Imperial Journal of Interdisciplinary Research (IJIR)
Vol-3, Issue-11, 2017
ISSN: 2454-1362, http://www.onlinejournal.in

Situation Assessment on Local Economic Governance for the Private Sector in Ethiopia

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Abstract*: There are common agreements that governance plays an important role in bringing social and economic developments. Governance deals with availability of a set of policies and directions for monitoring the performance of government institutions in the provision of services. It largely works with the relationship between the state and the society. In our case, the study focuses on assessing the local economic governance situation with particular reference to the private sector development in Ethiopia. It attempted to diagnose the local economic governance situation from four perspectives: Policy Environment and Investment Climate, Company Registration and Consolidation, Formalization of Informal Sectors, and Property Right Assignment and Enforcement, Dispute Resolution, and State Business Relationship. The study deployed qualitative method with an extensive interview of the relevant government institutions and private sector association found in four sampled regions of the country and review of different relevant documents for triangulating the interview results.*

1. The study has come up with that Ethiopia has different policies, strategies, and legal frameworks to manage the private sector activities in the country. It has investment proclamations, MSMEs development strategies, Trade laws, civil codes, and other directives directing relevant government institutions while managing and servicing the private sector in the Country. These policies and strategies mostly provide tax and land lease incentives in selected sectors (agriculture, mining, and other labor intensive investments). They again protect some areas of investments only to Ethiopian nationals. In addition, there are different relevant institutions for private sector servicing set up following the current administrative structures. The institutions are more or less organized with the necessary human and material resources and assisted with regular budgets.

2. On the contrary, the implementations of the policies and the legal frameworks are affected with different human and policy related factors. Capacity limitations both manpower, material and budget resources to implement policies and legal frameworks, rent seeking and corrupt behavior of both the policy executives and the private sector, lack of an independent judiciary system which forced the private sector to lack confidence to invest, cumbersome policy procedures and requirements for investing and businesses start up and operation, poor participation and non inclusiveness of the private sector in the policy formulation and implementation have hampered the policies effectiveness and efficiency of the policy executives. These, consequently, have affected the investment and the business climate and performance in the country. The Global Opportunity index (2015) [20] and the DB 2017[41] justify the consequence by ranking Ethiopia 129 out of 138 countries and 159 out of 188 countries, respectively. In addition, April 2017 edition of the Capital newspaper [34] sites the Ministry of Youth report and shows that Ethiopia now has millions of unemployed graduates and non graduates.

3. Finally, the study concluded that private sector toddles and calls for the government and the stakeholders' assistance to develop and enhance food security and livelihood to the poor through creating more jobs and raising incomes. Hence, it forwards the following generalized tentative recommendations: review and amendment of the existing policies and strategies, strengthening the capacity of the policy executive bodies and the Chambers of Commerce with manpower budget and material, allow the participation and inclusiveness of the private sector in the policy formulation and implementation process as an immediate measures to be taken by both primarily the government and the stakeholders.

I. Introduction

1.1. The Study Report

4. This study concerns with reporting the local economic governance situations focusing on the private sector development in Ethiopia. It assessed the necessary information on the local economic governance situation from different sources in the country. The report is organized in six major parts. The first is the introductory part. It introduces the objective and the methodologies adapted to conduct the situation assessment. The second part highlights the General Economic Profiles of the country including the private sector. The third begins with detailing the findings of the assessment on the existing situations of on the General Policy Environment and the Investment and Business Climate in the country. The fourth goes on reflecting the situation of the Business or Company Registration and Consolidation in the country. The fifth part reports the findings of the assessment on the Formalization of the Informal Businesses and the sixth part elaborate on the existing situation of Property Right Assignment and Enforcement, Dispute Resolution, and State Business Relationship. Finally, the report provides Conclusion and Recommendations to tentatively be adapted in order to strengthen and improve the existing local economic governance situation and encourage the growth of the private sector in the country.

1.2. Objective of the Assessment

5. The objective of the study is to assess the local economic governance situations of the Country with reference to the private sector development.

1.3. Methodologies

6. Attempt was made to make the study participatory. The study used a purposive sampling method to identify its information sources and for data collection. It has purposively selected four regions of the country: Two regions; Amhara National Regional State (ANRS) and Southern Nations Nationalities Regional States (SNNPRS), out of the four big regions which are identified as better developed regions than others by the government, and two emerging regions; Ethio- Somali Regionsl Stae (ESRS) and Beni-Shangul Gumuz Gumuz Regional Stae (BGRS), which are identified as emerging to grow in the country.

7. The study has also chosen to conduct a qualitative method of study. It has deployed both group and individual interview (FGD and KII) methods for data collection. It has developed and deployed an open ended questionnaire to guide the data collection process. The study has reviewed relevant documents for data collection and triangulation purpose.

8. Trade and Industry Bureaus, Investment Agencies, Technical Vocational and Enterprise Development (TVED) Bureaus, Micro and Small Enterprises Development Agencies at both regional and district level, and Chambers of commerce at regional and City level in the sample four regions have participated in provision of information through interview in the study. The district level officials selected for the study were interviewed separately in group irrespective of their offices. The regional level key officials were interviewed separately respective to the bureaus and usually more than two key officials have participated in the interview. Chambers of commerce were also interviewed in group irrespective of their offices that is both the city and the regional chambers were interviewed together. The study has analyzed the data and presented its findings with report.

II. General Country Economic Profile

9. Ethiopia is the second most populous country in the Sub-Saharan Africa next to Nigeria. It has 99,390,750 populations. It registered significant progress in socioeconomic development over the past decade. It maintained double digit economic growth rates, reduced poverty, improved human development indicators, and pursued a democratic path to ensure transparency, accountability, public participation, rule of law and good governance. Despite these results, Ethiopia unluckily remains a low income country with over 20 million people living below the poverty line (UNDAF Ethiopia, 2012 – 2015) [36]. Doing Business Report Ethiopia, 2017[41], also shows that Ethiopia is a low income country with (US$): 590 GNI per capita. It is ranked 159 out of 188 countries and is among the world's poorest countries.

10. Ethiopia is, currently, identified as one of the fastest growing economies in the world. Its GDP growth ranges between 6% and 12% for several past years. The World Bank and IMF forecast continued average growth of 7% over the next three years (MoFED, 2014)[26]. The high economic growth has helped reduce poverty in

both urban and rural areas of Ethiopia. However, because of high population growth the absolute number of poor (about 25 million) has remained unchanged over the past fifteen years. Moreover, Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs). It has successfully achieved six of the eight MDGs. Even for the other two lagging MDGs—MDG 3 on ensuring gender equality and empowering women, and MDG 5 on improving maternal health—significant progress has been observed (MDG Report, 2014) [25].

11. The private sector makes an important contribution to the economy. In 2008-2009, GDP share of the private sector was 84.8 % (AACCSA, 2010) [2]. However, this share is dominated by the agricultural sector in which the informal sector makes about 59.1 percent which is indicating that the bulk of the private sector lay within the informal sector. The report also highlights that the contribution of the private sector to total employment stood at 38.7 million in 2008-2009. Out of this figure, employment in the informal (including NPISH) sector accounts for almost 90 percent of employees. DFID (2010) [11] adds that the informal sector dominates and accounts for 80% of GDP and 88% of the workforce in Ethiopia. It concludes Ethiopia's private sector is small, un-competitive and largely informal.

12. Moreover, the private sector investment amount in Ethiopia has shown a slow increase over the years. The state has still been playing an influential role in the economy. It has higher control on most resources and risks 'crowding out' the private sector (Gietema 2012) [19]. ECCSA (2014) [14] also asserts that limited market capacity and market competition, cheap labor, cheap land, and an expanding Ethiopian market (cross-border investment incentives provided by the government) and stable political environment are believed to be among the major drivers for both domestic and FDI in the country. World Bank, 2012, [39] suugests that despite the perceived obstacles, Ethiopia is an attractive business destination for enterprises. However, it is still argued that private sector development policies that provide incentive and direct the industry to focus on improving the livelihood through increasing the purchasing power of the poor in the country are still demanded to boost the economy

III. The Policy Environment and Investment Climate

13. As per the interview result, the sampled regions have investment policies to govern private sector and investment operations in at regional level. These policies are adapted from the federal investment policies and strategies. The policies provide incentives. Access to land with free of or small lease cost, priority for accessing infrastructure facilities depending on the investment sector mostly for agriculture, mining, and labor intensive projects; tax relief usually duty free import and income tax; access to loan, monitoring and evaluation services, advisory and technical supports for both domestic and FDI are among the incentives the investment policy provides. In addition, Amhara regional government calls for the private sector partnership as an incentive to form a sharing company and invest in bankable industries. At present, regions have allocated land in different cities for an industry cluster formation. Regions promote the existing investment potentials and investment alternatives in their regions using different promotional techniques: bazaars and trade fares held in Addis Ababa and at regions, and websites are the common ones that regions use to promote their regional investment potentials.

14. Interviewed officials enlightened that they have high commitment to encourage the private sector invest in their localities. They respect the rule of law in investment decision making processes. They vow the investment climate is conducive for the private sector to invest in the regions. The existing investment policies and the local governments' commitment resulted in the growth of investment in the regions and the country as a whole. For instance, in the last 22 years (1992-2013) [6] the ANRS Investment Commission reports that it has registered 8867 investment projects with a registered capital of 7.3bn USD, job creation opportunity 1,867,747 (37% agriculture, 16.5% industry, 19.5% construction and 15.6% Hotel and Tourism Services and others). Hitherto, 707 projects are under construction operation with 0.3mln USD and have created 88254 jobs for the community. Further, 1638 projects have started production and created 281844 jobs for the community. The region has also entertained 517 foreign direct investments (FDI) of which 453 are at preparation stage and are expected to provide jobs for 347139 citizens. 14 of them are under construction and have created 931 jobs to citizens. 50 have already started production and provision of services and have created and provided 10839 jobs.

16. Likewise, the SNNPRS's the last five years Growth and Transformation Plan (GTP I) [31] investment performance evaluation report shows that the Investment Commission of the region registered and issued investment licenses to 257 investors with a capital about 0.5bln USD. So

far 1280343 jobs have been created from the overall investment projects which have started operation and production in the agriculture, industry, and service sectors. In addition, GTP I performance reports of the ESRS Investment Agency [15] shows that the Agency has issued investment licenses for 820 projects with a capital of 0.5 bln USD in different sector. The projects have created a job opportunity for 30,031 persons in the region. Similarly, as per the GTP I performance report of the Investment Office of the BGRS [8], the number of projects issued with investment license reached 1454, and 869 are new investments projects with 267.4mln USD capital and are expected to offer a job opportunity for 108633 citizens. The Ethiopian Investment Agency on its behalf reports that it has licensed some 56,421 investment projects with an aggregate capital of Birr 1.1 trillion between 1992/93 and 2010/11. Of these projects, 47,420 (84.1%) were domestic, 8,896 (15.7%) foreign and 105 (0.2%) public (NBE, 2011) [29].

15. The Ministry of Foreign Affairs (2013) reports that in 2010/11 a total of 6,322 investment projects with a combined capital of Birr 249.5 billion were approved, a record high in a single year since 1992/93. FDI is also growing rapidly as the government has given much increased encouragement to FDI in various sectors of the economy. In the last few years, FDI has been rising at a rate of 25% a year, with increasing amounts from Saudi Arabia, India, China, Sudan and Turkey in particular. Competitive labor and energy costs as well as the budding consumer markets are key pulls for FDI (MoFED, 2014) [26]. The US Department of State (2012) [36] investment climate survey also indicates that floriculture, horticulture, textile, and leather are the sectors that have attracted the most FDI. Recently, commercial farming has attracted Indian, Saudi, European, and U.S. investors. In addition, the IMF Country Report No.16/322 [23] shows that the country's gross domestic investment rose from 38.0 to 39.7 as a percentage of GDP in 2013 and 2015. Thus, investment climate in the regions looks conducive and comforts the private sector to invest.

17. On the contrary, while registered investment in Ethiopia have shown growth, actual performance of the private sector investments is so low and the rate at which the licensed investors get into investment implementation is so slow especially for various unpredicted reasons. As a result, their contribution for job creation and reduction of unemployment rate is found insignificant. According to Nebil, 2010, [12] Ethiopia has licensed and approved 37700 projects with a registered capital of ETB704.8 billion with a potential to create both permanent and temporary job opportunities for almost two million and 3.6 million citizens, respectively, between 2000-2009. However, only 4% of these registered projects commenced implementation and only 8% have yet reached operating stage by 2010.

18. Regional Chambers [1] mentions that the government seems to have interest in for the private sector development. It has promulgated a number of policies, laws, regulations, and strategies that guides and allows the private sector to participate in the economy. The chambers further note that the investment policy provides incentives. On the contrary, they complain that the government lacks transparency and the private sector had not participated in the formulation of these policies, laws, and strategies. The chambers also criticize the policy gives priority for capital intensive investments; it encourages only the riches or foreigner ones. In addition, they complain that they the land policy is open for corruption. The policy empowers the executive bodies to provide land either through leasing or direct allocation. The government agents are also found unethical, incapable, inefficient, and corrupt, and do not respect the rule of law. Chambers mention that access to credit is low and requires the private sector to deposit 30% of the total investment cost, which is beyond the financial capability of the infant private sector in the country. There is no foreign currency supply service at regional level too. The forex supply is at federal level. The supply is small and inadequate and is again open for corruption. It exposes the private sector for an additional overhead costs. Based upon these challenges, the chambers conclude that the investment climate in the region is not supportive to the private sector involvement in the economy.

19. In addition, Chamber of Commerce in SNNPR expressed, in practice, the policies have not observed the capability and the capacity context of the country for policy implementation. There are huge policy implementation constraints especially to interpret and implement policies. The businesses environment is highly corrupted with high interference of the government. For instance, import and export trade are dominated and monopolized by few individuals who are working with the government and para-statal institutions. Moreover, foreign currency availability is so short and its distribution is unfair and discriminatory

[1] *Note that Ethiopia has Chamber of Commerce establishment declarations. All chambers are established based upon the declaration, Chamber Of Commerce # 41/1995.*

too. The chamber complains on the tax system as well, for instance, according to the Trade Law, tax is declared in the last two days of a month which is found impossible to make the declaration practical for goods imported on these days. Thus, chambers conclude that the tax system affects the business climate and entry of the private sector in to the economy.

20. As per the interview result, policy interpretation and application, foreign currency, the non presence of investment commission at district and zone level, bureaucratic red tapes and rent seeking behaviors of regulatory bodies as well as the privates sector hampers the effective implementation of the policies and have slowed down the growth and the flourishment of investment and the private sector in the economy. The 2015 Global Opportunity Index supports the interview result. It reveals that Ethiopia scored 3.24 with Composite Score showing a -13.14 change over the 2009 score which is 3.73. It ranked Ethiopia 128 out of 136 countries with the Rule of law practice score 3.00. The report shows that Ethiopia is one of the seven African countries that are of the 10 countries at the bottom. All have lingering problems with instability and weak physical and financial infrastructure. In Ethiopia, FDI topped $970 million in 2012, up 54 percent over the previous year. While this is promising, FDI inflows have been volatile, decreasing by 50 percent one year, while increasing 70 percent in another. This is primarily a response to uncertain political and economic conditions within the country, reflected in its low composite score. Indeed, state-owned enterprises prevail, capital access is limited, capital markets are nonexistent, and there are numerous barriers to entry for foreign investors, which vary by industry. However, in connection to creating a climate for business success, the main overall opportunity is that the GoE wants to eliminate poverty and is dedicated to economic progress. The obstacles are undemocratic and highly centralized systems of control that limit space and progress for private business and civil society (USAID, 2012) [37].

21. Regions have Micro and Small Enterprise Development strategies. The strategy is adapted from and aligned with the federal MSMEs development and enhancement strategy. However, it does take different names and accountability structure in different regions, there are MSMEs development and enhancement institutions established to implement and execute the MSMEs development strategy at regional level. The MSMEs structure goes down to the woreda (district) level in all regions. For instance, Amhara region has Technical Vocational and Enterprise Development (TVED) Bureau, SNNPR has Small and Micro Enterprise Agency which has now been split into Urban MSMEs and Rural Employment and Food Security Agency. BGRS has Technical Vocation and Small Enterprise Development Bureau, and ESRS has Small and Micro Enterprises Development Agency. TVED Bureau organizes a 3-5 days (in case of Amhara) sessions for annual planning and performance evaluation every year. Both formal and informal institutes participate in the sessions. The planning process follows a bottom up approach, starts from Kebele (smallest administrative structure) level and goes up to woreda level.

22. TVED Bureau adapts the National Technical and Vocational Education and Training (TVET) Development Strategies and the MSMEs Development strategies to execute its duties and responsibilities. Both government and the private sector participate in TVET services. For instance, there are 81 government owned and 42 private owned TVET colleges in Amhara region. However, the TVET institutes have not been uniformly distributed across regions, zones, and districts in all regions. As per the interview results, Benishangul Gumuz and Ethiopia- Somali regions have only one TVET institute at regional level each. SNNPR has two TVET institutes. It demands to have at least one TVET institutes at zonal level based upon the high youth unemployment rate in the region. In all regions, TVED Bureau provides technical and vocational short term and long term entrepreneurship skill building training for a period of three months to five years long, respectively, to the youths who have completed 10th grade formal education. The training is intended for employment generation and is based on a pre-assessment for labor demands in the regions. The training is provided almost for cost free or with minimum cost (about 2USD per month) and under cost sharing program in which case trainees are liable to repay the cost after graduation.

23. The MSMEs[2] strategy is intended for the private sector development, employment generation and livelihood security enhancement through particularly job creation and matching under the MSMEs emergence and development. As per the interview results, there are many SMEs associations which have been organized and catering job seekers to meet their livelihoods in the regions. Many of them have earned and accumulated much capital and developed from micro to small enterprises. During GTP I, more than 300 SMEs associations have matured to

[2] MSMEs have different stage of growth: Micro, developing, and small enterprises, and also small to developing medium and to medium enterprises.

developing medium level of stage in SNNPR, 428 in Amhara, and 2,202 in the country. The GTP I implementation report as can be seen in the table below, FeMSEDA reports that the Micro & Small Enterprises Development sector has contributed to the decline of urban unemployment rate from 18 percent in 2011 to 17.5 percent in 2012 and further to 16.8 percent in 2015 [18]. Hence, the government concludes the policy is effective.

MSMEs performance at country and regional level, the last five years, GTP I period, 2010/11-2014/15

Region/ Federal	Number of MSMEs	Number of operators	Labor Force3 Employment
Amhara	65,480	458,981	1,142,667
SNNPR	19,521	190,945	598,906
Ethiopia Somali	471	5,030	41,072
Bensihangul Gumuz	481	4,859	22,810
Federal	766,990	3,771,036	7,017,869

Source: Annual Reports of FeMSEDA, 2003-2007 EFY

24. However, there is still a wide gap between the demand for and supply of jobs in the country as a whole. In contrast to the demand, the number of the businesses associations so far organized and catering employees to make their livelihood are low. Besides, the un-sustainability of the associations also challenges the mitigation of unemployment rate in the country. For instance, in Amhara region, during GTP I implementation period, 213, 656 enterprises have been organized. Out of the total, 97,360 (46%) of them were dissolved and supposed to reverse the unemployment rate to its previous status. Thus, in contrast to the aspirations of the economy, the strategy is not found effective and has not fully met its objective. Moreover, a recent study conducted by the Ministry of Youth and Sports supports the conclusion. It indicates that 480,000 university and Technical, Vocational Education and Training (TVET) graduates in Ethiopia are still looking for jobs. Social and natural science graduates make up 80,000 of those unemployed. There are also 3.5 million unemployed people who do not hold college degrees (Tesfaye , 2017) [33].

IV. Business Registration and Consolidation

4.1. Business Registration

25. The country has trade laws, tax assignment laws, Consumer protection law, and other legal frameworks to govern the private sector services at the federal level and in the regions. The country registers businesses in accordance with the trade law. The regions adapt the federal policies for business registration. Trade laws # 645/ 2002, Trade reforms declarations # 685 and 686 / 2002 are the most commonly deployed legal frameworks for the private and the public owned business registrations. The trade law clearly shows the company registration procedures and mandates. Company registration demands the private sector to meet some criterion before registration: competitiveness certificate, TIN, standard professional requirement on the sector, working space / land either through rent or own, in which case both renting and owning of land requires high capital. These criterion are many, too much costly and take long time to complete, and are found to setback difficulty for the private sector entry.

26. The registration service is a one window service. It takes 20-30 minutes if the private sector satisfies the entire criterion for company registration. Companies are registered at different state structures in different regions. For instance, company registration is at zonal level in case of SNNPR, and for those that do not require land, registration is at regional level but project proposal is required. Land is provided at Zonal level in case of SNNPR. It is a challenge to get land in all regions. In the rest of the regions, companies are registered at regional level. According to ease of Doing Business (DB) report 2017, starting a business in Ethiopia follows 14 procedures, takes 35.0 days, costs 69.3% of income per capita for both men and women. The report shows that Ethiopia has made starting a business easier by creating clear guidance on trade name approvals over the past year. However, Ethiopia is still low, 179 out of 190 countries and with distance to frontiers (DTF) 55.96 out of 100 in starting business. This shows that business star up is still difficult for the private sector in the country.

4.2. Business Consolidation

27. Theoretically, the existing trade policies allow a free and easy exit of private sector in the economy. Practically, business consolidation and exit has difficulty, interviewed Chambers of commerce complains. Consolidation requires the private sector to fulfill many criterions: tax clearance and audit are the ones. The bureaucratic red tapes coupled with inefficient revenue

[3] Both permanent and temporary job opportunities created in 2010/11-2014/15

authority and administration challenges the private sector to timely get a tax clearance and audit service for business consolidation. The trade / tax law reserves tax documents stay open for 10 years with the tax authority. The authority goes for review of the past ten years tax documents of a person who wants to close up and/or consolidate its business. The tax review process takes long time. This imposes too much cost on the private sector; for example, Birr 150 monthly payment for the rent of the cash register machine, in case of Amhara region. Besides, the delay for tax clearance lags the time the private sector likes to change its business and hinders the process to switch on to a new business.

28. As evidenced from the SNNPR Investment Agency, business closure requires tax clearance and returning of the land taken for the investment by investors. However, the agency allows investors to own or else transfer 50% of all the duty free machineries procured under the duty free support to a third party. Business is closed by both the government pressure and by the investors will. When the regional government finds that the investment or the business is not run in adherence to the business plan that has been presented to and approved by the investment agency, it pushes an investor to close the investment. On the other hand, when an investor wills to leave out the business by itself, it is allowed to do so. In the latter case, the business will inform the region that it is closing and at the same time requests for a release. The investor will be provided with a release after it has settled all debts it owes to the government and the public in general. Generally, as a rule of thumb, clearance is mandatory in all regions for business consolidation or else closure.

29. IFC , 2014, [22] reports that the road to private sector development in Ethiopia is not easy, and hurdles in a number of policies, regulatory and administrative areas have not been yet lowered – while new ones have been added. Burdens on investment and business operation include, to name but a few: difficulties of coping with tax administration; limitations in access to finance; issues related to the availability, quality, and cost of economic infrastructure; issues related to business licensing; import and export regulations; as well as general issues related to rule making and enforcement. The report also adds that the Proclamation on Commercial Registration and Business Licensing No. 686/2010 has been twice amended to address some practical challenges – through amendment Proclamation No. 731/2012 and amendment Proclamation No. 801/2013 – both amendments have failed to introduce anything significant in terms of effectively and meaningfully addressing many of the above concerns of the business community.

V. Formalization of the Informal Businesses

30. Government wishes to formalize all businesses run in the country. By the same token, regions do formalize businesses run in their respective regions. Trade and Industry Bureaus are responsible for the registration and the formalization of informal business in all regions. They track and formalize informal businesses as per the trade law. Government tracks and targets informal businesses for formalization through following and making use of the different structures existing down to at kebele level. One to Five groupings and development committee are the two underneath structures assisting for the formalization of the informal sectors at grassroots level. The Bureaus also makes use of periodical supervision paid by usually TVED, and Trade and Industry Bureaus at zone departments and woreda offices. TVED Bureaus provide the necessary supports for the informal businesses (MSMEs) for formalization. The bureaus facilitate with different government agencies enterprises get access to finance, land, and other supports to assist the informal enterprises to get registration and licenses.

31. On the other hand, the regional chambers of commerce and the Trade Bureau confirm that informal (illegal) import and export is widespread in all regions. Illegal cross-border trading is a source of livelihood for many of the pastoralists in Ethiopia. It is an important instrument to harness social connections and cultural attachments among neighboring countries too. In case of Ethiopia Somali region, illegal trading counts more than 75% of the businesses in the region. It is practiced through a broker and either cash or bartering. Illegal trading constitutes mostly of livestock business - cross boarder illegal export of live animals. The long distant boarder (with Somali and Djibouti) and the vastness of the region makes difficult for the government to control the illegal cross border trading of livestock and merchandises in the region. The government has no capacity to control all the inlets to and outlets from the region. Moreover, the formal trading requires quarantines and meeting different tax obligations like custom duty, excise tax, Value Added Tax (VAT), surtax and withholding tax imposed on the legal cross border trading on transit. Hence, illegal traders are not willing to pay these taxes and want to ride out the livestock and ride in merchandise businesses informally or illegally, respectively, and stay informal.

32. Even for those trade men who want to be formal, access to Ethiopian Commodity Exchange Authority office places difficulty. Ethiopian Commodity Exchange (ECX) Authority has no office in Jigjiga. It is present in Addis Ababa and Dire Dawa Cities which are 900 km and 150 Km, respectively, far from Qelafo, where illegal trading is centered. The distant location of the ECX incurs additional transport and other costs associated to the trade men to formalize the trade. This increases transaction costs of the trade men. Again, this pushes traders to trade illegally and remain illegal (informal).

33. Furthermore, language barrier for proper translation and interpretation of regulations, transport service challenges, poor access to Banking services, poor government staff capacity with regard to experience and knowledge on regulations, long bureaucratic chain of the government in the trade formalization process, and low awareness of the business community on the importance of formalization exacerbate illegal trading practices and informality in the regions. These again pushes businessmen to trade illegally and to remain informal. Hence, business formalization is a critical challenge in Ethiopia Somali region. The interview result with the SNNPR and Hawassa City Chamber of Commerce and Sectoral association (CCSA) confirms that there is also illegal and contraband trading of electronics equipment in Hawassa city, SNNPR, smuggled via Moyale Ethiopia from Moyale Kenya and Somali Ethiopia borders.

34. In Benishagul Gumuz region, formalization of the informal business is not easy. Informal enterprises frequently change their business and business places to hide themselves from being detected by the business formalizing authority. Thus, this challenges the formalization process. As per the interview result with the Regional CCSA, informal enterprises do not pay tax and this is observed to result in market price instability by placing price difference between the informal and the formal enterprise products. In addition to the commonly known informal enterprises, there are other informal businesses enterprises which are suspected of politically supported. These informal enterprises distribute and damp goods in the region to districts. They sale at lower price and do not pay tax. Thus, they affect goods market price stability. The Benishagul Gumuz RCCSA complains this to the Trade and Industry Bureau; however, the Bureau is still not responsive to the case.

35. ACCSA (2010) [2] indicates that the informal (including NPISH) sector, accounting for almost 90 percent of employees in 2008-2009. Moreover, the DFID, 2010, study shows that the informal sector dominates, accounting for 80% of GDP and 88% of the workforce. Ethiopian Revenue and Custom Authority (ERCA) repots that the volume of export with a contraband trade is Ethiopian Birr (ETB) 11.5 million for 2012/13 and 26 million ETB for 2013/14 where live animals illegal trading constitute 35%. On the other hand, the value of import contraband for the years 2012/13 and 2013/14 stood at 245 ETB million and 270 million ETB, respectively. Clothes constitute the dominant share (54%) followed by electronic devices (16%), tobacco and cigarettes (8%), and food items mainly rice (5%). Furthermore, a study conducted by UNECA, 2015, [35] shows that Ethiopia looses 6% of its GDP through illicit financial flows, particularly through tax abuse, illegal border
trading, corruption, and abuse of markets.

VI. Property Right Assignment and Enforcement and Dispute Resolution, State Business Relationship

6.1. Property right assignment and Enforcement

36. In Ethiopia, property rights get legal protection mainly under the Federal Democratic Republic of Ethiopia (FDRE) Constitution (the Constitution), the 1960 Civil Code (the Code), other codes, some other pieces of legislation and laws that establish and define the powers and functions of judicial and administrative institutions. As per the interview result, these codes operate and different government organizations involve in the process of property right assignment and enforcement. Urban Authorities, Rural Authorities, Investment Agencies, Rural Land Management and Use Bureau, Zone Administration, and District Administrations are among the usual authorities that involve in the process of property right assignment and enforcement. The agencies are also different from region to regions. For instance, urban development offices and city councils for urban, Rural Land Authority in case of Amhara region, and Zone presidents approve land in case of SNNPR, assign and enforce land property right in their respective regions. In case of Ethiopia Somali, investment board approves, assigns, and enforces land property right. In Beneshangul Gumuz region, Rural Land Management and Use Bureau is responsible to assign and enforce land use right to the investor.

37. As is shown above, the protection of property rights involves complementarities between the judiciary, executive organs and administrative tribunals. It envisages a legislative framework and administrative protection based on

an administrative procedure law pursued by administrative authorities and tribunals. Moreover, it requires an independent and competent judiciary with due integrity (Burayu, Stebek & Abdo, 2013) [10]. ECCSA have conducted a study on the policy environment of the Ethiopian government for the property right protection and enforcement. The study assessed more than 60 Ethiopian major laws and reviewed more than 28 court cases. It has drawn legislative ambiguities, gaps, obsolescence and bestowal of wide discretion to various administrative authorities without judicial scrutiny in the process of property right protection. These problems clearly lead to discretionary and arbitrary administrative decisions and inconsistent court rulings thereby posing insecurity in the protection of property rights and private sector development.

6.2. Dispute Resolution

38. The regions have investment forums. Dispute resolution is handled at regional investment forums. Policy executive bodies including Urban Development Bureau, Electric Power Supply Bureau, Water Authority, Infrastructure Development Bureau, and the private sector participate on the forum. In some regions, for instance, Amhara has two levels of forums: State -Business and Executive agencies. In others, it is one. The forums raise issues related to investment, land, infrastructure, water use right, finance, market, inputs supply, disputes over farmers' interference for farming and hunting in investors' lot, and other concerns they have with the government and the community. The forum attempts to resolve disputes and passes over decisions at its level. Otherwise, cases are passed over to the court.

39. The Investment Proclamation states that disputes arising out of foreign investment that involves a foreign investor or the state may be settled by means agreeable to both parties. A dispute that cannot be settled amicably may be submitted to a competent Ethiopian court or to international arbitration within the framework of any bilateral or multilateral agreement to which the government and the investor's state of origin are contracting parties.

40. However, Ethiopia's judicial system is overburdened, poorly staffed and inexperienced in commercial matters, although efforts are underway to strengthen its capacity. While property and contractual rights are recognized and there are commercial and bankruptcy laws, judges often lack understanding of commercial matters and case scheduling suffers from extended delays. Therefore, private sectors both have lack of confidence in the judiciary to objectively assess and resolve disputes. AACCSA has an Arbitration Center dedicated to assist those with the arbitration process. There is no guarantee that the award of an international arbitral tribunal will be fully accepted and implemented by Ethiopian authorities. Ethiopia has neither signed nor ratified the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, commonly known as the "New York Convention" (US Embassy, 2014). In addition, AACCSA (2008) confirms that the legal institutions for handling commercial relations and disputes are also found to be weak and lead to uncertainties for business people in their decision-making and business operations. It also reports existence of problem of trust between the Ethiopian Government and the private sector, and the domestic and the foreign financial institutions.

6.3. State Business relation

41. The existing Trade proclamation, the Ethiopian business association establishment proclamation, and the existing industry development strategy of the Country (especially with the medium and large industries) are the existing policies and strategies that allow the establishment of the state business relation in the region and in the country as a whole. Regions are working with Chambers of Commerce. Memorandum of Understanding (MoU) for the formation of a formal PPPD in 2010 and a separate Consultative Unit at their own office has already been signed between the trade ministry and chamber of commerce at federal level. However, the regions and city chambers have not yet signed at regional and city level, and the MoU has not gone as aspired and still the state business relation needs huge improvements.

42. Further, there is an investment forum in the regions. The forum is organized at different levels of the Bureau's structure- region, zone, and woreda. The forum is organized annually. The private sector's concerns and policy challenges are discussed on the forum. Evaluation of performance of investment projects, CSR, employee and salary issues, environmental issues, tax issues, value addition issues, are the common agendas for discussion on the forum. Moreover, positions of the private sector are reflected and measures / recommendations for decisions / are forwarded by the private sector on the forum.

43. As per the MSMEs strategies, however, the MSMEs and the government have strong relation. The government organizes MSMEs associations, facilitates market linkage, access to finance, access to land, access to infrastructural services, and organizes exhibition and bazaars mostly during holidays. These are the common

examples for the state business relation in MSMEs sector. The bazaar used as a forum where the two parties discuss issues related to business and for conflict handling and dispute resolution too. However, the forum is not formal as those of the different dialogue forums organized for macro level companies and investors.

44. Support from the EIA and the Regional Investment Offices goes well beyond the issuance of investment permits. These agencies also facilitate and support the implementation of investment projects – e.g., by facilitating access to land, electric power, water supplies, foreign currency, and by providing investment incentives to investors.

45. With a purpose to establish a formal state business relation, the Ministry of Trade and Industry (MoTI) and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) signed an MoU and have formed The Ethiopian Public Private Consultative Forum (EPPCF) in 2010. The EPPCF is supposed to exist at the three tiers of the Ethiopian administrative structures: Federal, Regional, and Woreda. A Secretariat has been established within ECCSA to provide a valuable resource for private sector members and to utilize the information and research products emanating from the EPPCF. The Ministry of Trade has assigned an EPPCF focal person whom is expected to grow into a unit level in the ministry (ECCSA, 2014) [14]. The EPPCF is working on a number of advocacy works for the strong PPP dialogue establishment in the Country. It participates and presents the concerns and the present status of the private sector in Ethiopia in different conferences and workshops held in the country and in abroad.

46. AACCSA, 2011, [3] study shows that there are potentials for Public Private Partnership (PPP) dialogues and projects implementation in the country, but the PPP is constrained and challenged by the policy/ legislations, institutional, and operational factors in the country. With regard to the policy constraints, the study reveals that policy exists, but capacity to analyze PPP options and modalities is weak in the agricultural sector. Moreover, access to land both access to and cost of capital; and weak capacity to perform economic and financial analysis for PPPs, misunderstanding, and mixed understanding of PPP are the major operational and the institutional challenges respectively for building PPP projects in agricultural sector.

6.4. Existing Enterprise Support Programs

47. The private sector gets some enterprise management supports like training on the tax system of the country and other technical assistances (for investors) delivered by the government and some NGOs. AGRO BIG in Amhara, and SNV in SNNPR are mentioned to provide enterprise management support to the private sector. Moreover, sector offices and regional Investment Offices, for example, in SNNPR report to occasionally provide sector based technical service supports to the private sector. Some regions like Amhara have started to link business with university for a purpose to provide enterprise management support to the private sector. For instance, Debre Markos University in Amhara Region started to develop a curriculum to teach and train business men on business development with a purpose to improve and professionalize the existing family oriented and inherited illiterate led business form.

48. AACCSA and ECCSA provide enterprise management training services to the formal private sector enterprises which are members of the associations mostly residing in Addis Ababa. They provide the training at a cost usually meant for strengthening the associations' relation with the members. The training is not sufficient in terms of both quantity and quality. AACCSA has a small training institute to provide enterprise management training services to the private sector on regular basis. The training service is provided for an income generation purpose to the association. Nevertheless, AACCSA has no adequate capacity and is constrained with manpower - professional and support staff, training space, training facilities, and budget to effectively provide the training service. After examining the problems of the private sector development in Ethiopia, SIDA (2004) reports that the expansion of the private sector in Ethiopia is severely hampered by the lack of adequate competence in important fields like accounting, auditing, business and project evaluation, and commercial law. Overall, there has been found no enterprise support programs to regularly support the private sector with businesses development services in all regions sampled for the study.

VII. Conclusion and Recommendation

7.1. Conclusions

A. The Country's Policy Environment and Investment Climate

49. Ethiopia has an Investment Proclamation No.769/2012. The proclamation allows the private sector to invest in different business forms: Sole

proprietorship, business organization incorporated in Ethiopia or abroad, public enterprise established in accordance with the relevant law, and cooperative society formed in accordance with the relevant law. It allows all investors to invest in Ethiopia. It restricts some investment areas to the foreign investors and reserves them to the government and the domestic investors. The proclamation provides incentives to investors. Among the many incentives, land provision through a low lease cost or for free of cost depending up on the type of investment and the degree of the economic importance of the investment is one of the incentives. The proclamation allows duty free import of machineries and equipment necessary for the investment project operation and provides tax holidays incentives. It also gives priority for the export oriented sectors. These incentives are supposed to encourage the private sector entry to invest in the country. In addition, the proclamation alows the agency to provide one - stop shop service to the private sector.

50. On the contrary, interview results shows that investment in the country is challenged with the policy implementation capacity and policy requirements, for instance, high capital deposit requirement which amounts 30% of the total investment cost for the private sector is mentioned to hamper the growth of the private sector in the country. Moreover, the non presence of investment commission at all levels of the administrative structure, bureaucratic red tapes, rent seeking behaviors, disrespect of rule of law, and poor access to land, credit, and foreign currency have affected effective implementation of the investment proclamation. These have slowed down the growth and the expansion of investment activities in the country. The 2015 Global Opportunity Index witnesses this by placing Ethiopia at one of the bottom 10 countries out of the 136 countries included in the study. Thus, the past investment performance of the country is found weak as compared to the demand and the existing potential for investment in the country and thus, the proclamation is not found effective to meet its objective.

51. Ethiopia has Micro and Small Enterprise Development strategies since 1994. The policy is implemented by the MSMEs development agencies present at different administrative structural levels of the country. The strategy is primarily meant for job creation to augment the livelihood and food security of the private sector in the country. The strategy has contributed to the decline of urban unemployment rate. Nevertheless, the country now has about four millions of both non graduates and graduates unemployed citizens. Hence, it would be very difficult to conclude that the strategy implementation has brought satisfactory change with regard to decline in the unemployment rate in the country. Moreover, high demand for entrepreneurship and job, weak capacity of the regulatory bodies' to implement the strategy, insufficient and uneven distribution of TVETs, the un-sustainability of the enterprise associations, poor access to finance, poor access to working space, lack of required entrepreneurial skills and machinery and equipment challenges the MSMEs sector. Thus, the sector as well as the strategy could not be effective and have not been implemented as desired.

B. Business Registration and Consolidation

52. There are different laws that have frequently been amended to assist for Private Sector Company or Business registration and consolidation in the country. The Ministry of Trade and Ethiopian Investment Agency are responsible for the company and business registration at the head-quarter and their respective regional offices. At present, companies or businesses are registered based up on the FDRE Commercial Registration and Business Licensing Proclamation No. 686 / 2010 in the country. The proclamation entertains registry of all business in sole business, organization or company form for any of Ethiopian or foreign origins.

53. DB 2017 reports starting a business in Ethiopia requires 14.0 procedures including land or working space requirement, competitiveness certificate, TIN, standard professional requirement on the sector. It takes 35.0 days, and costs 69.3% of income per capita for both men and women. The usual constraint for the company registration is land. Land is the most expensive item in Ethiopia and its value varies with its location like in urban areas, proximity to the social services, and size of the land affects the cost of land. Cost of land takes most of the investment and operational cost of a company. In addition, companies are required to show a deposit valuing 25% of the par value of the total share with a blocked bank account and the deposit is also complained too high. The DB 2017 ranked Ethiopia 179 out of 190 countries. This shows that business start up is still difficult for the private sector in the country. Land cost, the deposit requirement and in general the procedures have deterred the opening and the flourishing of new business in the country.

54. Businesses consolidation is entertained with the same law as that of business registration ones. Theoretically, the trade laws and policies allow a free consolidation and easy exist of private sector in the economy. Practically,

business consolidation and exit hurdled with many criterions and procedures. Tax clearance and audit are the major hurdles for business consolidation and exit in the country. Moreover, bureaucratic red tapes and lengthy process to obtain tax clearance, inefficient revenue authority challenges business closure and consolidation. The tax law reserves the tax document of a business stay open for 10 years for review. This review takes long time and imposes cost before providing the business a clearance and delays switching a new business process. Hence, again business consolidation and closure are difficult in the country. IFC, 2014, report difficulties of coping with tax administration; limitations in access to finance; issues related to the availability, quality, and cost of economic infrastructure; issues related to business licensing; import and export regulations; as well as general issues related to rule making and enforcement are some of the burdens on investment and business operation in Ethiopia.

C. Formalization of Informal Businesses

55. Government is responsible for the formalization of businesses at regional and federal level. The government adapts the trade law to formalize informal ones. Usually Trade and Industry bureaus are responsible for formalization of informal businesses. The Bureaus conducts a village to village follow up and supervision to track informal sectors as per the trade law for formalization. They use the different government structures including kebele and a one to five structures at the grass root level to track and target informal business for formalization. Moreover, TVED Bureau facilitates the formalization process of the informal MSEs. However, delay with the required stage of growth especially for MSEs and arbitrary tax assignments by the tax authority on MSEs are barriers for tracking and formalization of business in the country. This pushes the informal sector for capital hiding and to a purposive frequent change of business and business locations. In addition, the informal sector is unwilling to pay tax due to low awareness on tax purpose and poor financial document handling. The tax system also empowers tax authorities and is open for corruption. This makes informal businesses stay informal more.

56. Informality in Ethiopian businesses includes illegal trading typically of cross border contraband trading and smuggling. Illegal trading mostly involves live animals, food items and merchandise / household consumables, and electronic equipments trading. In case of Ethiopia Somali region, illegal trading counts more than 75% of the businesses in the region. The location and the vastness of the regions, unwillingness to pay different taxes levied on the border businesses, far distant location of custom offices, language barrier for proper translation and interpretation of regulations, transport service challenges, poor access to Banking services, poor government staff capacity, long bureaucratic chain and red tape, rent seeking, low awareness of the business community on the importance of formalization exacerbate illegal trading practices and informality in the regions.

D. Enterprise Support Programs

57. AACCSA and ECCSA provide trainings services to the formal private sector to members of the associations usually residing in Addis Ababa. AACCSA has a small training institute and provides training on regular basis. However, it has no sufficient capacity and is challenged with manpower both professional and support, training space, training facilities, and budget too. Moreover, sector offices and regional Investment Offices, for example in SNNPR reports to a little extent provide sector based technical services support to the private sector. Otherwise, there is no enterprise support programs reported to provide support that enable the private sector enhance its businesses in the regions visited. Due to this, the private sector in Ethiopia has mostly been running businesses conventionally and without qualified businesses knowledge, and thus, it is incapable of expanding and professionally harness the country's economic potential and offer its contribution to the economy.

E. Property right assignment and Enforcement and Dispute Resolution, State Business Relationship

58. Ethiopia has several laws including the constitution, the 1960 civil code, and other pieces of laws to enforce and protect the property rights of the private and the public sector. These laws are enacted and implemented through different government offices at federal, regional, zone, district, and city. However, the laws enforcement faces challenge with different administrative, political, judiciary capacity complexities. It requires independent and capable legislative bodies. These have led to undomesticated flexible and arbitrary administrative decisions on property right assignment and protection. This has posed threat to the private sector to invest and operate in the country which reciprocally affected investment performance in the country

59. There are forums to handle and resolve disputes with the private sector in Ethiopia. Government usually organizes these forums. There are also negotiation and mediation through use of traditional leaders and government officials to handled disputes both at regional and federal

level. In addition, sheltered in ECCSA, EPPCF is the formal public private consultative forum in Ethiopia. The forum used to assist in resolving businesses disputes and promoting the private sector in the country. In addition, the court system handles disputes that are not resolved on forums and negotiation. However, these systems and mechanisms are available to resolve disputes, the private sector still lacks confidence especially in the judiciary system. The judicial system is overburdened, poorly staffed, complained for not being independent, and inexperienced in commercial matters. AACCSA, 2008, confirms that the legal institutions for handling commercial relations and disputes are weak and lead to uncertainties for business people in their decision-making and business operations.

F. Existing Local Capacities and Capacity Gaps for Governance of the Private Sector

60. The federal and the regional level government consider the existing policies and strategies are one of the most important capacities for local economic governance and provision of supports to the private sector development. They also have institutional presence following the country's administrative structures. However, the government offices, for instance, investment offices presence are hung up at regional level. The offices are not of sufficiently organized with the necessary office equipment and database management (DBM) technologies, budget, logistics supply, and skilled manpower as well. Similarly, the MSMEs sector has also capacity limitation to provide services. High shortage of qualified technical personnel (skilled manpower) both for the training institutes and the industry extension service, shortage of training facilities, technology access, and budget are the common challenges of the sector. These challenges have affected the governance efficiency and effective policy implementation of the executive bodies.

61. Chambers of commerce are commonly organized and present at federal, regional, and city level in the country. They are not present at zone and district level. They do have capacity limitations. They are not well organized with the necessary manpower, finance and material and technological equipments. They usually have two staffs. These especially lack of skilled manpower have affected the capacity of the chamber to challenge and negotiate with government on tax , investment, and land policies in favor of the private sector and to deliberate its members about the importance of and the roles & mandates of the association. This has resulted in members' dissatisfaction and unwillingness to stay as a member and again discouraged new members to join the association. Therefore, at present, chambers' capacity is attributed and found so weak to influence policy in favor of the private sector growth and development in the country.

7.2. Recommendations

62. Ethiopian Investment Proclamation implementation confronted various hurdles: policy implementation capacity, land policy, bureaucratic red tapes, rent seeking behaviors of government officials and the private sector, high capital deposit requirement, disrespect of rule of law, lack of participation from the private sector, poor access to finance (foreign and local currency), priority for the export oriented projects or investments, etc.. Therefore, in order to improve policy implementation and allow the private sector participate in and contribute to the economy, the study recommends the following:

- Revise and improve the investment policy with the participation of the private sector especially to lift up or amend policy statements that have been found bottle neck for the private sector entry into the economy, for example, the amount of bank deposit requirement, capital requirement for company registration of the foreign investors, and others that are set in the policy and found to discourage the private sector entry.
- Improve the policy implementing and policy executing bodies' capacity through provision of continuous training, awareness raising, mentorship supports, and monitoring and evaluation support

63. Ethiopia has Micro and Small Enterprise Development strategy. However, the strategy execution and implementation has encountered different challenges: low number and un-sustainability / dissolution of the entrepreneurship cooperatives, fewer and uneven distribution of TVETs, poor access to finance, poor access to working space, lack of required entrepreneurial skills and machinery and equipment and others that affected the effectiveness and efficiency of the policy implementation. Hence, the study recommends the following in order to improve the effectiveness of the strategy:

- Strengthen the capacity of the SMEs and TVED sector with qualified technical personnel both for the training institutes and the industry extension service, and with short and long term diversified knowledge and experience sharing programs as for SMEs by themselves are diverse in their technical nature, and
- Furnish TVEDs with the training facilities and equipments such as training equipment and machineries of various technologies: garment production technology,

woodwork, metal work technology and others, and train specialists on maintenance as well as efficient use of facilities

- Build the capacity of the sectors with (training, capital, manpower) for exploration and provision of market linkages, quality determination, labeling, packaging technologies, and value addition services for enterprise products
- Develop an accountability framework to set a clear legal responsibilities, and delegations of, and for outlining integration themes among the different bureaus working in MSMEs development: BoUD, BoTI, BoTVED, Micro Finance Institutions, Land authorities,
- Strengthen the Micro Finance Institutions with manpower, finance, accessibility, to provide sufficient access to finance the SMES
- Defining strategic policies for the rural private sector development employment generation and livelihood enhancement particularly for the informal / MSMEs/. However, the rural SMEs are so far entertained by the city strategies.

64. Formalization of businesses and companies is undertaken by the government. On the other hand, formalization of informal businesses faces different barriers usually delays with the required stage of growth especially for MSEs and arbitrary tax assignments. Contraband and illegal cross border trading is widely practiced around the Ethiopian borders. Hence, the study recommends the following for improving formalization of informal and illegal businesses in the country:

- Awareness raising of both the informal and the illegal traders on tax system and its contribution to the entire economic development, strengthen the financial recording and document handling capacity of the business sector, and avoid arbitrary taxation by the tax authority. This is supposed to increase the willingness of informal and illegal traders to pay tax
- Present tax and excise authorities office at the nearest distant location to the illegal and contraband trade centers. Moreover, improve access to bank services to in the regions. This is supposed to reduce transaction cost for tax payment of the illegal traders.
- Translate policies, strategies, directives and legal frameworks verses in to vernaculars especially in to Ethio-Somali language. This is supposed to improve transparency and accountability and bring in an improve in understanding of the legal frameworks by and efficiency of regulatory executives at regional level.

65. Ethiopia has several codes for the protection of property right in the country. However, property right protection in Ethiopia encounters various impediments as a result of lack of independent and competent judiciary system. Hence, in order to improve property right protection practice in Ethiopia, the study recommends the following:

- Strengthen the capacity (with trainings, resources, and other incentives) of judicial and administrative institutions and policy executives with commercial matter rules and regulations to honestly and comprehendingly assign and enforce property right as well as to handle and resolve business disputes. This supposed to put confidence on the private sector to accumulate and form capital in the country.
- Build up an independent /of political and other interference/ judiciary body that oversees the private sector property assignment and enforcement cases.
- Strengthen (for example, provision of recognition and strongly make use of them) the informal negotiation tables or desks that resolve disputes arising in the business and investment areas. Attempt to strengthen the investment forums and cultural mediation for dispute resolution mechanism to support the judiciary system
- Strengthen (with required capacities) business forums, PPP, and allow the private sector participation in the judiciary process for improving transparency and building accountability on the judiciary system
- Design and provide a strong monitoring and evaluation system support to the judiciary body at regional and local level

66. There have not been institutions or programs to regularly support the private enterprises on financial management, tax, business development services (BDS), etc. Thus, in order to support the private sector with required enterprise management skills, the study recommends the following:

- Review existing trade, CSOs, and relevant ministries working policies of the government with a view to encourage CSOs, INGOs, GOs, and others interested in to host private enterprise support programs and to accountably involve in provision of private enterprise support
- Strengthening the capacities of and support Chambers of Commerce (AACCSA, RCCSA, CCCSA, and ECCSA) with skilled manpower, training, budget, training space, training equipment for improving the meager but important currently enterprise support provisions by these associations.
- Strengthen the capacity of the regions

and local level government official and experts with basic business skills for onto support the private sector

67. The study has also analyzed the existing state business relation at the federal and local level. It has found that there is a good start but looks to be strengthened with the following recommendations;

- Strengthen the capacity of EPPCF at ECCSA and mainstream the structure down to the regions, zones, and woreda or city levels, and establishing more number of sector based PPP.
- Strengthen the capacity of the existing investment forums at regional and local level, and establish new investment forums at all levels
- Formulate policy on the formation of PPP project at all sectors, and provide institutional and functional supports

Acknowledgement

The author wishes to acknowledge those experts and officials who participated and contributed to the study with provision of valuable information both at the field level and the office level data collection process.

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