005 provide that no person shall engage in the business of waterworks contractor or consultant without holding certificate of professional competence, they do not expressly state the objective of this regulatory requirement. The Directive issued by the MoWIE states the regulatory purpose of certifying the competence of professionals and business engaged in waterworks construction and consultancy is to protect the interest of the public and government. However, it does not specify which types of public or government interest are to be protected by this regulatory

requirement. Normally waterwork construction activities could involve public health, safety or environmental risks/concerns. Thus, the regulatory purpose of certifying the competence of professionals and businesses engaged in waterworks construction and consultancy could be related to addressing these concerns, although not expressly specified in the relevant laws.

According to the Directive issued by the MoWIE, the requirements to certify the professional competence of individual professionals relate to having appropriate educational qualification and experience in the field. For business organizations to be engaged as waterworks contractors or consultants, the requirements to obtain professional competence certificates generally relate to human resources, office space, machinery and equipment. The type and size of these requirements vary depending on the contractor and consultancy grade requested by the applicant. Moreover, all businesses required to obtain competence certificates for waterworks contractor or consultancy license are required to present Tax Identification Number (TIN) and Memorandum and Articles of Associations (if the applicant is a company) or professional certificate (if the applicant is sole proprietorship). Private sector informants consider that the requirements to obtain professional competence certificates are very stringent and sometimes lack clarity.

Regulation No. 115/2005 provides that professional competence certificates for waterworks professionals, contractors and consultants shall be issued within ten days of application. However, as per information obtained from the private sector, obtaining professional competence may sometimes take longer time than what is legally set.

Regulation No. 115/2005 also specifies the fees charged to obtain and renew the various competence certificates for waterworks professionals, contractors and consultants, which range from ETB 41 to ETB 162. A total of 4,676 licenses have been issued in 2012–2013 and the estimated administrative compliance cost for this category of licenses ranges from ETB 2,800 to ETB 12,800.

Findings

- The type of waterworks contractor and consultant licenses certified by the MoWIE and issued by BoTIs as per the revised ESIC do not directly match.
- With regard to waterworks (including sanitary work) contractor's license, there is overlap and lack of clarity between the mandate of the MoWIE and MoUDC in issuing competence certification.
- Although not clearly stated in the relevant laws, the regulatory purposes of certifying the professional competence of waterworks professionals, contractors and consultants are related to protection of public health and safety as well as environmental protection and could be considered as serving a valid regulatory purpose.
- The requirements of professional competence could be considered stringent and unrealistic when considered with the country situation.

Recommendations

- The competence certificate licenses for waterworks professionals, contractors and consultants should be maintained, as they have clear legal basis and valid regulatory purposes. However, the inconsistency between the laws that govern competence certification (Proclamation No. 197/2000, Regulation No. 115/2005 and the revised Directive issued by the MoWIE) and the issuance of business licenses (the revised ESIC) should be addressed.
- The overlap and lack of clarity between the mandate of the MoWIE and MoUDC in issuing competence certification for waterworks contractors should be addressed.
- The excessively stringent requirements to obtain professional competence certificates for waterworks contractors and consultants need to be simplified.
- The requirement to yearly renew professional competence certification should be reconsidered so as to abolish the requirement.

3.4.3 Petroleum, Gas and Other Fuel Supply Sector

The revised ESIC identifies the following licenses in relation to gas, petroleum and other fuel supply

| | |
|------------|--|
| License 1 | Manufacture of gas; distribution of gaseous fuels through mains |
| License 2 | Wholesale trade in coal, coke and briquettes |
| License 3 | Wholesale trade in petroleum, petroleum products & related materials |
| License 4 | Wholesale trade in gas, natural and manufactured |
| License 5 | Wholesale trade in solid, liquid and gaseous fuels and related products n.e.c. |
| License 6 | Installation and maintenance of fuel station equipments |
| License 7 | Import trade in coal, coke and briquettes |
| License 8 | Import trade in petroleum, petroleum products & related materials |
| License 9 | Import trade in gas, natural and manufactured |
| License 10 | Import trade in solid, liquid and gaseous fuels and related products n.e.c. |
| License 11 | Export coal, coke and briquettes |
| License 12 | Export petroleum, petroleum products & related materials |
| License 13 | Export gas, natural and manufactured |
| License 14 | Export trade in solid, liquid and gaseous fuels and related products n.e.c. |
| License 15 | Transport via pipelines |

activities and authorizes the MoWIE to issue competence certificates for these licenses.

In fact, one of the powers given to the MoWIE under Article 26 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 691/2010 is to set standards for petroleum storage and distribution facilities, and follow up the enforcement of same. However, the MoWIE is still in the process of establishing a legal framework to regulate the transaction and supply of petroleum and other fuel materials. Accordingly, it has not started issuing competence certificates for business that engage in petroleum and gas transaction and supply. The MoWIE has delegated/requested in writing to the MoT to issue trade licenses for businesses engaged in these activities, until it puts in place the necessary legal framework. Accordingly, the MoT and BoTI are issuing business licenses for petroleum, gas and other fuel supply and transaction activities without requiring a competence

certificate, provided that the general business registration and license requirements are fulfilled.

No new license was issued in 2012–2013 in this sector. However, the estimated administrative compliance cost to obtain a license from this category of licenses would be around ETB 10,000.

Finding

- The delay in putting the legal framework governing this sector has created a gap and uncertainty in the licensing process in the sector.

Recommendation

- The legal framework for the regulation of the licensing process in the sector should put in place as soon as possible.

3.5 Construction

3.5.1 Contractors and Consultants

The Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia, Proclamation No. 691/2010 under Article 27/1/l authorizes the MoUDC to register and issue certificates of professional competence to engineers and architects; determine the grades of contractors and consultants, and issue certificates of competence to those operating in more than one regional state. The MoUDC has issued the Amended Directives for the Registration of Construction Professionals and Contractors No. 19/2013, a directive that came out to implement these powers of the MoUDC. This again has been amended by the Amended Directives for the Registration of Construction Professionals and Contractors No. 23/2013. These directives provide the requirements for contractors including for: pile foundation contractors, General contractors (GC), Building Contractors (BC) and Road Contractors (RC) with the last three each having 10 grades each depending on project cost that they can carry out. Specialized contractors⁷⁵ are also provided for in the directives. Besides, the registration of civil engineers, architects, associate engineers (building or civil) and

engineering aides (building and civil) are also addressed in the directives.

Based on the law and directives described above the licenses identified with regard to contractors, specialized contractors and consultants are:

| | |
|------------|---|
| License 1 | Building contractor |
| License 2 | Pile foundation work contractor |
| License 3 | (Landscaping SC-LS) specialized contractor |
| License 4 | (Wood and metal works) specialized contractor |
| License 5 | (Painting and decorating) specialized contractor |
| License 6 | (Sanitary installation) specialized contractor |
| License 7 | Road contractor |
| License 8 | General contractor |
| License 9 | Architectural and engineering consultancy |
| License 10 | Construction management consultancy |
| License 11 | Consulting architects |
| License 12 | Consulting engineers, general |
| License 13 | Highway & bridge consultants |
| License 14 | Hydraulic engineering consultancy |
| License 15 | Irrigation drainage and flood control consultancy |
| License 16 | Office for consulting architects |
| License 17 | Office for consulting engineers |
| License 18 | Office for consulting specialized |
| License 19 | Sanitary engineering consultancy |
| License 20 | Water resource consultancy |
| License 21 | Electromechanical contractor |

The MoUDC only issues competency certificates for road contractors, building contractors, pile foundation work contractors and general contractors, out of the licenses listed above. The MoUDC has delegated its power to issue competency certificates for consultancy services to the Addis Ababa City Administration Construction and Houses Development Bureau, Construction Industry Development and Control Authority (CIDCA).⁷⁶ With regard to contractors, the MoUDC issues licenses for federal contractors, i.e., for those operating in more than one regional state while the CIDCA gives competencies for contractors that only operate in Addis Ababa. In reality however, it

⁷⁵ Painting and decorating, sanitary installation, wood and metal works and landscaping SC-LS (specialized contractors for landscaping).

⁷⁶ Though the legal basis for the delegation is not clear.

seems licenses given for contractors at the CIDCA can be used outside of Addis Ababa. Besides, the CIDCA administers the specialized contractors.⁷⁷

The revised ESIC establishes 44 types of business licenses related to construction. However the licenses below are not currently getting competence approvals from the MoUDC or are not identified in these names although they appear in the revised ESIC.

| | |
|------------|---|
| License 22 | Asset valuation |
| License 23 | Property owning and letting |
| License 24 | Developing real estate, subdividing real estate into lots and residential development |
| License 25 | Owning and/or sale of own fixed property |
| License 26 | Other real estate activities |
| License 27 | Renting of construction and civil engineering machinery and equipment |
| License 28 | Construction and related specialized consultancy services |
| License 29 | Urban planning and related consultancy |
| License 30 | Other construction related professional consultancy services n.e.c. |
| License 31 | Mechanical consulting engineers |
| License 32 | Civil consulting engineers |
| License 33 | Building, industrial plant and resident house activities |
| License 34 | Parking service |
| License 35 | Cobblestone service |
| License 36 | Manufacture of machinery for construction |
| License 37 | Construction of waterworks |
| License 38 | Other building of complete constructions or parts thereof; civil engineering |
| License 39 | Plumbing |
| License 40 | Sanitary work contractor |
| License 41 | Other building installation |
| License 42 | Water-proofing services |
| License 43 | Building and road construction contractor |
| License 44 | Other related activities n.e.c. |
| License 45 | Demolition and site preparation for construction |
| License 46 | Site preparation for construction |
| License 47 | Soil testing work |
| License 48 | Clearing site for construction |
| License 49 | Other site preparations |

⁷⁷ These have four grades depending on the cost of construction that they undertake.

| | |
|------------|---|
| License 50 | Demolition |
| License 51 | Demolition of building and other constructions |
| License 52 | Other activities of demolition |
| License 53 | Wholesale trade in construction equipment (e.g., concrete mixer) |
| License 54 | Retail trade of construction equipment (e.g., concrete mixer) |
| License 55 | Installation, and fixing of aluminum windows and doors/aluminum works |
| License 56 | Import trade in construction equipment (e.g., concrete mixer) |
| License 57 | Export trade in construction machinery and equipment |

Outside of the ESIC's categories, the MoUDC also registers civil engineers or related professionals; architects or related professionals; associate engineers (building or civil); engineering aides (building or civil); and professionals who are certified for the different levels in the occupational standards for civil construction that are relevant for the requirements for the competency certificates.

The Amended Directives for the Registration of Construction Professionals and Contractors No. 19/2013 and Directive 23/2013 indicate the objective of the licensing by the MoUDC to be: safeguarding the interest of the public at large and that of the government by regulating the participation of the persons and other legal entities engaged in the field of construction by setting certain rules and standards to be observed for purposes of safety, quality of works and efficiency. Despite the clear and convincing presentation of these purposes, the directives only address contractors and registration of professionals and exclude consultants.

According to directives the number of requirements for consultancy ranges from 9–10 with a small difference depending on the grade. These mostly comprise documentation, capital, equipment, and manpower and office facility. The time it takes to issue licenses and competence certificates is not given in the laws but competence processing personnel at MoUDC and CIDCA indicated that it takes 2–3 days for contractors, 1–5 days for consultants from grade 1–5, and 20 to 30 minutes for the rest of the grades. This is without

considering the business registration and licensing at BoTI. Private sector licensees do not accept this time frame and allege that it takes for contractors from 1 to 10 days and from 15 days to 7 months for consultants to get the licenses. This is in sharp contrast to what is often alleged by the license issuing agencies.

The fees for the competencies for contractors which are indicated on Directive 23/2013 range from ETB 500 to ETB 5,000 depending on the grade. The directive also states that the fee for professional competencies to be ETB 500. The fees for consultants is not written in the directive but what is being asked ranges from ETB 5,000 for grade 1 to ETB 2,000 for grade 6. These figures are minus trade registration, licensing and name verification costs.

A total of 19, 1, 11 and 1 licenses have been issued for Building Contractors, Pile Foundation Work Contractors, Road Contractors and General contractors respectively in 2005 E.C. and the estimated administrative compliance cost for this category of licenses ranges from ETB 6,548 to ETB 15,089. In the case of the consultation licenses figures are hard to come by but the estimated administrative costs for these ranges from ETB 7,037 to ETB 181,779.

Findings

- There is a regulatory purpose to licensing of these fields such as to ensure safety, quality of works and efficiency in the field, but the input of the private sector has to be taken on board if current obstacles in the system are to be addressed.
- The licensing process including preparation of requirements appears to be in a state of flux. Directive 23/2013 was issued within one month of the issuance of Directive 19/2013. Besides, it is hard to tell how the two are going to be applied together.
- Requirements are expensive across the board. The reason could be the capital and equipment needed for such fields. For instance a pickup truck for all specialized contractors looks cumbersome.⁷⁸ Another example is the equipment requirement for general contractor grade 1 which are: 4 dozers, 2 cranes,

2 loaders, 2 crushers, 2 graders, 2 excavators, 3 rollers, 8 dump trucks, 2 4W drives, and 4 pickups (5 quintals & above). Besides, the requirements do not include the offices that contractors/consultants rent at building sites where work is actually done over and above the office requirements that have to be met.

- The ad-hoc approach of preparing the grades and requirements with the relevant associations for applications for fields not provided in the Directive No. 19 (for registration of contractors) and submitting it to the minister for approval, might take considerable time and resources.
- Although the MoUDC is making preparations to certify new licenses such as asset valuation, it also has to decide whether the other licenses included in the ESIC but not yet being issued are worth issuing. The MoUDC believes a lot more has to be delegated to the regional states such as contractors' certificate of competence, and particularly registration of construction equipment. The MoUDC admits it has the problem of accessibility. Moreover, admittedly it seems overwhelmed with its current licenses and it looks like it might have a challenge receiving new responsibilities.
- Based on its mandate on Proclamation 691/2010 the MoUDC does not have the power to register associate engineers (building or civil) and engineering aides (building and civil) but it does. It does not make sense to register professions that have no direct contact with the public or work under the supervision of others.

Recommendations

- The MoUDC should function based on its mandate and reform competency issuance in line with the delivery of quality service to the public. Focusing on equipment, professionals and office facilities should only be done in the relevant places. Addressing this issue will considerably reduce the workload on certifying and registering.
- The delegation of responsibility and accountability between MoUDC and CIDCA must be clarified to avoid replication and allocate responsibility for possible reforms.

⁷⁸ The private sector interviewees believe that the equipments are useful but may not be affordable at the commencement of business.

- The Revised ESIC should be aligned with the competencies that are actually being given by the MoUDC and CIDCA. Those licenses that are irrelevant should be adjusted or cut out.
- One window service should be introduced for construction related licenses which could save a lot of time and energy instead of going to up to 10 offices.
- Frequent amendments to the directives and licensing requirements should be avoided and be made on a timely fashion.
- Information about the licenses should be made available through booklets and online.

3.6 Wholesale and Retail Trade, Repair, Hotel and Restaurants, Import & Export

The licenses identified and discussed under this section are licenses which are applicable in the wholesale, retail, repair, import and export trade. However, licenses in these sectors which are governed as part of other sectors, such as agriculture, health, etc. sectors are not discussed under this section. This section discusses wholesale, retail, repair, import and export trade licenses which are envisaged to be verified and issued by the MoT/BoTI as per the ESIC. The revised ESIC assigns the MoT as the verifying body for a total of 238 licenses related to wholesale, retail, repair, import and export trade.

The MoT has been preparing a directive/guideline that determines the requirements for competence certification in relation to these licenses. The preparation of the requirements has reportedly been in the final stage of approval. So far, the MoT (for import and export related licenses) and the BoTI (for wholesale and retail related licenses) have issued the below listed business licenses without verifying competence, provided that the applicants fulfilled the general commercial registration and business licensing requirements.

-
1. Broker (intermediary) in house renting and sailing
 2. Broker (intermediary) in vehicles renting and sailing
 3. Brokers of livestock
 4. Broker (intermediary) of crops, vegetables and fruits
 5. Broker (intermediary) of machinery and industry materials

6. Broker (intermediary) household goods
7. Other brokers (intermediary) duties
8. Domestic trade agent
9. Wholesale trade in agricultural raw materials n.e.c.
10. Wholesale of wool, raw hides and skins
11. Wholesale of pickle, wet blue, crust and finished leather
12. Wholesale trade in livestock and livestock products n.e.c.
13. Wholesale trade in ethanol & molasses
14. Wholesale of bee wax
15. Wholesale trade in crude rubber
16. Wholesale trade in cork, wood & pulp
17. Wholesale trade in cotton
18. Wholesale trade in textiles fibers and yarn
19. Wholesale trade in textile
20. Wholesale trade in apparel and clothing
21. Wholesale trade in footwear
22. Wholesale trade in leather and textile goods, bags and luggage
23. Wholesale of accessories and components that used for finishing textile and leather products
24. Wholesale of made-up textile articles, except apparel
25. Wholesale of synthetics
26. Wholesale trade in other textile and leather products, n.e.c.
27. Wholesale of household and office furniture, requites, boards and appliances
28. Wholesale of households including mattresses, cushions, blankets, etc.
29. Wholesale of furnishings (including curtains, carpets, wallpaper)
30. Wholesale of crockery, cutlery and kitchen utensils
31. Wholesale of sponges and foam
32. Wholesale sanitary and sanitary accessories
33. Wholesale flora foam
34. Wholesale of furniture, home and office furnishings and other office and household equipment n.e.c.
35. Wholesale of record albums, cassette tapes, laser discs and compact discs (including VCDs, DVDs)
36. Wholesale of paper and paper products
37. Wholesale of packaging materials
38. Wholesale of stationery
39. Wholesale of books and magazines
40. Wholesale trade of materials used for promotion and advertising

(continues)

Continued

41. Wholesale of paper products packaging materials including plastic and fiber materials and stationery n.e.c.
42. Wholesale trade in photographic apparatus, equipment and supplies and optical goods
43. Wholesale trade in iron and steel
44. Wholesale trade in nonferrous metals
45. Wholesale trade in scraps
46. Wholesale trade in non-metallic minerals
47. Wholesale trade in metal, non-metals, metal ores and scraps n.e.c.
48. Wholesale of fabricated metals except general hardware (e.g., steel pipes)
49. Wholesale of general hardware (e.g., locks, hinges)
50. Wholesale of structural clay and concrete products (e.g., mosaic tiles, bricks)
51. Wholesale of paints (including varnishes, adhesives and supplies)
52. Wholesale of cement
53. Wholesale of sand, gravel, stones and related materials
54. Wholesale trade in construction materials, n.e.c.
55. Wholesale trade in basic industrial chemicals except fertilizers
56. Wholesale trade in chemical fertilizers
57. Wholesale trade in petrochemical products/Vaseline, glycerin, wastes of petrochemicals, tar, etc.
58. Wholesale of dyeing, tanning and coloring materials
59. Wholesale of drycell
60. Wholesale trade in chemicals and chemical products n.e.c.
61. Wholesale trade in other intermediate products, waste and scrap of both metals and non-metals
62. Wholesale trade in industrial, machinery and equipment
63. Wholesale trade in grain mill and its spare parts
64. Wholesale of pesticides and agro-chemicals
65. Wholesale trade in commercial food service equipment (e.g., hotel kitchen equipment)
66. Wholesale trade in service establishment equipment and supplies (e.g., beauty salon equipment)
67. Wholesale trade in security and fire-fighting equipment
68. Wholesale trade in machinery and equipment n.e.c.
69. Department store (mall)
70. Supermarket
71. Mini market/shop
72. Hyper market
73. Small shop (kiosk)
74. Retail trade of fabricated metals except general hardware (e.g., steel pipes)
75. Retail trade of general hardware (e.g., locks, hinges, nails, tins, etc.)
76. Retail trade of structural clay and concrete products (e.g., mosaic tiles, bricks)
77. Retail trade of paints (including varnishes and supplies)
78. Retail trade of cements
79. Retail trade of sand, gravel stone and related materials
80. Retail trade of other construction materials, hardware plumbing, and health equipment and supplies
81. Retail trade in men's, boys' and children's clothing
82. Retail trade in ladies', girls' and children's clothing
83. Retail trade in apparel and clothing
84. Retail trade of shoes and leather goods
85. Retail trade of textile products (except apparel and clothing)
86. Retail trade of bags, luggage and related products
87. Retail trade of traditional wear
88. Retail trade in textiles, and leather goods n.e.c.
89. Retail trade in household and office furniture, requisites, boards, and appliances
90. Retail trade of household materials (blanket, bed sheet, quilt and pillow)
91. Retail trade of household and office furnishings and decorative (curtain, carpet and wallpaper)
92. Retail trade of crockery, cutlery and kitchen utensils
93. Retail trade of sanitary and sanitary accessories
94. Retail trade of household and office furnishing and other household and office equipments n.e.c.
95. Retail trade in glasses and glass products
96. Retail trade in books and stationery materials
97. Retail trade in blank and recorded CD, VCD and related products
98. Retail trade in basic industrial chemicals except fertilizers
99. Wholesale trade in chemical fertilizers
100. Retail trade in petrochemical products/Vaseline, glycerin, wastes of petrochemicals, tar, etc.
101. Retail trade in dyeing, tanning and coloring materials

102. Retail trade in plastics in primary forms and non-primary forms
103. Retail trade of chemicals n.e.c.
104. Retail trade in outside stores
105. Retail trade in second-hand goods in stores
106. Retail trade in industrial machinery and equipment
107. Retail trade of commercial food service equipment, e.g., hotel kitchen
108. Retail trade of service establishment equipment and supplies (e.g., beauty salon equipment)
109. Retail trade of security and firefighting equipment
110. Retail trade of materials used for promotion and advertising including painting ink
111. Retail trade of non-agricultural intermediate products, waste and scrap
112. Maintenance and repair of footwear and leather products
113. Maintenance and repair of household and office goods
114. Maintenance of personal goods
115. Installation and maintenance of machineries
116. Installation and maintenance services n.e.c.
117. Foreign trade agent
118. Commercial representative
119. Import of wool, raw and hides, skins
120. Import of pickle, wet blue, crust and finished leather
121. Import trade in ethanol and molasses
122. Import trade in cork, wood & pulp
123. Import trade in cotton
124. Import trade in textile fibers and yarn
125. Import trade in textiles
126. Import trade in apparel and clothing
127. Import trade in footwear and leather goods
128. Import trade in bags, luggage, handbags and related products
129. Import of accessories and components used for finishing textile and leather products
130. Import trade in made-up textile articles cordage, rope, twine and netting, bags, sacks, rapping & packing materials (except apparel and clothing)
131. Import trade in synthetic leather
132. Import trade in other textile and leather products n.e.c.
133. Import of household and office furniture, requisite, boards and appliances
134. Import of furnishings (including curtains, carpets, wallpaper, sanitary tools, broom)
135. Import of households including mattresses, cushions, blankets, etc.
136. Import of sponges and foam
137. Import of sanitary and sanitary accessories
138. Import of flora foam
139. Import of furniture, home and office furnishings and other household and office equipment n.e.c.
140. Import of blank record albums, cassette tapes, laser discs and compact discs including VCDs, DVDs
141. Import of paper and paper products
142. Import of packaging materials made from plastics and papers
143. Import of stationery
144. Import of books and magazines
145. Import trade of materials and painting inks used for promotion and advertising
146. Import of paper, paper and cellophane products and stationery n.e.c.
147. Import trade in photographic apparatus, equipment and supplies and optical goods
148. Import trade in iron and steel
149. Import trade in nonferrous metals (aluminum, zinc, silver, copper, etc.)
150. Import trade in scraps
151. Import trade in non-metallic minerals (clay, ceramics, gypsum, lime, and their products except cement and glass)
152. Import trade in glass and glasses products
153. Import trade in metal, non-metals, metal ores and scraps n.e.c.
154. Import of fabricated metals except general hardware (e.g., steel pipes)
155. Import of general hardware (e.g., locks, hinges, nails, etc.)
156. Import of structural clay and concrete products (e.g., mosaic tiles, bricks)
157. Import of paints (including varnishes, adhesive, glues and supplies)
158. Import of cements
159. Import of heating equipment and related materials
160. Import trade in construction materials
161. Import trade in basic industrial chemicals except fertilizers
162. Import trade in chemical fertilizers
163. Import trade in petro chemical products/Vaseline, glycerin, tar, etc.
164. Import of dyeing, tanning and coloring materials

(continues)

Continued

165. Import of plastics in non-primary form and primary forms
166. Import trade in chemicals and chemical products n.e.c.
167. Intermediate products, waste and scrap
168. Import trade in industrial machinery and equipment
169. Import trade in commercial food service equipment (e.g., hotel kitchen equipment)
170. Import trade in service establishment equipment and supplies (e.g., beauty salon equipment)
171. Import trade in security and fire-fighting equipment
172. Import trade in candles and tewaf
173. Import trade in drycells
174. Import trade in torch light
175. Import of grain mill spare parts
176. Export of wool, rawhides, and skins
177. Export of pickle, wet blue, crust and finished leather
178. Export of ethanol and molasses
179. Export of honey and honey products (except bee wax)
180. Export of bee wax
181. Export trade in cork, wood & pulp
182. Export trade in cotton
183. Export trade in textile fibers and yarn
184. Export trade in textiles
185. Export trade in apparel and clothing
186. Export trade in footwear and leather goods
187. Export trade in bags and luggage
188. Export accessories and components that are used for leather textile products
189. Export trade in other textile product cordage, rope, twine and netting, bags, sacks, rapping & packing materials except apparel and clothing
190. Export trade in other textile and leather products n.e.c.
191. Export of household and office furniture, requisite, boards, appliances
192. Export of households (including mattresses, cushions, blanket, etc.)
193. Export of sponges and foam
194. Export of crockery, cutlery and kitchen utensils
195. Export of flora foam
196. Export of sanitary and sanitary accessories
197. Export of furniture, home furnishings and other household equipment n.e.c.
198. Export of record albums, cassette tapes, laser discs and compact discs (including VCDs, DVDs)
199. Export of recreational goods n.e.c.
200. Export of paper and paper products
201. Export of packaging materials made of plastics and papers
202. Export of stationery
203. Export of books and magazines
204. Export of paper, paper and cellophane products and stationery n.e.c.
205. Export of sporting goods n.e.c.
206. Export of photographic apparatus, equipment and supplies and optical goods
207. Export trade in other household goods n.e.c.
208. Export trade in iron and steel
209. Export trade in nonferrous metals
210. Export trade in scraps
211. Export trade in non-metallic minerals
212. Export trade in glass and glasses products
213. Export trade in metal, non-metals, metal ores and scraps n.e.c.
214. Export of sawn timber, plywood and related products
215. Export of fabricated metals except general hardware (e.g., steel pipes)
216. Export of general hardware (e.g., locks, hinges)
217. Export of structural clay and concrete products (e.g., mosaic tiles, bricks)
218. Export of paints (including varnishes and supplies)
219. Export of cements
220. Export trade in construction materials
221. Export of chemicals and chemical products
222. Export of basic industrial chemicals except fertilizers
223. Export of chemical fertilizers
224. Export of petrochemical/Vaseline, glycerin, etc., products
225. Export of dyeing, tanning and coloring materials
226. Export of plastics in primary forms and non-primary forms
227. Export of chemicals and chemical products n.e.c.
228. Export of inedible animal product
229. Export of metallic scrap and wastes
230. Export of non-metallic scraps and wastes
231. Export trade in industrial machinery and equipment
232. Export trade in commercial food service equipment (e.g., hotel kitchen equipment).
233. Export trade in service establishment equipment and supplies (e.g., beauty salon equipment)

- 234. Export trade in security and fire-fighting equipment
- 235. Import trade in candles and tewaf
- 236. Import trade in drycells
- 237. Import trade in torch light
- 238. Import of grain mill spare parts

Findings

- Although the MoT is reportedly finalizing the preparation of requirements for competence certification, a valid regulatory purpose for introducing competence certificates for the above listed business activities could not be ascertained.
- Most of the above business licenses are too specific or too prescriptive.

Recommendations

- The MoT plan to introduce competence certification licenses for the above listed activities should be abolished, as such licenses would not have valid regulatory purpose.
- The ESIC should be revised so as to merge most of the above licenses to avoid multiple licenses.

3.7 Transport, Storage and Communication

3.7.1 Road Transport Sub-Sector

Article 19 of the Proclamation to Provide for the Regulation of Transportation No. 468/2005 (Transport Proclamation) proclaims that persons and enterprises engaged in public commercial road transport shall observe laws, regulations and directives issued relating to road transport. Even though this is limited to public transportation, other provisions of the Transport proclamation provide for other aspects of transport licensing including public transportation. Art. 7/3/d & 7/2/b of the Transport Proclamation mandates the Transportation Authority (TA), with respect to road transport in cities accountable to the Federal Government, to issue certificates of competence to individuals and enterprises engaged in transport and garage services, as well as persons and enterprises engaged in cross-country and international commercial road transport. Besides, under Article 7/2/k & 7/3/e the TA has the power to issue and follow up the implementation of directives relating to the licensing of

driving schools and instructors. It also has responsibility to do the same in case of the certification of the technical competence, licensing and grading of garages engaged in the repair and maintenance of vehicles.⁷⁹ Additionally, the TA registers associations established by persons and organizations engaged in cross-country and international public commercial road transport; issues directives and supervises their activities as per Art. 7/2/o & 7/3/e of the law. Unfortunately, distinct, detailed and consolidated directives on the requirements for the above licenses is lacking, except for “The Dry Freight and Liquid Transport Associations, Business Organizations Services Categorizations and Vehicle Competence Requirements Directive,” which clearly talks about licenses and their requirements.

Accordingly, the following licenses were identified as having a basis in the Transport Proclamation.

| | |
|------------|---|
| License 1 | Driving education both in regular and by special machineries |
| License 2 | Institutes for inspection of motor vehicles |
| License 3 | Maintenance and repair of motor vehicles parts |
| License 4 | Taxis |
| License 5 | Freight transport by container |
| License 6 | Freight transport by freezing |
| License 7 | Import of bicycles |
| License 8 | Import of bicycle spare parts |
| License 9 | Import of car decor |
| License 10 | Import of motorcycles and tri-cycles |
| License 11 | Import of motor vehicle spare parts |
| License 12 | Import of new motor vehicles |
| License 13 | Import of tyres, inner tube and car batteries |
| License 14 | Import of used motor vehicles |
| License 15 | Other passenger transport, including the renting of passenger motor vehicles with drivers |
| License 16 | Transport of construction equipment (machineries, loading vehicles, dozer, loader, Kato, crane, mixers, etc.) |
| License 17 | Transportation of dry freight—transport of different vehicles by cranes or pulling or loading |

(continues)

⁷⁹ Apart from this, maintenance and repair service administered by the Addis Ababa Transport and Road Authority has classified these into 7 classes with 32 grades.

Continued

| | |
|------------|--|
| License 18 | Transport of fuel |
| License 19 | Transport of live animals |
| License 20 | Transport of office and household goods |
| License 21 | Transport of vehicle and machinery carrying trucks |
| License 22 | Transport of water, sewage and others |
| License 23 | Transportation of dry freight— transportation of automobiles |
| License 24 | Registration and renewal of transport association, companies and private transporters |
| License 25 | Simple car repair and maintenance (level 1–level 5) garage |
| License 26 | Medium and heavy trucks repair and maintenance (level 1–level 5) garage |
| License 27 | Simple, medium and heavy trucks repair and maintenance (level 1 and level 2) garage |
| License 28 | Special cars and vehicles body repair (level 1–2) |
| License 29 | Motor vehicles body repairs and change garage |
| License 30 | Motor vehicle parts, electrical parts, repairs garage (electrical and electronics parts, repair) |
| License 31 | Motor vehicles parts, radiator repairs garage (cooling section repair) |
| License 32 | Simple tyre repair garage |
| License 33 | General tyre repair and wheel alignment garage |
| License 34 | Car battery charge & repairs (battery repair) garage |
| License 35 | Maintenance and repairs motorcycle and tri-cycle garage |
| License 36 | Motor repair garage |
| License 37 | Power pass line section repair garage |
| License 38 | Benzene & fuel section repair garage |
| License 39 | Wheel and alignment section repair garage |
| License 40 | Chair and tapestry repair garage |
| License 41 | Maintenance and repairs bicycle garage |
| License 42 | Emergency vehicles maintenance on street |
| License 43 | Car wash service and grease |
| License 44 | Land transport (car) consultancy |

The TA is a competency issuing organ for these licenses, thus businesses have to visit the MoT or the BoTI for business licensing and registration as well as name verification. The TA's powers correspond more or less

to all the licenses listed in the above table except those licenses listed from 7 to 15 which appear to be out of the powers entrusted to the TA under the Transport Proclamation.⁸⁰ On the other hand, driving schools and technical inspection of vehicle licenses are administered by the Addis Ababa Road and Transport Bureau while licenses for taxi services and maintenance and repair licenses are dealt with by sub-cities of Addis Ababa, largely through the delegation of the TA under Article 24 of the Transport Proclamation.

In the revised ESIC, the road transport sector largely comes under the transport, storage and communication chapter. The revised ESIC provides for 87 types of business licenses related to road transport activities. Despite this, the licenses/competencies that are administered by the TA are the ones listed from 1–44 above while the licenses/competencies listed below are not administered by the TA or the Addis Ababa Road and Transport Bureau or not in these names.

| | |
|------------|--|
| License 45 | Manufacture of motor vehicles |
| License 46 | Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers |
| License 47 | Manufacture of radiators |
| License 48 | Activities of specialized automotive engineering workshops working primarily for the motor trade |
| License 49 | Manufacture of other motor vehicle parts and accessories |
| License 50 | Manufacture of motorcycles |
| License 51 | Manufacture of bicycles and carriages |
| License 52 | Wholesale of new motor vehicles |
| License 53 | Wholesale of used motor vehicles |
| License 54 | Wholesale of motorcycle and tricycle |
| License 55 | Wholesale sale of bicycle |
| License 56 | Wholesale trade in vehicle tyres, inner tube and battery |
| License 57 | Wholesale trade in bodies (coachwork) for motor vehicles |

⁸⁰ Although a clear connection can be made between Transport Proclamation and the licenses, there is much reference to the Commercial Registration and Business Licensing Proclamation No. 686/2010 as an authorizing law in subsequent directives e.g., the dry freight and liquid transport associations, business organizations services categorizations and vehicle competence requirements directive.

| | |
|------------|---|
| License 58 | Wholesale sale of motor vehicles, spare parts |
| License 59 | Wholesale sale of car décor |
| License 60 | Wholesale sale of motor vehicles, spare parts and parts n.e.c. |
| License 61 | Retail sale of new motor vehicles |
| License 62 | Retail sale of used motor vehicles |
| License 63 | Retail sale of motorcycle and tri-cycle Bajaj |
| License 64 | Retail sale of bicycle |
| License 65 | Retail sale of automotive fuel & lubricants in gas station |
| License 66 | Retail sale of fuel & lubricants outside gas station |
| License 67 | Retail sale of others n.e.c. automotive fuel & lubricants |
| License 68 | Sales of new parts and accessories |
| License 69 | Sales of used parts and accessories |
| License 70 | Retail trade of tyres car batteries |
| License 71 | Retail trade of car décor |
| License 72 | Retail sale of motorcycle, bicycle and tri-cycle (Bajaj) parts and accessories |
| License 73 | Import of bodies (coach work) for motor vehicles, trailers, and semi-trailers |
| License 74 | Import of vehicles and spare parts n.e.c. |
| License 75 | Import trade in vehicles testing equipment |
| License 76 | Import trade in vehicles speedometer equipment |
| License 77 | Export of tires, inner tube and car battery |
| License 78 | Urban, suburban and inter-urban bus and coach passenger lines |
| License 79 | School buses |
| License 80 | Cargo handling |
| License 81 | Parking garages and parking |
| License 82 | Transport of construction materials (cement gravel, sand, metals, etc.) and different cereals |
| License 83 | Transport of different cars by cranes or pulling or loading |
| License 84 | Other freight transport by road |
| License 85 | Salvaging of distressed vessels and cargoes |
| License 86 | Renting of land transport (car) equipment |

The objectives of the licenses are not clearly pointed out in the law. In the absence of such a statement, the justification for the licenses can be discerned from the preamble's description of the purpose of the legislation, i.e., to regulate the sector to make it more competitive, safe and efficient and to create favorable conditions

for the smooth and effective implementation of the government's transport policy.

The requirements for licenses depend on the subdivision. For instance, the number of requirements for freight transportation licenses range from 7 to 11 with particulars consisting of: a vehicle license issued after undergoing the necessary technical appraisal; if the vehicle is subject to a bank obligation, proof from the bank about this; a copy of the document on third party insurance; if the plate number of the vehicle is not mentioned reference of the receipt number and a letter from the insurer to this effect; support from associations if relevant, employees documents, seal, receipts and office facilities and specifications/equipments for the vehicles. Meanwhile, for importation of new and used cars, parts, bicycles and tri-cycles, as well as, the licenses that are relevant to Addis Ababa, the requirements range from 5 to 7. For instance, for the imports, title deed/ lease agreement of business place; letter of authorization from producing company or agent; contract with the repair-ship in which the particular item got serviced; TIN; and educational documents of workers are demanded. Considering registration of associations and competencies for public transportation, have 6 and 9 requirements respectively. The requirements for the most part include: documentation, workplace and manpower specifications. As can be judged by the field, technical requirements for vehicles, drivers and insurance coverage play a large part in the requirements.

The time it takes for the process is not addressed in the laws that pertain to the field. Thus the processing time is mostly laid out in the draft Citizen's Charter of the TA and it ranges from 5 minutes to 5 days. The latter is for importation of new and used cars, parts, bicycles and tri-cycles, if there is backlog. Private sector licensees interviewed say it may take from 17 days up to 4 months to complete the process and get the licenses.

The fees for the licenses are different in the different subcategories, ranging from ETB 15 to ETB 56,000 without considering the trade registration and licensing fees. However, the legal basis for these fees is not clearly identified.

A total of 1, 44, 970, 1, 7, 1 and 26 have been issued for dry freight, import of new vehicles, import of used

vehicles, public transportation, transportation of dry freight—transport of different vehicles by cranes or pulling or loading, import of motorcycles and tri-cycles and vehicles technical assessment service licenses in 2005 E.C., respectively. The estimated administrative compliance cost for this category of licenses ranges from ETB 1,678 to 96,884.

Findings

- There are a lot of licenses (listed above) in the revised ESIC that are not yet being addressed by the TA despite being bestowed with the power to issue competency certificates. Observation during interviews revealed that the TA is overwhelmed with the workload, especially in renewing competencies.
- There is a regulatory purpose to most of the licenses in consideration of protecting the environment, managing public transportation and safeguarding passenger and freight safety.
- There is the perception that the requirements in some of the import sectors are not up to the standard. For instance with regard to the importation of used cars, the requirements of suitability for the climate and geography are not clear.
- There is lack of clarity on the power to issue competence certificates for freight transport below 70 kg and for liquid freight below 9,000 liters.
- The requirements for the competencies are cumbersome (with demands made for office, displaying area, and manpower) and are mostly subjective.
- There is much emphasis on forming associations in public and freight transportation, with a support letter from one's association being included as a requirement for freight competency certificates. This demand might force licensees to join associations without fully being convinced of it. Unlike those with a fleet of vehicles, it seems the possibility of a licensee with a vehicle or two, successfully applying without being a member of an association looks bleak even though the law does not restrict this. Whether this is to seek accountability from a few association leaders instead of dealing with multitudes of licensees or to

have managed transportation, a seemingly forced membership may not necessarily serve its purpose.

- There is a serious lack of centralized and coordinated data on licenses in the area.
- A particular area provided for in the revised ESIC is railway transport with specific headings of Inter-urban railway transport; Railway commuter services; Manufacture of Railway and Tramway Locomotives and Rolling Stock. Perhaps because of the unlikelihood of the private sector going into the sector in the immediate future, there is no regulator for these licenses yet and the Ministry of Transport, the body that is tasked by the ESIC to do so, is not offering certificates of competence.
- The suspension of 15 and warning and placing under probation of 33 institutes for inspection of motor vehicles for failing competency standards, out of the existing 58, shows the need for re-checking of the licensing process in the first place.
- Based on the view of licensees, renewal of competency every year by the regulator is burdensome, especially because of the insufficient manpower of the TA and the Addis Ababa bureau.

Recommendations

- The detailed dos and don'ts for the tasks pertaining to the TA together with the Addis Ababa Road and Transport Bureau should be spelled out in publicly accessible legislation instead of in-house directives to clearly identify requirements, fees, etc.
- The TA and the Addis Ababa Road and Transport Bureau should build the necessary and relevant capacity and have a transparent working system so that they could avoid revocation of functioning licenses, allegations of inefficiency and corruption.
- Harmonization of fields that are supposed to be given by the TA in the ESIC and what is actually being issued needs to be done with the consultation of the private sector.
- Some of the requirements for the competencies are excessive and do not seem to be grounded on the present reality, business sense, and legitimate considerations (e.g., smoke, gas, vapor emission

from the exhaust pipes of vehicles for imports of cars). Thus, polishing the requirements to allow consolidation and innovative ideas while at the same time reflecting on present realities should be considered.

- A one window service to process competency and business licensing for the road transport sector needs to be considered to save unnecessary wastage of time and energy.
- Annual renewal of competency and reproduction of documents should be improved by making it in 3–5 years since it is achieving little in its current state.

3.7.2 Maritime Sub-Sector

Among the powers and duties of the Maritime Affairs Authority (MAA) under the Maritime Sector Administration Proclamation No. 549/2007 (Maritime Proclamation) is to license and supervise sea and inland waterways transportation services, seafarers, pilots and other persons working on board a vessel, dry port and vessel services and multimodal transport businesses. Furthermore, the MAA is given the power to regulate and supervise freight forwarders and shipping agents, to issue detailed directives, coordinate their tasks, and improve their capacity. The Maritime Proclamation does not expressly state whether the MAA is the licensing or competency issuing organ for the last two activities. The Freight Forwarding and Ship Agency License Issuance Council Ministers Regulation No. 37/1998 (Freight Regulation) confers the licensing task for these two services on the MoT. It can be interpreted that the MAA is the competency certificate giving body for these activities.

The Freight Regulation provides for the functions, requirements and responsibilities of freight forwarders and shipping agents. Besides, the MAA has a directive on freight forwarding and shipping agency. For the competency of maritime consultancy, the legal basis for it is said to come from the Maritime Proclamation but its application appears to start with the implementation of the ESIC. The MAA has not yet prepared requirements for this.

The licenses that are identified as having proper legal basis are the first four in the following table.

| | |
|-----------|--------------------------------------|
| License 1 | Freight forwarding |
| License 2 | Shipping agency |
| License 3 | Maritime consultancy |
| License 4 | Multimodal transport operator |
| License 5 | Inland water transport |
| License 6 | Maintenance of ships and boats |
| License 7 | Harbor works |
| License 8 | Renting of water transport equipment |
| License 9 | Maritime training school |

The MAA gives competence certificates for freight forwarders, shipping agents, multimodal transport operators and maritime consultancy. The revised ESIC provides for 9 types of business licenses related to maritime activities but the MAA only addresses licenses listed 1–3 above while licenses listed from 4–9 are not being issued yet. From these the MAA evaluates and approves maritime training schools but it has not provided for the requirements and grounds for this process. For inland water transport service and maintenance of ships and boats, the MAA only sets standards and regional states deal with the licensing. The MAA has not yet started issuing licenses for multimodal transport businesses because it has not yet prepared a directive on the specific requirements to be met and has not yet received any requests because of the higher level of capital and equipment needed.⁸¹

The objectives for issuing the two licenses, based on the Maritime Proclamation is to provide an enhanced and smooth service, considering the crucial importance of existence of an efficient maritime sector for the country’s development and prosperity and to implement obligations and rights of Ethiopia under international maritime conventions.

⁸¹ Multimodal transport involves: the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery. The only licensee in the country, the government’s Ethiopia Shipping and Logistics Enterprise is working by a support letter written for it for the MoT.

In terms of requirements, there are around 6; comprising of manpower (including a certificate of competence from the Ethiopian Revenue Customs Authority for freight forwarders) and office particulars. Most of all, a capital of ETB 1,500,000 is needed for freight forwarding, ETB 1,000,000 for shipping agency and ETB 2,200,000 for both services. The justification for the capital levels is the refusal of insurers to insure such businesses if their capital is less than these amounts. On top of these, proof of good behavior is demanded from his/her clients.

The time it takes for processing these licenses is given as 3 days by the MAA but private sector interviewees estimate 21 days for the whole process including business licensing. The fees for processing the competency certificates are 500 ETB each for the three competencies. While there is a reference to fees in the directive mentioned above, the legal basis for the amounts is not apparent.

A total of 2, 41 and 9 licenses have been issued in 2005 EC for freight forwarding, shipping agents and maritime consultancy respectively and the estimated administrative compliance cost for this category of licenses ranges from ETB 1,786 to ETB 4,952.

Findings

- The MAA does not address competency certificates for licenses listed from 4–9 above such as harbor works and renting of water transport equipment which are allocated to MAA in the revised ESIC.
- There is a regulatory purpose to these licenses to ensure transit of goods is professionally handled in line with international standards.
- The requirements for freight forwarding and shipping agents, especially the capital needed seem excessive in light of the fact that these services are not only businesses but are very crucial in alleviating port congestion and easing transit of goods that are perennial problems of the import and export trade of the country. Other requirements seem to exclude investors that want to work in the field, e.g., in marine consultancy the demand for the CV of the general manager (maritime experience included) bars individuals that want to engage in such a business by employing qualified people in the field.

- The specific requirements for the multimodal and maritime consultancy are prepared for those that want to engage in these businesses.
- The introduction of the multimodal system through the Multimodal Transport of Goods Proclamation No. 548/2007 has affected the renewal numbers of both freight forwarders and shipping agents. Although the introduction of the system is a positive step, it should not lead to the exit of such businesses from the market.
- The proof of good behavior that is demanded for freight forwarders and shipping agents does not seem to take into account newcomers that do not yet have clients and a working relationship with transitors, importers and exporters.

Recommendations

- There should be compatibility between the ESIC and the competency certificates that the MAA gives. The neglect some of the allocated competency certificates face is perhaps a sign they should be accommodated in other ways.
- The requirements for the multimodal transport and maritime consultancy should be enacted and available for possible applicants.
- Requirements that are excessive and those that push away investors as well as those that don't consider newcomers should be reviewed.

3.7.3 Air Transport Sub-Sector

The Civil Aviation Proclamation No. 616/2008 under Article 59 states that no air operator may engage in air services without having a valid license issued by the Civil Aviation Authority (CAA). The CAA is in charge of issuing the licenses for air operators. In particular, the Civil Aviation Authority provides for licensing of: operators of air service (Art. 60) and general aviation services (Art. 10/5), maintenance facilities (Art. 25), aviation training schools (Art. 25), aerodrome operating license (Art. 53), air transport service (Art. 60), aerial work service (Art. 60) and private air service license (Art. 60).

Some of the licenses have government enterprises as lone operators because of high capital demands and questions on readiness of government to allow private

operators: with regard to ground handling only the Ethiopian Airlines and with regard to operation, construction and administration of airports services only the Ethiopian Airports Enterprise.

The licenses identified in this field are the following.

| | |
|-----------|--|
| License 1 | Renting of air transport equipment |
| License 2 | Cargo air transport |
| License 3 | Ground handling |
| License 4 | Operation, construction and administration of airports |
| License 5 | Passenger air transport |
| License 6 | Aviation consultancy |
| License 7 | Aviation training school |

The CAA is responsible for competence and licensing in these listed fields. The CAA largely focuses on passenger and cargo transport because of capital limitations and the little interest in most of the other licenses.

The revised ESIC provides for 13 types of business licenses related to civil aviation/air transportation activities. Of all these, Other Activities of Air Transport n.e.c. is not currently being administered by the CAA.

Meanwhile the following licenses are temporary licenses which have not been given for some time now except balloon operation which has attracted some interest in recent times.

| | |
|------------|-------------------|
| License 8 | Balloon operation |
| License 9 | Banner towing |
| License 10 | Flying club |
| License 11 | Glider |
| License 12 | Parachute rigger |

The objectives of the licenses are better regulation of civil aviation to meet the needs for a safe, secure, regular, efficient and economic civil aviation system as referred to in the preamble of the Civil Aviation Proclamation.⁸² The objectives are more in line with the mostly used passenger and cargo transport services than

⁸² In addition to the objectives mentioned in Proc. No. 616/2008 the following are raised as objectives: to foster tourism & export trade, to create employment opportunity, to contribute to foreign exchange earnings, to expand and upgrade the provision of air transport services both locally & regionally.

the rarely used and temporarily licensed services such as: banner towing, glider, flying club and parachute rigger.

The time it takes to get all the licenses is one hour according to the CAA which is quite different from the 1 to 2 years period the private sector licensees indicated.

As to the fee for services, it is ETB 1,200 without including trade registration costs.

Specific figures for the licenses issued in 2005 EC are not available, but the estimated administrative compliance cost for this category of licenses ranges from ETB 328,277 to ETB 570,558.

Findings

- There are regulatory purposes to the licenses in this field since ensuring the safety and security of civil aviation is of vital importance in addition to putting in place an efficient and economic civil aviation system that conforms to international standards.
- The nonavailability of the requirements for all the licenses is a setback to applicants who need to get licenses in the aviation industry. It becomes all the more important given that such requirements and standards need to comply with the standards and recommended practices of the International Civil Aviation Organization, as referred to in the preamble of Civil Aviation Proclamation.
- The licenses that CAA administers must be grounded on a strong legal basis since there is a heightened need for technical capacity/ability to address safety in civil aviation which the Civil Aviation Proclamation does not impart if resort to the latter is considered.
- The private sector licensees are of the view that the CAA does not have a clear & comprehensive directive for investors and it does not make experts available to give guidance based on experience and knowledge.

Recommendations

- Requirements for all the licenses should be enacted which are all the more important for the safety of service users and compliance with international standards. This is one of the main areas the private sector believes will reduce administrative costs by making accurate information easily accessible.

- The time the licenses take to process for the private sector, as opposed to what has been expressed by the CAA, should be shortened to keep the field attractive for more competition.

3.7.4 Telecommunication, Information Technology and Computer Sub-Sector

The Telecommunication Proclamation No. 49/1996 (Telecom Proclamation) under Art. 6/5 empowers the Ministry of Communications and Information Technology (MOCIT),⁸³ to carry out licensing and supervision of operators of telecommunication services.⁸⁴ Furthermore, this power of the Ministry is qualified in Article 7 of the Telecommunications (Amendment) Proclamation No. 281/2002 to include licensing individuals or companies participating in: tele-centers or resale service; outside cabling or wireless local loop lines installation or maintenance; telecommunication exchange installation or maintenance; in-house or building cable installation; and other similar activities to be designated by the directives of the Ministry. Providing these telecommunication services, without having a valid license in line with these laws, results in a fine and imprisonment.

Moreover, the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic

⁸³ The powers of the previous regulator, the Ethiopian Telecommunication Agency, was transferred to the MOCIT as per articles 24/2 & 36/5 of Proc. 691/2010 on Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia. Besides, the telecommunication services is a field that was mandated to have its own licensing under Art. 30/1/f of the Commercial Registration and Business Licensing Proclamation No. 686/2010.

⁸⁴ According to Art. 2/1 of the Telecommunications (Amendment) Proclamation No. 281/2002 telecommunication service is given the meaning Public Switched Telecommunication Service; Cellular Mobile Service; Interned Service; Satellite Telephone Service; Data Communication Service; Tele-centers or Resale Service; Mobile or Fixed Private Radio Service; VSAT (Very Small Aperture Terminal) Service; Cable Installation and Maintenance Service; Telecommunication Switches Installation and Maintenance Service; the transmission or reception through the agency of electricity or electromagnetism of any sounds, signs, signals, writing, images or intelligence of any nature by wire, radio, optical fiber, or other electromagnetic system or any other service designated as Telecommunication Service by the Ministry. It shall not include Broadcasting Service and Intercom Connections.

of Ethiopia Proclamation No. 691/2010 under Article 24/1/d empowers the MOCIT to license and regulate postal service operators on top of the other licenses.

MOCIT has issued directives describing the requirements and the application process for licenses under its jurisdiction including: Directive No. 1/2005 for determining the requirements for competency certificates for licenses in the communication and information technology sector, the License Directive for Resale and Tele-center in Telecommunication Services No. 1/2002, the License Directive for the Installation and Maintenance of Cable, Wireless Local Loop, Exchange, Maintenance of Terminal Equipment in Telecommunication Service No. 2/2002 and Value Added Service Directive No. 2/2005.

Based on these laws the following licenses have been identified:

| | |
|------------|---|
| License 1 | Courier activities other than national postal activities |
| License 2 | Tele-center |
| License 3 | Internet resale service |
| License 4 | Telecommunication inside cable installation and maintenance |
| License 5 | Telecommunication outside cable installation and maintenance (grade one) |
| License 6 | Telecommunication outside cable installation and maintenance (grade two) |
| License 7 | Telecommunication terminal equipments maintenance (grade one) |
| License 8 | Telecommunication terminal equipments maintenance (grade two) |
| License 9 | Telecommunication value added services |
| License 10 | Telephone resale service |
| License 11 | Telecommunication exchange installation and maintenance (grade one) |
| License 12 | License for telecommunication exchange installation and maintenance (grade two) |
| License 13 | Fax resale service |

The MOCIT is responsible for licensing and certifying competences for these activities.

On the other hand, the revised ESIC provides for 43 types of business licenses related to telecommunication, information technology and

computer activities. Out of these licenses field observation reveals that competency certificates for licenses listed below are being issued at the moment by the MOCIT based on Directive No. 1/2005 for determining the requirements for competency certificates for licenses in the communication and information technology sector.

| | |
|------------|---|
| License 14 | Communication and electronics equipments installation and maintenance |
| License 15 | Data processing—digitization and e-filing systems work |
| License 16 | Database activities |
| License 17 | Export trade in computer hardware and peripheral equipment (including accessories) |
| License 18 | Export trade in computers and accessories |
| License 19 | Export trade in pagers, hand phones and (e.g., palmtops, smart watches, wearable computer and electronic books) |
| License 20 | Export trade in telecommunications apparatus equipment (including accessories) |
| License 21 | Import trade in computer and computer accessories and components |
| License 22 | Import trade in computer hardware and peripheral equipment (including accessories) |
| License 23 | Import trade in pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) |
| License 24 | Import trade in software |
| License 25 | Import trade in telecommunications equipment |
| License 26 | Competence for office, computation and computers maintenance service |
| License 27 | Other computer related activities |
| License 28 | Retail trade of pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) |
| License 29 | Retail trade of software |
| License 30 | Retail trade of telecommunications equipment |
| License 31 | Retail trade of computer hardware and peripheral equipment (including accessories) |
| License 32 | Software design, development and implementation consultancy service |
| License 33 | Wholesale trade in telecommunications equipment |
| License 34 | Wholesale trade in computer hardware and peripheral equipment (including accessories) |

| | |
|------------|--|
| License 35 | Wholesale trade in pagers, hand phones (e.g., palmtops, smart watches, wearable computer and electronic books) |
| License 36 | Wholesale trade in software |
| License 37 | Computer network design and implementation/installation consultancy service |
| License 38 | Data center/hosting service |
| License 39 | Network cable installation |
| License 40 | Training service in information and communication technology |
| License 41 | Information and communication technology consultancy |

Meanwhile, revised ESIC adds the licenses listed below to the competence of MOCIT to issue competence certificates but the requirements for competency for these new licenses have not yet been prepared. MOCIT has also apparently a problem with regard to the nomenclature of these licenses and alleges that the licenses were named without proper consultations.

| | |
|------------|---|
| License 42 | National postal activities |
| License 43 | Others postal and related courier activities |
| License 44 | National telecommunication service |
| License 45 | Computer network cable installation |
| License 46 | Manufactures of pagers, hand phones and other palmtops, smart watches, wearable computer and electronic books |
| License 47 | Wholesale trade in telecom and computers equipment and accessories n.e.c. |
| License 48 | Retail trade of telecom and computers equipment and accessories n.e.c. |
| License 49 | Computer and computer accessories maintenance |
| License 50 | Import trade in lifts, escalators and industrial and office air-conditioning equipment |
| License 51 | Manufactures of telecommunications equipments and apparatus |
| License 52 | Manufactures of computer equipments and apparatus |
| License 53 | Manufactures of telecommunications and computer equipment and apparatus n.e.c. |

The objective of the licensing and competence certificates as encapsulated under Directive No. 1/2005 EC is enabling licensees in the communication and information technology field to offer acceptable service

to the public by fulfilling the necessary minimum professional competencies.

The requirements for the licenses and certification include general requirements (mostly related to basic equipment and documentation), availability of required professionals, availability of specific equipment, capital (up to 500,000 ETB). Art. 4/1 of the Telecommunication Services Council of Ministers Regulation No. 47/1999 lays down 90 days for issuance of licenses for traditional services from the submission of the applications. The fees for competency certificates is not yet set, thus it is free of cost while for the traditional licenses, there are fees already determined and range from 37 ETB (traditional) to 25,000 ETB (value added telecommunication services).⁸⁵

A total of 3,330 licenses have been issued for wholesale and importers and 8 licenses for computer and related development, design and installation services in 2005 EC. The estimated administrative compliance costs for this category of licenses range from ETB 744 to ETB 28,125.

Findings

- Although the field of telecommunication, IT and computers, in general, demands a considerable amount of capital and expertise, the requirements for the competency certificates and licenses for some licenses are cumbersome, especially in telecommunication installation, design and maintenance areas where one or more professionals, who may not be available in enough numbers in the market such as: graduates in electrical, electronics, telecommunication, communication, computer engineering, ICT, computer science, management information system, information system, are needed.
- Although it cannot be said for all the licenses there are regulatory purposes for licensing, mostly the traditional licenses, for security and efficiency reasons.
- There appears to be a conflict between Directive No. 1/2005 and the brochure issued by MOCIT with regard to the requirements for competency

⁸⁵ A total fee from all applications for 2010/2011 is ETB 2.5 million, the same figure for 2011/2012 and it is ETB 2.3 million for 2012/2013.

certificates for licenses in the communication and information technology sector. For instance, for the license of telecommunication outside cable installation and maintenance (grade one) the brochure from the MOCIT demands 18 professionals while the directive asks only 5.

- The requirements for the licenses and competency certificates are still in a state of flux. For instance the previous directive for the requirements was an April 2012 directive which is 9 months earlier than the latest one. The latest one, i.e., Directive 1/2005 is also being amended. There appears to be a continuous change in rules and regulations which is creating confusion and compromises transparency.
- The licensing office is centralized and not accessible, especially for those applicants that come from regional states.
- Private sector interviewees have mentioned that some of the licenses are too interrelated to be given separately. This forces licensees to seek multiple licenses to undertake their business. Besides, the need to renew the licenses annually has been questioned.
- Accessibility of information for the private sector including allowing for online applications is one of the major concerns of the private sector. Together with this, frequent changes to requirements have also troubled them.

Recommendations

- There is a need to harmonize the revised ESIC and the telecommunication services laws with a view to addressing the inconsistencies between the two.
- Frequent changes to license requirements should be avoided to allow the private sector to function in a stable and predictable environment.
- The requirements for competence certificates indicated in the brochure of MOCIT should be revisited with a view to making them compatible with directives.
- Enhanced information delivery to the private sector including online application should be available for private operators.
- The fragmentation of licensing into very particular areas has forced licensees to seek multiple licenses for

interrelated services. Thus, consolidating some of the licenses should be considered.

- Requirements that are excessive should be trimmed down giving some room for competition and development.
- One window service is crucial for the licenses that seek competence from the MOCIT and license and registration from MoT or BoTI.

3.7.5 Customs and Tax Sub-Sector

The Ethiopian Revenue and Customs Authority (ERCA) has the mandate to issue licenses for customs warehouses as per chapter two of the Customs Proclamation No. 622/2009 (Customs Proclamation). The licenses could relate to general or private customs warehouses. The requirements for these licenses are provided in Customs Warehouse License Issuance Council of Ministers Regulation No. 24/1997. ERCA has issued Customs Warehouse Administration Implementation Manual No. 40/2002 to further clarify the grades, person and goods allowed in such facilities and rates for the warehouses.

In addition, the Customs Proclamation under Art. 77/1 also provides that any person who engages in clearing goods on behalf of an importer or exporter shall be required to be licensed as a customs clearing agent. Particulars on this license have been left to a future regulation which has yet not seen the light of day. Furthermore ERCA is authorized by Customs Clearing Agents Council of Ministers Regulation No. 108/2004 to issue certificates of competence for customs clearing services. The regulation states the requirements to be met for the competence.

Based on these laws the following licenses are identified.

| | |
|-----------|---------------------------|
| License 1 | Customs warehouse license |
| License 2 | Customs clearing agent |

The revised ESIC has assigned three types of business licenses to ERCA: general storage and warehousing, customs clearance, and consultancy service for tax and finances.

ERCA is supposed to issue competency certificates for the licenses listed above. There is thus a clear difference between the licenses based on customs laws and the

ones listed in the revised ESIC. The ESIC's reference to General Storage remains unclear.

The objective of the license for Customs Clearing Agent, as can be deciphered from Regulation No. 108/2004 is to regulate the provision of quality service and facilitate the customs process by ensuring qualified agents are handling it. Similarly, the objective of the customs warehouse licenses, according to Art. 21/1 of the Customs Proclamation is to provide for the storage of import or export goods until completion of customs formalities in order to facilitate the flow of goods through Customs and to safeguard the safety of goods.

Six requirements are applicable for the licenses which are related to manpower, equipment, office space and capital.⁸⁶

Processing customs warehouse licenses may take up to 30 days according to Art. 4/2 of Regulation No. 24/1997 and it costs ETB 1250 (Art. 8). ERCA believes it takes three days but a private sector interviewee revealed the duration to be more than two months.

A total of 30 licenses have been issued for customs warehouses in 2005 EC and the estimated administrative compliance cost for this license is 33,505 ETB.

Findings

- The administration of certificates of competence for Customs Clearing Agents has encountered serious challenges and has not been issued according to Regulation No. 108/2004, because of cumbersome requirements. In particular, inclusion of at least two certified professionals, in line with Art. 10 of Regulation No. 108/2004, has been found to be hard to fulfill. Several amendment proposals have

⁸⁶ For the customs warehouse in particular the requirements are: equipment (including for security, office, generators) and relevant personnel, while the documents needed are: title deed or lease agreement for the warehouse; site plan of the warehouse; documents showing that the warehouse has services like: power, telephone, water and other services; trade license; documents showing the educational and work experience of the workers, including a diploma or higher educational qualification in supplies management or similar field from a qualified college; a general customs bond for the goods that are going to be in the warehouse; documents showing that office and security apparatuses for the warehouse are available, e.g., fire extinguisher, etc.

been made but have not managed to change the law. Presently, applicants are given professional qualification after attending training as per Art. 4 & 5 of the above regulation which is used by the MoT to issue licenses. The current procedure by which the MoT gives licenses based on the professional qualification given by ERCA seems to undermine the fulfillment of qualifications written into Reg. No. 108/2004.

- There is a regulatory purpose to licensing these fields, i.e., safeguarding the safety of goods in transit thus ensuring efficiency of transit and proper delivery.
- Some of the requirements for the customs warehouse license seem burdensome and expensive to fulfill. For instance, 30 ton gantry and different kinds of forklifts are required for warehouses that deal with goods that come in a container. Private sector interviewees also complained about the unrealistic nature of the requirements and the bureaucracy in processing the competency certificates.
- The Revised ESIC takes ERCA to be a competency issuing body for customs warehouse licenses but ERCA is empowered to issue such licenses (not just to issue competence certificates) by law. This is yet again a clear case of inconsistency between the ESIC and the sector specific laws.
- There is no clear information on who issues the certificate of competence for consultancy service for tax and finances. The ESIC indicates the ERCA as a certifying agency but ERCA is not performing this currently.

Recommendations

- The requirements stated under the Customs Clearing Agents Council of Ministers Regulation No. 108/2004 should be amended taking into consideration the reality and capability of possible applicants.
- The ESIC should be revised with a view to making it compatible with the customs-related laws. The ESIC should be adjusted to indicate the ERCA as licensing body for customs warehousing since it is authorized to do so by law.

- It should be clear who issues competency certificates with regard to general storage and warehousing and consultancy service for tax and finances.

3.7.6 Measurement and Other Scientific Equipment and Services

Regulation No. 194/2010 establishes the National Metrology Institute (NMI) as an autonomous federal government office that is accountable to the Ministry of Science and Technology. The head office is in Addis Ababa and applications from all the regions are submitted here.

The regulation specifies the powers and duties of the Institute and lists specific activities. The NMI provides three major services: training and advice, maintenance and certification services. The regulation doesn't say much about the certification services to be given by the NMI and there is no Directive to elaborate on this.

There, however, is a Users Charter prepared by the Institute that attempts to lay down the several activities of the institute including the certification process.

According to the ESIC listing the following licenses are to be given by BoTI and the Minimum requirement Certification by NMI.

| | |
|-----------|--|
| License 1 | Manufacture of legal (commercial) measuring scales |
| License 2 | Manufacture of instruments and appliances for measuring, checking and testing of industrial process |
| License 3 | Manufacture of industrial process control equipment |
| License 4 | Other manufacture of medical appliances & instruments & appliances for measuring, checking, testing, navigating and for other purposes, except optical instruments |
| License 5 | Wholesale trade in scientific, controlling and precision equipment |
| License 6 | Wholesale trade in laboratory equipment except medical purpose |
| License 7 | Retail trade of professional scientific, controlling and precision equipment |
| License 8 | Retail trade of laboratory equipment except medical purpose |
| License 9 | Medical equipment installation and maintenance service |

| | |
|------------|--|
| License 10 | Import trade in scientific, controlling and precision equipment |
| License 11 | Import trade of laboratory equipment (except medical equipments) |
| License 12 | Export trade in scientific, controlling and precision equipment |
| License 13 | Export trade in laboratory equipments (except pharmaceuticals) |
| License 14 | Consultancy service on scientific machineries selection, installation, commissioning, maintenance and disposal consultancy |

As mentioned in the table above, other than the Users Charter there are no official documents from the NMI specifically addressing the licenses in the list. This could be because the office is still building its manpower and working to fully embrace its certification authority. The data for 2006, and the only one available, shows that there are all types of businesses and associations coming for certification. They are often led to the NMI by the Ministry of Trade or BoTI.

Article 6(18) of the Regulation states that the Institute can charge fees for the services it renders in accordance with the rate determined by the government. So far this has not happened. The institute is still waiting for the Ministry of Finance to approve its proposal on service fees. Therefore, at the moment all its certification services are rendered free of charge.

The certification process is fairly simple. It involves filling out and submitting an application form, deliberation by the committee/council, a field visit for inspection and then a decision.

The documents to be attached to an application are the following: Trade registration from MoT, the resume of an in-house technical expert, a rent/lease agreement, and an authorization/certification from the Foreign company they work with (for importers).

After an application has been submitted to the NMI, a certificate will be issued within an average of 12 days. It has only been a year since the NMI began work so the information we have is for the year of 2013–14 or 2006 E.C. In that year the NMI has issued 13 certificates and the estimated administrative

compliance cost for this certification process ranges from 145–200 ETB.

Findings

- The regulatory purpose that this certification serves is very important; however, the certification service in the NMI is not given the attention it deserves. It is listed as one of its activities and there is no mention of the ESIC categories which would have helped in preparing the User Charter and other guidelines.
- The institute has a website but it is not user friendly and does not have many of the forms and documents that should be made available online.

Recommendations

- More attention needs to be given to the ESIC categories in the preparation of future office manuals at the Institute and application forms.
- The website needs to be upgraded and vital information made easily accessible.

3.7.7 Radiation Emitting Equipment and Services

The Ethiopian Radiation Protection Authority (ERPA) was re-established under Radiation Protection Proclamation No. 571/2008. Articles 16–19 of the Proclamation enumerate the rules and requirements for issuance of a certificate of authorization. Article 16(1) states that “No practice shall be adopted, introduced, conducted, discontinued or ceased except in accordance with the requirements established by the Authority unless the exposure to such practice is excluded or the practice is exempted from the requirements, including the requirements of notification and authorization.” The competence certificate will be issued or a letter of notification be accepted by the ERPA.

The following is a list of the licenses to be issued by the ERPA as has been listed under the ESIC.

| | |
|-----------|---|
| License 1 | Activities for control of natural radio-nuclides |
| License 2 | Prospecting and developing of uranium and thorium minerals |
| License 3 | Manufacture of radiation emitting equipment & radioactive sources |
| License 4 | Wholesale of radiation emitting equipment & radioactive sources |

(continues)

Continued

| | |
|-----------|--|
| License 5 | Retail trade radiation emitting equipment & radioactive sources |
| License 6 | Radiation emitting equipments installation, commissioning, maintenance |
| License 7 | Import of radiation emitting equipments & radioactive sources |
| License 8 | Export radiation emitting equipment & radioactive sources |

The BoTI and MoT are listed as the licensing bodies for the licenses to be issued under the Protection from radiation title. Wholesale, Import and Export are to be handled by the MoT; the remaining titles are left to BoTI. The verification authority, ERPA, is sometimes listed as RPA (Radiation Protection Authority) but it should be ERPA.

The proclamation assumes the enactment of a supporting regulation and directive. As far as we are aware the authority uses the proclamation and other supporting, in-office, documents to discharge its licensing duties. No regulation has been enacted by the Council of Ministers.

Article 18(3)(a) of Proclamation 571/2008 states that an applicant must submit all the required documents and pay the appropriate license fees in order to have a license processed.

The required documents for application in this case are an application letter, application forms, renewed trade registration, health office certification, TIN number, floor plan of the radiology room, ISO/IEC certificate, calibration certificate, machine test report, date of manufacturing, the purchase contracts of the machine & related documents, Ministry of Health professional certification license, educational information (resume), safety assessment report and, if items are imported, shipping documents, bill of loading and airway bill, and commercial invoices.

The amount of fee required has not been specified in the proclamation. As is the case in many other institutions until the fee is determined by a regulation no fees apply. We discovered during our interviews that some institutions are required to pay “inspection costs” of more than 2,000 ETB.

The time it takes to obtain a certificate/license from ERPA is not specified in the proclamation and as mentioned above since we don’t have a specific regulation the authority determines the time on a case-by-case basis. And that is the response we received for our question regarding time. It will depend on the applicant institution and the type of work they do. According to information obtained from the private sector, the time it takes for certification from ERPA ranges from ten days to one month.

A total of 414 licenses have been issued in 2005 EC and the estimated administrative compliance cost for this category of licenses ranges from 500 to 3,000 ETB.

Findings

- The only legal framework available for the verification process of a license for all kinds of activities related to radiation is Proclamation No. 571/2008. The proclamation sets down the general principles and procedural framework for Authority. A detailed regulation and directive is envisioned. But there is no regulation or directive so far.
- The absence of a detailed legal framework has created an inconsistent practice that leaves room for abuse by those in position of power. There are no fees required with the application for a license but there is something called an “inspection cost” which is not applied uniformly.
- ERPA has a user friendly website that provides for all the necessary information an applicant needs to know and fulfill.

Recommendations

- A more detailed regulation to implement the proclamation needs to be enacted.
- If the enactment is going to take time the Ministry of Trade should come up with a temporary guideline that specifies the fees that can be collected by the Authority in order to avoid inconsistent practices.
- The present good practices at the authority should be maintained and promoted.

3.8 Financial Intermediation, Insurance, Real Estate and Business Services

3.8.1 Banking, Insurance, Capital Goods Finance and Microfinance

It is prohibited to transact banking business in Ethiopia without obtaining a banking business license from the National Bank of Ethiopia (NBE) according to Art. 3/1 of Banking Business Proclamation No. 592/2008 (Banking Proclamation). The same applies to transaction of insurance business, insurance auxiliary services, actuary services, micro-financing business and capital goods finance businesses.⁸⁷

The Banking Proclamation bestows the NBE with the mandate to license banking businesses while at the same time laying out the requirements, responsibilities and rules governing the service. Details on the requirements on banking services are laid out in the Requirements for Licensing and Renewal of Banking Business Directives No. SBB/56/2013. Banking business associated permits such as a permit to purchase of foreign exchange, License for Foreign exchange bureau services, Permit for banks for express transfer services and Permit for branch opening for banks and inception of service are necessary for the operation of banks and are considered part of the banking business.

The Insurance Business Proclamation No. 746/2012 (Insurance Proclamation), on its part, provides for the requirements for the licensing of the main classes of insurance businesses which consists of long term insurance business or general insurance business and any other activity ancillary to the particular insurance business. Long term insurance business on its part comprises life insurance, annuity, pension, permanent health insurance and personal accident or sickness insurance. The NBE has issued the “Requirements for Licensing Insurance Business Directive No. SIB/33/2013” outlining particular requirements on the main insurance services.

⁸⁷ As per Art. 3/1, 39/1 & 43/1 of Insurance Business Proclamation No. 746/2012, Art. 4/1 of Micro-Financing Business Proclamation No. 626/2009 and Art. 3 of Capital Goods Leasing Business (Amendment) Proclamation No. 807/2013.

The other licenses included in the Insurance Proclamation are the licenses for insurance auxiliaries, i.e., insurance agents, insurance brokers, loss assessors or insurance surveyors and the license for actuaries. The NBE has issued specific requirements for the auxiliary insurance services and insurance actuaries through the following directives: Directive No. SIB/12/1996 on Licensing of Insurance Loss Assessors and Loss Adjustors; Directive No. SIB/31/2010 on Licensing of Insurance Brokers; Directive No. sib/22/2002 on Licensing of Insurance Surveyors; and Directive No. SIB/11/1996 on licensing of insurance actuary.

In addition, the Micro-Financing Business Proclamation No. 626/2009 (Microfinance Proclamation) mandates the NBE to issue micro-financing business licenses. Particulars on the requirements of micro finance institutions are outlined in the Licensing and Supervision of the Business of Micro Finance Institutions Directive No. MFI/01/96 and Licensing and Supervision of the Business of Micro Finance Institutions Directive No. MFI/04/96.

Lastly, the NBE also administers capital goods leasing business licenses as per the Capital Goods Leasing Business Proclamation No. 103/1998 and the Capital Goods Leasing Business (Amendment) Proclamation No. 807/2013. Art. 4/4 of Proc. 807/2013 gives the NBE the mandate to issue criteria to be fulfilled to obtain capital goods finance business licenses which it has done by issuing Directive No. CGFB/02/2013 on Requirements for Licensing of Capital Goods Finance Business.

Based on this legislation the following licenses have been identified:

| | |
|-----------|--|
| License 1 | Composite long term and general insurance business license |
| License 2 | General insurance business license |
| License 3 | Long term insurance business license |
| License 4 | Permit for branch opening for insurance business |
| License 5 | License for insurance actuary |
| License 6 | License for insurance loss adjustor |
| License 7 | License for insurance loss assessors |

(continues)

Continued

| | |
|------------|--|
| License 8 | License for insurance broker |
| License 9 | License for insurance surveyor |
| License 10 | License for banking services |
| License 11 | Permit to purchase of foreign exchange |
| License 12 | License for foreign exchange bureau services |
| License 13 | Permit for banks for express transfer services |
| License 14 | Permit for branch opening for banks and inception of service |
| License 15 | License for micro finance institutions |
| License 16 | License for capital goods finance business |

The revised ESIC establishes 18 types of business licenses related to banking, insurance, capital goods finance and microfinance activities that are associated with the NBE. However, the licenses listed below have been assigned to the NBE in the ESIC but are not operational at the moment.

| | |
|------------|--|
| License 17 | Other monetary intermediation |
| License 18 | Other lease granting |
| License 19 | Reinsurance institutions |
| License 20 | Other insurance n.e.c. |
| License 21 | Other activities auxiliary to insurance and pension funding n.e.c. |
| License 22 | Discount houses and commercial and other banking |

The objectives for licenses in the insurance businesses are to ensure the safety and soundness of the sector and to establish clear, objective and transparent requirements for licensing and renewal for licenses in the area. Similarly the statutory objective of licensing in the banking business is to ensure safety, soundness and stability of the banking system. With regard to licenses in the microfinance area the objective is to regulate the development and soundness of the micro-financing business. Ensuring the safety and soundness of capital goods finance business by establishing clear, objective and transparent requirements for licensing is the declared objective in the capital goods leasing area.

A long list of requirements needs to be complied with for each type of license (16 for insurance; 12 for insurance auxiliaries; 34 for banking; 15 for

microfinance and 15 for capitals goods leasing). The requirements mostly comprise documentation, capital, learned manpower, office space and relevant equipment.

The time it takes for processing the main activities of banking, insurance and capital goods leasing is up to 90 days and it is 42 days in the Citizens Charter of the NBE. Associated businesses take from hours to a few days. Views from the private sector licensees are contrary to these stipulations and claim that the actual period it takes to go through the process is from 10 to 12 months for banking and insurance. Of course, the time it takes shareholders all to sign shareholder documents at the Document Authentication and Registration Office (DARO) plays a large part in this.

The fees for the main activities, as described in the Citizens Charter and directives are as follows: for the banking service 5,500 ETB; for insurance businesses from 6,000 to 6,500 ETB; for insurance auxiliaries and actuary from 550–1,550 ETB; for capital goods finance business 10,000 ETB; and for micro-finance institutions 2,000 ETB.

It has been difficult to get the data of the total licenses issued in 2005 EC and to estimate the compliance costs in these areas.

Findings

- The overall picture of the licensing process, especially for banking involves pre-application procedures including a pre-filing meeting with the NBE and letter to open blocked account at the NBE. Other than this, investigation of the proposed managers is also part of the process. All in all, the process is quite intricate and involves close collaboration with the NBE. A lesser complicated but similar procedure, except pre-application meeting, is the case in the main insurance licensing.
- There is a regulatory purpose to license these fields for reasons of safety, soundness and stability of the financial sector.
- The branch offices at BoTI have problems of registering auxiliary insurance services and have usually forced applicants to go to the MoT itself for registration. This problem still persists despite repeated efforts to solve it.

- A major problem of the private sector licensees in this category include: the lack of updated and precise information on the part of the NBE (even though the laws and directives of the bank are available online). In addition, the private sector criticized the inability to give timely decisions which to some degree emanates from the centralized decision making process at the bank.
- Another challenging issue for banks and insurance companies is the demand that all shareholders (no matter how small their share is), have to sign at DARO for the share company to be launched which takes a lot of time and expenses.

Recommendations

- A one window service has to be implemented by the NBE and the MoT for processing trade registration and licensing to reduce time and energy wasted by going to different places.
- The signature demanded at DARO by the NBE to launch the banks and insurance companies have been a severely limiting obstacle on the timely commencement of these businesses. There is a need to reconsider this. In the meantime, delegation of authentication services to respected attorneys in rural settings could save substantial expenses and time.
- The NBE and the MoT should address the incompatibility between the licenses that are supposed to be licensed by the NBE and what are being issued.

3.8.2 Accreditation and Conformity Certification Services

The Ethiopian National Accreditation Office (ENAO) is one of the newly established institutions to undertake the many activities that used to be under the Ethiopian Quality and Standards Office.

Regulation No. 195/2003 provides for the establishment and mission of the office. The main task of the ENAO is to give accreditation services to businesses that voluntarily want to have a certificate showing they have fulfilled international standards. Not many people/businesses are aware of the existence and relevance of this practice. As a result the office is currently engaged in giving trainings and promoting

the value of encouraging compliance with international standards.

In addition to this, ENAO performs accreditation services for the MoT in specific areas requiring inspection and expert evaluation. This certification duty was delegated to ENAO by the MoT and after the assessment the office writes a letter to the Ministry stating that an applicant has fulfilled the requirements or not. It is only then that a business license will be issued or renewed. The office undertakes research, field inspection and if a business fulfills the minimum requirements a certificate will be issued.

Here is the list of licenses the ENAO has identified as the verifying body for under ESIC.

| | |
|-----------|-------------------------------------|
| License 1 | Inspection (89110) |
| License 2 | Testing laboratories (89120) |
| License 3 | Product certification (89130) |
| License 4 | System certification (89140) |
| License 5 | Person certification (89150) |
| License 6 | Calibration of laboratories (89160) |
| License 7 | Verification (89170) |

The objective is to professionally evaluate if minimum requirements for the performance of a certain business have been fulfilled. It is to ensure the quality of service given so that the public gets an acceptable level of service. Regulation 275/2012 provides for the fees for accreditation services by ENAO. The minimum requirement inspection services are given under a Memorandum of Understanding signed between Ministry of Trade and ENAO. The fee for “Checking of Requirements” is then determined to be 2000 ETB. And this has also been confirmed by information obtained from the private sector.

ENAO provides all the information on its activities and requirements for obtaining a ‘minimum requirement certification’ on a very good and user friendly webpage. In addition to filling out the form that is available online an applicant has to bring a Business registration certificate and a data of at least 6 months to evaluate compliance.

The office maintains that if applicants submit all the required documents and make the payment on time,

the inspection and decision process should not take more than 15 days. Information collected from the private sector has confirmed this. The time it takes from application to collection of certifying letter is 10–15 days.

In 2013 the office has given 12 companies accreditation services and there are a few more applications pending. The estimated administrative compliance cost for this category of certification services ranges from ETB 2,200 to ETB 3,300.

Findings

- None of the private sector participants knew about the office or the minimum requirement procedures until their application at the MoT was rejected and they were sent to ENAO with very little information.
- Inspection and evaluation of application takes about 10 days because they process multiple applications at the same time and they will have to allocate available experts and other officials accordingly.

Recommendations

- The MoT and even ENAO should inform the public about the requirements and relevant application deadlines to avoid confusion and resulting fines on businesses.
- Additional manpower and better facilities would help reduce the processing time and compliance cost.

Ethiopian Conformity Assessment Enterprise (ECAE) was established in 2011 as a federally owned public enterprise to be governed by the Ministry of Science and Technology. Regulation No. 196/2010 establishes the Enterprise and states that it will work under the Public Enterprises Proclamation No. 251/92. There is no Directive issued to implement the Regulation.

The ECAE issues three types of certifications: Product, Systems and Personnel Certification. And the coverage is nationwide.

Among the several listed objectives of the ECAE listed in Regulation No. 196/2010 two are most relevant. First, presence of a robust certification and inspection process is to ensure that local products are made according to National and International Standards.

Second, the enterprise would ensure imported products are in line with National, International and legal standards in place.

An applicant is required to fill out a standard form, attach a copy of business registration certificate, system and product flow chart, and for products certification service there should be a first phase production for assessment.

The time that a given certification process will take has not been identified in the regulation and therefore it begins as soon as required documents and materials have been submitted to the ECAE and ends whenever the office finishes work. This makes it difficult to hold the office accountable. But the ECAE stated that the certificate is issued immediately if applicants furnish required information and attachments. However, information obtained from the private sector indicated that actual processing and inspection took more than 10 days. Submission of application and collection of license were said to take almost no time but there was a week long wait and inspection that took about 4 days.

Renewal of license, known as re-certification takes place every three years. But there is an annual procedure known as maintenance.

Due to its nature as a public enterprise, ECAE refused to discuss details of its fee structure. And formation gathered from Private sector and official registration forms from the ECAE office indicate that there are no fees to be paid except for one application form for product Certification Service. On that form it is stated that along with the application form an applicant should pay 500 ETB. This fee is not indicated in the Regulation or any other document.

In 2012 a total of 12 certificates were issued and most of them are product certification services and the estimated administrative compliance cost for this certification process ranges from 1000 to 3000 ETB.

Findings

- The time the certification process takes has not been specified by it in the Regulation or other official documents.

- Information about fees is not easily accessible and we only learned about it through information gathered from the private sector.
- The data found in the files of the enterprise has not been disaggregated and thus one is forced to make general statements instead of specific observations. Newly issued and renewed certificates are all found in the same category when they are available.

Recommendations

- Fees are an important part of a compliance process so there should be transparency about that to customers and the general public. This and specifying the time a certification and recertification is estimated to take can easily be handled by enacting a Directive.
- There should be a better filing and data compilation system since it will be even more difficult as the office and its national reach grows.

3.9 Community, Social and Personal Services

The community, social and personal services sector is one of the 10 major industrial classification categories established by the ESIC. Under this category, the ESIC lists business licenses related to services in the education, health and social work, recreational, culture and sporting sub-sectors, while licenses related to manufacturing and transaction activities involving these sectors are listed in the manufacturing and commerce (wholesale, retail, import and export) major sectors of the ESIC. However, for the purpose of proper and logical analysis, this section discusses all licenses related to the manufacture, transaction and service activities in the community, social and personal sectors.

3.9.1 Health Sector (Food, Medicine and Medical Supplies, Cosmetics and Sanitary Products, Tobacco and Tobacco Products, Health Facility/ Institution Related Licenses)

There are a total of 210 food, medicine and medical supplies, cosmetics and sanitary, tobacco and health facility related licenses scattered over the manufacturing (60 licenses), import (38), export (39), wholesale (43) and retail (22) business categories of the ESIC. Competence certificates are required for all the licenses which must be issued by the appropriate regulatory authorities.

The Food, Medicine and Health Care Administration and Control Authority (the FMHACA) established by the Council of Ministers Regulation No. 189/2010 is the regulating authority for this sector. Article 4(2) of the Food, Medicine and Health Care Administration and Control Proclamation No. 661/2009 (FMHACA Proclamation) empowers the FMHACA to issue, renew and revoke certificate of competence for specialized health institutions, food and medicine processing plants, quality control laboratories, bioequivalence centers, importers, exporters, storage and distributors and trans-regional health institutions. The FMHACA has issued different directives setting requirements/ standards which must be fulfilled by businesses applying for competence certificates. The objective of issuing competence certification as stated in the various directives is to make sure that business persons have the necessary organizational capacity and ensure the quality and safety of products and services offered to the public. The FMHACA issues competence certificates not for each specific food, medicine, cosmetics or tobacco product or license as it appears in the ESIC listing, but one general competence certificate for import, export and wholesale, and distribution of food, medicine and medical supplies, cosmetics and sanitary products and tobacco product. Competence certificates for manufacturing of food and medicine are issued separately.

3.9.1.1 Food and Food Products

The FMHACA is the federal regulatory body which issues competence certificates for businesses engaged in manufacturing, export, import and wholesale of food and food products. As mentioned above the licenses are scattered over several categories of the ESIC. There are 148 food and food related licenses in the manufacturing, export, import, wholesale and retail trade categories of ESIC. These are the following:

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| License 1 | Manufacture of prepared and preserved meat, including sausage |
| License 2 | Production of lard and other edible fats |
| License 3 | Other production, processing and preserving of meat and meat products |
| License 4 | Processing and preserving of fish and fish products |

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| License 5 | Manufacture of canned, preserved and processed fish and similar foods | License 30 | Manufacture of spices, condiments, vinegar, yeast, egg products, soups and other food products n.e.c. |
| License 6 | Other manufacture of canned, preserved and processed fish and similar foods | License 31 | Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials; manufacture of wine |
| License 7 | Manufacture of canned, preserved, processed and dehydrated fruit and vegetables including fruit juices, juice extracts and potato flour meal | License 32 | Manufacture of beer and other malt liquors and malt |
| License 8 | Other processing and preserving of fruit and vegetables | License 33 | Manufacture of wine |
| License 9 | Manufacture of crude edible oil | License 34 | Manufacture of alcoholic drink |
| License 10 | Manufacture of compound cooking fats, margarine and edible oils | License 35 | Manufacture of traditional liquors and drinks |
| License 11 | Other manufacture of vegetable and animal oils and fats | License 36 | Manufacture of soft drinks |
| License 12 | Processing of fresh milk (pasteurizing, homogenizing, sterilizing and vitaminizing) | License 37 | Production of mineral waters |
| License 13 | Manufacture of butter and cheese | License 38 | Manufacture of bottled water by recycling |
| License 14 | Manufacture of ice cream and other edible ice, whether or not containing cream or chocolate | License 39 | Manufacture of other beverages |
| License 15 | Manufacture of milk powder, condensed milk and other edible milk products, e.g., ghee, casein or lactose | License 40 | Manufacture of edible salts |
| License 16 | Other manufacture of dairy products | License 41 | Manufacture of pharmaceuticals, medicinal chemicals and botanical products for human use |
| License 17 | Manufacture of flour and grain mill products, including rice and vegetable milling; grain mill residues | License 42 | Manufacture of chemicals used for medical manufacture, food and medicine including precursor chemicals |
| License 18 | Manufacture of semi-processed grain mill | License 43 | Manufacture of perfumes, cosmetics, essential oils and resinous |
| License 19 | Manufacture of breakfast foods | License 44 | Manufacturing of incense |
| License 20 | Manufacture of starches and starch products | License 45 | Collection, purification and distribution of water including bottled water |
| License 21 | Other manufacture of grain mill products, starches and starch products and prepared animal feeds | License 46 | Wholesale of pepper and spices |
| License 22 | Manufacture of bakery products | License 47 | Wholesale of fruits & vegetables |
| License 23 | Manufacture of sugar, including golden syrup and castor sugar | License 48 | Wholesale trade in dairy products & birds eggs |
| License 24 | Manufacture of confectionery, including cocoa and chocolate | License 49 | Wholesale trade in meat & poultry |
| License 25 | Manufacture of pasta, macaroni, noodles, couscous and similar farinaceous products | License 50 | Wholesale trade in edible oils & fats |
| License 26 | Manufacture of honey products | License 51 | Wholesale trade in edible salt |
| License 27 | Manufacture of coffee, coffee substitutes and tea | License 52 | Wholesale trade in sugar |
| License 28 | Manufacture of nut/groundnut/foods | License 53 | Wholesale trade in processed fruits & vegetables |
| License 29 | Manufacture of fast foods | License 54 | Wholesale of fish |
| | | License 55 | Wholesale of bakery products, confectionery, including cocoa and chocolate |
| | | License 56 | Wholesale trade in food n.e.c. |
| | | License 57 | Wholesale trade in beverages |
| | | License 58 | Wholesale trade in bottled water |
| | | License 59 | Wholesale trade in soft drink |
| | | License 60 | Wholesale trade in beer |

| | | | |
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| License 61 | Wholesale trade in alcoholic drinks | License 99 | Import of bakery products, including confectionery, including cocoa and chocolate |
| License 62 | Wholesale trade in traditional beverages | License 100 | Import trade in food n.e.c. |
| License 63 | Wholesale trade in beverages n.e.c. | License 101 | Import trade in bottled water |
| License 64 | Wholesale trade in processed agricultural products | License 102 | Import trade in soft drinks |
| License 65 | Wholesale trade in processed cereals | License 103 | Import trade in beer |
| License 66 | Wholesale trade in processed oilseeds | License 104 | Import trade in alcoholic drinks |
| License 67 | Wholesale trade in processed pulses | License 105 | Import trade in wine |
| License 68 | Whole sale trade in processed spices and pepper | License 106 | Import trade in beverages n.e.c. |
| License 69 | Whole sale trade in processed coffee | License 107 | Import of tea |
| License 70 | Wholesale trade in flour | License 108 | Import of honey and honey products (except bee wax) |
| License 71 | Others wholesale trade in processed agricultural products | License 109 | Import trade in pasta, macaroni, noodle and alike products |
| License 72 | Wholesale of tea | License 110 | Import trade in food additives |
| License 73 | Wholesale sale of honey and honey products (except bee wax) | License 111 | Import trade in food supplements |
| License 74 | Wholesale of flour products | License 112 | Import trade in processed cereals |
| License 75 | Wholesale of pasta, macaroni, noodle and alike products | License 113 | Import s trade in processed oil seeds |
| License 76 | Retail trade in pepper & spices | License 114 | Import trade in processed traditional foods |
| License 77 | Retail trade in fruits & vegetables | License 115 | Import trade in processed spices and pepper |
| License 78 | Retail trade in dairy products | License 116 | Import trade in processed coffee |
| License 79 | Retail trade in meat & meat products, poultry | License 117 | Import trade in flour |
| License 80 | Retail trade in edible oils & fats | License 118 | Others processed agricultural products n.e.c. |
| License 81 | Retail trade of edible salts | License 119 | Import trade in incense |
| License 82 | Retail trade in sugar | License 120 | Export trade in dairy products & birds eggs |
| License 83 | Retail trade in processed fruits & vegetables | License 121 | Export trade in meat & poultry |
| License 84 | Retail trade in fish | License 122 | Export trade in edible oils & fats |
| License 85 | Retail trade in bakery products, confectionery, including cocoa and chocolate | License 123 | Export trade in edible salt |
| License 86 | Retail trade of honey and honey products | License 124 | Export trade in sugar |
| License 87 | Retail trade of flour | License 125 | Export trade in processed fruits & vegetables |
| License 88 | Retail trade of house made food products | License 126 | Export of fish |
| License 89 | Retail trade of mobile fast foods | License 127 | Export of injera, bakery products, including confectionery, including cocoa and chocolate, candy, chewing gum |
| License 90 | Retail trade in beverages (bottle stores) | License 128 | Export trade in food n.e.c. |
| License 91 | Import of fruits & vegetables | License 129 | Export trade in bottled water |
| License 92 | Import trade in dairy products & birds eggs | License 130 | Export trade in soft drinks |
| License 93 | Import trade in meat & poultry | License 131 | Export trade in beer |
| License 94 | Import trade in edible oils & fats | License 132 | Export trade in alcoholic drinks |
| License 95 | Import trade in edible salt | License 133 | Export trade in traditional drinks |
| License 96 | Import trade in sugar | License 134 | Export of wine |
| License 97 | Import trade in processed fruits & vegetables | License 135 | Export trade in beverages n.e.c. |
| License 98 | Import of fish | License 136 | Export trade in processed cereals |

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| License 137 | Export trade in processed oilseeds |
| License 138 | Export trade in processed traditional foods |
| License 139 | Exports trade in processed spices and pepper |
| License 140 | Exports trade in processed coffee |
| License 141 | Exports trade in flour |
| License 142 | Other exports of processed agricultural products n.e.c. |
| License 143 | Export of tea |
| License 144 | Export trade in pasta, macaroni, noodle and alike products |
| License 145 | Export trade in other flour products |
| License 146 | Export of food additives |
| License 147 | Export of food supplements |
| License 148 | Import trade in Incense |

Any person must have a certificate of competence before engaging in the business of manufacturing, import, export or wholesale or distribution of food and food products. The competence certificate for food exporters, importers or wholesalers refers to an official written document issued by the FMHACA relating to the details of the safety related status of food in compliance with a Directive issued in August 2011. The Directive mainly entails the level of fitness of the food for human consumption and other safety standards including the manufacturing competence, conditions of storage, transport and disposal, professional, technical and nontechnical personnel employed by the business. In addition to having the appropriate level of education and training, employees must take appropriate medical examinations and have health certificates which must be renewed every six months.

The applicant must fill out a standard form and attach several documents as specified in the Directive with respect to the store building design and location, storage condition and design, necessary equipments and inputs, technical and non-technical personnel with necessary qualification and experience.

A total of 802 licenses have been issued in 2005 EC for import, export and wholesale of food and drink and related products and the estimated compliance cost for the licenses ranges from ETB 4,000 to ETB 13,000.

The FMHACA charges no fee to issue or renew competence certificates for import, export and wholesale of food and food related products but the regular licenses application and renewal fees apply. It takes the FMHACA 8 hours to three working days to issue or renew the certificate depending on circumstances. However, private sector businesses state that in reality the process may take up to one month to issue new certificates. According to private sector business, the time it takes to renew existing licenses is relatively shorter than getting new licenses. It usually takes half the time needed to get new licenses. There is a huge difference regarding compliance time in what the regulatory authority claims on the one hand and the private sector's experience. This huge difference could be the result of many factors which must be explained in the joint forums of business and regulators.

A separate competence certificate is required for food manufacturers. There is a Directive issued in June 2011 by the FMHACA to determine the requirements for food manufacturing establishments. According to the Directive, food manufacturers in respect of which manufacturing competence certificate is issued are divided into three.

1. High risk foods for special nutritional purpose manufacturers,
2. High risk foods for general purpose manufacturers, and
3. Low risk foods manufacturers.

There are as many as 40 detailed requirements that must be fulfilled by the manufacturers in the above mentioned three categories to get a competence certificate. The purpose of the certificate of competence is to ensure that the manufacturer follow good manufacturing practice so as to ensure the safety and quality of food produced. According to the Directive, to get a certificate of competence, any food manufacturer must at least fulfill 60% of the requirements (including those described as fundamental under Article 10 of the Directive) during inspection by the authority's inspectors and sign undertaking to fulfill the remaining requirements within a specific period of time to be agreed with the Authority. The FMHACA charges

ETB 800 for issuing new and ETB 400 for renewing competence certificates. It takes the FMHACA up to two months to complete the process of reviewing documents, site/premise inspection and related matters before issuing a competence certificate for applicants. The renewal process takes at least half the time needed for processing new licenses.

A total of 33 new food and drink manufacturing licenses have been issued in 2005 E.C. The estimated compliance cost per license ranges from ETB 7,500 to ETB 38,000 depending on circumstances including the size of the manufacturing establishment and the type and variety of products produced.

Findings

Considering the human health issue involved in food and drink products processing and transaction, the regulatory measure to ex-ante certify the competence of business engaged in these activities could be considered as having valid regulatory purpose. However, the competence certification process in this sector faces different challenges, including the following major ones:

- Absences of properly organized data from competence verification bodies for each license type.
- Lack of proper division of function between agencies resulting in a duplication of effort and absence of common and uniform practice on competence verification, e.g., FMHACA vs. Culture and Tourism Bureau.
- Absence of clear delimitation of responsibility between the Federal regulatory body and its regional counterparts regarding issuing of competence certificates for certain licenses, e.g., Federal FMHACA and Addis Ababa Health Bureau.
- Designating more than one agency as competence verification body for one license type, e.g., MoI and FMHACA, FMHACA and MOWE, MoCT and MOWE are jointly designated as competence verifying bodies for one license type. This has resulted in duplication of effort and makes the process cumbersome to applicants.
- Absence of uniform practice regarding license fee paid by business during competence verification. Some regulatory authorities are trying to use licenses

for revenue rising not for legitimate regulatory purposes. Those who are not charging fees currently are in the process of introducing fees while others are in the process of revising existing fees with the objective of increasing existing fee structure.

- Setting very high standards and too many requirements by competence verification bodies which cannot be easily meet by business.
- Lack of clarity in describing license types in the ESIC, e.g., items listed in the ESIC as “other activities n.e.c.” create problem and confusion for competence verification bodies to exactly determine which activity fall under it and what type of requirement need to be prepared.
- Understaffing of competencies verifying bodies resulting in delays in processing applications and poor organization of the work of competence certification.

Recommendations

- Avoid very high and unattainable requirements which open the way for corruption and make clear provision for small scale and traditional business establishments when setting requirements.
- There is a need to make the ESIC in conformity with the licenses actually handled by the FMHACA.
- The overlaps of mandates between or among licensing agencies should be rectified.

3.9.1.2 Medicine and Medical Supplies

Businesses must be registered and approved for their competency to manufacture, export, import, supply and distribute medicines and medical supplies. The FMHACA is the regulatory authority which issues competence certification and licensing for businesses engaged in the manufacturing, import, export, wholesale and distribution of medicine, medical equipments and supplies. Article 3 and 4 of Proclamation No. 661/2009 cumulative with Article 6(1) of Regulation No. 189/2010 empowers the FMHACA to license and regulate the production, import, export, distribution, promotion and storage of medicine. The FMHACA provides licensing service by verifying their competency level based on the competency criteria set out for manufacturers,

exporters, importers and wholesalers of medicines and medical supplies.

There are 18 medicine and medical supplies related licenses in the manufacturing, export, import, wholesale and retail trade categories of the ESIC. They are the following:

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| License 1 | Manufacture of pharmaceuticals, medicinal chemicals and botanical products for human use |
| License 2 | Manufacture of chemicals used for medical manufacture, food and medicine including precursor chemicals |
| License 3 | Manufacture of medical and surgical equipment and orthopedic appliances |
| License 4 | Manufacture of artificial orthopedic products |
| License 5 | Wholesale of chemicals used for medical manufacture, food and medicine including precursor chemicals |
| License 6 | Wholesale of medicines and medical equipments |
| License 7 | Retail trade in medical equipments, pharmaceutical, cosmetics, perfumery and sanitary articles |
| License 8 | Retail trade in chemicals used for medical manufacture, food and medicine including precursor chemicals |
| License 9 | Import trade in medicines |
| License 10 | Import trade in chemicals used for medical manufacture of food and medicine including precursor chemicals |
| License 11 | Export of medicines |
| License 12 | Export of chemicals used for medical manufacture of food and medicine including precursor chemicals |
| License 13 | Export trade in pharmaceuticals, medical equipments |
| License 14 | Research and experimental development on human health, medicine and medical process |
| License 15 | Research and experimental development on chemistry and biology |
| License 16 | Research and experimental development on psychology |
| License 17 | Certificate of competence for product registration/market authorization (not listed in the ESIC) |
| License 18 | Certificate of competence for medical representative for medicine promotion (not listed in the ESIC) |

The conditions/requirements attached to issue certificate of competence for export, import and wholesale of medicine and medical equipments and supplies are as follows: To get the service, the applicant must fill out an application form for Certification of Competence and attach several documents including the following:

- Memorandum and article of association, if the organization is share company;
- Premise lease contract, if the company uses leased office;
- Evidence showing the academic status of professionals employed by the company; and
- Evidence of work experience of professionals employed by the company including a medical report which proves that the professional is not handicapped, mentally ill and is free from alcoholic and narcotic and psychotropic addiction.

Upon receiving the application, the FMHACA will assess the applicant's competence from professional and institutional requirements perspective as detailed in the Directive issued in December 2012. Regarding professional requirements, the Authority must be satisfied that the applicant has employed sufficient professional, technical and nontechnical personnel as determined by the Directive. From an institutional perspective, all exporters, importers and wholesalers of medicine and medical equipments and supplies must have proper building and storage facility in accordance with the standard set out by the authority as detailed in the Directive.

It takes the FMHACA approximately one day to verify the documents and issue the certificate provided that a complete document is submitted by the applicant. Private sector businesses however, do not agree with this claim. According to the business, it takes them over a month to get a new competence certificate and at least 15 days to renew existing ones. There are also instances where applicants have to re-submit their applications for different reasons which could increase the time for completing the process. Competence certification Authorities do not keep statistics on the frequency of occurrences where re-submission of applications has been required or when applicants are being asked to provide additional information by the

FMHACA. In some of the directives or regulations which set requirements, there is a blanket provision which says “other documents which the competence verification or licensing authority deems necessary.” A similar process is followed to renew competence certificates. The FMHACA charges ETB 600 for issuing new and ETB 300 for renewing competence certificates.

In case of product registration or market authorization certificate for new products, the processing time is much longer and a different fee structure is applied. Product registration/market authorization is a very important step that must be completed for local manufacturers and importers alike. Depending on the product for which registration and market authorization is sought, between USD 500 and USD 800 is paid for first time application and between USD 100 and USD 250 is paid for renewal and variations. Businesses allege that although the FMHACA claims to complete the process of reviewing all documents relating to the product intended to be imported and conduct the necessary laboratory testing within three to six months, in reality it takes up to two years to complete the process depending on the number and type of products imported and the level and type of laboratory test carried out by the FMHACA. Some even alleged that the sample they provide to the authority for testing expires before it is tested which forces them to import samples for the second time resulting in significantly increasing the cost of doing business.

A total of 52 new licenses have been issued in 2005 E.C. for import, export and wholesale of medicine and medical supplies. The estimated compliance cost per license ranges from ETB 14,400 to ETB 17,800.

The FMHACA issues two separate certificates for medicine manufacturers. These are:

- Medicines manufacturing certificate of competence, and
- Certificate of good manufacturing practice (GMP).

According to Directive No. 12/2013 issued by the FMHACA in April 2013, it shall be mandatory to get a certificate of competence for any person to engage in the manufacture of medicine. The purpose

of the certificate of competence is to ensure that the manufacturer follow good manufacturing practice so as to assure safety, quality and efficacy of medicine produced. The Directive states that an applicant with valid manufacturing certificate of competence and with successful completion of development, stability and process validation shall apply for a certificate of Good Manufacturing Practice (GMP) which must be issued in accordance with another Directive on GMP issued by the authority. The Directive on medicine manufacturing contains very detailed requirements. Hence before starting the manufacture of medicine the firm shall fulfill the requirement of the Directive on:

- Premises design suitability;
- Material and personnel flow direction including controlled areas;
- Clean area classification;
- Equipment design and location;
- Source and quality of water including its design, treatment, storage, distribution and monitoring;
- Air Handling Unit design; Heating, Ventilation and Air Conditioning component, air supply and exhaust system for each processing area and its suitability for the intended purpose;
- Quality control and laboratory testing;
- Waste management and treatment system; and
- Other requirements as described under Annex III of the Directive.

The FMHACA, through an authorized inspection team, shall verify whether or not the above listed requirements are in place and suited for the intended purpose. The manufacturer shall have an adequate number of personnel with the necessary qualifications and practical experience as determined in the Directive. According to the Directive, manufacturing certificate of competence issued once shall remain valid provided that the premises start to operate business within six (6) months following the approval, premises have been maintained and remained in conditions which led to its initial licensing and there is no change of ownership, business name or location. The GMP certificate shall however, be renewed every two years unless suspended, cancelled or revoked by the FMHACA.

A total of only one medicine manufacturing license has been issued in the year 2005 E.C. The FMHACA charges ETB 800 per license for issuing new competence certificate and ETB 400 for renewal purposes. The compliance cost per license is estimated to be ETB 34,624.

Findings

Considering the human health issue involved in medicine and medical supplies activities, the regulatory measure to ex-ante certify the competence of business engaged in these activities could be considered as having valid regulatory purpose. However, the competence certification process for these activities faces different challenges, which includes the following:

- Very poor data environment in almost all license types for which competence certification is granted.
- Absence of clear delimitation of responsibility between the Federal regulating authority and its regional counterparts regarding issuing of competence certificates for certain licenses.
- Absence of uniform practice regarding license fee paid by business during competence verification.
- Absence of proper coordination and communication between federal agencies which sets requirements and sector institutions at the state level who actually issue the permits and certificates.

Recommendations

- The regulators especially FMHACA must have sufficient well qualified, and accountable staff.
- Properly organized working system and record keeping alleviating the problem of accessing up-to-date and reliable data.
- The division of power and responsibility between the Federal Government and the Regional states with regard to competence certificates need to be articulated.

3.9.1.3 *Cosmetics and Sanitary Items*

The revised ESIC provides for the following nine licenses related to cosmetics and sanitary products.

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|-----------|--|
| License 1 | Manufacture of perfumes, cosmetics, essential oils and resinous |
| License 2 | Manufacture of sanitary napkin (pad) and diapers |
| License 3 | Manufacturing of toilet tissue and napkin paper |
| License 4 | Wholesale of cosmetics, essential oils and resinous, perfume and chemicals for perfumes |
| License 5 | Wholesale of soaps, detergents, toiletries, chemicals for cleansing, other polishing and cleansing |
| License 6 | Retail trade in medical equipment, pharmaceutical, cosmetics, perfumery and sanitary articles |
| License 7 | Import of cosmetics, essential oils and resinous, perfume and chemicals for perfumes |
| License 8 | Retail trade in cosmetics, essential oils and resinous, perfume and chemicals for perfumes |
| License 9 | Export of cosmetics, essential oils and resinous, perfume and chemicals for perfumes |

The FMHACA has prepared and issued a Directive in June 2011 which defines the requirements to be fulfilled for issuance of competence certificate for import, export and wholesale of cosmetics and sanitary items. Like other licenses, the above listed licenses are scattered in the manufacturing, import, export, wholesale and retail trade categories of the ESIC. The conditions, processes to be followed and requirements attached to the issuance of competence certificate for export, import and wholesale of cosmetics and sanitary items are more or less similar to import, export and wholesale of medicine and medical equipments and supplies described above. Hence, to get a license or competence certificate, applicants must comply with the detailed requirements provided for in the Directive issued in June 2010 by the FMHACA with respect to building design and location, storage condition and design, necessary equipments and inputs, technical and non-technical personnel with necessary qualification and experience for the establishment and maintenance of a business for import, export and wholesale of

cosmetics and sanitary products. There are 4 general and 24 detailed requirements that must be fulfilled by applicants before a competence certificate is issued. The Directive states that its objective is to make sure that businesses engaged in the cosmetics and sanitary products have the necessary organizational capacity and ensure the quality and safety of products offered to the public.

A total of 75 new licenses have been issued in the year 2005 E.C related to trade in cosmetics and sanitary products. Compliance time is estimated to 28 days for new licenses and 14 days for renewing existing licenses. The authority charges no fees for issuing new competence certificate or renewing existing ones, but regular licensing fees applies for business engaged in the area. The compliance cost for each license is estimated to be ETB 13. A total of ETB 983,525 is estimated to be collected in the in 2005 E.C. as license fee on cosmetics and sanitary products.

Finding

- No major finding specific to this particular sub-sector are identified. However, cross-cutting issues or Findings identified above for the other health sub-sectors apply here.

3.9.1.4 Tobacco and Tobacco Products

Proclamation No. 181/99 transfers the monopoly rights of the National Tobacco Enterprise to the National Tobacco Enterprise Share Company (NTE s.c.). The purpose and content of the proclamation doesn't go any further. This means that we do not have regulations or directives that guide the certification process for the various activities the Enterprise is made responsible for under ESIC. NTE is the licensing body for all tobacco related licenses. As for verification, ESIC provides that FMHACA will grant the certification for fulfillment of minimum requirements except in the case of 'Wholesale of tobacco' where NTE performs both roles.

The objectives of the license as can be derived from the requirements and inspection procedures is the ensuring a safe production, storage and distribution of tobacco to the public at large.

The National Tobacco Enterprise S.C. issues the licenses for the following items. And this is consistent with the list under ESIC.

| | |
|-----------|---|
| License 1 | Manufacture of tobacco products |
| License 2 | Wholesale trade in processed tobacco |
| License 3 | Wholesale trade in tobacco |
| License 4 | Wholesale trade in tobacco products |
| License 5 | Other wholesale trade in tobacco and tobacco products |
| License 6 | Import trade in tobacco |
| License 7 | Import trade in tobacco products |
| License 8 | Import of tea |

An applicant for any of the above listed licenses is required to submit. Newly issued or renewed business registration certificate, Bank statement (capital)—this is important because the NTE s.c. works with companies with a capital of 300,000 ETB and above, a certified contract of lease (rent), Taxpayers Identification Number (TIN) and Tax clearance letter.

An application for a permit, to participate in any of the activities listed above, according to our conversation with an official in the NTE takes 1–3 months to complete. And our private sector interviews have also confirmed this. It takes an average of a month and half and a number of visits to follow up to obtain a license. The process begins with a visit to the sales office at the Enterprise. There isn't a separate office to handle license or certificate issues.

Proclamation No. 661/2009 (Article 4/13) mandates the FMHACA to regulate the content, manufacture, import, export, distribution, sales, use, packaging and labeling, advertisement and promotion and disposal of tobacco products. The authority has issued a Directive in September 2011 that defines the requirements of professional competence to be satisfied by businesses that engage in manufacturing, import, export and wholesale of tobacco and tobacco products.

According to Article 3(1) of the Directive no one can be engaged in the business of import, export and wholesale of tobacco products without first obtaining

a competence certificate from the Authority. The Directive provides for detailed requirements to be fulfilled by applicants for obtaining a competence certificate. According to Article 5 of the Directive, there are 21 detailed requirements relating to the building design and location, storage condition and design, necessary equipment and inputs, technical and non-personnel with necessary qualification and experience for the establishment and maintenance of the business of import, export and wholesale of tobacco products.

After a completed application is submitted an inspection team of the Authority comprising 2–3 members will make a site visit to make sure that all the requirements are actually fulfilled and in place.

The amount of Fee for obtaining a new license and renewal is the same 200 ETB. In the year 2012 the majority of applications processed were renewals of already existing licenses. Our private sector interviews revealed that some applicants have paid more than the required amount of 200 ETB when they applied for a new license.

In 2012 there were a total of 69 licenses and out of these only 7 were new, the rest were renewals. The estimated administrative compliance cost for this category of licenses ranges from 350 to 900 ETB.

Findings

- There are no specific directives or guidelines at the National Tobacco Enterprise that are publicly accessible. It is not clear where the rules on fees and other requirements came from. The NTE does not have a website or an alternative means of obtaining information or forms by customers.
- Even though these forms and requirements are not readily accessible—customers get the services by coming to the sales office of the NTE.
- A renewal process for a simple license should not take more than one month to process. Our private sector interviews revealed that many find the process exhausting and unnecessarily drawn out.

Recommendations

- The Enterprise needs to have a separate office for processing this license.

- A specific directive needs to be enacted that clearly sets out the objective of the license, the documents required and the fees for new licenses and renewals.
- The time and procedures for obtaining a license need to be shortened and simplified respectively.

3.9.1.5 Health Institutions/Facilities

The revised ESIC also identifies the following 17 licenses in relation to health institutions/facilities.

| | |
|------------|--|
| License 1 | Specialized hospital |
| License 2 | General hospital |
| License 3 | Primary hospital |
| License 4 | Primary clinic |
| License 5 | Specialty clinic |
| License 6 | Medical/specialty center |
| License 7 | Health center |
| License 8 | Diagnostic imaging |
| License 9 | Diagnostic laboratory |
| License 10 | Kela health station |
| License 11 | Supplementary health services or paramedical staff (practitioners) |
| License 12 | Clinics and related healthcare services |
| License 13 | Nursing services |
| License 14 | Middle clinic |
| License 15 | Day care services |
| License 16 | Traditional medical service |
| License 17 | Other medical and health services n.e.c. |

Article 4(2) of the Food, Medicine and Health Care Administration and Control Proclamation No. 661/2009 empowers the FMHACA to issue, renew and revoke certificate of competence for specialized health institutions, quality control laboratories, bioequivalence centers and trans-regional health institutions. Currently FMHACA issues certificate of competence only for specialized hospitals, specialty centers and trans-regional health institutions. Competence certificates for the remaining licenses are given by the relevant regional state or city administration health authorities. In Addis Ababa both the City's health bureau and the City's Food, Medicine and Health Care Administration and Control Authority which established recently claim to have authority to issue competence certificate for health institutions which are outside of the FMHACA's jurisdiction.

The conditions/requirements attached to the issuance of certificate of competence for health institutions are described in the various health facility National Standards prepared under the auspices of the Ethiopian Standards Agency and approved in 2012. The standards cover the minimum requirements with respect to practices, premises, professionals and products or materials put into use for the establishment and maintenance of the health institution for which the minimum standard is set. The list of health institutions for which standards are prepared and approved and the list of licenses in the revised ESIC do not match. As described above there are seventeen licenses in the ESIC list. Working with FMHACA the Ethiopian Standards Agency has prepared and approved only twelve standards. No standard or directive is prepared for licenses like traditional medical services, day care services and supplementary health services by paramedical practitioners.

National Standards which set out the minimum requirements for the establishment and maintenance of a health facility are prepared and approved by the Ethiopian Standards Agency for the following health institutions:

- Advanced medical laboratory,
- General hospital,
- Health post,
- Nursing home,
- Primary hospital,
- Specialty center,
- Basic medical laboratory,
- Health center,
- Medium clinic,
- Primary clinic,
- Specialized hospital, and
- Specialty clinic.

A total of 30 licenses have been issued in the year 2005 E.C. The federal regulatory authority (FMHACA) has issued competence certificates to four of the 30 new licenses. The remaining ones have been issued by the Addis Ababa City health authorities. The compliance cost for these licenses range from ETB 7,962 to 14,186.

Depending on circumstances, the total compliance time for getting new licenses range from three to fifteen days.

Findings

- In some cases the name of the license in the ESIC and the name of the standard or the institution it addresses do not match.
- The standards for most of the health facility establishments are too detailed and very high.
- There is absence of national standard for some types of health institutions/facilities.

3.9.2 Culture and Tourism

A total of 111 business licenses are identified in the culture and tourism sub-sector. The revised ESIC identifies 101 licenses related to this sub-sector. The remaining 10 licenses identified are not in the ESIC list, but licensing/regulating authorities issue these licenses or competence certificates. Of the total 111 licenses, 75 are in the art and culture sector. The remaining 36 licenses are in the tourism sector. The licenses in the culture and tourism sector are scattered over the various major divisions of the ESIC including in the manufacturing, wholesale, retail, transport, community, social and personal services divisions.

3.9.2.1 Licenses in the Tourism Sector

Based on the ESIC and the practice of regulatory bodies, the following 36 licenses are identified for tourism related businesses.

| | |
|------------|--|
| License 1 | Star designated hotels |
| License 2 | Hotels (higher, medium and small) |
| License 3 | Caravan parks and camping sites |
| License 4 | Guest-houses and youth hostel |
| License 5 | Pensions |
| License 6 | Guest-farms/winter houses/home stays |
| License 7 | Boatel |
| License 8 | Other hotels, camping sites and other provision of short and long stay accommodation |
| License 8 | Star motel |
| License 9 | Star lodge |
| License 10 | Star traditional restaurant |
| License 11 | Motels |
| License 12 | Lodges |
| License 13 | Traditional restaurants |

(continues)

Continued

| | |
|------------|---|
| License 14 | Snack and kettle coffee houses |
| License 15 | Motels, lodges and traditional restaurants n.e.c. |
| License 16 | Hotel management company |
| License 17 | International restaurants |
| License 18 | Restaurants without liquor license |
| License 19 | Cafeteria |
| License 20 | Bars & night clubs |
| License 21 | Take-away counters |
| License 22 | Catering |
| License 23 | Traditional drink serving houses |
| License 24 | Other catering services n.e.c. |
| License 25 | Safaris and sightseeing services |
| License 26 | Tourist transport service |
| License 27 | Tour operators |
| License 28 | Travel agent |
| License 29 | Tour operators and travel agents |
| License 30 | Tourism promotion |
| License 31 | Travel agency and related services n.e.c. |
| License 32 | Event organizers |
| License 33 | Hotel & tourism consultancy |
| License 34 | Steam and hot water supply |
| License 35 | Individual tour guide (not listed in ESIC) |
| License 36 | Tourist car rental (not listed in ESIC) |

The requirements for competence certification in the culture and tourism sector are set by the Federal Ministry of Culture and Tourism (MoCT) in a Directive issued in March 2011. Article 31 of Proclamation No. 691/2010 which defines the powers and responsibilities of the MoCT and Article 30(3) of the BRLP No. 686/2010 are cited as the legal basis for power of the MoCT to issue this Directive. However, closer look into Article 31 of Proclamation No. 691/2010 indicates that issuing licenses or competence certificates to businesses engaged in the culture and tourism sector is not clearly included in the powers and responsibilities of the Ministry.

A. Star Designated Hotels, Motels, Lodges and Restaurants

The conditions/main requirements attached to the issuance of competence certificate to star designated

hotels, lodges and restaurants can be summarized as follows:

- The premises in respect of which the application is made are structurally adapted externally and internally for use as a hotel and comply with the requirements set under the Ethiopian building proclamation and building control regulations of 2009;
- Proper provision has been made for the sanitation of the hotel and meet all the requirements relating to the quality and standard of materials, equipments and inputs which must be available in reception, guest rooms, common rooms, etc.;
- Proper provision has been made for the hotel to be managed in an efficient manner by appropriate hotel professionals;
- Proper provision has been made for the storage, preparation, cooking and serving of food in the hotel and that bars, restaurants and related facilities are properly in place;
- Proper provision has been made for the welfare, safety and security of guests;
- Proper assurance is given by relevant authorities that the products or services of the hotel do not pose adverse impact for health and safety and a certificate to that effect is produced; and
- The application meets such additional requirements relating to quality control and inspection system, personnel administration, staff training, etc.

Until recently both the MoCT and the Addis Ababa Culture and Tourism Bureau have been issuing competence certificates for star designated hotel establishments. Currently the MoCT has delegated the responsibility to regional Culture and Tourism Bureaus including the Addis Ababa Administration.

A total of 53 licenses have been issued for business engaged in hotel, lodge and restaurant with star designated status in the year 2005 E.C. The Addis Ababa Culture and Tourism Bureau charges ETB 2000 per license for issuing and renewing competence certificates for star designated hotels, lodges and

restaurants. The competence certification fee/service charge payable by hotels and other businesses in the culture and tourism sector is clearly indicated in Regulation No. 54/2013 issued by the Addis Ababa City government. The compliance cost for these licenses range from ETB 15,363 to 33,240 depending on the size and star status of the hotel. The total compliance time for the licenses including site visit made by designated officer/s to physically inspect the premise and facilities also varies from 8 to 32 working days.

B. Other Hotels, Lodges, Restaurants, Guest Houses, Pensions, Bars, Night Clubs, Cafes, Takeaways, Caterings, Traditional Drink Serving Houses, etc.

The conditions and requirements attached to the issuance of competence certificates to the above mentioned establishments are also provided in the Directive issued by the MoCT. The requirements relate to the management, safety, security, hygiene and sanitation, professional training of employees, and such other requirements relating to the welfare of users or guests.

The MoCT does not issue competence certificates to the above establishments except for those which are star designated as described above. It is the responsibility of the relevant agency of regional states or city administrations to regulate the activities of the above businesses. Hence, a competence certificate is issued by the regional or city administration health or culture and tourism authorities. In case of Addis Ababa, both the city's FMHACA and the city's culture and tourism bureau claim to have regulatory power.⁸⁸ Both have

⁸⁸ Article 7 of the Addis Ababa City Government Culture & Tourism Service Providers Licensing and Registration. Regulation No. 54/2013 provides that the culture and tourism bureau has the power to issue professional license and criteria to cultural and tourism service providers. On the other hand the Addis Ababa Food Medicine Healthcare Administration and Control Authority (FMHACA Addis Ababa) believes that issuing professional license and ensuring hygiene and environmental health protection are two different functions and insist that issuing competence certificates to hotels and other food and drink establishments subject to health and related control, must be the responsibility of the health authorities. They invoke federal law on food, medicine and healthcare administration and control (Proc. No. 661/2009, Regulation No. 189/2010, and the hotels, other food and drink establishments and cottage industries hygiene and environmental health control requirement directive issued by the Addis Ababa Health Bureau in 2010.

issued guidelines setting requirements. Currently both issue competence certificates for these businesses. It looks like there is a clear overlap of function and duplication of effort in this regard. The Culture and Tourism Bureau charge fees when rendering competence verification to the above businesses ranging from ETB 300 to 1,000. FMHACA charges a flat rate of ETB 50 per license.

A total of 456 new licenses have been issued in the 2005 E.C. and the estimated compliance cost for the licenses ranges from ETB 5,130 to 9,250. The compliance time for new licenses also varies from 12 to 22 working days. Most business are of the view that compliance time for renewal may be less by half which in this case means 6 to 11 days are required to renew existing licenses.

C. Tour and Travel, Tourism Promotion, Tour Guide Hotel and Tourism Consultancy, Tourist Transport/Car Rental, Safari and Sightseeing, etc.

The requirements as defined in the Directive issued by the Federal MoCT for the above mentioned licenses relate to such matters as how the services should be organized and managed including office facilities and equipments, personnel and professional training, type and nature of transport vehicles and facilities, communication equipments, media, and common requirements like adequate capital, trade registration, tax registration, etc.

The Federal MoCT and the Addis Ababa Culture and Tourism Bureau issue competence certificates for business engaged in these areas. The division of responsibility between the two is not however clearly defined by the directive. The Federal MoCT does not charge fees for the competence certification services it renders. On the other hand the Addis Ababa Culture and Tourism Bureau charge fees ranging from ETB 300 to 1000 per license.

A total of 671⁸⁹ new licenses been issued to businesses engaged in tourism promotion, tourist transport

⁸⁹ The licenses are distributed as follows: tourist transport: 60,119, tour operation: 119, tour operation and travel agent: 240, tourism promotion: 5, event organization: 19, hotel and tourism consultancy: 14 and individual tour guides: 208. As of late 2013 competence verification and licensing of the event organizers is under the responsibility of the MoT.

services, tour operation, tour & travel agency, event organization, hotel and tourism consultancy and tour guide services. The compliance cost for these licenses range from ETB 1,386 to 17,319 per license and the compliance time for new licenses vary from 5 to 23 working days.

Findings

- Big disparity between the list of licenses under the ESIC and those at the MoCT.
- Very poor data environment regarding licenses issued or renewed every year.
- Clear overlap of function and duplication of effort between competence verification agencies.
- Very general and subjective criteria regarding requirements to be fulfilled by hotels and other food and drink establishments.
- Designation of agencies as competence verification bodies for licenses which does not fall within their competence or function, e.g., competence for manufacturing license, export and import licenses are given to the MoCT.
- Absence of proper division of function between agencies resulting in a duplication of effort and absence of common and uniform practice on competence verification, e.g., Addis Ababa Culture and Tourism Bureaus, food, medicine and healthcare administration and control Authority, Federal Ministry of Culture and Tourism and its counter parts in the regional states.
- Absence of proper coordination and communication between federal agencies which sets requirements and sector institutions at the state level who actually issue the permits and certificates.
- Lack of clarity in describing license types in the ESIC, e.g., items listed in the ESIC as “other activities n.e.c.” creates problem and confusion for competence verification bodies to exactly determine which activity fall under it and what type of requirement need to be prepared.
- Existence of licenses which are not listed in the ESIC.
- Confusion relating to certain licenses as to who is the proper competence certification body, e.g., licenses relating to event organization.

3.9.2.2 Licenses in the Art and Culture Sector

A total of 75 licenses listed below are identified in the art and culture business. Out of these, 68 are already listed in the revised ESIC. The remaining 7 licenses are not listed in the ESIC but the Addis Ababa Culture and Tourism Bureau issues competence certificates for these licenses.

| | |
|------------|--|
| License 1 | Printing of books, brochures, musical books and others |
| License 2 | Manufacture of musical instruments and scores |
| License 3 | Manufacture of souvenirs, artifacts and artificial jewelry |
| License 4 | Manufacture of toys and games |
| License 5 | Manufacture of computer games (including electronic games and video game consoles) |
| License 6 | Manufacture of blank cassette tapes, laser discs and compact discs |
| License 7 | Manufacture of other recreational goods |
| License 8 | Wholesale of musical instruments and scores |
| License 9 | Wholesale of toys and computer games |
| License 10 | Wholesale of electronic games and video game consoles |
| License 11 | Wholesale of souvenirs and artifacts |
| License 12 | Retail trade in toys, computer and electronic video games |
| License 13 | Retail trade of souvenirs, artifact and artificial jewelry |
| License 14 | Import of musical instruments and scores (film, theater and other related instruments) |
| License 15 | Import of toys and games |
| License 16 | Import of computer games (including electronic games and video game consoles) |
| License 17 | Import of other recreational goods n.e.c. |
| License 18 | Export of musical instruments and scores |
| License 19 | Export of toys and games |
| License 20 | Export of computer games (including electronic games and video game consoles) |
| License 21 | Export of souvenirs, artifacts and artificial jewelry |
| License 22 | Consultancy service for social affairs |
| License 23 | Art & culture consultancy |
| License 24 | Theater, music, film modeling, dance, video & photograph, design school, etc.) |
| License 25 | Body circus school |

| | | | |
|------------|--|------------|---|
| License 26 | Motion picture, theatre and video production and distribution | License 60 | Botanical and zoological gardens and nature reserve activities |
| License 27 | Related activities—film and tape renting to other industries, booking, delivery and storage | License 61 | Topographic beauty |
| License 28 | Motion picture, theatre and video production and distribution (audio visual production and distribution/radio and TV/ and related arts) n.e.c. | License 62 | Circus group |
| License 29 | Motion picture projection by cinemas | License 63 | Decorating activities |
| License 30 | Motion picture projection by driver in house | License 64 | Fashion and beauty contest services |
| License 31 | Other motion picture projection | License 65 | Research and experimental development on culture and sociology |
| License 32 | Rental of musical instruments (music, film, theatre and other arts) | License 66 | Research and experimental development on linguistics and literature |
| License 33 | Player of musical instruments (DJ) | License 67 | Consultancy service for social affairs |
| License 34 | Arts gallery | License 68 | Symphony orchestra (not listed in ESIC) |
| License 35 | Arts studio | License 69 | Art promotion (not listed in ESIC) |
| License 36 | Arts contest and awards (music, film, theatre, gallery and other) | License 70 | Theater promotion (not listed in ESIC) |
| License 37 | Arts festival (music, film, theatre, gallery and other) | License 71 | Pair promotion (not listed in ESIC) |
| License 38 | Other dramatic arts, music and other arts activities n.e.c. | License 72 | Music promotion (not listed in ESIC) |
| License 39 | Music band | License 73 | Literature promotion (not listed in ESIC) |
| License 40 | Mini cultural band | License 74 | Sculpture promotion (not listed in ESIC) |
| License 41 | Medium cultural band | License 75 | Animation film studio (not listed in ESIC) |
| License 42 | General cultural band | | |
| License 43 | Mini modern band | | |
| License 44 | Medium modern band | | |
| License 45 | General modern band | | |
| License 46 | Classical music modern band | | |
| License 47 | Jazz modern band | | |
| License 48 | Dance team | | |
| License 49 | Film production | | |
| License 50 | Cinema hall | | |
| License 51 | Film studio | | |
| License 52 | Film capturing | | |
| License 53 | Theatre production | | |
| License 54 | Library activities | | |
| License 55 | Archives activities | | |
| License 56 | Library and archives activities n.e.c. | | |
| License 57 | Preservation of historical sites and buildings | | |
| License 58 | Cultural center service | | |
| License 59 | Museum activities and preservation of historical sites & buildings (arts center) n.e.c. | | |

The Directive issued by the MoCT in March 2011 and adapted by the Addis Ababa Culture and Tourism Bureau enumerates 13 common requirements including trade registration, tax registration, complete office facility, appropriate professionals, etc. that apply to all of the above listed licenses and from 5–19 specific conditions/requirements for each of the licenses. Over 95 percent of the competence certification work for the above licenses in Addis Ababa is done by the Addis Ababa Culture and Tourism Bureau. The MoCT is not actively working in this area. A competence certificate is given by the MoCT on a temporary basis by way of writing a support letter to the MoT or the Addis Ababa Bureau of Trade and Industry (BoTI). According to officers at the MoCT, by doing so they are trying to help individuals or firms renew their business license and ease the difficulty they are currently facing due to the confusion created in implementing the new business licensing system based on the ESIC. They are of the view that once they prepare requirements for competence certification, it is not their responsibility to actually issue new or renew existing licenses of businesses engaged in the sector. Actual certification work must be done by regional states or City administrations.

A total of 347 licenses have been issued in 205 E.C. and the estimated compliance cost for the licenses range from ETB 1,818 to 16,130. The compliance time for new licenses also varies between 8 days to 25 days per license.

Findings

- Too many licenses for very related businesses.
- For most of the licenses identified in this sub-sector, the regulatory requirement for competence certification does not seem to have valid or strong regulatory purpose.
- Very general and subjective criteria for competence verification.
- Existence of many licenses which are not listed in the ESIC.
- Absences of clear legal mandate to perform competence verification work. Some of the licenses in the ESIC list for which the Ministry of Culture and Tourism is designated as competence Certification authority is outside of its mandate. Moreover, competence certification work at the MoCT especially in the culture sector is conducted on temporary basis by way of writing a support letter to the MoT or BoTI.

Recommendations

- The general, vague and in some cases unrealistic requirements should be clarified and simplified in the Directive to avoid subjectivity and promote business.
- The mandate of the Ministry of culture and tourism regarding competence certification should be clarified in the directive.
- Overlapping of function of competence verification institutions should be clarified to avoid inconsistency and unnecessary competition among government institutions.

3.9.3 Sporting Sub-Sector

Sports Commission Establishment Proclamation No. 692/2010 mandates the Sports Commission to issue directives governing the establishment of sports associations as well as to register and support associations operating at the national level. The Proclamation also mandates the Commission to issue authorization to sports associations to engage in

income generating activities which are consistent with their objectives with a view to meet their financial requirements. By way of discharging the duties in that proclamation and the specific requirement under the Commercial Registration and Business Licensing Proclamation Article 30(3) the Commission has enacted a Directive to provide for the requirements to obtain a license for sporting activities. The commission is considering amending this directive and coming up with a more comprehensive one, but as things stand now that is the binding legal requirement for all those seeking a license in sporting activities. The Commission serves as the verification body (issues competence certificates) for the licenses to be issued by either Bureau of Trade and Industry or Ministry of Trade. The two main objectives of the directive and the competence certificate to be issued by the Commission are protecting the sporting activity in the country from unethical (inappropriate) activities and creating a conducive environment for sporting activities.

The revised ESIC identifies the following licenses in relation to the production and transaction of sporting equipments and the provision of sports related services. It further authorizes the Sports Commission to issue competence certificates for these licenses.

| | |
|------------|--|
| License 1 | Manufacture of sports goods |
| License 2 | Wholesale of other recreational and musical goods n.e.c. |
| License 3 | Wholesale of sporting goods and equipment (including healthcare equipment) |
| License 4 | Wholesale of sporting goods n.e.c. |
| License 5 | Retail trade of sporting goods and equipment (including healthcare equipment) |
| License 6 | Retail trade of recreational and musical goods |
| License 7 | Import of sporting goods and equipment (including healthcare equipment) |
| License 8 | Import of other sporting goods n.e.c. |
| License 9 | Export of sporting goods and equipment (including healthcare equipment) |
| License 10 | Research and experimental development on physical science |
| License 11 | Activities of sports associations (licensing on activities of sport association) |
| License 12 | Sporting services |
| License 13 | Pool and billiard houses |

| | |
|------------|--|
| License 14 | Places for game sports |
| License 15 | Sports enrichment centers |
| License 16 | Other sporting and recreational activities |

However, the following is the list of categories and activities identified in the directive for certification to be issued by the office of the Sports Commission (only 7 of the 16 licenses provided for by the ESIC).

| | |
|-----------|--|
| License 1 | Manufacture of sporting goods |
| License 2 | Wholesale of sporting goods and equipment (including healthcare equipment) |
| License 3 | Activities of sports associations (licensing on activities of sport association) |
| License 4 | Other sporting and recreational activities |
| License 5 | Pool and billiard houses |
| License 6 | Place of game sports |
| License 7 | Retail of sporting goods |

Directive No. 2/2003 specifies the documents that applicants should submit for a successful completion of their application process: a Registration certificate, passport (Renewed ID), a 3 × 4 photo, proof showing applicant is a tax payer (TIN number), lease agreement or a blue print of the property to be used, bank statement showing business capital, certification of assessment, document mentioning distribution channel and a completed application form.

The directive does include other details that will eventually be used during inspection to businesses applying for the different types of activities. And the requirements are almost identical for the different categories.

The directive does not specify how long an application for a competence certificate will take. The officers we spoke to at the commission indicated that it often takes a very short time. And private sector Findings confirmed that it takes 2 to 3 days to apply for, go through the inspection process and receive a competence certificate.

Directive No. 2/2003 does not specify the fees that need to be paid for this process. As a result except for one business all the respondents of our private sector survey indicated that they did not pay any money for fees. This however, doesn't mean that there aren't other

costs. In addition to administrative costs the businesses are required to provide transportation services for the Commission experts to perform inspection on their businesses.

A total of 22 licenses have been issued in 2012 and the estimated administrative compliance cost for this category of licenses ranges from 500 to 1,500 ETB.

Findings

- From the above licenses, only the licensing of sports associations by the Sports Commission has a sufficient legal basis, as this is expressly included in the mandate of the Commission under its establishment Proclamation.
- The regulatory requirement to certify (ex-ante) the competence of businesses who want to obtain the above listed licenses (except for the license of sports associations) does not serve a valid and strong regulatory purpose.
- There is a clear inconsistency between the Directive and the ESIC.

Recommendations

- Amending Directive No. 2/2003 to address issues of coverage and consistency with ESIC lists, fees and time for issuance of competence certificate. This will reduce costs and make some level of accountability possible.
- Licenses not foreseen by the Commission establishment proclamation need to be eliminated as they do not have a legal basis and regulatory purposes.
- The office needs to computerize its services and train its personnel to match the level of service customers demand and deserve.

3.9.4 Education Sector

The ESIC enumerates 17 different licenses in the field of education for which the Ministry of Education (MoE) and specialized agencies under it like the Higher Education Relevance and Quality Agency (HERQA) and the Technical, Vocational Education and Training Agency (TVETA) are designated as competence verification bodies.

| | |
|------------|---|
| License 1 | Pre-primary education and activities of after-school centre |
| License 2 | Primary and secondary education |
| License 3 | Consultancy on education |
| License 4 | Cross boundary higher education |
| License 5 | Regular higher education |
| License 6 | Regular distance higher education |
| License 7 | Education by technical colleges and technical institutions |
| License 8 | Education by techniques (TVET) and training (including short-term training) |
| License 9 | Short term language study and training |
| License 10 | Manufacture of crayons, chalk, pens and pencils |
| License 11 | Manufacture of educational support equipments |
| License 12 | Wholesale of educational equipments |
| License 13 | Import trade in educational support equipments |
| License 14 | Retail trade of education equipments |
| License 15 | Export trade in education support equipments |
| License 16 | Other educational services including tuition |
| License 17 | Other education related services n.e.c. |

Pre-primary, primary and secondary education: Under the ESIC, the MoE is designated as the competence verification body for 11 of the above licenses, while HERQA and TVETA are designated as competence verification bodies for three licenses each. Currently the MoE does not issue a competence certificate for business engaged in manufacturing, export, import, wholesale and retail trade of educational materials and equipments. The Ministry believes that it is outside of its legal mandate and area of expertise to regulate these businesses. In accordance with Regulation No. 206/1995, licensing private pre-primary, primary and secondary education institutions is the responsibility of regional states. Competence verification for schools in Addis Ababa is therefore being done by the Addis Ababa Education Bureau and its structures at the sub-city and woreda level. The Bureau has issued directives setting requirements to be fulfilled by individuals/firms for the establishment and maintenance of schools at various levels. Accordingly, competence certificates for businesses engaged in pre-primary, primary and secondary education, are

given by the woreda and sub-city education offices respectively. On the other hand competency of business engaged in distance secondary education (grades 5–10) and consultancy on education including tutorial are verified and licensed by the Education bureau itself.

A total of 39 licenses have been issued in 205 E.C. and the estimated compliance cost for the licenses range from ETB 4,392 to 11,839. The compliance time needed to get new licenses varies between 10 and 27 working days.

Higher education and TVET: Setting minimum standards for education and training institutions, and expanding higher education including technical and vocational education and training is the responsibility of the MoE as provided under Article 28(2), (d)28(3) and 28(6) of Proclamation No. 691/2010. The MoE exercises overall leadership in policy, implementation, and monitoring of higher education in Ethiopia. Specialized agencies like HERQA and TVETA do the actual accreditation and licensing work.

HERQA issues pre-accreditation, accreditation and re-accreditation licenses to businesses engaged in:

- Regular higher education;
- Distance higher education; and
- Cross border higher education.

Proclamation No. 350/2009 empowers HERQA, which operates under the MoE as an autonomous agency established in 2003 to ensure, and enhance the quality, standards, and relevancy of higher education in Ethiopia. As one of the key bodies responsible for regulating the higher education in Ethiopia, HERQA was charged with developing and implementing a National Quality Assurance System, an Institutional Audit System, assessment standards, and accreditation/licensing criteria and procedures. Private higher education institutions must comply with the general requirements and criteria for the establishment and accreditation of higher education institutions. The criteria are set forth in the Higher Education Proclamation No. 350/2009 and the detailed guidelines developed by HERQA.

A complete application for pre-accreditation or an accreditation license should contain an application letter, a bank receipt confirming the payment of the application fee, and a package of duly signed documents that correspond to the HERQA program pre-accreditation, accreditation and re-accreditation application checklist. Applicants can access the checklist online. ETB 3000 (three thousand ETB) shall be paid an application/accreditation license fee for the first four programs and ETB 500 (five hundred ETB) for every additional program. The Standards/requirements governing the accreditation/licensing of private higher education institutions may be summarized as follows:

- institutional requirements, including the applicant higher education institution name and address, its vision, mission, objectives, and financial capacity, names and addresses of owners, organizational structure and governance system, registration document, investment permit, academic profile and outlines of programs of study, and a five year development plan;
- program curriculum requirements, including curriculum description and objectives, program structure, modes of delivery and assessment, and list of prescribed and reference texts;
- educational and research facilities, including number and size of classrooms, libraries (and their holdings), computer centers, language and science laboratories, workshops, and program offices, as well as any available equipment in these facilities;
- academic and administrative staffing, including their numbers, academic ranks, and qualifications, along with supporting documentation; and
- institutional rules and regulations, such as information on the status, rights, and responsibilities of the academic community, including staff recruitment, professional development, promotion evaluation, and dismissal, as well as student admission policies.

A complete application will be evaluated by an evaluation and assessment team assigned by HERQA. The evaluation includes document review and a site visit to the institution. Upon completion of the assessment, the accreditation team prepares a report containing its

conclusions and recommendations, and forwards the report to HERQA Director. If the Director believes that the applicant satisfies requirements for accreditation, he/she approves the report and submits it to the MoE, which then signs the letter of permit and sends it to the applicant. The initial accreditation permit is valid for three years, while renewal and subsequent permits are valid for five years.

If the application for accreditation license is rejected, applicant must be notified in writing about the grounds for this decision. The applicant may choose to make the necessary changes based on the rejection report and reapply for accreditation within 90 days from the date of the rejection notice. If the second application is rejected, it must wait a year before submitting a new application, accompanied by a new application fee. The applicant whose application is rejected may also appeal HERQA's decision to the MoE within 30 days of the receipt of the decision. The MoE's appeal committee reviews the decision and may recommend further action. It takes HERQA three months to complete the evaluation and review an application before an accreditation license is issued.

On the other hand the TVET Agency, established by Regulation No. 198/2009, has the power and responsibility to regulate technical and vocational education and training through registration and accreditation and licensing of TVET institutions. The TVET Agency licenses technical and vocational education and training institutions established by federal government agencies, foreign investors and institutions established by NGOs incorporated under the laws of foreign countries. The TVET Agency has issued a directive in 2011 setting detail requirements that must be fulfilled for the establishment and maintenance of TVET institutions. More specifically, TVET institutions must have adequate location and physical facilities, curriculum, number of permanent academic staff per program, teacher to student ratio, workshop as per the standard set in the directive, library facilities and materials, recreational places, and either evidence of ownership, or a lease, of a building for the utilization by the program. Depending on the level of program the TVET institution offers, the procedure utilized by the TVET Agency for review and

evaluation of applications for accreditation licenses is more or less similar to that of HERQA.

A total of 99 licenses have been issued in 2005 E.C. for business engaged in higher education and vocational and technical education and the estimated compliance cost for the licenses range from ETB 14,567 to 30,303. The compliance time it takes to get new licenses also varies between 15 and 47 working days.

Findings

- Designation of agencies as competence verification bodies for licenses which does not fall within their competence or function resulting in refusal accepting competence certification as responsibility or working without clear legal mandate. For example, the Ministry of Education has taken a position that competence certification work for manufacturing, import, export, wholesale and retail business is outside of its mandate and area of expertise, and therefore, do not issue any competence license in this area. On the other hand the Ministry of Trade insists that the MoE must change its position and accept its responsibility as competence verification authority and prepare requirements for the licenses listed in the ESIC.
- The very requirement to ex-ante certify the competence of businesses engaged in the manufacture, import, export, wholesale and retail trade of educational materials does not seem to have a valid or strong regulatory purpose.
- Unpredictability and instability of government policy and curriculum on TVET education and training has caused a lot of problems for the training institutions and students alike.

3.9.5 Labor and Industrial Relations

There are the following six licenses in the revised ESIC for which the Ministry of Labor and Social Affairs (MOLSA) is designated as a licensing/competence verification body.

| | |
|-----------|---|
| License 1 | Labor recruitment and provision of staff |
| License 2 | Abroad activities of employment agencies and recruiting organizations |
| License 3 | Consultancy service on social welfare |

| | |
|-----------|---|
| License 4 | Occupational safety & health control consultancy |
| License 5 | Psycho-social support service |
| License 6 | Research and intervention (research & experiment) |

Issuing licenses or competence certificates to businesses in relation to the above listed licenses except regulating employment exchange services in accordance with employment exchange services Proclamation No. 632/2009 is, however, not included in the powers and responsibilities of MOLSA that are listed under Article 30 of Proclamation No. 691/2010. MOLSA has issued a Directive in August 2012 which sets requirements for competence certification for firms or individuals who could engage in businesses relating to the above license types.

On the other hand it is the power of MOLSA to regulate businesses engaged in employment exchange services. Article 5 of Proclamation No. 662/2009 provides that any person who wishes to operate a private employment agency shall have to obtain a license from the MOLSA where the employment service is to hire and send abroad Ethiopian worker to a third party or from appropriate regional authority responsible for the employment service if the employment service is rendered within a region.

The preconditions and requirements that must be fulfilled by private employment agencies to obtain licenses are provided in the Proclamation and elaborated in a Directive issued by MOLSA in March 2012. The objective of the license is to strengthen the mechanism for monitoring, and regulating domestic and overseas employment exchange services and to protect the rights, safety and dignity of Ethiopians going abroad for employment. As provided under Article 7 of Proclamation No. 632/2009, any person who applies for a license to operate a private employment agency shall present:

- an application;
- a document that shows he has a business registration;
- clearance from police to show that the applicant or members where the agency is owned by partnership, share company or private limited company, have

never engaged in an illegal employment activity or human trafficking;

- pay a license fee;
- documents that show the organizational structure and the list of members involved in the employment service activities;
- evidence that show ownership the business premise and residence of the applicant and his agent or in case of lease, contract of the lease;
- evidence that shows the deployment of the required staff to supervise the office and provide a service of occupational orientation;
- other relevant documents as may be required by the competent authority as specified by the directives.

An applicant who wishes to operate a private employment agency that engages in overseas employment exchange shall in addition to the above submit:

- authenticated document showing that he has appointed a representative in the country where he sends workers and that appointed person has a license to engage in employment exchange service activity;
- evidence verified by the embassy or consular office in the country to which the applicant sends workers showing the existence of office and facility that provides temporary food and sheltering services;
- evidence showing the existence of a fully equipped office within the country, a place to provide a service of pre-employment and pre-recruitment orientation;
- money guarantee in a blocked bank account as specified under Article 23 of the Proclamation.

Incomplete application is automatically rejected. A complete application for license that fulfils the above requirements and additional requirements specified and elaborated in the directive shall be reviewed and evaluated and a license shall be issued to the applicant. The license must be renewed every year upon fulfilling requirements for renewal of licenses provided for in the directive and specified under Article 10 of the Proclamation.

The fee for issuance of new and renewal of existing licenses is ETB 300 and 200 per license respectively. The amount of license fee very recently increased to ETB 3,000 for issuing new and ETB 2,000 for renewal of existing licenses. Both MOLSA and the A.A. Bureau of Labor and Social Affairs do not have service standard in terms of the time it takes to issue or renew licenses.

A total of 163 licenses have been issued in 2005 E.C. relating to the above license types. Over 95 percent of these are issued for private employment agencies both foreign and local. The estimated compliance cost for these licenses range from ETB 1,260 to 3,780.

Finding

- Except licenses related to employment exchange services, most of the licenses listed in the ESIC for which the Ministry of Labor and Social Affairs is designated as competence verification authority are new licenses which are not practiced.

3.9.6 Accounting and Auditing Services

There are two licenses in the ESIC relating to accounting and auditing services. These are:

| | |
|-----------|-------------------------------|
| License 1 | Authorized auditor license |
| License 2 | Authorized accountant license |

The Office of the Federal Auditor General (OFAG) is empowered by law to regulate the activities of individuals or firms engaged in the business of accounting and auditing services. Article 5(16) of Proclamation 669/2010 provides that the Office of the Federal Auditor General shall have the power to issue, renew, suspend and cancel certificates of competence of auditors and accountants who provide auditing and accounting services. The OFAG has issued a directive in March 2011 which sets the general and specific requirements of competence for authorized auditors and authorized accountants.

The general requirements relating to education, professional competence and experience for auditors and accountants specified in the directive are more or less similar. Anyone who has attended the age of 25 years, has a minimum of first degree in accounting

from a recognized institution of higher education, is a member of a recognized professional accounting association, has a practicing certificate from the association and has work experience for a given number of years as auditor or accountant as specified in the directive can apply for a license to work as authorized auditor or authorized accountant in Ethiopia.

Other requirements that must be fulfilled during application include:

- evidence showing that the applicant has paid the required application fee;
- letter from his former employer regarding the applicant's conduct or performance;
- if applicant is a foreign national, evidence showing that he has obtained work and residence permit from appropriate authority;
- if application is for license as authorized audit firm, evidence showing the employment of appropriate professionals;
- evidence showing that the applicant has cover of professional liability insurance;
- office and essential office facilities and equipments.

Applicants have to fill an application form and submit the form for OFAG together with all documents described above. There is a relatively long waiting time before the applicant gets a response. One month for auditors and two months for accountants are the official waiting periods.

A response will be communicated to the applicant after his application is reviewed by a committee which meets once every fifteen days. For all approved applications, the applicant is notified immediately and an authorized auditor's or authorized accountants license is issued.

The OFAG charges 350 for application and issuance of new licenses and ETB 150 for renewal of existing licenses of authorized auditors. On the other hand ETB 200 for new license and ETB 150 renewal fee is paid for competence certificate of authorized accountants.

A total of 142 licenses have been issued in 2005 E.C. relating to the above license types. 129 of these are for authorized accountants and the remaining 13 are

for authorized auditors. The compliance cost for these licenses is estimated at ETB 5,884 on average per license.

Findings

- The accounting and auditing licenses serve valid regulatory purposes.
- The requirements to obtain the licenses are largely reasonable.

3.9.7 The Legal Profession/Legal Practice

Lawyers are not regarded as traders or business persons as defined under Article 5 of the Commercial Code of 1960 and the CRBLP. Hence, a legal practice license is not a business license. The legal profession is therefore, regulated differently. The legal profession in Ethiopia is regulated by Proclamation No. 199/2000 and Council of Ministers Regulation No. 57/2000. The power to regulate the legal profession is the responsibility of the Ministry of Justice (MoJ). Article 17(12) of Proclamation No. 691/2010 provides that the MoJ licenses and supervises advocates practicing before federal courts. As per Articles 3(1) and 11(1) of Proclamation No. 199/2000, only Ethiopian nationals can be licensed to practice law in Ethiopia.

The objectives of the license as stated in Proclamation No. 199/2000 and Regulation No. 57/2000 are harmonizing the professional competence & promoting respect for the rule of law and the attainment of justice.

As per Proclamation No. 199/2000 and Regulation No. 57/200, there are three types of advocacy licenses. These are:

| | |
|-----------|--|
| License 1 | Federal first instance courts advocacy license |
| License 2 | All federal courts advocacy license |
| License 3 | All federal courts special advocacy license |

Requirements for License

Any applicant shall submit the following documents to the licensing department of MoJ:

- Academic credentials (law degree from recognized university);
- Letter from his former employer regarding the applicant's conduct or performance;

- Evidence showing that the applicant has passed the entry examination set for the license he/she applies for;
- Evidence showing that the applicant has paid the required fee;
- Certificate from police regarding any criminal record;
- Citizenship identification card or passport to verify applicant's nationality; and
- Any other information as deemed necessary by the Ministry.

The licensing department verifies that all relevant documents are presented and then forwards them to the licensing committee, which usually meets once a month. The licensing committee considers applications for license to practice as an advocate. The committee deliberates on the applications, and if no deficiency exists it recommends to the MoJ that the license be issued. If the Minister approves the recommendation of the committee, the license will be issued. ETB 500 shall be paid by the applicant as license fee. The license must be renewed every budget year upon payment of ETB 400 renewal fee. Only tax clearance is required to renew the license; thus a license renewal takes a few hours of work.

A total of 397 licenses have been issued in 2005 E.C. by the Ministry of Justice in the first two licensing categories. The third license type has never been given in practice so far. The compliance cost for these licenses is estimated at ETB 1,100 on average per license.

Findings

- Advocacy licenses serve valid regulatory purposes.
- The requirements to obtain the licenses are largely reasonable.

3.9.8 Media and Communication Sub-Sector

The Broadcasting Service Proclamation No. 533/2007 (the Broadcasting Proclamation) declares no person may undertake broadcasting service without obtaining a broadcasting service license from the Broadcasting Authority (BA). Furthermore, Art. 7/2 of the same proclamation confers the power to issue licenses for broadcasting services on the BA. These services

generally are related to radio and television services.⁹⁰ By the same token, the Advertisement Proclamation No. 759/2012 (Advertising Proclamation) provides that any person or disseminator who wants to engage in the activities of an advertising agent or who wants to engage in the production of advertisement shall have to obtain an advertising business license from the appropriate governmental body. The Broadcasting Proclamation empowers the BA to issue competency requirements in consultation with the appropriate bodies for the licenses.

In order to give details on requirements for the licenses in these laws and address other competencies that are assigned to it in the revised ESIC, the BA has produced, the Directive on Competence of Mass Media and Related Commercial Activities No. 03/2003. On the other hand, Art. 17/1/h of the Broadcasting Proclamation authorizes the BA to issue licenses on other broadcasting services prescribed by itself. This makes it vague as to what kind of licenses may be issued under this provision.

Based on the laws described above the following licenses have been identified:

| | |
|-----------|---|
| License 1 | Advertising |
| License 2 | Air time rent competence |
| License 3 | Import of broadcasting equipment/radio and television sets and sound reproducing and recording equipment and supplies, dish, decoder, set top box, etc. |
| License 4 | Export of broadcast equipment/radio and television sets, sound reproducing and recording equipment, supplies dish, decoder and components |
| License 5 | News service activities |
| License 6 | Media consultancy service |

(continues)

⁹⁰ Broadcasting services according to Art. 17/1 of the legislation are: a. terrestrial to air free radio broadcasting service; b. terrestrial to air free television broadcasting service; c. satellite radio broadcasting service; d. satellite television broadcasting service; e. satellite broadcasting service provided to customers for fee; f. receiving and broadcasting foreign programs to customers for fee; and g. cable television broadcasting service provided to customers for fee. These are further categorized into public, community and commercial. The latter one is, of course, what is relevant for the task at hand.

Continued

| | |
|------------|---|
| License 7 | Printing of newspapers, journals and periodicals |
| License 8 | Wholesale of broadcasting equipment/ radio and television sets and sound reproducing and recording equipment and supplies, dish, decoder, set top box, etc. |
| License 9 | License for subscription services |
| License 10 | Manufacture of broadcast equipments (television and radio receivers, sound or video recording or reproducing apparatus and associated goods) |
| License 11 | Manufacture of television and radio transmission apparatus |
| License 12 | Radio and television activities |
| License 13 | Advertisement and promotion |
| License 14 | Media and communication |

According to the above laws and the revised ESIC, the licensing authority with regard to license 5 and license 12 above is the BA and the MoT and BoTI are the licensing agencies for licenses 1, 3, 4, 7, 8, 10 and 11 (BA competence certifying agency). The Addis Ababa City Communication Affairs Bureau issues competency certificates for licenses 13 and 14 above. The licenses administered by Addis Ababa City Communication Affairs Bureau are based on the Art. 48/17 of Addis Ababa City Government Executive and Municipal Service Organs Re-establishment Proclamation No. 35/2012 and is particularly issued for services that are disseminated within the boundary of the City Government.

The revised ESIC provides for 9 types of business licenses related to media and communication activities but the following licenses listed in the revised ESIC and allocated to the BA are not being administered by the BA.

| | |
|-----------|---|
| License 1 | Electronics printing |
| License 2 | Retail trade of broadcasting equipment/ radio, television sets sound reproducing and recording equipment and supplies dish, decoder, etc. |
| License 3 | Export trade of materials that are used for promotion and advertising |
| License 4 | Newspapers, journals and periodicals publisher |
| License 5 | Newspapers, journals and periodicals distributor |

The objective for the broadcasting licenses is to ensure proper and fair utilization of the limited radio wave wealth of the country; and to ensure the expansion of a high standard, prompt and reliable broadcasting service that can contribute to political, social and economic development. Establishing a healthy market competition and the necessity to clearly define the rights and obligations of advertising agents, advertisement disseminators and advertisers are objectives for licenses in advertisement.

The requirements for the licenses and certificates given by the BA have 5 general requirements such as: Trade registration certificate, ID card, memorandum and Articles of Association, and bank statement to show capital. The specific prerequisites range from 4 to 9 including requirements on manpower, equipment and working space. On top of these, there is a commitment made by applicants to fulfill 3 to 8 matters once they are given the license.⁹¹ Unlike the others, media consultancy service does not have requirements yet. The Addis requirements are from 4 to 5 that mainly focus on manpower experience and education.

The time it takes to get the competency certificates is stated to be within 10 in Directive 3/2003 while the BA gives durations of under 40 minutes except for licenses on Media Consultancy Service and radio and television activities which take 3 hours and 15 days respectively. Most private sector interviewees on competencies have mentioned more days for processing but this also includes trade registration and licensing.

There are no fees yet for the competency certificates and other licenses except for radio and television activities and license for subscription services which range from 10,000 to 150,000 ETB plus processing fee between 450 to 500 ETB. This does not include trade registration costs.

A total of 118 and 66 competency certificates licenses have been issued in 2005 E.C. by the BA and the Addis Ababa City Communication Affairs Bureau respectively, and the estimated administrative compliance cost

⁹¹ The BA also demands letters from the Environmental Protection Authority for licenses in the manufacturing fields.

for this category of licenses ranges from ETB 567 to ETB 82,856 per license.

Findings

- The capital needs of broadcasting services are not indicated in the legal documents but in brochures which might confuse applicants on its actual legal status.
- There is a regulatory purpose for licensing broadcasting services and related services for security and social well-being reasons though the regulation should not be heavy as in the case mentioned above. For the rest which are outside of print, advertisement the regulatory purpose does not seem convincing.
- The licensing for broadcasting services is too restrictive and could lead to subjective decisions on the part of the BA. The process starts with an invitation by the BA for interested applicants. The criteria for assessing the applications apart from capital and technology include: the applicant's organizational capacity and knowledge and experience to render the service and the contents of the program submitted by the applicant and social needs covered by the program. These grounds indicate that the decision to grant the licenses largely depends on the BA. Besides, the list of people restricted from these licenses is too broad including: having a political organization's supreme leadership as a shareholder or member of management at any level and involvement in any other media service.
- Having due regard to its licensing powers, the BA has assumed broad powers to allow or prevent applicants.
- Although the power of the Addis Ababa Communication Affairs Bureau is for services that are disseminated within Addis Ababa, its power seems to overlap with the BA, given the difficulty of limiting the services within city perimeters.
- The capital required for non-broadcasting services is not indicated in the authoritative documents except a reference that these will be set in the future. Such conditions create uncertainty for businessmen.
- The equipment requirements, given the cost of the technology in the field, look cumbersome although there is room to rent some of these.

- Private sector interviewees have stressed the lack of information flow (including on requirements) from the BA to applicants, capacity limitations at the BA and the excessive requirements and rigid working system of the BA.

Recommendations

- A one window service for applicants for both competency certificates and licenses and a networked computerized system to manage the difficulties witnessed by licensees.
- Requirements like capital need to be made clearer and available for applicants and at the same time reduce reliance on subjective decisions.
- The competencies that are being given by the Addis Ababa Communication Affairs Bureau should be joined with the BA to do away with duplication.
- The legal standards for licensing broadcasting services should be made less subjective and more competitive.

3.9.9 Security and Public Order Sub-Sector

The Ethiopian Federal Police Commission Establishment Proclamation No. 720/2011 (under Article 6) mandates the Federal Police Commission to issue: permits for the possession, use, import, sale and repair of weapons and explosives; certificates of competence to private institutions wishing to engage in providing security service; and certificates of competence to persons wishing to engage in providing forensic investigation service. On the other hand, the National Intelligence and Security Service Re-establishment Proclamation No. 804/2013 (under Article 9) authorizes the Service to issue: permits for the production, possession, use, import, sale, repair and disposal of explosives; security clearance for private security organizations and their employees; and licenses for the importation, exportation, sale, movement, possession, production and disposal of intelligence and security equipments and devices. Accordingly, there is a mandate overlap between the Federal Police Commission (FPC) and the National Intelligence and Security Service (NISS) in relation to issuing licenses for businesses in explosives transactions and private security service provision. Based on Proclamation No. 720/2011 and Proclamation No. 804/2013, the following licenses related to security activities can be identified.

| | |
|------------|--|
| License 1 | Weapons possession permit |
| License 2 | Weapons use permit |
| License 3 | Weapons import permit |
| License 4 | Weapons sale permit |
| License 5 | Weapons repair permit |
| License 6 | Private security organization license |
| License 7 | Forensic investigation service license |
| License 8 | Explosives production permit |
| License 9 | Explosives possession permit |
| License 10 | Explosives use permit |
| License 11 | Explosives import permit |
| License 12 | Explosives sale permit |
| License 13 | Explosives repair permit |
| License 14 | Explosives disposal permit |
| License 15 | Intelligence and security equipments and devices importation license |
| License 16 | Intelligence and security equipments and devices exportation license |
| License 17 | Intelligence and security equipments and devices sale license |
| License 18 | Intelligence and security equipments and devices movement license |
| License 19 | Intelligence and security equipments and devices possession license |
| License 20 | Intelligence and security equipments and devices production license |
| License 21 | Intelligence and security equipments and devices disposal license |

The revised ESIC also identifies 14 licenses for business activities related to the provision of security service and the production and transaction of weapons and explosives. Most of these licenses could fall under the above licenses established by Proclamation No. 720/2011 and Proclamation No. 804/2013. However, forensic investigation service license is not identified in the ESIC. Moreover, in relation to intelligence and security equipments and devices, the ESIC is more specific and identifies only licenses for trade in security camera.

The ESIC authorized the FPC to issue competence certificates in relation to business licenses for trade in weapons, explosives, security cameras and private security service. Recently, the FPC started to develop guideline/directive to determine requirements for the

issuance of all permits and certificates falling under its mandate as per the ESIC. However, the issuance of Proclamation No. 804/2013 created overlap and uncertainty as to the respective mandates of the FPC and the NISS on business licensing. Accordingly, the FPC has suspended its work on developing requirements for the issuance of permits and certificates for the business licenses falling under its mandate as per the ESIC until the mandate issue between it and the NISS is clarified.

In practice, the FPC has been issuing weapon possession and use permits based on requirements it developed. It has also been issuing competence certificates to private security organizations based on a Directive it issued in August 2010. The Directive classified private security agencies into Grades 1 & 2 and determined the fee charged to issue competence certificate (issuance of new license: Grade 1—ETB 1,050, Grade 2—ETB 760; renewal: Grade 1—ETB 250, Grade 2—ETB 200). Apart from issuing competence certificates to private security agencies and permits for weapon possession and use, the FPC has not started issuing permits or certificates for other licenses it is mandated by Proclamation No. 720/2011 or the ESIC.

The processing of a private security agency licenses may take from 3–5 weeks and would cost about ETB 7,500.

Findings

- The licenses and permits established under Proclamation No. 720/2011 and Proclamation No. 804/2013 in relation to use, possession and transactions in weapons, explosives, security equipment and provision of security services are considered to have valid regulatory purpose.
- The mandate overlap between the FPC and the NISS in relation to issuing permits and certificates for businesses in explosives transactions and private security service provision has created confusion and affected the licensing process for these licenses.
- Licenses listed in the ESIC for business activities related to the provision of security service and the production and transaction of weapons, explosives and security equipment do not directly match with

those established under Proclamation No. 720/2011 and Proclamation No. 804/2013.

- The ESIC does not recognize the mandate of the NISS to issue permits and certificates for trade in explosives, security equipment and security services, while the NISS is legally mandated to do so under Proclamation No. 804/2013.

Recommendation

- The legal overlap and contradiction on the regulating licenses and permits related to security equipment and services should be addressed.

3.9.10 Environment Sub-Sector

Genetically Modified Organisms (GMO): The Biosafety Proclamation No. 655/2009 provides that no person shall engage in any GMO transaction obtaining an advance informed agreement from the Environmental Protection Authority (EPA). The EPA issued six Directives in 2009 for the implementation of the Biosafety Proclamation. Directive 1/2009 determines requirements for applications to obtain advance informed agreement to undertake transactions involving GMOs, while Directive 6/2009 determines requirements to obtain advance informed agreement to engage in storing and processing of modified organisms. Proclamation No. 655/2009 allows any person to label a product as GMO free if it is proved so. Accordingly, the EPA, now the Ministry of Environment and Forestry (MoEF), has been issuing GMO free certificates for crop products (42, 31 and 18 certificates in 2010/11, 2011/12 and 2012/13, respectively). Based on the Proclamation No. 655/2009 and Directives issued under it, the following three licenses are identified for transactions related to GMOs.

Carbon projects permit: The MoEF has been issuing approvals/permits for carbon projects based on requirements set out in its internal document titled “Criteria for Approval CDM Project Approval.” It has issued 9, 7, 8 permits for carbon projects in 2010/11, 2011/12 and 2012/13, respectively.

Trans-boundary hazardous material and waste movement: The MoEF has been issuing permits

for trans-boundary hazardous material and waste movement based on requirements set out in the Basel, Stockholm and Rotterdam conventions, which are ratified by Ethiopia.

Environmental impact assessment: Environmental Impact Assessment Proclamation No. 299/2002 provides that no person shall commence implementation of any project that requires environmental impact assessment (EIA) without obtaining a permit. The MoEF issued EIA Directives and EIA Review Procedural Guidelines and based on these documents issues EIA permits.

Professional competency certificate: The MoEF had been issuing professional competence certificates in the field of environmental impact assessment and environmental audit by setting out provisional criteria. However, the establishment proclamation of the MoEF (Proclamation No. 803/3013) does not give this mandate to the Ministry. But, the revised ESIC identifies a license of consultancy service for environmental auditing and environmental protection and authorizes the MoEF to issue competence certificates for this license. The MoEF has suspended issuing professional competency certificates since April 2013, allegedly until it issues permanent requirements for competence certification for the license it is authorized under the ESIC.

Based on the discussion above, the following licenses are identified in the environmental sector:

| | |
|-----------|---|
| License 1 | Advance informed agreement/permit to undertake transactions in GMO |
| License 2 | Advance informed agreement/permit to engage in storing and processing of modified organisms |
| License 3 | GMO free certificate for crops |
| License 4 | Carbon projects permit |
| License 5 | Trans-boundary hazardous material and waste movement permit |
| License 6 | Environmental impact assessment |
| License 7 | Consultancy service for environmental auditing and environmental protection |

Findings

- Considering the environmental concern, the licenses related to GMO, trans-boundary hazardous material and waste, carbon projects and environmental impact assessment are considered to serve a valid regulatory purpose.
- The requirements set out to obtain the above licenses are largely considered necessary and reasonable.
- The fact that certifying the competence of businesses engaged in consultancy service for environmental auditing and environmental protection is not included in the mandate of the MoEF in its establishment law could be considered as a legal gap.

METHODOLOGY

The following major methodological approaches were employed to obtain the necessary information for the comprehensive inventory of business licenses in Ethiopia:

Document review: During the inception phase, the relevant proclamations, regulations, directives and legal notices governing business licensing in Ethiopia were collected and reviewed systematically and in depth. Also, the team collected and reviewed relevant and available literature on business licensing in Ethiopia as well as on international trends and practices in business licensing.

Data collection from regulatory authorities: Following the identification of licenses and the licensing agencies, consultations with licensing agencies were undertaken, and information on each license was gathered using the data collection format developed by the Client. The data collection from regulatory authorities covered more than 35 federal level regulatory agencies and their counterparts in the Addis Ababa City Administration, where applicable.

Data collection from the private sector: Data from the private sector was collected using interviews. The main criterion for the selection of the respondents was to ensure broad coverage of the different sectors as identified in the Ethiopian Standard Industrial

Classification (ESIC).⁹² Within each sector, respondents were selected for interviews in such a way as to guarantee representation of diverse businesses, based on the following criteria:

- Size (micro, small, medium and large enterprises);
- Type of organization (sole businesses, private limited companies, share companies);
- Location (different sub-cities, kifleketemas) in Addis Ababa; and
- Ownership (foreign and domestic).

Data processing and calculation of compliance costs: Data collected for each license has been coded in electronic format using Microsoft Excel. This includes also, to the extent available, data on the number of licenses issues as well as on license fees and private sector compliance costs. For calculating total compliance costs, the IFC methodology (Standard Cost Model, SCM)⁹³ has been applied to the extent

⁹² ESIC distinguishes ten broad sectors of which one (Sector 10) refers to households and government representations; this sector has therefore been excluded from the inventory.

⁹³ See IFC/MIGA/World Bank (2010), "Here is Your Money: Using the Standard Cost Model to Measure Regulatory Compliance Costs in Developing Countries," Washington: World Bank Group; Nijsen, André (2009), SCM to Measure Compliance Costs, in: A Nijsen et al. (eds.), Business Regulation and Public Policy, International Studies in Entrepreneurship 20, DOI 10.1007/978-0-387-77678-1_5.

possible. However, it should be noted that lack of data availability has been a major constraint; further details are provided in the Summary Report which presents the overall Findings and Recommendations.

LIST OF LAWS RELATED TO LICENSING Proclamations

A Proclamation to provide for the regulation of transport (in short Transportation Proclamation) No. 468/2005

Addis Ababa City Government Executive and Municipal Service Organs Re-establishment Proclamation No. 35/2012

Advertisement Proclamation No. 759/2012

Apiculture Resources Development and Protection Proclamation No. 660/2009

Banking Business Proclamation No. 592/2008

Bio-safety Proclamation No. 655/2009

Broadcasting Service Proclamation No. 533/2007

Capital Goods Leasing Business (Amendment) Proclamation No. 807/2013

Capital Goods Leasing Business Proclamation No. 103/1998

Civil Aviation Proclamation No. 616/2008

Coffee Quality Control and Marketing Proclamation No. 602/2008

Commercial Registration and Business Licensing Proclamation No. 686/2010

Customs Proclamation No. 622/2009

Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 4/1995

Development, Conservation and Utilization of Wildlife Proclamation No. 541/2007

Electricity Proclamation No. 86/1997

Environmental Impact Assessment Proclamation No. 299/2002

Ethiopian Commodity Exchange Proclamation No. 550/2007

Ethiopian Federal Police Commission Establishment Proclamation No. 720/2011

Ethiopian Water Resources Management Proclamation No. 197/2000

Ethiopian Wildlife Conservation Authority Proclamation No. 575/2008

Fertilizer Manufacturing and Trade Proclamation No. 137/1998

Fisheries Development and Utilization Proclamation No. 315/2003

Forest Development, Conservation and Utilization Proclamation No. 542/2007

Insurance Business Proclamation No. 746/2012

Investment Proclamation No. 769/2012

Micro-Financing Business Proclamation No. 626/2009

Mining Operations Proclamation No. 678/2010

Ministry of Environment and Forestry Establishment Proclamation No. 803/2013

Multimodal Transport of Goods Proclamation No. 548/2007

National Intelligence and Security Service Re-establishment Proclamation No. 804/2013

Pesticide Registration and Control Proclamation No. 674/2010

Petroleum Operations Proclamation No. 295/1986

Plant Seed Proclamation No. 782/2013

Proc. No. 199/2000, a Proclamation to Provide for the Licensing of Advocates Practicing before Federal Courts

Proc. No. 632/2009, Employment Exchange Services Proclamation

Proc. No. 650/2009, Higher Education Proclamation

Proc. No. 661/2009, Food, Medicine and Health Care Administration and Control Proclamation

Proc. No. 669/2010, Office of the Federal Auditor General Establishment (Amendment) Proclamation

Proclamation No. 181/99 transfers the monopoly rights of the National Tobacco Enterprise to the National Tobacco Enterprise Share Company

Radiation Protection Proclamation No. 571/2008

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Telecommunication Proclamation No. 49/1996

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The Maritime Sector Administration Proclamation No. 549/2007

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Council of Ministers Regulations

- Regulation No. 161/2009, Coffee Quality Control and Transaction
- Regulation No. 270/2012, Investment Incentives and Investment Areas Reserved for Domestic Investors Council of Ministers Regulations
- Regulation No. 57/1999, Federal Court Advocates' Code of Conduct Council of Ministers Regulations
- Regulation No. 115/2005, Ethiopian Water Resources Management
- Regulation No. 163/2008, Wildlife Development, Conservation and Utilization Council of Ministers Regulation
- Regulation No. 173/2009, Council of Ministers Regulations on Classification of Tourist Facilities
- Regulation No. 178/2010, Sesame and White Pea Beans Transaction Council of Ministers Regulation
- Regulation No. 182/1994, Mining Operations Council of Ministers Regulations
- Regulation No. 189/2010, Ethiopian Food, Medicine and Health Care Administration and Control Authority Establishment Council of Ministers Regulations
- Regulation No. 194/2010, Establishment of the National Metrology Institute
- Regulation No. 195/2003, Establishment of Ethiopian National Accreditation Office
- Regulation No. 196/2010, Establishment of Ethiopian Conformity Assessment Enterprise
- Regulation No. 198/2009, Federal TVET Agency Establishment Council of Ministers Regulations
- Regulation No. 206/1995, Licensing and Supervision of Private Educational Institutions Council of Ministers Regulations
- Regulation No. 245/2011, Technical and Vocational Education and Training Institute Establishment Council of Ministers Regulations
- Regulation No. 272/2012, Veterinary Drug and Feed Administration and Control Authority Council of Ministers Regulation
- Regulation No. 37/1998, The Freight Forwarding and Ship Agency License Issuance Council Ministers Regulation
- Regulation No. 4/2002, E.C, Authorized Auditors and Authorized Accountants Professional Certification and Registration Regulation of the House of People's Representatives
- Regulation No. 47/1999, Telecommunication Services Council of Ministers Regulation
- Regulation No. 54/2012, Addis Ababa City Government Culture and Tourism Service Providers Licensing and Registration Regulations
- Regulation No. 82/2003, Ethiopian Airports Enterprise Establishment
- Regulation No. 108/2004, Customs Clearing Agents
- Regulation No. 24/1997, Customs Warehouse License Issuance
- Regulation No. 49/1999, Electricity Operations
- Regulation No. 81/2003, Ethiopian Airlines Enterprise Establishment (Amendment)

