

# **Gender Related Investment Climate Constraints in Ethiopia: Diagnostics and Action Points**

## **Final REPORT**

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## Acronyms

AWEP	Alliance of Women Entrepreneurs Program
AWiB	Association of Women In Business
BPA	Beijing Platform of Action
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CAWEE	Center for Accelerated Women Empowerment in Ethiopia
CRBLP	Commercial Registration and Business Licensing Proclamation
CSA	Central Statistics Agency
DEVAW	Declaration on the Elimination of Violence against Women
ECCSA	Ethiopian Chamber of Commerce and Sectoral Associations
EICP	Ethiopia Investment Climate Program
EPPCF	Ethiopian Public Private Consultative Forum
ERCA	Ethiopian Revenue and Customs Authority
ESW	Electronic Single Window
EWEA	Ethiopian Women Entrepreneurs Association
EWExA	Ethiopian Women Exporters Association
FDRE	Federal Democratic Republic of Ethiopia
FEMSEDA	Federal Micro and Small Enterprises Development Agency
FGD	Focus Group Discussion
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
IC	Investment Climate
ICP	Investment Climate Program
IFC	International Finance Cooperation
ICPD	International Conference on Population and Development
KII	Key Informant Interviews
M&E	Monitoring and Evaluation
MSE	Micro and Small Enterprises
MoFED	Ministry of Finance and Economic Development
MoT	Ministry of Trade
MoLSA	Ministry of Labour and Social Affairs
MoWYCA	Ministry Women, Children and Youth Affairs
NEWA	Network of Ethiopian Women Association
NPEW	National Policy on Ethiopian Women
PLC	Private Limited Company
PPD	Public Private Dialogue
SC	Share Company
ToR	Terms of Reference
WB	World Bank
WBG	World Bank Group
WISE	Women in Self-Employment
VAT	Value Added Tax

# 1 EXECUTIVE SUMMARY

The Ethiopian Investment Climate Program is implemented through an agreement between the Government of Ethiopia and the IFC, with an overall objective to streamline and simplify high-priority regulations considered burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia.

This report investigates the specific gender related constraints affecting the Ethiopian investment climate program. The aim of this report is to carry out gender diagnostics that will allow the Ethiopian investment climate program to adopt gender sensitive reforms and contribute to improving the economic participation of women.

There are economic and intrinsic values attached to gender equality and women's empowerment. The rights of women are an inalienable, integral and indivisible part of universal human rights. Protecting the rights of women means improved households, families and community livelihoods.

Creating greater economic opportunities for women also means accruing micro and macro-economic benefits. Studies also show solid macroeconomic implications of women's economic empowerment, as inequalities impose development costs on societies. The costs of gender inequality are particularly large in low-income countries; and within countries, they are larger for the poor. For an economy to be functioning at its full potential, women's skills and talents ought to be engaged in activities that make the best use of those abilities. When women's labour is underused or misallocated—because they face discrimination in markets or societal institutions that prevents them from completing their education—economic losses occur. Removing barriers that prevent women from having the same access as men to education, economic opportunities, and productive inputs can generate broad productivity gains—gains all the more important in a more competitive and globalized world.

Overall, the place of women in the global economy has seen improvements over recent decades. Women have made notable gains in rights, in education and health, and in access to jobs and livelihoods. According to the 2014 *Global Gender Gap Report*, in the last nine years, the gender gap for economic participation and opportunity has closed by 4% worldwide, from 56% in 2006 to currently 60%.

However, gender inequalities across economic, social and environmental dimensions remain widespread and persistent. Power imbalances in gender relations, in the exercise of rights, access to and control of resources, and participation in decision-making, continue as a significant obstacle to women's full and equal contribution to development. Women are more likely than men to be in informal employment, and even within informal employment, men are generally more likely to earn a wage while women are more likely to be in more precarious

forms of informal self-employment. The participation of women in the formal sector is also affected by legal and non-legal constraints on their rights and capabilities.

In Ethiopia, similar challenges and gender gaps persist in the country's socio-economic and political sphere. The latest World Economic Forum Gender Gap Report (2015) reveals that Ethiopia continues to have significant gaps in the economic participation and educational attainment of women while commendable results have been achieved in closing the gender gap in health and survival and political empowerment.

In economic participation, women lag significantly behind men representing 63.1% of the population that is not active in the economy. Correspondingly, total female unemployment rate is higher (4.7%) than male unemployment (3.4%) in the country. In business ownership, women account for 33% of private establishments as compared to 64% owned by men.

Various socio-economic, cultural, religious and political reasons explain such state of affairs. Aspects of the socio-economy that are important in shaping business entry, operation and exit affect women's full participation in the economy. Significantly low ownership of resources among women, lack of education and skills, "time-poverty" and heavier domestic responsibilities, prevalent social attitude in holding women's labour input and other economic contributions in low regard are some of the reasons holding women back.

In recognition of the challenges faced by Ethiopian women, several constitutional, statutory, policy and institutional frameworks were put in place to address the systemic gender inequalities. Ethiopia affords constitutional protection for the equal rights of women. Major developmental and socio-economic policies of the country in the last 20 years recognize gender as a cross-cutting issue, further providing affirmative actions in health and education. In spite of policy measures, the potential of Ethiopian women to be active economic participants as entrepreneurs, business owners, workers, and managers is an untapped source of economic growth. A lot remains to be achieved in empowering women and realizing their full economic potential. Investing in women's entrepreneurship in Ethiopia is expected to benefit the country's economy as a whole as stated by the World Bank "in Ethiopia, a set of measures favouring women's education and participation in the labour market is estimated to add as much as 1.9 percent GDP growth per year between 2005 and 2030.

The IFC investment climate reform program complements on-going private sector development policy initiatives particularly in business regulation, tax administration and trade regulation. The 2015 World Bank Doing Business Report ranks Ethiopia 132 out of 189 countries in ease of doing business. Ethiopia's performance is particularly poor in "starting a business" indicator, which stands at 168 out of 189 countries. According to the report, in Ethiopia it takes 15 days to complete all of the formalities to start a business. It is also estimated to cost 89.3%

of income per capita, an average cost far higher than the Sub-Saharan Africa average of 56.2%. These poor figures attest to the difficulties of starting and sustaining a business in Ethiopia. In terms of specific gender constraints affecting women entrepreneurs:

### ***More women in the Informal Economy***

Women are more likely to engage in the informal economy than men with 42% of working age women employed in the informal economy, while it is 27% of men employed in the informal sector. Lengthy and complex registration, incorporation, and licensing practices, however, have disproportionately negative effect on women and their ability to formalize their businesses. Further, Ethiopian women are less educated, skilled and trained than men and hence the formalization process reduces women's capacity to register their businesses and move from the informal to the formal sector. Operational constraints affect women entrepreneurs more than men where female-owned businesses spend 4.9 percent of senior management's time dealing with compliance requirements compared to 3.6 percent in male-owned businesses.

### ***Greater Compliance Costs***

The Ethiopian registration and licensing system is unduly prescriptive subjecting businesspersons to several bureaucratic steps. There are numerous and activity based compliance requirements such as business licensing (currently numbering more than 1320), unnecessary and overly cumbersome competence certification requirement, annual renewal of business registration, requirement of a physical address and minimum capital.

### ***Competence Certification***

Women have expressed their inability to meet the requirements for multiple competence certifications for lack of educational and training skills. In a country where the level of higher education for women is significantly lower than men, such competence certification procedures are understood to affect women severely. Adding to this, many of the women entrepreneurs, especially those in the informal sector in general have difficulty understanding the various requirements and contents of the CRBLP. And those operating in small and micro sector have raised that these compliance requirements are adversely affecting their business forcing many to close shop. Access to clear and transparent information at ministries is often difficult as desk officers are often overwhelmed by long queues to provide meaningful support for customers

### ***Availability and cost of business premises***

Women entrepreneurs see the availability and cost of business premises and minimum capital requirement as putting more obstacles on their businesses than men. 75% of women entrepreneurs consider requirement for a premise as more

problematic while it is 70% for men. Conversely, more men (30%) perceive the physical premise requirement as less problematic than women. (25%)

### ***Time Poverty***

Women's constraints are intersectional cutting across formal and cultural barriers. Women in general are less able than men to afford long and expensive registration procedures partly because of time poverty that is caused by "double workday" – i.e. women's business and domestic responsibilities. This constrains women's ability to undertake the bureaucratic steps necessary to formalize their businesses. These barriers, seen in the context of a socio-cultural environment that puts the burden of the homemaking on women, is bound to be a prohibitive entry barrier for women to start and sustain their businesses.

### ***Lack of Knowledge of Tax Laws***

Compliance with tax obligations demands knowledge and understanding of the tax laws applicable in one's case. There is a significant disparity in the levels of knowledge/understanding of tax laws among women and men. While only 14% of the men business owners survey in the informal sector stated that they are not knowledgeable at all of tax laws; the figure is significantly higher for women with 22% of them reporting complete lack of knowledge of tax laws.

### ***Access to Tax Related Information***

Women consider that tax related information is not easily available. A greater percentage of the women business owners (66%) than the men (62.3%) rated access to tax related information as a problem.

### ***High Tax Compliance Cost***

High cost of compliance with tax obligations also poses a problem for women business owners. The tax compliance cost in Ethiopia has been found to be regressive as a share of turnover, with the cost to Category C tax payers being 5.03% to Category A's 3.83%.<sup>1</sup> This has a negative implication for women, as they are more concentrated in small businesses.

### ***Prohibitive Tax Dispute Settlement System***

The requirement to pay 50% of the disputed amount, including interests and fines, as a guarantee, to appeal tax assessment decisions make the review mechanism inaccessible. Women who are engaged in small and micro businesses often have limited working capital. Women's access to finance is also more restricted than men's. According to data from the IFC Tax Compliance Cost Survey, 91.5% of women

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<sup>1</sup> Tax accounting cost as share of turnover (%) (excluding acquisition and maintenance cost).

business owners indicated that it is a problem while 85.7% of men owned firms faced problem of access to finance. Therefore, women's access to the appeal system is greatly restricted.

### ***Women Underrepresented in Import/Export Sector***

In Ethiopia, women are severely underrepresented in the import/export sector. Constrained by low levels of education, socio-economic and cultural responsibilities resulting in time-poverty, only few women traders are able to survive/succeed in an environment where they regularly have to deal with time-consuming procedures. According to records at the ministry of trade, there are currently 17,631 registered exporters out of which women comprise only 12% (2,917). The lack of transparency and clarity of customs and other border clearance procedures, the need for interaction with multiple agencies, the requirement to submit the same set of documents multiple times, are among the reasons that make import and export processes time consuming and difficult to handle.

### ***The Institutionalization of Women's Participation in Public Private Dialogue***

The Ethiopian Public Private Consultative Forum (EPPCF) is an innovative platform that brings together private sector actors and policy makers to address investment climate constraints. One of four components of the Ethiopian Investment Climate Program, the EPPCF has the potential to bring, and has thus far brought meaningful results for the business community in general. Its potential to result in specifically meaningful changes for women entrepreneurs has been constrained by its institutional structure that does not make an express provision for the representation of women entrepreneurs and associations of women entrepreneurs. This omission in the setting up of the EPPCF's structure is made worse by the fact that the law regulating the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) excludes women entrepreneurs associations from its ambit by way of a restrictive and exhaustive list of covered entities.

### ***Benefits of the Ethiopian Investment Climate Program for Women***

The overall IC Program and the reforms introduced thereunder make significant contributions towards addressing much of the challenges that affect women entrepreneurs either in much the same ways as they affect men entrepreneurs or even disproportionately so.

To a large extent, the regulatory and administrative constraints that affect women are the same problems identified by the IC program as posing serious challenge to the general business community. To the extent that the investment climate constraints for women are shared by the general business community and that these constraints are identified as such by the IC Program, actions taken to address them through the program benefit women entrepreneurs just as much as other members of the private sector, if not more.

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### 3 INTRODUCTION

The International Finance Cooperation (IFC), a member of the World Bank Group, and the Government of Ethiopia (GoE), have agreed to cooperate in implementing the Ethiopian Investment Climate Program (EICP). A Cooperation Agreement has been signed between IFC and the Ministry of Trade and the Ethiopian Revenue and Customs Authority respectively. The overall objective of the program is to streamline and simplify high-priority regulations considered burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia. It supports the government to improve business licensing and registration, business taxation and administration and trade logistics. Supporting public-private dialogue forums is also a key element of the program.

As part of the reform program, the project sought to mainstream gender issues in the project's investment climate reform work. The main objective of this assignment is to conduct a gender analysis to identify gender related investment climate issues that need to be addressed by the existing components of the Ethiopia ICP namely:

- Business Regulation
- Tax Administration
- Trade Logistics and
- Public Private Dialogue

While the current investment climate program addresses complex and intermingled investment constraints affecting both women and men, this study explores the different, additional or uniquely specific constraints faced by women entrepreneurs within the framework of the IC program. It begins with the assumption that women are at a more disadvantageous position than men when it comes to investment barriers and continues to investigate what these barriers are. The recommendations and action points correspondingly aim at providing the ICP with actionable tools to carry out gender specific activities and achieve targeted results. The recommendations are expected to assist the program in the introduction of high quality, gender responsive investment climate reforms and ensure that IFC's programme's main goal of creating a more transparent and business friendly environment for both men and women entrepreneurs in Ethiopia are met.

In the first section of this report, a contextual analysis on the status of Ethiopian women in the national economy is discussed. While unavailability or inaccessibility of gender-disaggregated data at government agencies posed a major challenge in the course of the study, attempts were made to assess sector and industry specific gender statistics. Existing records testify that the participation and contribution of Ethiopian women in the formal economy remains very low. To address the deep gender disparity in the society, various legal, policy, regulatory and institutional frameworks are put in place. These are briefly discussed to support project

implementers in their effort to align strategic reforms with national policies.

Secondly, gender analysis of the IC program is done with the objective of laying the foundation for the gender diagnostics that is made in the section that follows. The analysis enquires whether the program considered gender specific constraints in its design and implementation phases. An assessment was made whether gender sensitive processes, measurement indicators and reporting guidelines were included from the outset. This means that the analysis focused on whether women's priorities are incorporated in the goals, actions, M&E of ICP components and whether these are disaggregated by gender. Similar analysis was employed to the planning and execution of the Ethiopian Public Private Consultative Forum. (EPPCF)

Thirdly, gender diagnostics was made within the framework of the existing IC program on two levels: 1) review of laws and regulations that affect women's economic participation, and 2) identification of gender specific investment barriers.

A thorough analysis of the legal framework was essential to identify gender-related constraints in the Ethiopian business environment. The business regulations of the country, in particular its business registration and licensing, tax, and customs are examined to assess whether they contain discriminatory elements based on gender. Further investigation was made to identify the elements in these laws that are likely to have disproportionate effects on women even though they are framed in gender-neutral terms. Similarly the planning and institutionalizing process of the Ethiopian Public Private consultative forum was scrutinized at the design and operational levels.

The report concludes by listing out the key investment barriers affecting women, followed by recommendations (action points) for reform. It also incorporates a Gender Action Plan and an updated M & E Framework.

## **4 APPROACH**

### **4.1 Literature and Document Review**

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The literature and document review that informed the qualitative analysis of this report was conducted in two steps. First, the study began by investigating the design process of the Program looking at the concept note for the ICP and the related program documents. Furthermore, with a view to identify specific socio-economic and business constraints facing women, surveys, progress reports, plans, evaluations, compliance studies, and data available from the Central Statistics Agency in Ethiopia and the World Bank Group sources were consulted. (See Annex 3 for full list of resources).

### **4.2 Key Informant Interviews:**

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In the course of the diagnostic study, semi-structured key-informants Interviews (KII) were carried out with selected stakeholders. Individuals who are directly or indirectly involved in decision-making regarding investment climate reforms and women entrepreneurship were consulted. (See Annex 2 for full list of interviewees)

#### **4.2.1 IFC Program Management Team**

An informal meeting was held with IFC management team to explore:

- the design process of the ICP with particular emphasis on gender mainstreaming planning and programming, as well as the Public Private Consultative Forums.
- the implementation and results matrix assessment, and consideration for gender sensitive investment constraints

#### **4.2.2 Government Agencies**

Semi-structured interviews were conducted with key government agencies involved in the economic empowerment of women. Interviews were held with women directorate heads at the Ministry of Trade, Ministry of Women, Children and Youth Affairs, the Federal Investment Commission, the Federal Micro and Small Enterprises Development Agency (FEMSEDA). The interviews explored:

- existing gender-disaggregated data on enterprise registration, licensing and tax administration
- data on small and micro enterprises and women economic participation
- level and outcome of gender mainstreaming policies in government agencies

### **4.2.3 Women Entrepreneurs and Associations**

Meetings with successful women entrepreneurs and various sectoral women entrepreneurs associations, women self-help groups were carried out to:

- explore the views and experiences of women in business
- identify the challenges and barriers women face in starting, incorporating and running their businesses.
- Assess the role of women entrepreneurs associations in addressing the challenges of their members and coordination with other women groups
- Assess the level of access to and consultation with policy makers

In addition, discussions with gender focal persons at the Ethiopian Chamber of Commerce and Sectoral Associations were held.

### **4.3 Focus Group Discussions**

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Focus group discussions were used as a primary tool to gather information and pieces of evidence for investment barriers women entrepreneurs face. FGD with members of the Ethiopian Women Entrepreneurs Association (an organization with 11 members) and the Women in Self-Employment (WISE – a self-help women organization with more than 23,000 individual members) were crucial in identifying the various individual and organizational obstacles that women entrepreneurs in Ethiopia are facing. The FDG gave the women the platform and opportunity to voice the barriers they face while doing businesses. Some of the questions that guided the discussions were:

- What are the major challenges you face in your business?
- What are the issues you faced in Business registration, filing taxes?
- Have you been supported by Gender Directorates of government agencies?
- Have you had access to government leaders and policy makers?

## **5 LIMITATIONS**

The limited data and information available on the private sector in general and women entrepreneurs in particular have contributed to the lack of rich quantitative evidence in the overall analysis of this study. Relevant government agencies including the Gender Directorates in these agencies do not have gender-disaggregated data. Women entrepreneur associations have limited data regarding their members and respective sectors. Various reports that the study team collected from government agencies were qualitative narrations; which are not substantiated by facts and figures. Therefore, available surveys conducted and agency data often do not provide an adequate gender disaggregated baselines and records nor do they show trends over time. These limitations themselves show the entrenched gender

mainstreaming deficiencies in public and private organizations.

The lack of gender-disaggregated data limited high quality comparative analysis and limiting the study to qualitative categorizations of the barriers in sectors and regulatory contexts. This is justified also in empirical literature that qualitative evidence that emanates from real and lived experiences of women and their diverse associations are powerful and compelling in revealing the constraints. In the absence of gender-disaggregated data, heavy dependence on qualitative information was unavoidable, making some of the conclusions largely deductive.

## 6 BACKGROUND

### 6.1 Why Gender Matters

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Promoting women's economic empowerment is increasingly recognized as indispensable to economic growth. Women's economic participation is not only an issue of the rights of women but of the economic viability and dynamism of all countries.<sup>2</sup>

Gender equality is both a moral and ethical imperative.<sup>3</sup> As Amartya Sen puts it, development should be seen as a process of expanding freedoms equally for all people.<sup>4</sup> In this view of development, gender equality is a core objective in itself. As development means less income poverty or better access to justice, it should also mean fewer gaps in wellbeing between males and females.<sup>5</sup> This viewpoint is also evident in the international development community's recognition that women's empowerment and gender equality are stand-alone development objectives, as embodied in Millennium Development Goals 3 and 5.<sup>6</sup> The adoption and near-universal ratification of the Convention on the Elimination of All forms of Discrimination against Women (CEDAW) is another testament to the recognition by the international community that gender equality matters.<sup>7</sup> Affirmed by the world conference on Human Rights, "human rights of women and of the girl-child are an inalienable, integral and indivisible part of universal human rights."<sup>8</sup>

Creating greater economic opportunities for women has also compelling economic reasons, as inequalities impose development costs on societies. The costs of gender inequality are particularly large in low-income countries; and within countries, they are larger for the poor.<sup>9</sup> Unequal rights to own land or apply for credit deprive

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<sup>2</sup> World Bank, *Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners*, p. 1 (2010).

<sup>3</sup> UN Women, *Gender Equality and Sustainable Development, World Survey on the Role of Women in Development* (2014), *Preface*

<sup>4</sup> Amartya Sen, *Development as Freedom* (1999)

<sup>5</sup> The World Bank, *World Development Report 2012: Gender Equality and Development*, p. 3.

<sup>6</sup> Id, (Goal 3 of the Millennium Development Goals is to 'Promote gender equality and empower women' and Goal 5 is to 'improve maternal health'.)

<sup>7</sup> To date, there are 188 States Parties to the CEDAW.

<sup>8</sup> Vienna Declaration and Program of Action, Part I, Chapter I, World Conference on Human Rights, Vienna, Austria (1992)

<sup>9</sup> *Engendering development: through gender equality in rights, resources, and voice*, (World Bank Policy Research Report, 2001), p. 73.

women of resources for their livelihood and for security in old age, leaving them more dependent on male relatives.<sup>10</sup>

Gender inequality harms future generations as well and perpetuates disparities.<sup>11</sup> The singular role of the mother in a child's early years is difficult to dispute. As such, gender discrimination and prejudices against women affect the next generation through the mothers. The significance of a mother in her child's life begins in the womb and continues through infancy and later childhood. Greater gender equality in education and income can enhance a woman's bargaining power within the household. Because women, more than men, tend to allocate spending to children's needs, education levels will increase, mortality rates will fall, and nutrition will improve. Evidence from several developing countries show that the mortality rate of children under five is lower in households where mothers have some primary schooling than in households where they have no schooling, and much lower in those where mothers have some secondary schooling.<sup>12</sup> Just as there are strong positive correlations between a mother's schooling and her children's birth weight, health, and nutritional status, a mother's schooling is positively linked to her children's educational attainment.<sup>13</sup>

In addition to the impact of gender gap in education, gender disparities in income also yield curious results in terms of impacts on the next generation. Studies have found that additional income in the hands of women has a greater positive impact on child survival and nutrition than does additional income in the hands of men.<sup>14</sup>

Gender inequality can also have large impacts on productivity. For an economy to be functioning at its full potential, women's skills and talents should be engaged in activities that make the best use of those abilities. When women's labour is underused or misallocated—because they face discrimination in markets or societal institutions that prevents them from completing their education, entering certain occupations, and earning the same incomes as men—economic losses occur.<sup>15</sup> The return from correcting these failures, many rooted in how markets and social institutions function, is large. The Food and Agriculture Organization (FAO) estimates that equalizing access to productive resources between female and male

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<sup>10</sup> Id, p. 75.

<sup>11</sup> Id p. 78.

<sup>12</sup> Id p. 79.

<sup>13</sup> Id p. 84.

<sup>14</sup> See, Duncan Thomas, *Intra-household Resource Allocation: An Inferential Approach*, 25 *Journal of Human Resources*, pp. 635–64 (1990) (evidence from Brazil); John Hoddinott & Lawrence Haddad, *Does Female Income Share Influence Household Expenditures? Evidence from Côte d'Ivoire*, 57(1) *Oxford Bulletin of Economics and Statistics* pp. 77–96 (1995), Shahidur R. Khandker, *Fighting Poverty with Microcredit: Experience in Bangladesh*. Washington, D.C.: World Bank (1998) (evidence from Bangladesh).

<sup>15</sup> The World Bank, *World Development Report 2012: Gender Equality and Development*, p. 3.



farmers could increase agricultural output in developing countries by as much as 2.5 to 4 percent.<sup>16</sup>

The 2012 World Development Report on Gender Equality and Development lays out three different ways in which gender equality can enhance economic efficiency and improve other development outcomes.<sup>17</sup> First, removing barriers that prevent women from having the same access as men to education, economic opportunities, and productive inputs can generate broad productivity gains—gains all the more important in a more competitive and globalized world. Second, improving women’s absolute and relative status feeds many other development outcomes, including those for their children. Third, levelling the playing field—where women and men have equal chances to become socially and politically active, make decisions, and shape policies—is likely to lead over time to more representative, and more inclusive institutions and policy choices and thus to a better development path.

Above-mentioned benefits of achieving gender equality have found international recognition in a number of international norms and agreements on sustainable development, the environment and other cross-cutting issues. Principle 20 of the Rio Declaration on Environment and Development, states that the full participation of women is essential to achieving sustainable development. In the 1995 Beijing Declaration and Platform for Action, governments were called upon to integrate gender concerns and perspectives into policies and programmes for sustainable development. The centrality of gender equality has also been articulated in the outcome document of the United Nations Conference on Sustainable Development<sup>18</sup>, entitled “The future we want”, which included recognition of the importance of gender equality and women’s empowerment across the three pillars of sustainable development, economic, social and environmental, and resolve to promote gender equality and women’s full participation in sustainable development policies, programmes and decision-making at all levels.

Overall, the place of women in the global economy has seen improvements over recent decades. Women have made notable gains in rights, in education and health, and in access to jobs and livelihoods.<sup>19</sup> More countries than ever guarantee women and men equal rights under the law in such areas as property ownership, inheritance, and marriage.<sup>20</sup> Most countries of the world now have explicit guarantees for the equality of all citizens and non-discrimination between men and women in their constitutions.<sup>21</sup> According to the *Global Gender Gap Report 2014*, in

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<sup>16</sup>FAO (Food and Agriculture Organization), IFAD (International Fund for Agricultural Development), and ILO (International Labour Office), *Gender Dimensions of Agricultural and Rural Employment: Differentiated Pathways out of Poverty, Status, Trends and Gaps*, FAO, IFAD, and ILO, Rome (2010).

<sup>17</sup> The World Bank, *World Development Report 2012: Gender Equality and Development*, p. 3.

<sup>18</sup> United Nations, General Assembly resolution 66/288

<sup>19</sup>*Id* p. 2.

<sup>20</sup> *Id*

<sup>21</sup> *Id* (according to the Report, 136 countries have such guarantees in their constitutions.)

the last ten years, the gender gap for economic participation and opportunity now stands at 60% worldwide, having closed by 4% from 56% in 2006.<sup>22</sup> In terms of health and survival, the gap stands at 96% globally, with 35 countries having closed the gap entirely.<sup>23</sup> Similar trend is seen in educational attainment standing at 94% globally where 25 countries have closed the gap entirely.<sup>24</sup>

However, gender inequalities across economic, social and environmental dimensions remain widespread and persistent. Power imbalances in gender relations, in the exercise of rights, access to and control of resources, and participation in decision-making, persist as a significant obstacle to women's full and equal contribution to development. Particularly in the developing world, the economic participation of women is often concentrated in the informal sector, where they are faced with difficulties that result in inefficiencies and vulnerabilities more often than men.<sup>25</sup> Women are more likely than men to be in informal employment, and even within informal employment, men are generally more likely to earn a wage while women are more likely to be in more precarious forms of informal self-employment.<sup>26</sup> The participation of women in the formal sector is also affected by legal and non-legal constraints on their rights and capabilities. Especially, women in rural areas are constrained from entering into productive and paid businesses, capacity to hold land and other economic resources.

In conclusion, as the structural asymmetry that is responsible for the unequal status of women and men in the country's economy is a result of both regulatory and socio-economic shortcomings, it requires action on both fronts to address the underlying causes of inequality. Addressing gender inequality in the economic sphere is a central part of the quest for overall growth and prosperity while also improving the playing field. Studies show that countries that improved the playing field, governance indicators, besides the economic ones have shown sustainable growth and human development and enhanced possibilities in which human capabilities have flourished.<sup>27</sup> Countries that do not fully capitalize on one-half of their human resources run the risk of undermining their competitive potential.<sup>28</sup> Capturing this "missed potential" should be the goal of gender-informed investment climate reform, as the payoffs could be considerable.<sup>29</sup> Therefore, integrating gender

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<sup>22</sup> World Economic Forum, Global Gender Gap Report, 2014

<http://reports.weforum.org/global-gender-gap-report-2014/press-releases/>

<sup>23</sup>Id

<sup>24</sup>Id

<sup>25</sup> World Bank, Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners, p. 1 (2010).

<sup>26</sup> Note 2, UN Women, Gender Equality and Sustainable Development, p.40

<sup>27</sup> See, Amartya Sen, Development as Freedom (1999); Anthony Bebbington, *Capitals and Capabilities: A Framework for Analyzing Peasant Viability, Rural Livelihoods and Poverty*, 27(12) World Development, p. 2021-4 (1999).

<sup>28</sup> The World Bank, Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners, p. 5 (2010).

<sup>29</sup>See, *supra* note 16.

dimensions into policy dialogue can reduce gender barriers, unleash the untapped productive potential of women, and broaden both the economic impact and sustainability of policy interventions.<sup>30</sup>

## 6.2 Gender Inequality in Ethiopia

In Ethiopia, women constitute around half of the total population.<sup>31</sup> While remarkable progress has been made in several of the millennium development goals (MDGs), the country is lagging behind in MDG Goal – 3, ie. Gender Equality and Empowering Women.<sup>32</sup>

As an illustration, the latest World Economic Forum's Global Gender Gap Report (2014) places Ethiopia 127 out of the 142 in its overall rankings of countries with gender disparity.<sup>33</sup> For Sub-Saharan Africa, Ethiopia fares poorly at 24<sup>th</sup> out of 28 countries. The report surveyed economic participation and opportunity, educational attainment, health and survival, and political empowerment of women. When compared to 2012 ranking, the overall score for Ethiopia has dropped in 2013. In terms specific scores, for two consecutive years, Ethiopia has delivered commendable results in closing the gender gap in health and survival and political empowerment. Whereas the gender gap for economic participation and educational attainment has worsened by marginal and significant points respectively.

Table below shows Ethiopia's scores on each indicator, with 1 representing equality and 0, inequality.

**Table 1: Ethiopian Gender Gap Scores and Ranking**

Measures	Score [0(inequality)-1(equality)]	Rank (out of 142)
<b>Overall</b>	0.6144	127
<b>Economic Participation and Opportunity</b>	0.6177	103
<b>Educational attainment</b>	0.7113	139
<b>Health and survival</b>	0.9725	82

<sup>30</sup>Note 27, WB, Gender Dimensions of Investment Climate Reform: p. 5

<sup>31</sup> Central Statistics Agency, National Labour Force survey (2013) (Total Population: 80,444,148 Male: 40,035,493 Female: 40,108,655)

<sup>32</sup> United Nations In Ethiopia, MDGs Update available on [www.et.one.un.org](http://www.et.one.un.org) Ethiopia is on track to meet five of the eight MDGs by 2015, namely Goal 1 - eradicate extreme poverty and hunger, Goal 2- achieve universal primary education, Goal 4 - reduce child mortality, Goal 6 – combat HIV and AIDS, Malaria and other diseases and Goal 8 – Develop Global Partnership for development. Ethiopia is also on course to eliminate gender disparities in primary education but significant challenges persist to raise progression from primary to secondary schools among girls in order to eliminate gender disparities at secondary and tertiary levels by 2015.

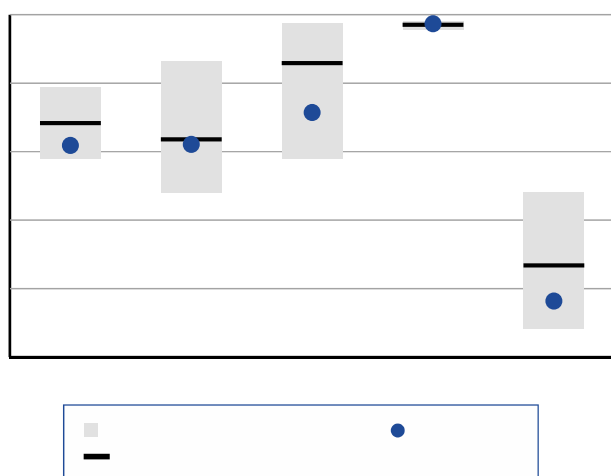
<sup>33</sup> World Economic Forum, The Global Gender Gap Report, 2014

<b>Political Empowerment</b>	0.1563	70
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Source: WEF, *The Global Gender Gap Report 2014*

When compared to countries in the average income group, Ethiopia lies below average in all of the indicators except for health and survival. This shows that, in Ethiopia, significant gaps persist in economic participation and opportunity, educational attainment and political empowerment from countries on the same income group. (see graph below).

**Figure 1: Ethiopian Gender Gap Scores Relative to its Income Group**



The latest National Labour Force Survey conducted by the Central Statistics Authority (CSA) of Ethiopia draws similar conclusions, with its finding of a considerable gap in educational attainments of working age men and women.<sup>34</sup>

**Table 2: Educational Attainment of Working Age Persons**

	Never attended	Grades 1-8	Secondary completed	Preparatory	Certificate completed	Diploma completed	Degree completed
<b>Total</b>	41.5	41.3	3.6	0.5	0.5	1.9	1.0
<b>Female</b>	50.6	35.7	2.9	0.4	0.4	1.6	0.5
<b>Male</b>	32.2	46.9	4.3	0.5	0.5	2.2	1.6

Source: CSA, *Analytical Report on the 2013 National Labour Force Survey (extracted)*

As the table above testifies, the gap between working age men and women who have never attended school, and those who have only attended primary and secondary

<sup>34</sup> Central Statistics Agency (CSA), *Analytical Report on the 2013 National Labour Force Survey*, p. 33. The CSA defines economically active (here referred as working age) group as those above the age of 10.

school is quite significant. While half of the working age of female population have never attended school, it is 32% for the male population. Educational attainment of women is concentrated in the primary education which stands at 36% and increasingly lower as educational status moves higher with only 0.5% of women having a degree completed, while it is 1.6% for men. Similarly, the gender gap in the ratio of persons with a vocational, technical or professional training is similarly high. There is a considerable gender disparity with only 4.1% of working age females having some kind of training; compared to 8.1% of working age males.<sup>35</sup>

With over 50% of working age women having never attended school, and with a persistent gap in the levels of training with those of men's, women are at a significant disadvantage when it comes to participating in the formal economy. Wide gender disparities in schooling produce correspondingly different abilities for women and men to be economically active, acquire and process, or communicate information.<sup>36</sup>

Similar gender disparity in education and skills is reflected in the role of Ethiopian women in the economy. When it comes to economic participation in Ethiopia, women lag significantly behind men representing 63.1% of the population that is not active in the economy, while men represent 36.9%.<sup>37</sup> Furthermore, total female unemployment rate is higher (4.7%) than male unemployment (3.4%) in the country.<sup>38</sup> The unemployment rate is particularly high in Addis Ababa for women (31%) as compared to men. (15%)<sup>39</sup>

In business, according to the CSA sector-specific survey, 33% of the private establishments are owned by women, as compared to 64% owned by men.<sup>40</sup> Furthermore, 40% of the small and micro enterprises are owned by women while men account for the remaining 60%.<sup>41</sup> In both instances, women lag behind men in business ownership. Such disparities are also evident in wage earning capacity of women in Ethiopia. According to the 2012 World Development Report, Female entrepreneurs in Ethiopia earn 35 cents to the USD1 that male entrepreneurs earn.<sup>42</sup>

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<sup>35</sup> Id, p. 35-6 (the Survey defines training as any short or long-term skill/ability development – training program given in or outside classroom in theory or in practice or both, and that results in award of a certificate to the trainee. The trainee could be literate or illiterate.).

<sup>36</sup> Note 8, WB, *Engendering development*: p. 75.

<sup>37</sup> CSA, *Key Findings on the 2013 National Labour Force Survey*, p. 1.

<sup>38</sup> Id

<sup>39</sup> Id

<sup>40</sup> Central Statistics Agency, *Large and Medium Scale Manufacturing and Electricity Industries Survey, CSA, 2011/12*

<sup>41</sup> FDRE Ministry of Urban Development and Construction, *Survey on Micro and Small Enterprises (MSEs), in selected major cities of Ethiopia*. (2013)

<sup>42</sup> Id p. 17.

Ethiopian women are more likely to be engaged in the informal sector (42% of working population) than men (27.3%).<sup>43</sup>

**Table 3: Female and male population employed in the informal economy**

Year	Percentage of population employed in the informal economy		
	Male	Female	Total
1999	53.6	85.2	72.8
2003	39.5	60.1	47.8
2004	37	57.4	45.2
2005	29.5	49.6	38.5
2009	29.8	45	35.8
2010	27.3	42	33.3

*Source: Ministry of Labour and Social Affairs (MoLSA), 2013*

While the percentage of women in the informal sector has decreased significantly in the last decade and half, the share remains high.

The above surveys and studies testify to the gender gap in various sectors such as education, wage earnings, economic activity and productivity in Ethiopia.

Various factors contribute to this state of affairs, including significantly low ownership of resources among women, in particular in agricultural land-holding distribution; likelihood of women to exit the labour market due to domestic obligations, a prevalent social attitude in holding women's labour input and other economic contributions by women in low regard; harmful traditional practices such as early marriage; lack of access to and opportunity in education and training; and lack of affirmative provisions that could allow preferential access to financial and credit facilities for women. These aspects of the socio-economy are important in shaping business entry, operation and exit.

Women entrepreneurs are often described as 'survivalist' and dominated by low skill, low capital intensiveness, and often informal and micro businesses. Women tend to focus on businesses that are a continuation of their domestic roles, such as the service sector and basic food items. The potential for growth of women's enterprises is said to be very low and is driven less by entrepreneurial drive than the need for survival, which perpetuates the status quo.

Studies have shown that the inability of women to leverage their labour in the market is because of lack of skills and greater burden of household responsibilities.<sup>44</sup> As a result, women face lower activity rates, lower employment

<sup>43</sup> Ministry of Labour and Social Affairs (2013) *Labour Market Dynamics in Ethiopia: Analysis of Seven Key Indicators of the Labour Market*.

<sup>44</sup> World Bank Group, "Ethiopia: Unleashing the Potential of Ethiopian Women: Trends and Options for Economic Empowerment." June 2009

rates and higher unemployment rates than men. Around 19% of the economically inactive females say their reason for not being economically active is because they are homemakers, while only 2.5% of economically inactive males provide similar reasoning.<sup>45</sup> This is telling of the impact of homemaking on the economic participation of women. While these figures are only of those that are not economically active, similar domestic burdens are also exhibited on the extent and effectiveness of the economic participation of women who are active. This leads to the phenomenon known as ‘time poverty’ for economically active women due to their double duty both in the domestic household and in employment and business.<sup>46</sup> In Ethiopia, the proportion of women performing domestic work (71 and 54 percent) in rural areas is twice the proportion of men (29 and 28 percent) and their average duration is higher. Domestic activities in particular are very much in the women’s domain: 92 percent of women do domestic activities while only 27 percent of men do. Furthermore, the average duration of domestic activities for women (29 hours) is more than twice that of men (12 hours).<sup>47</sup>

In conclusion, the potential of Ethiopian women to be active economic participants as entrepreneurs, business owners, workers, and managers is an untapped source of economic growth. A lot remains to be achieved in empowering women and realizing their full economic potential. Investing in women’s entrepreneurship in Ethiopia is expected to benefit the country’s economy as a whole as stated by the World Bank **“in Ethiopia, a set of measures favouring women’s education and participation in the labour market is estimated to add as much as 1.9 percent GDP growth per year between 2005 and 2030.”**<sup>48</sup>

## 6.3 Gender and the Law in Ethiopia: National and International Commitments

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### International Commitments

Ethiopia has entered into numerous international commitments to ensure gender equality. It is a party to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the Beijing Platform of Action (BPA), the African Charter on Humans and People’s Rights (ACHPR) Declaration on the Elimination of Violence against Women (DEVAW), the International Conference on

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<sup>45</sup> CSA, Analytical Report on the 2013 National Labour Force Survey, p. 48.

<sup>46</sup> Note 40. WBG, Ethiopia: Unleashing the Potential of Ethiopian Women p.31

<sup>47</sup> Id

<sup>48</sup> Id

Population and Development (ICPD) and Solemn Declaration on Gender Equality and Women's Empowerment.<sup>49</sup>

CEDAW was signed on 8 July 1980; and ratified on 10 September 1981. Ethiopia's obligations under the CEDAW include<sup>50</sup>:

- the obligation to enact a policy of non-discrimination through legislation, institutional mechanisms and regulatory policies;
- the obligation to promote equality through all appropriate means; and
- the obligation to put in place affirmative action to accelerate *de facto* equality.

In addition, Ethiopia is bound by the obligation to submit a national report, at least every four years, on measures it has taken to comply with its obligations. Some of States Parties' substantive obligations under the CEDAW include the obligation to take appropriate steps in all fields to eliminate discrimination against women, such as addressing equality for access to credit, equality in employment, and equality before the law.<sup>51</sup> Ethiopia has made several reforms to bring many of its laws to compliance with the requirements of the CEDAW, including the 2000 revision of its Family law to remove many of its discriminatory elements.

However, Ethiopia is not party to the *Optional Protocol to CEDAW* of 2000, which allows women the possibility of bringing their individual or group complaints to the Committee on the Elimination of Discrimination against Women – the body that monitors State Parties' compliance to the CEDAW. Furthermore, Ethiopia has signed but has yet to ratify the *Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa*. This instrument echoes the principles found in the CEDAW, and binds all its parties to fight all forms of discrimination against women through legislative, institutional, and other measures as appropriate.

## National Legal Commitments

International obligations normally require domestic legislation to bring them into effect, and as such Ethiopia has adopted a constitution and national policies, which are consistent with international legal instruments on gender equality. The FDRE Constitution, which is the supreme law of the land, provides for the equality of all persons before the law and prohibits any form of discrimination on the basis of sex. It further guarantees the rights of women as equal to those of men in various spheres.

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<sup>49</sup>The place of international instruments to which Ethiopia is part is dealt with under Article 9 (4) of the Constitution, which provides that such instruments form part of the law of the land, hence binding on the country.

<sup>50</sup>CEDAW arts. 2, 3 & 4.

<sup>51</sup>CEDAW arts. 13(b), 11 & 3.



In Ethiopia, there are two parallel legal systems in operation: the formal legal system and the customary legal system. The constitution gives formal recognition to religious and customary laws and courts to operate alongside the formal system in the areas of family and personal matters.<sup>52</sup> This recognition of customary systems may have an impact on individual human rights, and particularly those of women as custom law tends to have discriminatory practices against women – for example in relation to property rights and allocation of resources such as land. However, customary laws are given a limited space under the constitution and when they are found to be in contradiction with any of the protections accorded to women under the constitution, the latter will override the customary rules.

At statutory level, the country's Civil Code, in force since 1960, grants equal right to inheritance to daughters and sons.<sup>53</sup> However, in many cultures of the country, daughters are excluded from inheritance of land and other productive resources. In terms of equal wages for women, the 2003 Labour Proclamation prohibits discrimination against women as regards employment and/or payment on the basis of sex.<sup>54</sup> It further provides for paid maternity leave, and prohibits the termination of the employment of a pregnant woman. However, the Proclamation contains a provision allowing the exclusion of women from certain kinds of works deemed to be particularly arduous or harmful to their health.<sup>55</sup>

In addition to the *de jure* guarantee and protection of the rights of women under the constitution, Ethiopia has made a commendable progress by revising many of its archaic and discriminatory laws including family law. A new Federal Family Code, based on the principle of gender equality, came into effect in July 2000. It introduced provisions against discrimination in marriage, divorce and in the upbringing of children. It also raised the legal age of marriage for girls from 15 to 18 and asserted that the contract of marriage is between spouses and not between the families. The new code further included articles for the protection of women's rights to land and household properties as well as the husband's obligation to consult his wife for decisions concerning property.<sup>56</sup>

## **National Gender Policies and Institutional Frameworks**

Following the adoption of a Transitional Charter in 1991 and the equal protection accorded to women, Ethiopia embarked on the process of institutionalizing the protection of women with the adoption of the National Policy on Ethiopian Women (NPEW) in September 1993. The state's commitment to ensuring women's equality further found roots in the FDRE Constitution, which was later adopted in 1995. Such

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<sup>52</sup> Article 34(5) & 78(5) of the FDRE Constitution

<sup>53</sup> Art. 837 and 842) of the Civil Code of Ethiopia

<sup>54</sup> Article 14(1) (b) (f); Article 87 of the Labour Proclamation

<sup>55</sup> Arts art. 87 and 88 of the Labour Proclamation

<sup>56</sup> Article 57, 58, 62, 66 and 68 of the Revised Family Code

legal commitments were followed by the creation of institutions to establish a nation-wide system of incorporating interests of women in all political, economic and social policy areas. Following the adoption of the NPEW, Women's Affairs Departments have been created within line ministries and Regional Women's Affairs Bureaus or offices have been established in all regions and administrative zones. Separate units/offices also exist at the zonal and woreda levels.

The NPEW originally set out to establish a women's affairs sector under the Prime Minister's Office. But in recognition of the importance of gender as a cross cutting issue, the women's affairs sub-sector under the Prime Minister's Office was upgraded into a full Ministry of Women's Affairs in 2005. The Ministry is responsible for ensuring the gender sensitivity of policies, identifying discriminatory practices, fostering adequate participation of women in various government bodies, undertaking studies and initiating recommendations on the protection of women's rights and ensuring their implementation.

In an effort to have a comprehensive understanding of the status of women and specific issues affecting them, the government conducted a nation-wide study. The results of the study showed that the government's efforts left much to be desired and needed a new strategic approach to the issue. Accordingly, the Ministry prepared the Ethiopian Women Development and Change Package in 2006 to serve as a strategic document that will guide the national policy.

The package aims at mainstreaming the interests of women in all programs, policies and strategies of the government; capacity building; designing special programs that deal exclusively with the economic and social problems of women; and increasing the political participation of women and their representation in the decision-making process.

More recently, the goal of mainstreaming gender in the country's socio-economic policies found emboldened expression in the government's overarching development plan – the Growth and Transformation Plan (GTP). Emphasized as a crosscutting issue, the mainstreaming of gender is given a prominent place in the procedures and functions of government bodies. Government ministries and administrative agencies now have gender directorates or women's affairs offices to achieve the mainstreaming of gender at every level. Gender Directorates have dual mandate i.e., to mainstream gender in the laws, policies, programs and projects of the organization; and provide specialized support for women clients and associations.<sup>57</sup>

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<sup>57</sup><http://www.mot.gov.et/women-affairs-directorate>.

For instance, the Ministry of Trade Women Affairs Directorate, has the following mandates:

Below is a table summarizing the legal regime of Ethiopia by answering questions, which contain explicit gender-based differences. The questions are taken from *Women, Business and the Law* dataset<sup>58</sup>. The table shows that to a large extent the Ethiopian legal system is moving away from openly discriminatory rules against women.

**Table 4: Women and the Law in Ethiopia**

<b>CONSTITUTIONAL LAW (Overarching Laws)</b>		
<b>Questions</b>	<b>Answer</b>	<b>Legal Provisions</b>
1. If there is a non-discrimination clause in the constitution, does it explicitly mention gender?	Yes	Article 25 of the FDRE Constitution
2. Does the constitution guarantee equality before the law?	Yes	Article 25 of the FDRE Constitution
3. Is customary law recognized as a valid source of law under the Constitution?	Yes	Article 34 and 78 of the FDRE Constitution
4. If customary law is a valid source of law, is it considered invalid if it violates constitutional provisions on non-discrimination or equality?	Yes	Article 9 of the FDRE Constitution

- Monitor, follow up and design ways of implementing the national women affairs policy, programs and plan effectively in accordance with the powers and duties of the ministry of trade
- Create conducive atmosphere in the ministry and respective sector organization to empower women through training, seminars, workshops and symposiums
- Encourage women in the organization to make active participation in training, promotion and transfer
- In collaboration with other stakeholders, monitor and support women entrepreneurs participation in the trade sector
- Support and ensure women entrepreneurs to benefit from incentives and different foreign trade opportunities.

<sup>58</sup> <http://wbl.worldbank.org/data/exploreeconomies/ethiopia/2013>

<b>FAMILY LAW (marriage, inheritance, and succession)</b>		
1. What is the default marital property regime?	Partial Community of Property	Articles 57,58 and 62 of the Revised Family Code Proclamation No. 213/2000
2. Who legally administers property during marriage?	On the consent of both the husband and the wife	Article 66 &68 of the Revised Family Code Proclamation No. 213/2000
3. Do sons and daughters have equal inheritance rights to property?	Yes	Article 837 &842 of the 1960 Ethiopian Civil Code
4. Do female and male surviving spouses have equal inheritance rights to property?	Yes	Article 842, 843 and 852 of the 1960 Ethiopian Civil Code
5. Can a married woman convey citizenship to her non-national spouse in the same way as a man?	Yes	Article 6 of the Ethiopian Nationality Proclamation No. 378/2003
6. Are married women required by law to obey their husbands?	No	No such provision in any of the relevant laws.
<b>PROPERTY RIGHTS</b>		
1. Do unmarried men and unmarried women have equal ownership rights to property?	Yes	Article 25,35(1),35(7) and 40(1) of the FDRE Constitution
2. Do married men and married women have equal ownership rights to property?	Yes	Article 35(1),35(2), (7) and 40(1) of the FDRE Constitution  Articles 59,66 and 90 of the Revised Family Code Proclamation No. 213/2000
<b>CIVIL RIGHTS</b>		

1. Can a woman apply for a national ID card in the same way as a man?	Yes	Article 13 of the Ethiopian Nationality Proclamation No. 378/2003	
2. Can a woman travel outside her home in the same way as a man?	Yes	Art 32- freedom of movement - FDRE Constitution -	
3. Can a woman get a job or pursue a trade or profession in the same way as a man?	Yes	Art 41 of the FDRE constitution – the right to equal employment	
4. Can a woman sign a contract in the same way as a man?	Yes	Art 1678 of the Civil Code	
5. Can a woman register a business in the same way as a man?	Yes	No restrictions under the Commercial Registration and Licensing Proclamation 686/2010	
SEXUAL HARASSMENT			
1. Are there criminal sanctions for sexual harassment?	Yes	Article 625 and 846 of the Criminal Code	
2. Is there a government office responsible for sexual harassment complaints against public officials?	Yes	Art 6 the Ethiopian Human Rights Commission proclamation 210/2000	
3. Is there legislation on sexual harassment in?	Education	Employment	Article 625 and 846 of the Criminal Code
	Yes	Yes	
	Public Places	Service Provision	
	Yes	Yes	

*Source: Extracted from Women, Business and the Law 2014: Removing Restrictions to Enhance Gender Equality*

## **7 ETHIOPIAN INVESTMENT CLIMATE PROGRAM: GENDER ANALYSIS AND DIAGNOSTICS**

### **7.1 Background: the Ethiopian Investment Climate Program**

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The Ethiopian Investment Climate Program is implemented through an agreement between the Government of Ethiopia and the IFC, with an overall objective to streamline and simplify high-priority regulations considered burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia. In order to address the various constraints related to business, the ICP implemented a project with four components. These are: (i) business regulation program; (ii) tax program; (iii) trade logistics; and (iv) public-private consultative forum.

#### **7.1.1 Gender Gap in Program Design and Implementation Processes**

The analysis in this section enquired whether the IC program included gender sensitive planning processes, measurement indicators and reporting guidelines at its design and implementation stages so far. It also looked at whether women's priorities are incorporated in the goals, strategies, actions, M&E, institutionalization frameworks and whether these are disaggregated by gender.

The initial proposal for the Ethiopian IC Program contained a small part on the integration of cross-cutting themes such as gender. However, this was not reflected in the further planning and implementation of the Program.

That said, it is important to note that the challenges the IC Program identified as constraining the Ethiopian investment climate are challenges that are considered as such by the general business community, including women. Therefore, the reform actions in the Ethiopian IC Program are expected to benefit women entrepreneurs as well as men.

In addition, there have been some commendable activities within the IC Program, such as the collection of gender-disaggregated data by the Tax Compliance Cost Burden and Perception Survey, and efforts to ensure women's voices are represented in the drawing up of the Ethiopian National Business Agenda. These efforts are great; however, they would be incomplete unless the gender-disaggregated information is used to effectively target reform measures going forward.

At the program implementation stage, in order to assess the gender sensitivity of each of the four components of the ICP, the areas of focus and measures proposed under each component were reviewed with the intent of assessing and measuring the impact on women's economic participation. Accordingly, the gender analysis considered indicators of core objectives, achievements and gaps. The program does

not identify specific legal and regulatory reforms that are planned to benefit women business owners. Experts in business regulation, tax, trade logistics, investment climate constraints and business exit have participated. Substantive coordination and options of joint implementation with government institutions working on gender were not involved. Even in the ministries that the program support is working, the Gender Directorates have not participated or are not aware of the reforms underway. Similar gap is observed in the absence of women entrepreneurs and associations in program development and implementation.

In sum, the following gaps were observed;

- The program design process could have benefited from proper gender inclusion elements; (gender mainstreaming tools, gender focal persons, etc)
- Analytic results on differential access to and control over resources were not disaggregated in the program concept document. The differential impact/effect of constraints on men and women owned businesses are not identified and reform measures designed in gender sensitive terms.
- Gender related barriers outside investment climate constraints such as socio-economic and cultural factors affecting the time, access to information, education, reproductive and domestic responsibilities of women, etc, were not considered in the program activities and objectives
- Since data on results of reforms are not gender-disaggregated in reports, the impact on women and men owned businesses are not specifically known;
- Gender directorates of development partners (i.e., MoT, ERCA) are not informed and involved in planning and implementation phases.

## **7.2 Diagnostics: Gender Related Constraints to the Investment Climate Program**

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The gender diagnostics of the IC program in each of the four components will be made in two steps.

First, we conduct a thorough analysis of the legal regime to identify if men and women may have unequal legal status having greater implications for women's economic capacity. The business regulations of Ethiopia (i.e. tax, customs, and its business licensing and registration regimes<sup>59</sup>) are the laws that directly impact on the ease of starting and running a business, engaging in import/export, and fulfilling

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<sup>59</sup> Commercial Registration and Business Licensing Proclamation No. 686/2010; Commercial Registration and Business Licensing (Amendment) Proclamation No. 731/2012; Customs Proclamation Proc No. 859/2014; Export Trade Duty Incentive Scheme Establishment Proclamation No. 249/2001; Customs Clearing Agents Regulation No. 108/2004

tax obligations. It is necessary to examine these laws with a gender lens, so as to understand if and when women are treated differently than men.

Second, even when the laws and procedures are gender neutral in theory, they may still result in gender-biased outcomes that can have significant effects on access to and control of economic resources, which affect growth, productivity, and welfare.<sup>60</sup> Hence, the study explores possible elements of the law likely to result in disproportionate effects on women.

### **7.2.1 Business Regulation Program**

The business regulation component under the IC program has the objective of fostering enterprise creation by reducing the overall compliance cost for licensing and increasing the number of newly registered businesses. Under this program, the IFC assists the Federal Ministry of Trade to make entry and operation of businesses easier. The program principally aims to streamline and simplify business licensing, commercial registration, trade name registration and competency certification processes, procedures and practices.

#### **Review of Laws and Regulations**

Registration and licensing of a business with a public authority primarily endows the business a formal legal identity and a permission to exercise business activities.<sup>61</sup> Besides, it ensures the uniqueness of a company name and also informs the authorities, for example, tax authorities, of the existence of the business. However, at present, one of the biggest economic and social problems is informality of businesses and many informal businesses are operated by women.<sup>62</sup> Women, throughout the world, are three times more likely than men to be found in the informal economy.<sup>63</sup> Even though hurdles to business formalization, particularly lengthy and complex registration, incorporation, and licensing practices, have, in general, an effect on the business community, they, however, have a disproportionately negative effect on women, in some cases making it impossible for them to formalize at all.<sup>64</sup>

In terms of formalizing businesses registration and licensing in Ethiopia, the Commercial Registration and Business Licensing Proclamation No.686/2010

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<sup>60</sup> Sevi Simavi, Clare Manuel & Mark Blackden, *Gender Dimensions of Investment Climate Reform: A Guide for Policy Makers and Practitioners*, p.7 (World Bank, 2010) (*hereinafter* cited as *Gender Dimensions*)

<sup>61</sup> IFC, *Gender dimensions of investment climate reform: A guide for policy makers and practitioners*, p.22p.109

<sup>62</sup> World Bank Group, 2013, *Reforming Business Registration: A Toolkit for the Practitioners*, Washington, DC, World Bank. (*hereinafter* cited as *Toolkit for Practitioners*)

<sup>63</sup> World Bank (2007), "Doing Business 2007: How to Reform," World Bank, Washington, DC, p.18

<sup>64</sup> See subsequent discussion.



(CRBLP)<sup>65</sup> is currently the main governing law. The CRBLP provides all of its requirements in gender-neutral terms, starting with its definition of a “business person”.<sup>66</sup> Further, it clarifies that “any expression in the masculine gender includes the feminine”<sup>67</sup>, addressing concerns over the possible exclusion of women by use of gendered language. More importantly, Article 63(2) of the CRBLP stipulates, “No other law or customary practice, which is inconsistent with this Proclamation, shall have effect with respect to matters governed by this Proclamation.” This provision preempts traditionally gender-biased customs and practices affecting the socio-economic roles women play.

The CRBLP and other relevant laws do not contain any such specific barriers affecting women, as the requirement for male consent for business registration or male permission to travel or to obtain a passport (as is the case in some countries). There are no such discriminatory provisions in the law. Neither the CRBLP, nor the Revised Family Code of Ethiopia contain a requirement for women to produce additional documents, or undertake additional processes when obtaining licenses for their business. The Family Code requires agreement of spouses (a requirement applicable to both men and women) where the sale, exchange, rent out, pledge or mortgage of a common immovable property or a common movable property the value of which exceeds ETB500.<sup>68</sup> This requirement is applicable to both women and men. However, it may in practice be exercised in a manner that is against the interest of women.

In conclusion, review of the pertinent laws, rules, and regulations reveal that there are no legal requirements that discriminate against women’s business entry and formalization under Ethiopian business registration and licensing regime.

### **Gendered Impact of Business Registration and Licensing Laws**

Legal regime of a country can be “gender-neutral” as Ethiopia’s business licensing and registration environment is. However, due to several socio-economic, cultural or religious reasons, gender-neutral laws may result in gender-differentiated outcomes and the laws in effect might encumber women to a greater extent than men.

It is useful to mention here that in the course of investigating gender parity in enterprise formation and registration in Ethiopia, the study team was faced with significant challenges in accessing gender-disaggregated data. Records at the Ministry of Trade and the Investment Commission are not disaggregated by gender,

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<sup>65</sup> This proclamation has been amended by Proclamation No. 731/2012 Commercial Registration and Business Licensing /Amendment/ Proclamation; which is further amended by Proclamation No. 801/2013. However there has not been made no substantial change in both proclamations.

<sup>66</sup> Article 2(2) of CRBLP

<sup>67</sup> Article 2(37) of CRBLP

<sup>68</sup>Family Code art. 68.

particularly for those enterprises constituted under Private Limited and Share companies. These institutions do not collect and store gender-disaggregated information regarding their customers, and the services they offer do not take into account the different needs of women-owned enterprises at different levels. Matters such as number of women with business and trade licenses, ownership and shareholding of companies, business portfolios, etc, are not readily available making the study process very difficult.

The situation is essentially the same with official statistics, although the raw information may well be available in some cases. Such information as does exist in the public domain is widely scattered and not easily accessible.

### ***Women and Doing Business In Ethiopia***

In order to streamline and simplify high-priority regulations considered burdensome to private businesses and identify gender constraints, it is important to understand how each process in the system currently works – especially the time, costs, and number of steps it takes to start and run a business.<sup>69</sup>

The 2015 World Bank Doing Business Report ranks Ethiopia 132 out of 189 countries in ease of doing business.<sup>70</sup> Ethiopia's performance is particularly poor in "starting a business" indicator, which stands at 168 out of 189 countries. According to the report, in Ethiopia, it takes 15 days to complete all of the formalities to start a business. It is also estimated to cost 89.3% of income per capita, an average cost far higher than the Sub-Saharan Africa average of 56.2%.<sup>71</sup> These poor figures attest to the difficulties of starting and sustaining a business in Ethiopia.

The difficulties are further outlined in a recent inventory study that was conducted by the IFC on licensing requirements, permits and compliance cost of businesses. The inventory study thoroughly identified the challenges faced by the private sector in starting and running a business in Ethiopia.<sup>72</sup> To summarize the findings of the study, the factors affecting the ease of starting businesses include

- *Numerous and activity based business license requirements (currently numbering more than 1320)*
- *Unnecessary and overly cumbersome competence certification requirements*
- *the requirement of annual renewal of business registration*

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<sup>69</sup> Gender Dimension, p.110

<sup>70</sup>World Bank Group, Doing Business, 2015

<http://www.doingbusiness.org/data/exploreeconomies/ethiopia/>

<sup>68</sup>Id

<sup>72</sup> IFC (draft document), *Inventory of Business Licenses, Permits, certificates, registration, authorization, determining the compliance costs for the private sector and Possible Recommendations for Reform, 2014*

- *Lack of detailed and specific regulations, manuals and explanatory notes that could guide the front desk officers while handling trade name and business registration issues.*
- *Requirement of a physical address and minimum capital requirement;*
- *Length of time required for trade name registration: up to three weeks.*<sup>73</sup>

While the above listed processes pose significant challenges to the business community in general, the lengthy and complex registration, incorporation, and licensing practices, however, have a disproportionately negative effect on women and their ability to formalize their businesses. As evidenced by the 2009 World Bank study, operational constraints affect women entrepreneurs more than men: female-owned businesses spend 4.9 percent of senior management's time dealing with compliance requirements compared to 3.6 percent in male-owned businesses.<sup>74</sup>

Women's constraints are intersectional, cutting across formal and cultural barriers.<sup>75</sup> Women in general are less able than men to afford long and expensive registration procedures partly because of time poverty that is caused by "double workday" which subjects women to dual business and domestic responsibilities.<sup>76</sup> This constrains women's ability to undertake the bureaucratic steps necessary to formalize their businesses. As highlighted above, the Ethiopian registration and licensing system is unduly prescriptive, subjecting businesspersons to several bureaucratic steps.

As seen in the previous section, women account for 42% of the informal economy, while men are 27%. Further, Ethiopian women are less educated, skilled and trained than men<sup>77</sup> and hence the formalization process reduces women's capacity to register their businesses and move from the informal to the formal sector.<sup>78</sup> The IFC Business compliance study showed that many businesspersons in general do not know the contents of the CRBLP.<sup>79</sup> And there are no 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 the business community.<sup>80</sup> This lack of awareness affects women disproportionately due to the lower rate of women's educational attainment in Ethiopia.<sup>81</sup>

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<sup>73</sup>*Id.*

<sup>74</sup> Note 40 WBG, "Ethiopia: Unleashing the Potential of Ethiopian Women: Trends and Options for Economic Empowerment." P. 40

<sup>75</sup>Hancock, A.M. (2007) 'Intersectionality as a Normative and Empirical Paradigm', *Politics and Gender* 3 (2): 248-54

<sup>76</sup> Gender Dimension, p.83

<sup>77</sup> Toolkit for Practitioners, p.32

<sup>78</sup> Gender Dimension, p.83

<sup>79</sup> Summary Report, p.19

<sup>80</sup> *Id.*

<sup>81</sup> See Table 2 above.

In addition, when women interact with bureaucratic procedure, they are much more likely than men to suffer harassment, including sexual harassment and be disadvantaged in their dealings with public officials.<sup>82</sup> Women are also perceived as “soft targets” for corruption and are asked for “speed payments”.<sup>83</sup> According to the WB 2009 Study, in Ethiopia, female-owned enterprises are more vulnerable to corruption and crime than male-owned ones. Despite spending nearly double the amount spent by male entrepreneurs on security, 15.3 percent of them experienced theft or robbery compared to 9.8 percent of male-owned businesses.<sup>84</sup>

In focus group discussions and interviews, women members of both the formal and informal businesses have consistently raised cumbersome business licensing and registration requirements are serious obstacles for running their businesses. Women business owners consider the several compliance requirements to be unfocused, requiring contact with multiple agencies, lacking coordination, and sometimes irrelevant to the business they are undertaking. This takes time, incurs cost and makes them vulnerable to corrupt officials in various agencies.

Additionally, during the focus groups discussion with the Ethiopian Women Entrepreneurs Association, women have described that they are unable to meet the demands for multiple competence certification for lack of educational and training skills. In a country where the level of higher education for women is significantly lower than men<sup>85</sup>, such competence certification procedures are understood to affect women severely.

Further, women entrepreneurs see the availability and cost of business premises and minimum capital requirement as putting more obstacles on their businesses than men. 75% of women entrepreneurs consider requirement for a premise as more problematic while it is 70% for men.<sup>86</sup> Conversely, more men (30%) perceive the physical premise requirement as less problematic than women. (25%)

Adding to this, many of the women entrepreneurs, especially those in the informal sector in general have difficulty understanding the various requirements and contents of the CRBLP. And those operating in small and micro sector have stated that these compliance requirements are adversely affecting their business forcing many to close shop. Access to clear and transparent information at ministries is often difficult as desk officers are often overwhelmed by long queues to provide meaningful support for customers.

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<sup>82</sup> Gender Dimension, p.83

<sup>83</sup> Id, at p.8

<sup>84</sup> WBG, Note 40 WBG, “Ethiopia: Unleashing the Potential of Ethiopian Women: Trends and Options for Economic Empowerment.” P. 40

<sup>85</sup> Id. See Section 6.2 “Gender Equality in Ethiopia” and the 2014 Global Gender Gap Report indicator for Educational attainment.

<sup>86</sup> Id

These barriers, seen in the context of a socio-cultural environment that, quite often, put the burden of the homemaking on women, is bound to be a prohibitive entry barrier for women to start and sustain their businesses. Socio-cultural problems connected with the multiple roles of women in the house and community competes with their role as entrepreneurs.

Improving the regulatory environment on business registration and licensing and facilitating business entry and operation thereby enhances the role of the private sector in general and women in particular in economic development and poverty eradication.

In conclusion, the over prescriptive nature of the Ethiopian business regulation environment affects women entrepreneurship. Seen in the context of female enterprise ownership, which is significantly lower than men, on-going IFC reforms for easing operational constraints in the business registration and licensing regime have the potential to reduce the high female rates in the informal sector and the gender disparity in enterprise ownership.

### **7.2.2 Tax Administration Program**

The objectives of the tax program is to provide technical assistance to the Ethiopian Revenue and Customs Authority (ERCA) to simplify and streamline tax administration (especially for micro, small and medium sized businesses) and improve taxpayer outreach, communication and education. The targets for the program are to achieve (i) the reduction of the time and costs of dealing with business taxes by 15%; and broaden the tax base by increasing the number of businesses registered for tax purposes by 10% and achieve USD15 million in compliance cost savings; and (ii) the reduction in the percent of firms identifying tax administration as a major constraint by 15%.

The tax program identifies high compliance costs, low tax collection levels and poor voluntary compliance as among the key binding constraints holding back the Ethiopian tax system. Therefore, the tax component of the IC program works on reforming tax administration, taxpayer outreach and education to assist in ease of doing business.

The tax program has recently concluded a Tax Compliance Cost Burden and Tax Perceptions Survey in Ethiopia.<sup>87</sup> According to this Survey, total compliance cost, consisting of outsourced and in-house costs, is high in Ethiopia. The average total compliance cost of a business for general bookkeeping was found to be Birr 9,596 (USD 490), while total tax accounting compliance cost of a business (including costs of acquisition and maintenance of software and hardware) was Birr 6,753 (USD

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<sup>87</sup> IFC, Tax Compliance Cost Burden and Tax Perception Survey in Ethiopia Draft Report (December, 2014).

345) in the last tax year (2012/13). The average compliance cost of tax accounting of a business as a share of turnover is about 5.3 percent, which is high compared with countries in a similar stage of development.

Tax administration is an important element in the ease of doing business. Weaknesses in tax administration, as illustrated by the compliance costs and time to comply with tax obligations, have serious implications for the investment climate and may affect female and male entrepreneurs differently.<sup>88</sup>

Taxation policy too has a fundamental effect on the investment climate by influencing the decisions of businesses and individuals in response to changes in income and relative prices.<sup>89</sup> Perception of and behavioural response to changes in tax policy often differ between men and women according to both explicit and implicit biases in the taxation system. For example, decisions made by men and women about the time they spend in formal, informal, and unpaid work are influenced by the impact of taxation on wages and disposable income.<sup>90</sup>

### ***Review of Tax Laws***

The legal analysis of the tax administration component looks into the Ethiopian taxation system to identify gender biases therein, whether explicit or implicit. Explicit forms of gender biases are specific provisions of the law that treat men and women differently. Such gender discrimination is more typically found in personal income tax than in other taxes as it applies to individuals or family units, and therefore more easily accommodates different treatment for men and women.<sup>91</sup> In many countries, personal income tax laws are gender neutral.<sup>92</sup> Ethiopia is among those countries with gender-neutral personal income tax regimes. It does not discriminate explicitly on the basis of gender nor does it favour women.

In general, explicit gender discrimination is not very common in schedular income tax systems, because the tax liability is established with respect to a particular source of income rather than a particular taxpayer.<sup>93</sup> Ethiopia maintains a schedular system of income taxation<sup>94</sup> where each type of income faces different schedule of tax rates.

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<sup>88</sup> Gender Dimensions, p.113-114

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*

<sup>91</sup> Janet G. Stotsky, *How Tax Systems Treat Men and Women Differently*, <http://www.imf.org/external/pubs/ft/fandd/1997/03/pdf/stotsky.pdf>

<sup>92</sup> See, World Bank, *Women, Business and the Law* (2014).

<sup>93</sup> *Id.*

<sup>94</sup> The Ethiopian Income Tax Proclamation No. 286/2002 *cum* Income Tax Regulation No. 78/2002, have classified sources of income into four schedules.

Other types of taxes than personal income tax, such as the value-added tax and retail and excise taxes tend also not to show explicit gender bias as tax liability is established with respect to the purchase or production of a commodity.<sup>95</sup>

The Income Tax Proclamation No. 286/2002 as amended, the Income Tax Regulation No. 78/2002 as amended, and the Value Added Tax Proclamation No. 285/2002 as amended, constitute a core part of the laws providing for business taxation in Ethiopia. These laws are designed in gender-neutral terms containing no gender specific levies or exemptions. The standards contained in these legislations are put on the basis of the amount of income, as opposed to the gender/identity of the taxpayer. This is especially true with regard to business taxes, as the scheduling is based mainly on the amount of annual turnover.

For instance, under the Income Tax Scheduling system, businesses are put into three categories based on their annual turnover: Category A – Birr 500,000 and more, as well as all incorporated entities; Category B – Birr 100,000 – Birr 500,000; Category C – up to Birr 100,000.<sup>96</sup> (See Table 5 below). While Category A and B taxpayers are required by law to keep records and accounts, and to submit a profit and loss statement to ERCA<sup>97</sup>, Category C taxpayers are exempted from the requirement to keep records and accounts. Instead, they are required to declare to the tax authority their annual turnover, the amount derived from a source other than their regular operations and the type of business carried on if changed, within one month from the end of the fiscal year. But because they are not required to keep accounts and records, Category C taxpayers may be subject to the assessment of the tax applicable to them by estimation.

Even though Category C taxpayers have no obligation to keep records, it is seen as advisable for cases of dispute over turnover assessment. However, the keeping of records and accounts in an acceptable form requires capacity – as the IFC Tax Compliance Cost Burden and Tax Perception Survey clearly shows<sup>98</sup> – that small businesses do not always have.

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<sup>95</sup> Janet G. Stotsky, *How Tax Systems Treat Men and Women Differently*, <http://www.imf.org/external/pubs/ft/fandd/1997/03/pdf/stotsky.pdf>.

<sup>96</sup> Income Tax Regulation No. 78/2002 art. 18.

<sup>97</sup> Income Tax Regulation No. 78/2002 art. 19 (Category A taxpayers are, in addition, required to submit a balance sheet and the details of gross profit and the manner in which it is computed; general and administrative expense; depreciation; and provisions and reserves).

<sup>98</sup> The IFC Tax Compliance Cost Burden and Tax Perception Survey has found that the average total compliance cost of a business for general bookkeeping to be Birr 9,596.

**Table 5: Taxpayer Categories and Reporting Obligations**

Category	Threshold/Eligibility	Reporting obligation
A	Annual turnover of Ethiopian Birr (ETB) 500,000 and above	Accounting records to the Tax Authority at the end of each year (accounting period), balance sheet, and income statement.
B	Annual turnover over ETB 100,000 and below Birr (ETB) 500,000	Taxpayers in this category are required to keep book of accounts and submit an income statement to the Tax Authority.
C	Annual turnover up to ETB 100,000	No record-keeping requirement.

*Source: World Bank Group, Discussion Note: Options for Strengthening the Design of the Simplified Tax Regime for Micro and Small Businesses in Ethiopia (June 2014)*

### ***Gendered Impacts of the Tax System and Administration***

The review of the major tax legislations of Ethiopia reveals that they do not contain openly discriminatory provisions; and the tax policy framework when reviewed for gender biases is found to be generally gender neutral. The absence of explicitly discriminatory provisions in the laws, however, does not guarantee gender equality in the system. There may be implicit biases in practice. These biases could be a result of simple application of a rule(s) having a negative impact only on women, or generally problematic areas of the tax system affecting women disproportionately.

The Tax component of the ICP has identified the following problematic features of the Ethiopian system of business taxation:

- The costly and unpredictable tax administration presents a major constraint for businesses in Ethiopia (more than 200 directives of which only few are well-known by taxpayers). Taxation in Ethiopia is characterized by high compliance cost, low collection and poor voluntary compliance.
- The level at which the Category A threshold is set (Birr 500,000) is low considering the current reality. This results in many semi-literate business owners falling in that category and being required to comply with very complex tax filing requirements.
- The existing tax appeals process is considered to be lengthy and costly by many businesses. Businesses are required to pay 50% of the disputed amount, leading to substantial cash flow constraints on businesses, which discourages, if not impedes, access to the appeal system.



- The tax regime for micro and small enterprises is too complex and risks defeating the objective of providing a simple and efficient tool for micro taxpayers.

Given the general circumstances of Ethiopian women, they are likely to be affected by these constraints that the Business Taxation component of the ICP identified to a greater degree. As discussed above in Section 6.2, there is a significant gender disparity in education with over 50% of working age women having never attended school compared to 32% of men.<sup>99</sup> Given the complex nature of tax laws, this can have a significant impact on the levels of understanding and knowledge of their tax obligations. Compliance with tax obligations demands knowledge and understanding of the tax rules and regulations applicable to one's particular case. The IFC Tax Compliance Cost Burden and Tax Perception Survey has found that there is a significant disparity in the levels of understanding of tax laws among women and men. While only 14% of the men business owners surveyed in the informal sector stated that they are not knowledgeable at all of tax laws; the figure is significantly higher for women with 22% of them reporting complete lack of knowledge. With the exception of the small group that reported being very knowledgeable, the Survey shows that women lag behind on this factor.

**Table 6: Knowledge of Tax Regulations by Gender**

Knowledge of the regulations	Gender of respondent		Total
	Male	Female	
Not knowledgeable at all	41 (14%)	43 (22%)	84 (17%)
Somehow knowledgeable	118 (39%)	60 (30%)	178 (36%)
Not sure whether knowledgeable or not	42 (14%)	32 (16%)	74 (15%)
Knowledgeable	87 (29%)	46 (23%)	133 (27%)
Very knowledgeable	14 (5%)	16 (8%)	30 (6%)
Total	302 (100%)	197 (100%)	499 (100%)

Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

Women often operate small businesses. As the sample of the IFC Tax Compliance Cost Burden and Tax Perception Survey shows, while only 0.4% and 8.4% of the female business owners surveyed fall in Categories A and B respectively, 87.6% of them fall in Category C. While this trend is observed also in the men business owners surveyed, the proportion of women (from the total number of businesses

<sup>99</sup> See Table 2 above.

surveyed) grows significantly in the Categories B and C, especially in Category C – from 13% in Category A to 23% in Category B and 29% in Category C.

**Table 7: Gender of respondents (by tax payers' category)**

	Category A		Category B		Category C	
	N	Percent	N	Percent	N	Percent
Male	76	87	69	75	582	71
Female	11	13	23	25	241	29
Total	87	100	92	100	824	100

Source: IFC, Tax Compliance Cost Burden and Tax Perception Survey (2014).

According to a Discussion Note on the design of a Simplified Tax Regime for Micro and Small Businesses in Ethiopia, some of the ERCA's approaches to curb non-compliance with the introduction of cash registers and enforcement campaigns targeting "small" traders in the wrong category (from "C" to "B" or "A") and registration of previously informal traders in Merkato, have had some problematic impacts.<sup>100</sup> Re-classification and forced graduation measures by ERCA of businesses in the MSME segment have been controversial particularly the assessments on the basis of which these decisions are made. The use by ERCA of spot checks and of subjective criteria for assessment has been highlighted as risking unfair assessments. This issue is made worse for many business operators by the lack of viable recourse mechanism and the absence of any transition support, especially regarding VAT compliance requirements.

Women entrepreneurs consulted, through FGDs and interviews, have reiterated the above-discussed challenges as posing significant barriers to their businesses. Spot checks and subjective criteria mean that there is wide discretion being exercised by tax officers. Women business owners have raised that this puts them in a vulnerable position to harassment and corruption. Some have also openly admitted to paying bribes to circumvent the strict requirements. Given women's weaker bargaining powers, such exposures could affect women owned businesses significantly.

In the FGD conducted with the members of Ethiopian Women Entrepreneurs Association, low levels of literacy have been raised as a constraint to their ability to use sales register machines. Similarly, in another FGD with the members of Women in Self-Employment (WISE), this issue was raised as a major deterrent for them against formalization of their businesses.

*"We have a friend who, because of her old age and illiteracy, does not know how to operate the cash register nor keep books to show her income profit. Tax officers often make surprise visits and intimidate her. She does*

<sup>100</sup> IFC, Discussion Note: Options for Strengthening the Design of the Simplified Tax Regime for Micro and Small Businesses in Ethiopia (June 2014)

*not have enough income to hire an accountant. Such women need special help.... There is no support system in place for such women and she is about to quit..."*

W/ro Zeineba Yinga, participant of FGD with Women in Self-Employment (WISE)

Given the higher concentration of women in small businesses, women-owned businesses in the formal sector fall mostly under Category C<sup>101</sup>, which exposes them to assessment by estimation. This can create a particularly difficult condition for women where they may have to negotiate with and convince an assessment officer of their actual turnover. The negotiation is to their disadvantage because of lack of comprehensive information on one hand and low level of education on the other.

The WB Guide on Gender Dimensions points out that there is evidence in developing countries that shows that women are often at a disadvantage when dealing with public officials, potentially affecting their decision whether to register with tax authorities in the first place, as well as their ability to engage effectively with them once they are registered.<sup>102</sup> For instance, where discretion is given to tax administration officials, women are often in a weaker negotiating position than men.

According to the Tax Compliance Cost Burden and Tax Perception Survey, women owned businesses in Ethiopia tend not to keep receipts and invoices compared to businesses owned by men. The majority of businesswomen surveyed do not keep receipts of their expenses (59%), nor keep books of their income and expenses (55%).<sup>103</sup> Often, businesswomen do not treat their business finances as separate from their personal finances. This makes it difficult for them to make an accurate assessment of their own turnover, profits and/or losses.

**Table 8: Keeping all receipts and invoices by gender**

		Gender of owner			Total
		Male	Female	Multiple owner	
Do you keep all receipts and invoices?	Yes	332 (49%)	115 (41%)	49 (100%)	496 (50%)
	No	340 (51%)	166 (59%)	0	506 (50%)
Total		672 (100%)	281 (100%)	49 (100%)	1002 (100%)

<sup>101</sup> See, Table 7 above.

<sup>102</sup> WB Gender Dimension Guideline. P. 114

<sup>103</sup> See, Table 8 and

Table 9.

**Table 9: Bookkeeping for revenue when not required**

		Gender of owner			Total
		Male	Female	Multiple owner	
Bookkeeping for revenue (when not necessary)	Yes	352 (52%)	128 (46%)	40 (82%)	520 (52%)
	No	320 (48%)	154 (55%)	9 (18%)	483 (48%)
Total		672	282	49	1003

Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

Ethiopian women entrepreneurs interviewed for this study have stated that they struggle with the frequently changing directives that are complex. For women with limited education and training, the onerous requirements can have the effect of restricting them to the informal sector. Even for those women entrepreneurs that are likely to understand and bear complex procedures, the interview with the Ethiopian Women Exporters Association has highlighted that weak customer handling and lack of adequate information at ERCA puts severe strain on their members. Some have also been discouraged to pursue new business ideas for lack of clear and transparent information on rules, regulations and processes. Given the greater constraints women face in accessing information, and given the limited levels of education that many women have, these factors are bound to present a greater challenge for women than they do for men. As the IFC Tax Compliance Cost Survey shows, a greater percentage of the women business owners (66%) surveyed than the men (62.3%) rated access to tax related information as a problem.

**Table 10: Access to Tax Related Information as a Problem by Gender of Owner**

Access to tax related information as a problem	Gender of owner			Total
	Male	Female	Multiple owner	
Not a problem	250 (37%)	96 (34%)	15 (30%)	361 (36%)
A problem	422 (63%)	185 (66%)	35 (70%)	642 (64%)
Total	672 (100%)	281 (100%)	50 (100%)	1003 (100%)

Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

The Global Competitiveness Report of 2013-2014 identified that the tax regulation in Ethiopia is a problematic factor for doing business.<sup>104</sup> This is mainly due to the fact that the system is generally considered to be non-transparent and prone to corruption.<sup>105</sup> This puts excessive impediment on women as they are often perceived as “softer targets” for corruption and are asked for “speed payments.”<sup>106</sup> Corruption impedes women more, as men may be more likely to try to avoid compliance with regulatory requirements than women, for example by paying bribes, due to their greater exposure to bureaucracy, experience and confidence in dealing with administrative system, and given they tend to have wider and deeper networks of influence than female entrepreneurs.<sup>107</sup> International evidence shows that women are more susceptible than men to queue-barging, harassment, and requests for ‘speed payments’.<sup>108</sup>

In this regard, the quantitative data for Ethiopia is conflicting. While the World Bank Enterprise Survey Data (2006)<sup>109</sup> and (2011)<sup>110</sup> show that women business owners do indeed consider corruption as more of a problem than do men business owners, the IFC Tax Compliance Cost Burden and Tax Perception Survey found the opposite to be the case in the informal sector. The data collected in the informal sector shows that while only 8% of the women business owners surveyed said they have faced the problem of bribery, 13% of the men business owners said that they have experienced the problem.

## **Figure 2: Business owners who have encountered corruption**

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<sup>104</sup> <http://reports.weforum.org/the-global-competitiveness-report-2013-2014/>

<sup>105</sup> <http://www.business-anti-corruption.com/country-profiles/sub-saharan-africa/ethiopia/corruption-levels/tax-administration.aspx>

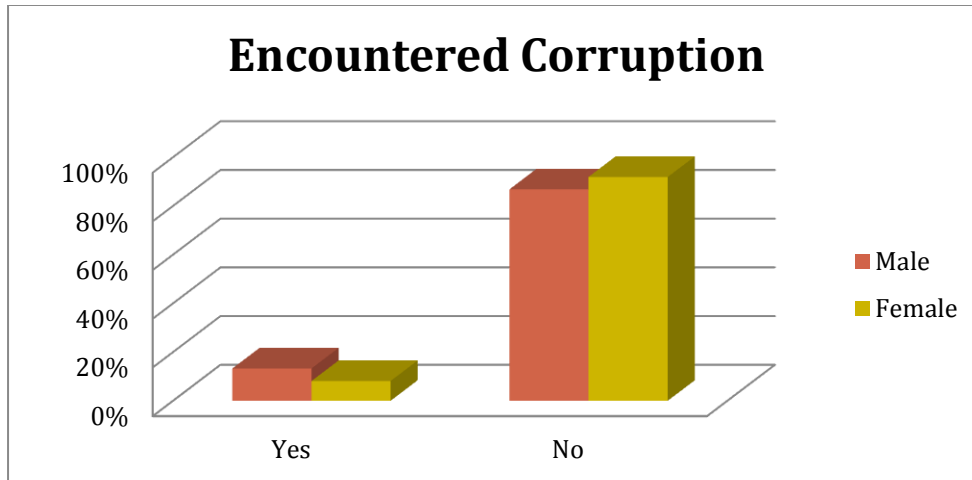
<sup>106</sup> Gender Dimension, p.8

<sup>107</sup> *Gender and Investment Climate Reform Assessment Pacific Regional Executive Summary*, p.53

<sup>108</sup> S. Corbridge, *Gender, Corruption and the State: Tales from Eastern India*, 2007 quoted in *Gender and Investment Climate Reform Assessment Pacific Regional Executive Summary*

<sup>109</sup> See, Figure 9 below (Corruption perception chart based on the 2006 World Bank Enterprise Survey).

<sup>110</sup> The 2011 World Bank Enterprise Survey also found that 4.4% of female-headed firms are expected to give gifts in meeting with tax officials, compared to 3.8% of male-headed firms <http://www.enterprisesurveys.org/data/exploreeconomies/2011/ethiopia#corruption--gender-of-top-manager>.



Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

The Income Tax Proclamation provides a Code of Conduct for the Authority's employees, requiring them to, *inter alia*, be honest and fair, treating each taxpayer with courtesy and respect, to refrain from soliciting or accepting any bribes or other favours, or performing other improper acts while performing their function to determine or collect any tax.<sup>111</sup> This requirement, in principle, should create a tax administration environment where every taxpayer gets respectful and courteous treatment from tax officers. However, we have found from our discussions with various businesswomen that they have faced ill treatment from tax officers, from denial of access to information to sexual harassment and corruption.

The other major hurdle to women in the Ethiopian tax administration is high compliance costs. Studies have shown that compliance costs are highly regressive: for a small business they are typically 3-5 percent of turnover, as compared to 0.1-0.2 percent of turnover for large businesses.<sup>112</sup> This has a negative implication for women, as they are more concentrated in small businesses. In line with the common trend, the Tax Compliance Cost Burden and Perception Survey (2014) has found that, in Ethiopia, tax compliance cost as a share of turnover is regressive for small businesses with the cost to Category C tax payers being 5.03 % to Category A's 3.83%.<sup>113</sup>

The opportunity cost of complying with tax obligations, although notoriously difficult to measure, is also worth noting. Opportunity cost of complying with a tax regulation may be different for men and women, as women are more likely to juggle their businesses with family/ domestic duties.<sup>114</sup> For a woman, spending less time

<sup>111</sup> Income Tax Proclamation No. 286/2002 art. 40.

<sup>112</sup> Impact of Tax Reform on Private Sector Development, p.40

<sup>113</sup> Tax accounting cost as share of turnover (%) (excluding acquisition and maintenance cost).

<sup>114</sup> Gender and Investment Climate Reform Assessment Pacific Regional Executive Summary, p.53

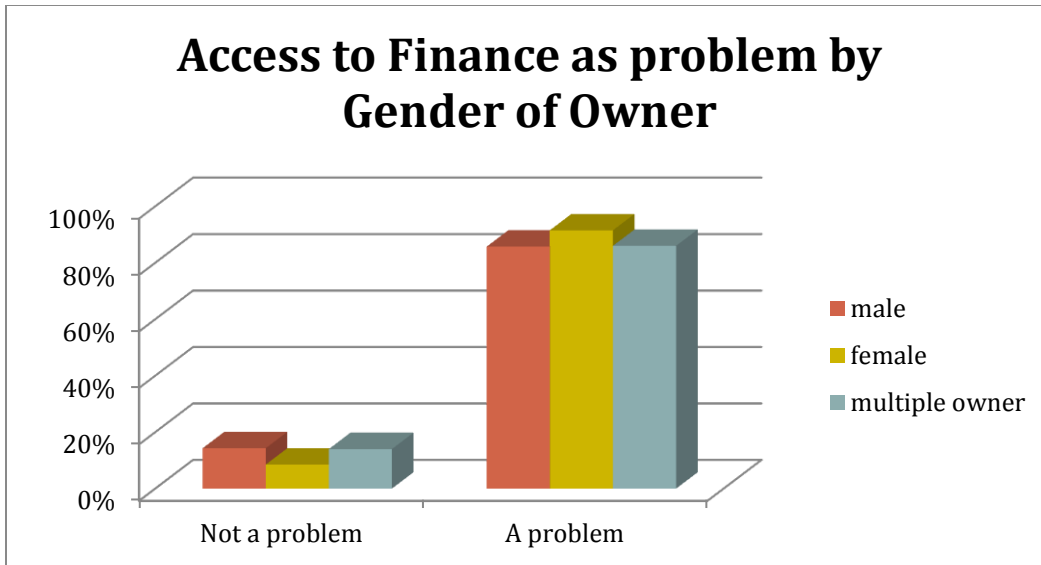
on taxation may not necessarily translate into additional time spent attending to her business.

A focus group discussion with micro and medium women taxpayers that are members of 'Women in Self-Employment' (WISE) has shown that those women who have graduated from the informal to formal sector have experienced serious challenges with compliance and opportunity costs. Tax filing periods are especially difficult for women due to the excessively long queues and long periods of time it takes to finalize tax obligations. Women have said that shouldering the double burden of economic activity as well as domestic responsibilities are frequently at a disadvantage when dealing with bureaucratic procedures and dealings with public officials. The time-poverty and need to balance work-life duties, makes women vulnerable to sexual harassment and requests for bribes.

The existing tax dispute resolution system is another area identified by the tax program as problematic and in need of reform. The requirement to pay 50% of the disputed amount, including interests and fines, as a guarantee, to appeal tax assessment decisions make the review mechanism inaccessible. Women who are engaged in small and micro businesses often have limited working capital. The dispute resolution process that requires deposit payment is too burdensome and discouraging for women entrepreneurs. Women's access to finance is also more restricted than men's. According to the IFC Tax Compliance Cost Survey, 91.5% of women business owners indicated that it is a problem while 85.7% of men owned firms faced problem of access to finance. With a statistically significant association between gender of business owner and the consideration of access to finance as a problem, it is fair to say that access to finance poses an even greater challenge to women than to men.

Because of the above factors, women's access to the tax appeal system is likely to be even more greatly restricted than men's.

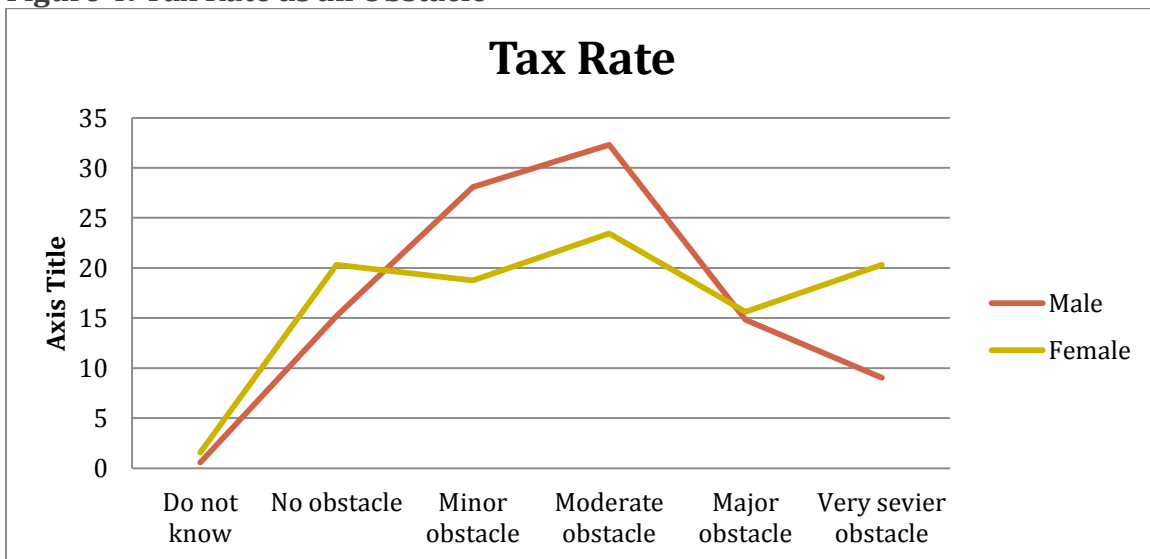
**Figure 3: Access to Finance as a problem by Gender of Owner**



Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

The general perception of women business owners towards the tax system seems to be negative, often considering its administration to be problematic. The women entrepreneurs interviewed for this study have repeatedly expressed their negative perception of the tax system, citing their unfavourable personal experiences and other anecdotes. A number of them have also indicated that they avoid formalization for fear of the complex and '*punitive*' tax system. The quantitative data in this regard is not consistent. The 2011 World Bank Survey found that over 20% of the women entrepreneurs surveyed consider tax rates to be a very severe obstacle compared to 9% of the men owned businesses who expressed the same opinion.

**Figure 4: Tax Rate as an Obstacle**

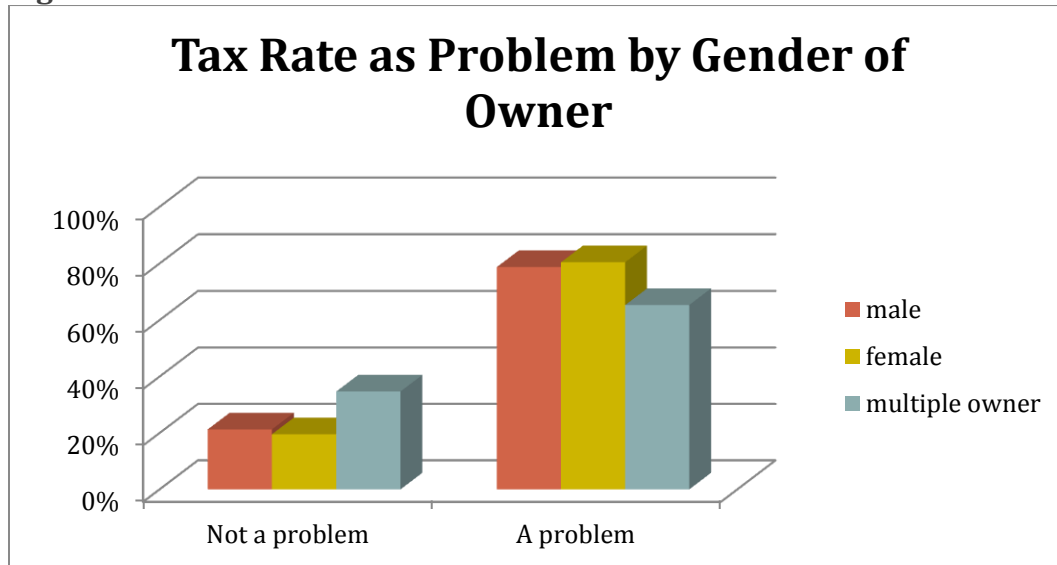


Source: World Bank Enterprise Survey (2011)



On the other hand, the IFC Tax Compliance Cost Burden and Tax Perception Survey found that 80% of the female business owners and 79% of the male business owners consider tax rates to be problematic.

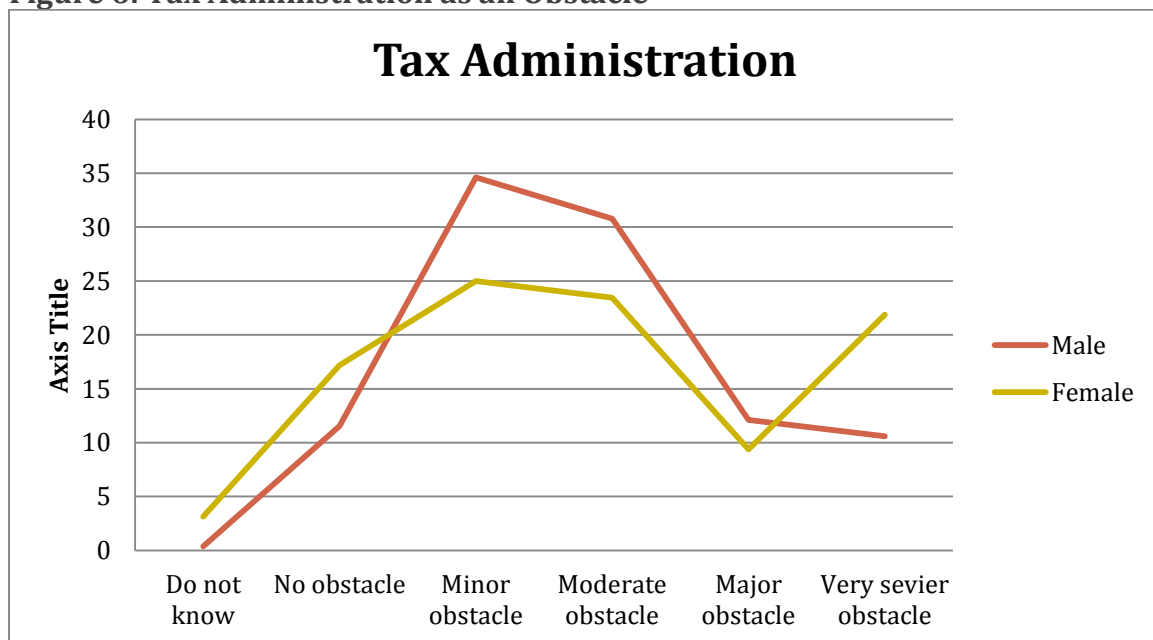
**Figure 5: Tax Rate as a Problem**



Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

Regarding tax administration too, the findings of the World Bank Enterprise Survey (2011) and the IFC Tax Compliance Cost Survey vary widely. The 2011 World Bank Enterprise Survey has found that significantly more female entrepreneurs (22%) find it to be a very severe obstacle than men (11%).

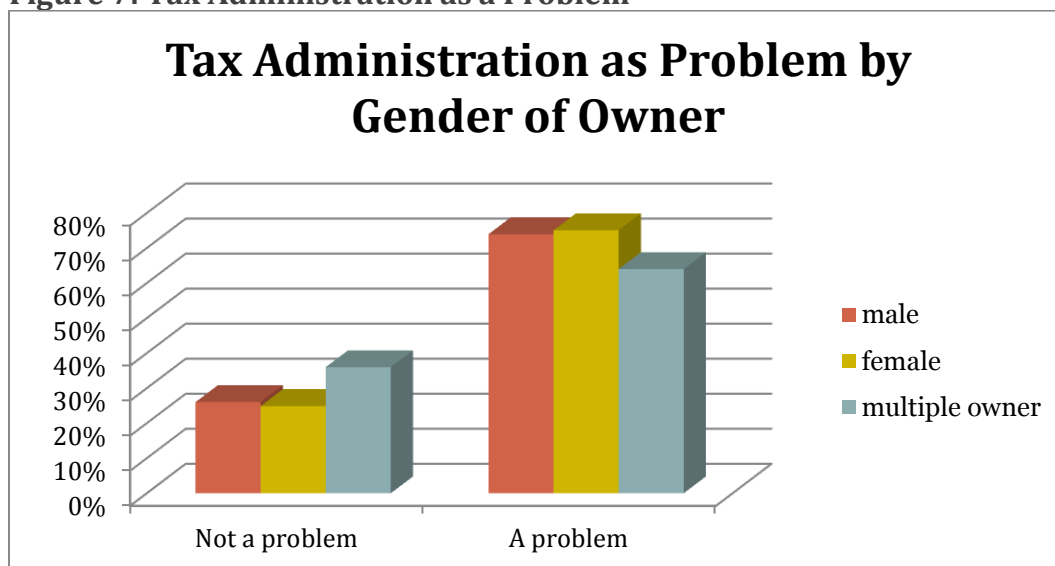
**Figure 6: Tax Administration as an Obstacle**



Source: World Bank Enterprise Survey (2011)

The IFC Tax Compliance Cost Survey's findings in this regard show a similar level of dissatisfaction with the tax administration among men and women, with 75% of the female business owners and 74% of the male business owners surveyed responding that it does pose a problem.

**Figure 7: Tax Administration as a Problem**



Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

A small proportion of the women (11%) surveyed in the informal sector have reported having the capacity to fulfil the requirements of tax laws, while 17% of the men business owners reported that they are capable. A large group of the women business owners in the survey (48%) reported that they were unsure of whether they had the requisite capacity. This seems to be symptomatic of their lack of knowledge and understanding of the regulatory requirements.

**Table 11: Capacity with regard to required items under tax laws**

Capability with regard to the required items under tax laws	Gender of respondent		Total
	Male	Female	
Not Capable	139 (46%)	81 (41%)	220 (44%)
Not sure whether capable or not	113 (37%)	95 (48%)	208 (42%)
Capable	50 (17%)	21 (11%)	71 (14%)
Total	302 (100%)	197 (100%)	499 (100%)

Source: IFC Tax Compliance Cost Burden and Tax Perception Survey (2014)

Overall, women in Ethiopia are in a relatively more vulnerable position with regard to the tax system than men. While many of the constraints therein pose a significant problem to all businesses, the above discussion has attempted to show that, in

particular areas, women are impacted more than men. To the extent that the problems are of general concern and are captured by the IC Program, the reform measures planned and implemented thereunder are expected to benefit women business owners too, possibly more. However, it is important to make active efforts to ensure women do indeed benefit from the reforms – by including their input throughout the process (in the same way it was done with the Tax Compliance Cost Burden and Tax Perception Survey).

### **7.2.3 Trade Logistics**

The objective of the trade logistics component of the ICP is to improve inter-agency coordination; support legal and regulatory reviews; provide technical assistance to help automate selected trade related processes and procedures; reduce inspections and implement/improve risk management; streamline documentation and procedures. In more specific terms, this component aims at achieving USD 15 million in private sector savings by reducing the time it takes to export from 42 days to 36 days; and to import, from 44 days to 38 days; and by reducing the documents required from 25 documents for export to 15; and from 15 documents for imports to 10.

These numbers, particularly the number of days it takes to import or export, are not gender-disaggregated. They represent the average. Therefore, they fail to capture possible disparities between the numbers of days it takes women and men traders to import/export. While this data may not be readily available, the impact of cumbersome documentation requirements, and other customs procedures have been found to be heavier on women than on men.<sup>115</sup> This warrants paying closer attention to the position of women vis-à-vis the Ethiopian trade logistics framework.

#### **Assessment of Customs Laws *for gender bias***

Customs law and administration is a central tenet to the import and export processes of a country. The Ethiopian Customs Proclamation has recently been revised with the support of the IFC Investment Climate Program. The new Proclamation (no. 859/2014) has made significant improvements to address several of the areas identified by the Program as problematic or unnecessarily cumbersome. Among these improvements are: the possibility of electronic submission of necessary documents for customs; pre-arrival processing, less rigorous punishments provided for inconsistencies between declaration and shipment; etc. These reforms will have the effect of reducing the time it takes to clear imports/exports, which will have the benefit of making it more manageable for women importers/exporters.

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<sup>115</sup> World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate* (June 2009).

Similar to the business regulation and tax administration regimes, the provisions of customs laws and regulations are framed in gender-neutral terms. The nature of customs laws, similar to that of tax rules on the purchase and sale of goods, is not disposed to contain explicit gender biases, as the bases are linked to the goods' nature, quantity and such other factors, as opposed to the identity of the importer/exporter.<sup>116</sup> However, the complex nature of the regulatory framework and the cumbersome requirements contained therein have a potential to significantly constrain women's engagement in import/export more so than they do men's, due to women's lack of networks, poor access to finance, or such other factors as social expectations about gender roles, family trade-offs and time constraints.

### **Gendered Impacts of Trade Logistics Constraints**

The Trade Logistics component of the Ethiopian ICP has, through a pre-implementation scoping work, identified four sets of major challenges that contribute towards Ethiopia's poor trade logistics performance. These include:

- *Burdensome documentation*: Businesses submit up to 21 documents for clearance in Ethiopia, some submitted 15 times to 8 different agencies. Further, up to 10 documents are required for time-consuming transit procedures within Ethiopia itself (excluding Djibouti).
- *Manual clearance process*: Over 100 procedures are required to obtain clearance through 25 face-to-face interactions with 8 agencies.
- *Inadequate border agency coordination*: 25 actors are involved in border clearance with little coordination between them resulting in up to 36 days for clearance procedures based on clearance regime (and not including document assembly period)
- *Frequent and onerous inspection regime*: 84 percent<sup>117</sup> of cargo undergoes physical examination causing further delay in the clearance process.

These challenges represent serious hurdles to import and export activities. Thus, they impact everyone engaged in import and/or export sectors. In the Ethiopian context, women are susceptible to being impacted more severely than men by these challenges given their (women's) time poverty, relatively low levels of education,

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<sup>116</sup> Janet G. Stotsky, *How Tax Systems Treat Men and Women Differently*, <http://www.imf.org/external/pubs/ft/fandd/1997/03/pdf/stotsky.pdf>

<sup>117</sup> With the implementation of a Risk Management system through the support of IC Program, this figure is expected to fall.

and other socio-economic and cultural factors that contribute to the limitation of their capacity.<sup>118</sup>

A clear understanding of the current processes for import and export is critical to make an informed assessment of how women fare in the area of import/export trade and what particular constraints they face in the system. Accordingly, the current processes involved in import and/or export are summarized below:

**Table 12: Import Process**

<b>Agency</b>	<b>Process</b>
National Bank of Ethiopia / Commercial Banks	Bank Import Permit application
	Letter of Credit application
Ministry of Agriculture	Import Authorization for Plants and Plant Products application
	Import Authorization for Pesticides and Fertilizers application
Food, Medicine and Health Care Administration and Control Authority (FMHACA)	Import Permit Approval application
	Release permit for Import application
Ministry of Transport	Vehicle import permit application
Ministry of Communication and Information Technology (MCIT)	Import authorisation application
ERCA	Customs import declaration

Source: IFC, Electronic Single Window in Ethiopia: Business Process Re-engineering (August 2014)

**Table 13: Export Process**

<b>Agency</b>	<b>Process</b>
National Bank of Ethiopia / Commercial Banks	Bank Export Permit application
	Letter of Credit application
Ministry of Agriculture*	Phytosanitary Certificate for Plants and Plant Products application
	Veterinary Inspection certification of live animals application
	Veterinary Inspection certification of meat for export application
Chamber of Commerce	Certificate of Origin application
Ethiopian Wildlife Conservation Authority (EWCA)*	CITIES certificate application
ERCA	Customs export declaration

\* Depending on the export item, it could be any one of several agencies with a certification function.

<sup>118</sup> See Section **Error! Reference source not found.** above for a discussion of the status of women in Ethiopia, showing the gender disparity in education, and establishing the time poverty of women.

Source: IFC, Electronic Single Window in Ethiopia: Business Process Re-engineering (August 2014).

As can be inferred from Table 12 and Table 13 above, import and export processes can be affected by not only customs rules, but also other rules governing the services and administration of other entities involved in border clearance. Among them are the Ministry of Agriculture, the Ministry of Trade, and the Food, Medicine and Healthcare Administration and Control Authority (see Table 14 below for a more comprehensive list). These agencies have mandates to perform certain checks and provide certifications to specific types of imports and/or exports. This function forms part of the overall import or export processes.

Currently, many interactions with the different government authorities are necessary prior to the shipment of goods, and once the goods arrive at the border. These interactions rely on the submission of a set of paper documents. The same paper documents are submitted more than once to different agencies and, often, more than once to the same agency. At the same time as submitting the documents, the trader also has to fill in multiple application forms repeating information that has already been supplied to other agencies or to the same agency. All these interaction require the physical presence of the trader at the agencies' premises.<sup>119</sup>

**Table 14: Organizations involved in import/export processing**

<b>Relevant Organization</b>	<b>Function</b>
Ethiopian Revenues and Customs Authority (ERCA)	Through Customs Department, Issue clearance for import/export
Ministry of Finance and Economic Development (MOFED)	Provide tax registration for traders and tax compliance information.
National Bank of Ethiopia (NBE)	Provide foreign exchange import/export authorization
Ministry of Agriculture (MOA)	Provide import/export authorization and inspection for agricultural products, pesticides and certain food products (meat, food, vegetables)
Ministry of Trade (MOT)	Provide trader registration, business license registration, authorization for controlled products
Ethiopian Food, Medicine and Health Care Administration and Control Authority (FMHACA), Ministry of Health	Provide authorization and inspection of processed food, products and drugs
Ethiopian Wild Life Conservation Authority (WLCA), Ministry of Culture and Tourism	Provide certification for products controlled under CITES
Ethiopian Conformity Assessment	Carry out tests for controlled

<sup>119</sup> IFC, Electronic Single Window in Ethiopia – Concept Paper (June 2013).

Enterprise (ECAE)	products on behalf of MOT
Transport Authority (TA)	Determines standard for vehicle certification
Ministry of Transport (MOTR)	Issue permits for conveyance
Ministry of Communications and Information Technology (MCIT)	Provide ICT services and policy setting for government agencies within framework of E-government

Source: IFC, Electronic Single Window in Ethiopia – Concept Paper (June 2013)

The burdensome documentary requirements in import and export processing can present a more significant challenge to women traders than they do to men given the lower levels of literacy among women compared to men.<sup>120</sup>

In addition, the fact that several agencies are involved in border clearance with little coordination among them could put women in a vulnerable position. This is because multiple face-to-face interactions with officials (in Ethiopia, it could reach up to 25 face-to-face interactions, according to IC Program documents) expose traders to possible harassment or corruption. This assumption is backed by the 2009 World Bank report “Towards the Competitive Frontier: Strategies for Improving Ethiopia’s Investment Climate”, which found that the impact of corruption is felt more strongly by women in general, and more particularly in the areas of customs and taxes.<sup>121</sup> It is also the case that women in Ethiopia consider customs procedures as posing greater challenge than men consider they do.<sup>122</sup>

In an interview with a representative of the Ethiopian Women Exporters Association (EWExA), corruption and harassment were cited as among the issues affecting their members in their interaction with customs officers. The representative expressed that their members have been confronted with bribe requests; and that they are often too fearful and lack strong bargaining skills, which put them at a disadvantage. Furthermore, the lack of information is also a challenge, which is worsened by the lack of effective information desks at the relevant government agencies.

The process of obtaining a Bank import permit is also identified by the Ethiopian IC Program as cumbersome requiring several physical visits to accomplish.<sup>123</sup> Processing time is found to be significantly long and unpredictable due to

<sup>120</sup> See **Error! Reference source not found.** above (While 50.6% of working age women in Ethiopia have never attended school; the figure for men is much lower at 32.2%).

<sup>121</sup> World Bank, Toward the Competitive Frontier: Strategies for Improving Ethiopia’s Investment Climate (June 2009), p. 81.

<sup>122</sup> *Id* p. 81.

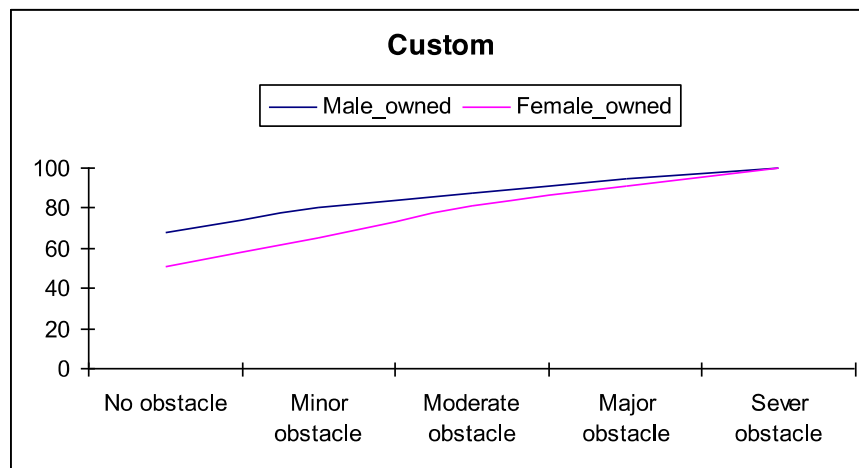
<sup>123</sup> IFC, Electronic Single Window in Ethiopia: Business Process Re-engineering (August 2014).

decentralized processes.<sup>124</sup> Given women's 'time poverty' (double-duty), lengthy processes tend to impact them more than men.

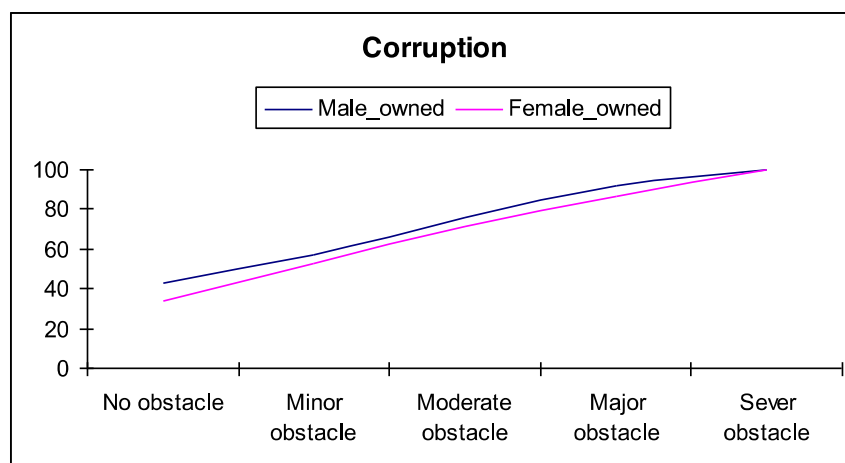
*"I am able to deal with a lot of the time consuming and bureaucratic procedures at the Customs office because I do not have family responsibilities competing for my time."*

W/rt Salpi Nalbandian, owner & manager Bale Plc –  
Leather exporting company  
(Member of Eth. Women Exporters Association)

**Figure 8: Perception of men and women entrepreneurs on customs as a barrier**



**Figure 9: Perception of men and women entrepreneurs on corruption as a barrier**



<sup>124</sup> Ibid.



Source: World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate* (June 2009)<sup>125</sup>

According to the 2011 World Bank Enterprise Survey on Ethiopia, 25.5% of female-headed firms identify customs and trade regulations as a major constraint, while it is 18.8% of male-headed firms.<sup>126</sup> This is a sizable gap, which becomes clearer when looked at in comparison with the figures for Sub-Saharan Africa, which are 25.6% for female-headed firms and 25.8% for male-headed firms.

On the other hand, according to the data collected for the Tax Compliance Cost Burden and Tax Perceptions Survey conducted through the Ethiopian IC Program, more men than women perceive customs and trade regulations as a problem.

**Table 15: Customs and Trade Regulations as a Problem by Gender of Owner**

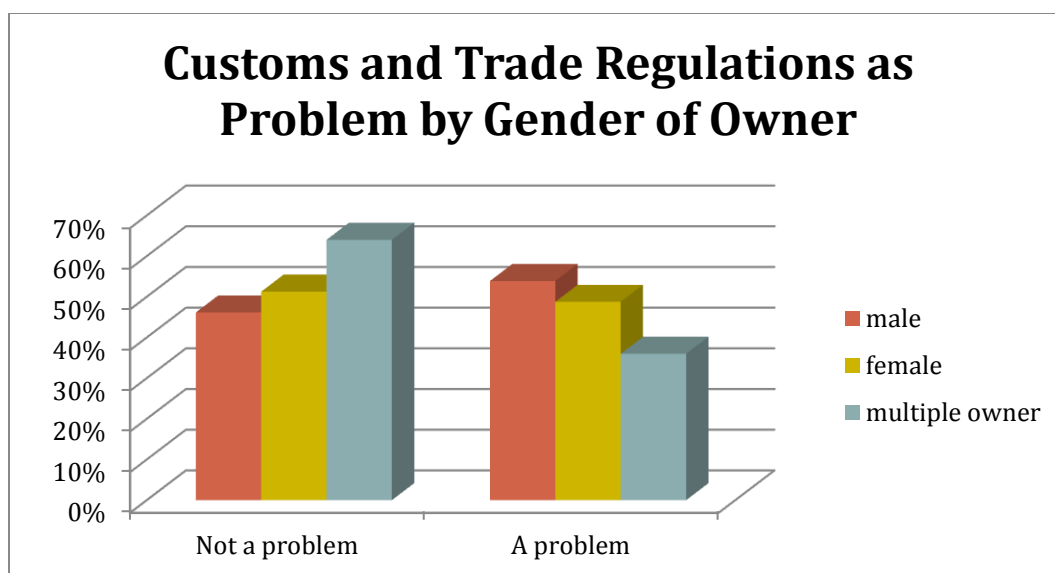
Customs and trade regulations as problem	Gender of owner			Total
	Male	Female	Multiple owners	
Not a problem	310 (46%)	144 (51%)	32 (64%)	486 (48%)
A problem	362 (54%)	137 (49%)	18 (36%)	517 (52%)
Total	672 (100%)	281 (100%)	50 (100%)	1003 (100%)

\*Source: Computed from the *IFC Tax Compliance Cost Burden and Tax Perceptions Survey in Ethiopia* raw data

**Figure 10: Perception of Men and Women Entrepreneurs on Customs as a Barrier**

<sup>125</sup> When the cumulative curve corresponding to female entrepreneurs lies below the curve corresponding to male entrepreneurs, female entrepreneurs are worse off with respect to their male counterparts in the way they are affected by that constraint.

<sup>126</sup> World Bank, Ethiopia Enterprise Survey (2011), <http://www.enterprisesurveys.org/data/exploreeconomies/2011/ethiopia#trade--gender-of-top-manager>.



Source: Computed from the *IFC Tax Compliance Cost Burden and Tax Perceptions Survey in Ethiopia* raw data

According to the figures in Table 15 above, 48.9% of women and 53.9% of men business owners replied that customs and trade regulations pose a problem. The surprise in this result is that in contrast to the World Bank Enterprise Survey (2006 and 2011) findings<sup>127</sup>, and the qualitative data gathered through interviews and FGDs, more women (51.1%) business owners than men (46.1%) in the Tax Compliance Cost Burden and Tax Perception Survey sample consider that customs and trade regulations do not pose a problem for their business operation. This result may be a result of the small number of businesses engaged in import/export trade covered in the sample of the IFC Tax Compliance Cost Burden and Tax Perception Survey.<sup>128</sup> Considering that more than 82% of the firms surveyed are small firms (they fall under taxpayers' Category C)<sup>129</sup>, it is likely the case that only a minority of the surveyed businesses (and among them, an even smaller portion of the women owned businesses) are engaged in import or export trade. This means that the majority of the businesses surveyed (and a greater majority of the women owned businesses surveyed) have little or no contact with customs and other trade regulations, which likely renders them indifferent thereto.

<sup>127</sup> See, Figure 8 above, and World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate* (June 2009), citing the 2006 World Bank Enterprise Survey; see also, the discussion above on the findings of the 2011 Enterprise Survey showing that more women than men find customs clearance to be a constraint.

<sup>128</sup> The Pearson's Chi-Square test shows a statistically significant association between gender of owner of the business and opinion regarding custom and trade regulation at 5% level of significance. A value of 0.085 from Phi test shows that the association is weak.

<sup>129</sup> IFC Tax Compliance Cost Burden and Tax Perception Survey in Ethiopia Draft Report (2014), pp. 12 & 48.

While the conflicting information found in the quantitative data makes it difficult to reach a firm conclusion on the gendered impacts of cumbersome customs procedures, the qualitative data and the general circumstance of women in Ethiopia justify calling attention to the potentially disproportionate impact on women of the constraints in import/export processes. While the finding of the Tax Compliance Cost Survey is noteworthy, it is not sufficient to conclude that women are less affected by cumbersome customs procedures and trade regulations than men.

Some of the other constraints that EWExA has highlighted as major challenges in trade Logistics include:

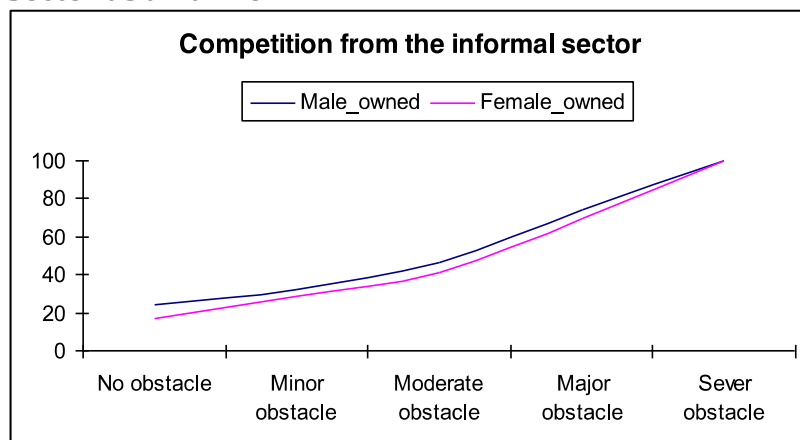
- *Competition from the informal sector (contraband)*: There is a highly connected, highly networked chain of people who are involved in the informal sector that would not allow those in the formal sector to penetrate. While there is a very big potential for export to neighbouring countries such as Somaliland, EWExA members feel that they are unable to break through it because of information and capacity gaps. This concern of EWExA members is supported by the survey on Ethiopian enterprises, which found that women are significantly more likely than men to consider crime or informal sector competition as a constraint (a constraint that men too consider as major/very severe with high probability).<sup>130</sup>
- *Lack of information/inactive information desk*: At the customs office, there is no clear system that will allow customers to easily engage in export. There is lack of information desk that facilitates trade logistics and support women in particular. Similar challenges are faced at the banks where there is lack of support for women.
- Desk officers at banks (e.g., men) because of inherent gender bias, reject proposals for financial support or even access to information. Well trained, and gender sensitive staff should be assigned at help at front desks.
- There are no checklists both at customs and national bank that fully gives women (and men as well) the information needed to engage in the export sector. A lot of time and energy is wasted (and frustrated) trying to receive information.
- Bidding processes are not transparent and friendly for women – women are outnumbered and out qualified by a strong network of people mostly men. Normally business in Ethiopia is carried through a strong informal network and penetrating that web is very difficult and puts women at a disadvantage

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<sup>130</sup> World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate* (June 2009), p. 75; see also, World Bank, *Enterprise Survey Data 2011* <http://www.enterprisesurveys.org/data/exploreeconomies/2011/ethiopia#corruption--gender-of-top-manager> (8.1% of female-headed firms identify corruption as a major constraint, while the figure is 7% for male-headed firms).

- EWExA members formed their association because they felt their voices weren't being heard at the Ethiopian Chamber and Sectoral Associations.
- They still face very severe financial constraints and gaps in capacity persists.

**Figure 11: Perception of Men and Women Entrepreneurs on Competition from the Informal Sector as a Barrier**



Source: World Bank, *Toward the Competitive Frontier: Strategies for Improving Ethiopia's Investment Climate* (June 2009)<sup>131</sup>

While it is difficult to identify a separate set of challenges that affect only women under the trade logistics component, as laid out above, constraints in import/export processes seem to impact women more intensely than they do men, save for the unexpected finding of the Tax Compliance Cost Survey.

Lack of access to clear, updated and transparent information on regulatory processes at ERCA and border posts pose significant challenge to women exporters. In the face of severe information gaps, limited knowledge, skill and capacity, women find it very difficult to engage or survive in import/export business. Further, men that are strongly linked in formal and informal social networks dominate most of the import/export sector, and therefore, women are unable to penetrate such networks and the market at large. Socialization is often employed to facilitate business transactions in Ethiopia. In a male-dominated society like Ethiopia women find it difficult to easily socialize. Such reality was part of the reason behind the establishment of the Ethiopian Women Exporters Association that aims to provide support to existing and new women traders in information and experience sharing.

<sup>131</sup> When the cumulative curve corresponding to female entrepreneurs lies below the curve corresponding to male entrepreneurs, female entrepreneurs are worse off compared to their male counterparts in the way they are affected by that constraint.

*“Men in business have the benefit of a wide social network, which they develop and strengthen through informal gatherings, often over drinks. But because it is considered socially unacceptable for women to hang out in bars, and because our additional responsibilities at home don’t allow us to stay out late after work, we do not have access to these networks and miss many business opportunities.”*

Gizeshwork Tessema, Managing Director of Gize PLC  
Shipping and Logistics Company

Already constrained by socio-economic and cultural responsibilities resulting in time-poverty for women, only few women traders are able to survive in the tough trading environment. Records at the ministry of trade show that, there are currently 17,631 registered exporters out of which women comprise only 12%.

As has been highlighted in this section, the same challenges that have been identified by the IC Program as constraining import and export trade constrain women’s participation in import and export trade. This implies that the general reforms planned to streamline the process and reduce compliance costs and Electronic Single Window (ESW) will benefit women too, probably more.

The ESW project planned within the Trade logistics program is expected to alleviate a significant part of the unnecessarily time consuming and cumbersome processes in importation and exportation.

The planned ESW will provide a central facility for receiving electronic submissions of data from traders, allowing for the processing of all the data by all government agencies and providing Customs with all the data it requires for clearance (including permits from other agencies).<sup>132</sup> Any supporting documents required for each application may be uploaded in electronic format and, once uploaded, can be viewed by all the different concerned agencies without the need to re-submit them. It is envisaged that the ESW will also provide for payments of duties and fees to be made electronically (e-payments) through the banking system.

This will have the impact, *inter alia*, of eliminating the need to re-submit data at every stage of the import/export cycle that has already been submitted in order to obtain all the necessary permits and authorizations prior to importation/exportation. For traders, this will have the benefit of significant savings in time, effort and costs.<sup>133</sup> Given the type of challenge the time-consuming and cumbersome nature of import and export processes pose to them, women traders are expected to benefit from the implementation of the ESW just as much as their male counterparts if not more.

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<sup>132</sup> IFC, Electronic Single Window in Ethiopia – Concept Paper (June 2013).

<sup>133</sup> Id.

In order to ensure that women benefit fully from the reforms planned and/or implemented, a proactive outreach effort is necessary, not to mention the need to be conscious of possible negative impacts of the proposed reforms. While the need for training and outreach programs is taken into account and included in the IC Program's plans for the ESW, it will be important to make a conscious effort to ensure the gender inclusiveness of the planned training and outreach activities.

#### **7.2.4 The Ethiopian Public Private Consultative Forum (EPPCF)**

The Ethiopian Public Private Consultative Forum (EPPCF) Program aims to improve the business climate at policy, regulatory and implementation levels. The overarching objective of the Program is to support the strengthening and institutionalization of the dialogue process, through which the private and public sectors can jointly identify, prioritize, and implement initiatives and regulatory improvements that advance private sector development in Ethiopia.

Implemented in collaboration with the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), this program has given the private sector a direct channel to policymakers through which they could convey the regulatory obstacles they face in the business environment and inform policymakers of the major areas of concern to the business community.

The EPPCF is one of the central components of the Ethiopian ICP. It is used as a platform through which major investment reform initiatives are discussed, planned, implemented and followed up. As a potentially sustainable platform for the identification and addressing of constraints to the private sector, it is crucial for this component to be gender-sensitive. The introduction of a gender mainstreaming tools and agenda in PPD ensures that the voices of women entrepreneurs are fully heard by strengthening the engagement of women in advocating for, contributing to, and playing leadership roles in reform.<sup>134</sup>

Furthermore, proactively including women in PPD can help maximize the effectiveness and benefits of business regulation reform. The inclusion of women and a gender agenda in PPD aids the full realization of the benefits from PPD. Women entrepreneurs often experience different legal, regulatory, and administrative barriers to business than their male counterparts. It is critical, therefore, that women's voices be heard.

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<sup>134</sup> IFC Guide on Gender Dimensions of Investment Climate Reform

## **The EPPCF: Design and Implementation**

The EPPCF is governed by the Memorandum of Understanding (PPD MoU) that was signed between the then Ministry of Trade and Industry and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA).<sup>135</sup>

The selection of ECCSA as the private sector counterpart in the public-private consultative structure, while justified given the ECCSA's status as the national umbrella organization representing businesspersons across the country, suffers one major deficiency in terms of gender representation in the EPPCF structure due to the law governing ECCSA.

The Chambers of Commerce and Sectorial Association Establishment Proclamation No. 341/2003 is the law that defines and regulates the activities, structure, powers and duties of the Ethiopian Chamber and what associations may form part thereof. It defines the membership of the Chamber to be limited to<sup>136</sup>:

- (a) Representatives of Regional Chambers of Commerce and Sectorial Associations
- (b) Representatives of the Chamber of the National Sectorial Associations
- (c) Representatives of City Chambers of Commerce and Sectorial Associations

Because women entrepreneurs associations are not listed therein, it remains an unresolved legal hurdle for their own operation, as well as their relationship with the Ethiopian Chamber. While in practice the Ethiopian Women Entrepreneurs Association is treated under the Chamber Proclamation; the issue remains an open ended one as long as the matter is not formally addressed through an amendment. Furthermore, the practical resolution to treat the Ethiopian Women Entrepreneurs Association as falling under Procl. 341/2003 does not address the concerns of other equally vital women entrepreneurs associations, such as the Ethiopian Women Exporters Association (EWExA).

In an interview held with the leadership of EWExA, this was one of the major issues raised as a constraint to their operation and effectiveness. The gap in the law meant that as an association, EWExA should fall under the law governing civil societies. However, the CSO agency rejected their application to get registered as such and they were forced to go to the Ministry of Trade. While EWExA were successful in registering under the MoT, the gap in the law governing trade associations, i.e. the Chamber Proclamation, remains to represent a serious obstacle to the effective operation of various women's associations.

In addition to the structural gap of the EPPCF that fails to give representatives of businesswomen's interests an uncontested seat at the decision making table, the

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<sup>135</sup> The Ministry of Trade and Industry has since been split into the Ministry of Trade and the Ministry of Industry. The Ministry of Trade has taken over as the party to the PPD MoU on the side of the Ethiopian government.

<sup>136</sup> Chamber of Commerce Establishing Proclamation No. 341/2003 (Chamber Procl.) art. 7(1).

PPD MoU also suffers from the absence of gender considerations in its prescription of how the list of participants should be prepared.

The PPD MoU establishes three types of consultative *fora*: *National Business Consultative Conference*, *Federal Public Private Consultative Forum*, and *Federal Sectoral Public-Private Fora*.<sup>137</sup> It also provides for the possibility of regional PPDs. In the case of the first two types of *fora*, the MoU provides that participants in these forums are to be selected jointly by the MoT and ECCSA from lists they each draw up.<sup>138</sup> For the Federal Sectoral Public-Private Consultative Fora, participants are to be selected jointly by the appropriate Sectoral government agencies and ECCSA in collaboration with the National Chamber of Sectoral Associations, appropriate Sectoral Associations or Chambers of Sectoral Associations.<sup>139</sup>

None of these provisions require the active consideration of gender in participant selection. This oversight could and has led to the underrepresentation of women's interests in the PPCFs. From the discussions held with various women entrepreneurs associations, and organizations that work with women entrepreneurs, lack of direct access to policy makers both as associations and individuals were raised as an issue. It is only through the Chamber that they get indirect access as individual members of Sectoral associations. According to the EWExA representative, this indirect channel is not sufficient to address their needs, because their issues are often lumped with other issues of the business community and are not given adequate attention.

In the same manner as participant selection, agenda setting process is another important opportunity for an active consideration of gender representativeness. The MoU does not provide clear procedures on how agenda for the *fora* should be set, except the passing mention of "agenda items submitted by [MoT and ECCSA]" in the provision setting out the functions of the Federal Sectoral Public-Private Consultative Fora. The processes followed in practice are also reliant on the structure that the PPD MoU established, which, as highlighted above, do not have express gender-sensitive elements.

However, EPPCF has recently adopted a National Business Agenda in the development of which care was taken to include an appropriate share of women owned/women managed enterprises in the consultations.<sup>140</sup> This is a commendable effort that should be expanded to other aspects of the PPCF program.

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<sup>137</sup> Memorandum of Understanding signed between Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia and Ethiopia Chamber of Commerce and Sectoral Associations (hereinafter PPD MoU) art. 2.

<sup>138</sup> PPD MoU art. 4 & 5.

<sup>139</sup> PPD MoU art. 6.

<sup>140</sup> EPPCF, Ethiopia's National Business Agenda (July 2014), p. 8 & 52 (23.6% of the businesses consulted were majority-owned by women).



## 8 FINDINGS AND RECOMMENDATIONS

### 8.1 Key Findings

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Promoting and protecting the rights of women does not only have an intrinsic value but also adds economic viability to societies. Aside from the instrumental value that is attached to women empowerment, **it is of a moral imperative to strengthen the capacity and abilities of women.** The rights of women, as one of the basic human rights, are recognized internationally and in domestic laws of most countries of the world. Empowering women transforms families and social livelihoods.

Creating greater economic opportunities for women also has compelling economic reasons, as inequalities impose development costs on societies. The costs of gender inequality are particularly large in low-income countries; and within countries, they are larger for the poor. Significant social, cultural, religious and political barriers restrict women from realizing their economic potential. Chief among those are, discriminatory laws that treat women unequally, gender-neutral laws having gendered impacts, and lack of formal and informal platforms for women to voice their challenges.

In Ethiopia, gender gap in socio-economic, political and cultural spheres including access to health facilities, education, wage earnings, economic activity and productivity remains high. While there are commendable improvements in narrowing the gender gap over the past two decades, women's subordinate position in society continues to persist in the country. Legal and policy frameworks addressing deep gender inequalities affecting socio-economic are yet to be realized. The World Bank estimates that **in Ethiopia, a set of measures promoting the rights women particularly those favouring women's education and participation in the labour market will add as much as 1.9 percent GDP growth per year between 2005 and 2030.**

This diagnostic study was made with the objective of assessing the gender gaps within the Ethiopian Investment Climate Program. The study conducted gender analysis of the IC program and its Business Regulation, Tax Administration, Trade Logistics and the Public-Private Dialogue components and identified key gender specific investment climate constraints. The findings are followed by actionable recommendations that can assist the program in implementing gender responsive investment climate reforms in Ethiopia and help spur women's economic participation.

Key diagnostics are made at program design and substantive implementation levels as follows:

## ICP Design

**The IC program could have benefited from a comprehensive gender analysis at programming, reform implementation and reporting stages.** Gender disaggregated analysis of differential access to and control over resources was not made; hence, a gap in gender-responsive reform measures is observed. Incorporation of gender specific objectives and targets as well as M&E matrix to the IC main program document and the four components would have made the program fully gender-aware.

## Business Regulation

**While limited level of gender-disaggregated data on businesses is available at a country level, the MoT particularly lacks comprehensive, up-to-date and easily accessible records on business registration and licensing.** A similar weakness was observed at the Federal Investment Commission. Matters such as number of women with business and trade licenses, ownership and shareholding of companies, business portfolios etc... are not readily available. In spite of readily available quantitative data, the study used qualitative and secondary resources to derive the key findings.

**In Ethiopia, there are no explicit legal provisions directly hindering women's economic participation. At political and ideological level, Ethiopia espouses a free-market economy that protects the economic freedom of all its citizens. As such, there are constitutional and statutory provisions equally protecting both men and women's right to economic growth.** Almost all laws and regulations reviewed for this study reflect such constitutional protection and are stipulated in gender-neutral terms. This in effect means that the right of women entrepreneurs to formally engage in business under Ethiopian law in general and the business registration and licensing regime in particular is guaranteed.

In terms of the business registration and licensing environment, the IFC inventory and compliance cost study findings on the impact of the overly prescriptive business regulatory environment on the private sector provides a baseline evidence of the challenges facing both men and women.

**The diagnostics exercise further identified the additional strain that the business regulation environment puts on women entrepreneurs.** The strict regulation and control orientation of the Commercial Registration, and Licensing proclamation has particularly adverse impacts on women already constrained by conflicting priorities in time, cost and domestic responsibilities. This study has shown that the percentage of female business owners is significantly lower than men, more women are concentrated in the informal sector, and female owned businesses spend more time on compliance requirements. **Operational constraints affect women entrepreneurs more than men where female-owned businesses spend 4.9 percent of senior management's time dealing with compliance requirements compared to 3.6 percent in male-owned businesses.**

**Competence certification rules are particularly affecting women entrepreneurs unable to meet the requirements for lack of educational and training experience.** Ethiopian women are less educated, skilled and trained than men and hence the formalization process reduces their capacity to register their businesses and move from the informal to the formal sector. Wide disparities in education and training for women as compared to men produce correspondingly different abilities for women and men to be economically active, acquire and process, or communicate information.

**Availability and cost of business premises and minimum capital requirements also constrain women, putting more obstacles on their businesses than men.** 75% of women entrepreneurs consider requirement for a premise as more problematic while it is 70% for men.

Strict business regulation procedures expose women to higher risk of crime and corruption. **Female-owned enterprises are more vulnerable to corruption and crime than male-owned businesses.** Despite spending nearly double the amount spent by male entrepreneurs on security, 15.3 percent of them experienced theft or robbery compared to 9.8 percent of male-owned businesses.

Women entrepreneurs are affected by intersectional formal and cultural barriers in starting and sustaining their businesses. **Women in general are less able than men to afford long and expensive registration procedures because of time poverty that is caused due to “double workday” which subjects women to dual business and domestic responsibilities.**

### **Tax Administration**

In line with the overall legal landscape of the country, **Ethiopia’s regulatory framework for tax does not contain explicitly discriminatory elements.** However, the complexity and breadth of tax rules make it time consuming and costly for taxpayers to comply with their obligations. Given the general circumstances of women in Ethiopia (lower levels of literacy than men, time-poverty, more limited access to finance than men, etc), the cumbersome tax administration and procedures are likely to impact women more than men.

Compliance with tax obligations demands knowledge and understanding of the tax laws applicable in one’s case. Data from the IFC Tax Compliance Cost Burden and Tax Perception Survey shows a significant disparity in the levels of understanding of tax laws among women and men. **While only 14% of the men business owners survey in the informal sector stated that they are not knowledgeable at all of tax laws; the figure is significantly higher for women with 22% of them reporting complete lack of knowledge of tax laws.**

In addition, a greater percentage of the women business owners (66%) than

**the men (62.3%) rated access to tax related information as a problem.**

**The mandatory use of sales register machines poses a problem for women business owners.** In the FGD conducted with the members of Ethiopian Women Entrepreneurs Association, low levels of literacy has been raised as a constraint to their ability to use sales register machines. Similarly, in another FGD with the members of Women in Self-Employment (WISE), this issue was raised as a major deterrent for them against formalization of their businesses.

Further, according to the Tax Compliance Cost Burden and Tax Perception Survey, **women owned businesses in Ethiopia tend not to keep receipts and invoices, nor keep books of their income and expenses** compared to businesses owned by men. The majority of businesswomen surveyed do not keep receipts of their expenses (59%), nor keep books of their income and expenses (55%).<sup>141</sup> This makes it difficult for them to make an accurate assessment of their own turnover, profits and/or losses.

**High cost of compliance with tax obligations also poses a problem for women business owners.** The Tax Compliance Cost Burden and Perception Survey (2014) has found that, in Ethiopia, tax compliance cost as a share of turnover is regressive for small businesses with the cost to Category C tax payers being 5.03 % to Category A's 3.83%.<sup>142</sup> This has a negative implication for women, as they are more concentrated in small businesses.

Women entrepreneurs interviewed for this study have stated that they struggle with the frequently changing directives that are complex. For women with limited education and training, and limited access to tax-related information, complex and frequently changing rules can have the effect of restricting them to the informal sector.

There is conflicting data on the difference between the perceptions women and men regarding the tax rates. The 2011 World Bank Survey finding that over 20% of the women entrepreneurs surveyed consider tax rates to be a very severe obstacle compared to 9% of the men owned businesses who expressed the same opinion. On the other hand, the IFC Tax Compliance Cost Burden and Tax Perception Survey found that 80% of the female business owners and 79% of the male business owners consider tax rates to be problematic.

The data on the perception of tax administration too is conflicting. The World Bank Enterprise Survey has found that significantly more female entrepreneurs (22%) find it to be a very severe obstacle than men (11%). The IFC Tax Compliance Cost

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<sup>141</sup> **See, Table 8 and Table 9.**

<sup>142</sup> Tax accounting cost as share of turnover (%) (excluding acquisition and maintenance cost).

Survey's findings in this regard show a similar level of dissatisfaction with the tax administration, with 75% of the female business owners and 74% of the male business owners surveyed responding that it does pose a problem.

The existing tax dispute resolution system is another area identified by the tax program as problematic and in need of reform. The requirement to pay 50% of the disputed amount, including interests and fines, as a guarantee, to appeal tax assessment decisions make the review mechanism inaccessible. Women who are engaged in small and micro businesses often have limited working capital. Women's access to finance is also more restricted than men's. According to the IFC Tax Compliance Cost Survey, 91.5% of women business owners indicated that it is a problem while 85.7% of men owned firms faced problem of access to finance. Therefore, **women's access to the appeal system is greatly restricted.**

### **Trade Logistics**

Under the trade logistics component of the EICP, complex and cumbersome import/export processes involving over 100 procedures, the submission of up to 21 documents to 8 different agencies through 25 face-to-face interactions have been identified as major constraints. In addition, the limited coordination among up to 25 actors involved in border clearance, which, as a result, takes up-to 36 days, is another area identified as a major obstacle in the process and targeted by the program for reform.

### **Women in import/export trade perceive customs administration to pose a more severe challenge than their male counterparts consider it to be.**

Qualitative data gathered through interviews and focus group discussions, and quantitative data from the 2011 WB Enterprise survey, show that women traders in Ethiopia consider customs procedures as posing greater challenge than men. 25.5% of female-headed firms identify customs and trade regulations as a major constraint, while it is 18.8% for male-headed firms. However, according to the data from the IFC Tax Compliance Cost Survey, a greater percentage of the men (53.9%) than the women (48.9%) covered in the survey indicated that customs and trade regulations pose a problem. This deviation maybe a result of the likelihood that the majority of the surveyed businesses (and among them, a greater portion of the women owned businesses) are not engaged in import/export trade (given that 82% of them fall under taxpayer's Category C).

Already constrained by socio-economic and cultural responsibilities resulting in time-poverty for women, only few women traders are able to survive in an environment where they regularly have to deal with time-consuming procedures. According to records at the ministry of trade, there are currently 17,631 registered exporters out of which women comprise only 12% (2,917).

### **Lack of access to clear, updated and transparent information on regulatory processes at ERCA and border posts pose significant challenge to women**

**exporters.** In the face of severe information gaps, limited knowledge, skill and capacity, women find it very difficult to engage or survive in import/export business. Further, men that are strongly linked in formal and social networks dominate most of the import/export sector, and therefore, women are often unable to penetrate such networks and the market at large. Socialization is often employed to facilitate business transactions in Ethiopia. In a male-dominated society like Ethiopia women find it difficult to easily socialize. Such reality was the reason behind the establishment of the Ethiopian Women Exporters Association that aims to provide support to existing and new women traders in information and experience sharing.

The reform activities planned under the trade logistics component have the potential to address many of the challenges that women face, however, some targeted actions are needed to ensure that women actually benefit from the reforms.

### **EPPCF**

The EPPCF is an innovative platform that brings together private sector actors and policy makers to address investment climate constraints. Institutionalization of the EPPCF under the Chamber and implementation of recommendations so far has brought meaningful results for the business community in general.

However, the EPPCF program, similar to the ICP program, lacks gender responsive elements both in the structure and program implementation. **At an institutional level, ECCSA's position as the private sector counterpart in the public-private consultative structure essentially excludes the representation of the various women entrepreneurs associations.** This is the result of restrictive provision of the Chamber Proclamation (No. 341/2003) that includes restrictive and exhaustive list of entities that can be members of the ECCSA structure. Women entrepreneurs associations are excluded from the list thereby significantly reducing their role and participation in various aspects of the Chambers activities.

In addition, **the terms of the MoU signed between the MoT and ECCSA on the planning and implementation of the EPPCF lacks deliberate gender inclusive mechanisms.** Provisions outlining processes for participant selection do not make any gender considerations. This has enabled the failure to actively seek the representation of women entrepreneurs and their interests in the PPD forums held thus far.

In the agenda setting process, **EPPCF has shown its growing gender-sensitivity by proactively incorporating women entrepreneurs' views when developing the National Business Agenda.** This is a commendable step forward that should be emulated in all other aspects of the EPPCF's operation.

It is important to note that the overall IC Program and the reforms introduced thereunder make significant contributions towards addressing much of the challenges that affect women entrepreneurs either in much the same ways as the

men entrepreneurs or even more so.

To a large extent, the regulatory and administrative constraints that affect women are the same problems identified by the IC program as posing serious challenge to the general business community. To the extent that the investment climate constraints for women are shared by the general business community and that these constraints are identified as such by the IC Program, actions taken to address them through the program benefit women entrepreneurs just as much as other members of the private sector, if not more. For instance, the revised Customs Proclamation contains a number of reforms on the previous system, among them being the possibility of electronic submission of necessary documents for customs; pre-arrival processing, less rigorous punishments provided for inconsistencies between declaration and shipment; etc. These reforms will have the effect of reducing the time it takes to clear imports/exports, which will have the benefit of making it more manageable for women importers/exporters.

## 8.2 Recommendations

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### ICP Program and Business Regulation

- **Establish a Gender Working Group** to participate and contribute to the process of gender-responsive investment climate reform. Include gender representatives from the MoT, ERCA and ECCSA.
- **Mainstream gender responsive activities** with regards to the implementation of the inventory and compliance cost study particularly those relating to competence certifications and licensing requirements. Operationalization of the recommendation to reduce number of licenses by 70% has the potential to significantly reduce both informality and gender disparity in entrepreneurship.
- **Integrate the collection and recording of gender-disaggregated data on the Informational E-Registry/Business Portal.** Gender disaggregated data on enterprise ownership; management and operation should be clearly recorded. Similar gender-disaggregated considerations should be made to the digitization process of existing and future business information and data.
- **Develop gender-inclusive operational and training manuals** on business licensing and registration procedures, good practices and public service delivery for desk officers.

### Tax Administration

- **Support the ERCA information desk and call centre** in order to expand its outreach to be inclusive of women. According to the Gender Directorate of ERCA, women taxpayers do not seem to be aware of the existence of the call centre and generally don't make use of the facilities at ERCA mandated with

- providing information. This can be addressed by strengthened outreach efforts to women entrepreneurs either directly or through their associations.
- **Prepare manuals, brochures and/or other simplified information documents on tax administration:** this is particularly important to address the issue of Ethiopia's tax law's breadth, complexity and inaccessibility.
  - **Support ERCA's Gender Directorate:** experience from the work of the gender directorate at the MoT provides best practice in terms of supporting various women entrepreneurs associations. There is a significant value in strengthening and supporting gender directorates of government agencies relevant to the investment climate program. The Gender Directorates in government agencies generally have a dual mandate: (i) to mainstream gender in the laws, policies, programs and projects of the organization; and (ii) to provide specialized support for women clients and associations. Through participation of government gender representatives in the Gender Working Group, the ICP would benefit from a sustained source of input on gender-specific constraints within the scope of the Authority's function. Further, the gender directorates of partner agencies can function as partners in the gender specific activities that the IC Program will plan.
  - **Support ERCA's Gender Directorate in the provision of trainings to women business owners.** The Director of the ERCA Gender Directorate has pointed out that the Directorate has plans to engage more actively in fulfilling its second mandate – to provide specialized support for women clients and associations. A part of this plan is to organize trainings and information sessions for women on tax laws. Such trainings should ideally highlight the need and benefit of keeping receipts and invoices, and of books even if not legally required. According to the Director, these plans have not materialized due to budgetary constraints. The IFC IC Program could provide the support needed in this regard.
  - **Support capacity development, and gender-awareness and sensitivity trainings within ERCA** – in order to ensure the effectiveness of the proposed liaison with the directorate, it is necessary to develop the capacity of the directorate through, *inter alia*, trainings and technical support. It is also important to make sure the staff of ERCA, especially those that have direct contact with taxpayers – tax assessment officers, front desk, etc – are sufficiently sensitized to gender issues. Gender-sensitivity trainings should be provided on a sustainable basis to align the attitude of new recruits.
  - **Support ERCA to introduce regular training and orientation sessions on how to use a sales register machine.** This is particularly important in terms of facilitating the transition of women's businesses from informal to formal sector. The targeting of women business owners for such trainings can be facilitated through the Gender Directorate of ERCA.

## Trade Logistics



- **Establish a direct relationship with the gender directorate of ERCA and implement capacity development activities.** Given the weak level of capacity, the gender directorate of ERCA can be both the Project's ally within the Authority in terms of raising awareness of gender issues therein, as well as its resource point for purposes of injecting a gender element in to future activities of the ICP.
- **Mainstream gender in the development of manuals, brochures and other informative documents;** support the institutionalization of gender sensitive **information desks**, information provision over the phone to address significant challenge in access to information.
- **Establish a link with women entrepreneurs association,** particularly, the Ethiopian Women Exporters Association.
- **Gender consideration in the Risk Management System:** there is evidence that women tend to be more compliant than men, and therefore female-headed firms may be more likely to be labelled as low risk. This could be one parameter that is used to develop and refine the risk management system. This requires gender-disaggregated data; which is necessary for the purposes of making informed judgement on the manifestations of gender in the process of customs clearance.
- **Outreach program:** the trade logistics component of the ICP introduces an extensive set of reforms both in form and magnitude. These reforms promise a streamlined and speedy processing of imports and exports. However, they also introduce systems/procedures that are new/unfamiliar to the business community in Ethiopia; particularly the Electronic Single Window (ESW) project – a project to introduce an electronic facility that will allow all traders involved in the import/export/transit business to discharge all their regulatory obligations with relevant government agencies electronically in a simplified paperless environment. The implementation phase of the ESW project is planned to include training of both internal and external users in the use of the system. In addition, a campaign is planned to sensitize and instruct the public on the use of the ESW in advance of the ESW going live. It is crucial to **make sure that women entrepreneurs (through their associations) are adequately represented in both the trainings as well as the sensitization campaigns.** In addition, it will be crucial to establish a desk or section in ERCA with the function of providing ESW support, staffed by gender-conscious (trained) officers.

## **EPPCF**

- **Support the amendment of the Chamber Proclamation.** Proclamation no. 341/2003 needs to be amended to allow the formal recognition, representation and participation of the Ethiopian Women Entrepreneurs Association, its member associations and other women focused organizations. Formal legal support is necessary for associations to function effectively and promote the interests of their members.

- **Amend the PPD MoU:** expressly provide for the inclusion of women's associations in the PPCF core structure, as well as, to provide for the need to consider gender in the preparation of the EPPCF including agenda setting and participants.
- **Mainstream Gender in the EPPCF's Sustainability Plan** – ensure adequate gender representation at the EPPCF Secretariat. The sustainability plan currently underway should include gender consideration and collaboration with the ECCSA.
- **Ensure women are represented within the dialogue.** The 30% representation target recommended by the Beijing Platform for Action for public bodies is a good potential starting point for the PPD. These women need to be representative of the diversity of women-owned businesses, meaning all enterprises sizes and sectors should be included and championed. This can be facilitated by directly engaging the various associations of women entrepreneurs.
- **Directly engage the various associations of women entrepreneurs:** In Ethiopia, there are several associations of women engaged in business, such as the Ethiopian Women Entrepreneurs Association (an umbrella organization of the Women Entrepreneurs Associations in the regions and the two city administrations), Ethiopian Women Exporters Association, Alliance of Women Entrepreneurs Program, and Association of Women in Business etc.. There are also organizations that cater for women entrepreneurs such as Women in Self Employment (WISE)-(an organization focused on supporting women in business, particularly those running micro or small enterprises, or engaged in the informal sector), Centre for Accelerated Women's Economic Empowerment (CAWEE)-(an organization which aims to promote Ethiopian women entrepreneurs, with a special focus on women exporters). Direct engagement with these and similar associations would help the EPPCF to become more gender-responsive. Through a direct linkage with the women's associations, EPPCF would be more effective in identifying issues of high importance or urgency to businesswomen.
- **Organize a Women Business Forum:** FGDs and interview with women entrepreneurs have identified lack of access to policy makers as a major obstacle. There is a need to organize women business forum with key policy makers to raise and address investment constraints affecting women. For a more effective and inclusive discussion, such forums should be open to businesswomen ranging from big businesses to the informal sector. To ensure better coverage and ownership, forums will be developed in partnership with local organizations and existing businesswomen's associations.

### 8.3 Updated Gender-Responsive M & E Matrix: Business Regulation

*\* Proposed gender sensitive revisions to the Program document is highlighted in red.*

Statement of Market Failure
<p>Ethiopia--Africa's sixth largest economy and second most populous nation, home to 80 million people- -is growing. Economic growth in Ethiopia averaged 10.7 percent per year in 2003/04 - 2011/12 compared to the regional average of 5.4 percent (WB). Soaring public investment explains most of the 2011/12 growth, with private consumption explaining about one third (WB, 2013). For the growth to be enduring, the authorities will need to seek a different balance between the public and private sector involvement.</p> <p>The development of a strong and vibrant private sector would eventually be needed to sustain high growth, as the experience of other high performing countries) demonstrates. The main issues holding back the private sector growth are found in the policies that constitute the investment climate (ICA, IMF, WB). According to the World Bank's Doing Business Indicators, the business climate in Ethiopia has worsened over the period 2008 to 2014, with the country's ranking declining from 102 (out of 178) to 125 (out of 189). As elaborated in Ethiopia Umbrella IC Concept note, the main market failures include regulatory obstacles to enterprise formation, high cost of trading across borders in Ethiopia, high compliance cost in paying taxes and regulatory barriers to FDI. <b>As a recent gender diagnostic study carried out by the project team shows, such barriers particularly and disproportionately affect women entrepreneurs more than men.</b></p> <p>The Business Regulation component of the Ethiopia Investment Climate Program will facilitate high priority reforms to address regulatory obstacles to enterprise formation, <b>for both men and women.</b></p> <p>In 2010, the GoE introduced a new commercial registration and licensing regime, which aimed at filling various regulatory gaps and establishing defined administrative procedures. However, the new law is perceived to be draconian and highly restrictive by the private sector as it imposes onerous licensing preconditions. It made business registration procedures and requirements more complicated and burdensome and lead to a marked increase of cost and time (9 Days and 12.8% per capita income (DB 2012) to 15 Days and 135% per capita income (DB 2013)). This change is reflected in dramatic fall of Ethiopia's ranking on the ease of Starting A Business Indicator, from 99 (DB 2012) to 168 (DB 2015). There are more than 34 Competence Certifying Agencies that provide overlapping and onerous requirements for business registration and licensing. <b>Again, competence certification procedures are proven to restrict women entrepreneurs from formalizing their businesses more than men given lower educational levels and domestic responsibilities.</b></p> <p>Ethiopia does not have an accurate, up to date, transparent, accessible and reliable business register. <b>Similarly, gender disaggregated business registration mechanisms and data are not readily available.</b> A modern business registration system should not only reduce burdens on businesses, but also give the government the tools to produce business statistics <b>and design policies necessary for gender specific and targeted interventions.</b> The institutional</p>

framework for business licensing in Ethiopia is quite complex with more than 880 licensing offices issuing business registration certification and licenses throughout the country.

In addition, little or no use of technology means online procedures for licensing has not been introduced and the operations of different agencies have not been synchronized through electronic systems. For example, most trade name licenses are processed in the capital, Addis Ababa, hence requiring business owners in the regions to make several trips to submit paper work and complete necessary procedures. This increases the cost of doing business and for SMEs in particular the transition from the informal to formal sector is significantly hindered. **The project aims at simplifying the current business licensing policy and practice based on international practices and regional reform experiences in order to foster business creation and growth as well as improving the economic empowerment and participation of women.**

### **Objective Statement**

The overall objective of the Ethiopia Investment Climate Program is to streamline and simplify high priority regulations, processes, and practices that are burdensome to private businesses and address investment climate issues **of both men and women** that are holding back investment and productivity growth in Ethiopia.

Achievement of this objective will be measured by realization of the following results (by project end, December 2015):

- (1) a 25% reduction in overall compliance costs for licenses subject to simplification;
- (2) a 10% increase in the number of newly registered businesses ( baseline #794799 (2012)); **(50% of which are women owned business)**
- (3) a 25% reduction in compliance time and cost for starting a business (using DB for companies and project estimates for other types of businesses)

## Updated, Gender-responsive M&E Matrix for Business Regulation

SN	Proposed Gender Sensitive Activity and Indicators in the Business Regulation Program				
	Existing Project Activities	Revised Gender Responsive Activities	Indicators of Gender Responsive outputs	Indicators of Gender Responsive outcomes	Indicators of Gender Responsive impacts
1	Inventory and Compliance Cost study	Initiate and include gender disaggregated analysis and recommendation	<ul style="list-style-type: none"> <li>• Number of activities addressing gender specific barriers</li> <li>• Number of activities with anticipated gender specific impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Average no of days/cost to comply with business regulation disaggregated by gender</li> <li>• Cost disaggregated by gender of business owner</li> </ul>	<ul style="list-style-type: none"> <li>• Business value added disaggregated by gender of business owner</li> <li>• Disaggregated investment flows</li> </ul>
2	New laws, regulations, codes and amendments drafted and submitted	Include gender sensitive analysis and provisions	<ul style="list-style-type: none"> <li>• Number of gender responsive laws, regulations drafted</li> <li>• Number of gender responsive provisions in the new laws regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of procedures addressing gender specific barriers improved or eliminated</li> </ul>	<ul style="list-style-type: none"> <li>• Number of newly registered/licensed formal businesses disaggregated by gender and sector</li> </ul>
3	Informational e-registry/Business Portal	Integrate the collection and recording of gender-disaggregated data on the Informational E-Registry/Business Portal	<ul style="list-style-type: none"> <li>• Disaggregate business entities by gender of the owner</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Readily available gender disaggregated data</li> </ul>	<ul style="list-style-type: none"> <li>• Disaggregated information access and value added by business owner</li> </ul>
4	Revision of Commercial Code	Identify and include gender responsive provisions	<ul style="list-style-type: none"> <li>• Number of gender responsive provisions in the new laws regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of gender responsive laws regulations enacted</li> <li>• Number of gender responsive provisions in laws, regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Value disaggregated by gender</li> </ul>

				enacted	
5	Modernization of commercial registry	Include gender disaggregation tools in the platform	<ul style="list-style-type: none"> <li>Disaggregate business entities by gender of the owner/shareholder, manager</li> </ul>	<ul style="list-style-type: none"> <li>Readily available gender-disaggregated data on business ownership</li> </ul>	<ul style="list-style-type: none"> <li>Disaggregated commercial registration and investment flows</li> </ul>
7	Mapping and preparation of draft regulatory reform strategy	Draft gender responsive strategies of implementation of the regulations	<ul style="list-style-type: none"> <li>Gender sensitive implementation guideline</li> <li>Gender sensitive implementation manuals</li> <li>Gender specific provision in the strategy</li> </ul>	<ul style="list-style-type: none"> <li>Number of gender responsive laws regulations enacted</li> <li>Number of gender responsive provisions in laws, regulations enacted</li> </ul>	<ul style="list-style-type: none"> <li>Value disaggregated by gender</li> </ul>
9	Capacity building of staff of relevant agencies	Capacity building Trainings on gender responsive activities	<ul style="list-style-type: none"> <li>Number of men and women participants</li> <li>Number of women focused events</li> </ul>	<ul style="list-style-type: none"> <li>Number of employees and customers with favourable perception</li> </ul>	<ul style="list-style-type: none"> <li>Women user satisfaction/ improved perception</li> </ul>

## 8.4 Updated Gender-Responsive M & E Matrix: Tax Administration

*\* Proposed gender sensitive revisions to the Program document is highlighted in red.*

Statement of Market Failure
<p>Ethiopia--Africa's sixth largest economy and second most populous nation, home to 80 million people- -is growing. Economic growth in Ethiopia averaged 10.7 percent per year in 2003/04 - 2011/12 compared to the regional average of 5.4 percent (WB). Soaring public investment explains most of the 2011/12 growth, with private consumption explaining about one third (WB, 2013). For the growth to be enduring, the authorities will need to seek a different balance between the public and private sector involvement.</p> <p>The development of a strong and vibrant private sector would eventually be needed to sustain high growth, as the experience of other high performing countries) demonstrates. The main issues holding back the private sector growth are found in the policies that constitute the investment climate (ICA, IMF, WB). According to the World Bank's Doing Business Indicators, the business climate in Ethiopia has worsened over the period 2008 to 2014, with the country's ranking declining from 102 (out of 178) to 125 (out of 189). As elaborated in Ethiopia Umbrella IC Concept note, the main market failures include regulatory obstacles to enterprise formation, high cost of trading across borders in Ethiopia, high compliance cost in paying taxes and regulatory barriers to FDI.<b>As a recent gender diagnostic study carried out by the project team shows, such barriers particularly and disproportionately affect women entrepreneurs more than men.</b></p> <p>The Tax administration component of the Ethiopia Investment Climate Program will facilitate high priority reforms in business taxation.</p> <p>Businesses in Ethiopia are held back by costly and unpredictable tax administration (more than 200 directives are currently in force, few are well-known by taxpayers). Taxation in Ethiopia is characterized by high compliance cost, low collection and poor voluntary compliance, as documented below: (a) A Tax Compliance Cost Survey (World Bank, 2006) estimated average time requirements at over 20 hrs/month for VAT alone. Please see for more in Ethiopia Tax Diagnostics in IFC docs.</p> <p>(b) The threshold for "type A" taxpayer is only about \$20,000 (it had been much higher in real terms when first introduced over a decade ago), such that many semi-literate business owners are required to comply with very complex tax filing requirements (c) A recent business survey ( Yesigat and Belay , 2011, report uploaded in IFC docs) found that about 60% of businesses consider the existing tax appeals process to be lengthy and costly. Businesses are required to pay 50% of the disputed amount, leading to substantial cash flow constraints on businesses (during a lengthy process) and act as a strong disincentive to proceed with the appeal.</p> <p>(d) The MSME tax regime is a rather complex schedule of margins (64 different sectors) that</p>

risks defeating the objective of providing a simple and efficient tool for micro taxpayers. Compliance rates for small businesses are dismal. **As women occupy the micro and small business sectors, they are disproportionality affected by such compliance costs.**

(d) The administration of tax incentives is subject to abuse in addition to being very generous (tax expenditure estimated to about 4.3% of GDP). **Discretion of tax officers on assessment of turnover and for purposes of categorization puts women at disadvantageous and vulnerable position to corruption and harassment.** The existence of tax holidays also raises concerns about domestic transfer pricing and an un-level playing field.

### **Objective Statement**

The overall objective of the Ethiopia Investment Climate Program is to help Ethiopia sustain its current rapid and inclusive pace of economic growth through increased and robust private sector participation in the economy.

The Project will streamline and simplify high priority regulations, processes, and practices that are burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia.

The objectives of the tax program is to simplify and streamline tax administration (especially for micro, small and medium businesses) and improve taxpayer outreach, communication and education and thereby to achieve the following targets within two years of project completion:

(1) Reducing the time and costs of dealing with business taxes by 15% (for Limited Liability companies baseline is DB 13), and broaden the tax base by increasing the number of businesses registered for tax purposes by 10% **(50% of which are women owned businesses)** (baseline # 1266860-2012/13 (Addis Ababa) and achieve USD15 million in compliance cost savings

(2) Reduction in the percent of firms identifying tax administration as a major constraint by 15% (baseline to be informed by the compliance cost survey). **(50% of which are women owned firms)**



## Updated Gender-Responsive M&E Matrix for Tax Administration

SN	Proposed Gender Sensitive Activity and Indicators in the Tax Administration Program				
	Existing Project Activities	Revised Gender Sensitive Activities	Indicators of Gender sensitive outputs	Indicators of Gender sensitive outcomes	Indicators of Gender sensitive impacts
1	Tax Compliance cost and perception survey	Include gender disaggregated analysis in implementation	<ul style="list-style-type: none"> <li>• Number of gender disaggregated barriers identified and addressed</li> <li>• Number of gender disaggregated costs identified and addressed</li> </ul>	<ul style="list-style-type: none"> <li>• Average no of days to comply with tax administration disaggregated by gender</li> <li>• Cost disaggregated by gender of business owner</li> </ul>	<ul style="list-style-type: none"> <li>• Disaggregated investment flows</li> <li>• Number of businesses created</li> <li>• Number of tax paid by women owned businesses, voluntary compliance registration disaggregated by gender</li> </ul>
2	Improving the micro and small enterprises tax regime	Include gender disaggregated and gender responsive reforms	<ul style="list-style-type: none"> <li>• Number of procedures addressing gender specific barriers</li> <li>• Number of procedures with anticipated gender specific impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance costs reduced and procedures eased</li> </ul>	<ul style="list-style-type: none"> <li>• Business value added disaggregated by gender of business owner,</li> <li>• Number of women newly owned businesses registered for tax</li> <li>• User satisfaction with tax policy and administration</li> </ul>
3	Review of Tax Dispute Resolution System	Conduct gender disaggregated analysis and action points	<ul style="list-style-type: none"> <li>• Number of gender responsive recommendations for dispute resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Number of improvements in tax enforcement and appeal procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Value disaggregated by gender</li> </ul>
4	Capacity building trainings	Gender responsive trainings and gender focused events	<ul style="list-style-type: none"> <li>• Number of men and women participants</li> <li>• Number of women focused events</li> </ul>	<ul style="list-style-type: none"> <li>• Number of employees and customers with favourable perception</li> </ul>	<ul style="list-style-type: none"> <li>• Women user satisfaction/ improved perception</li> </ul>
5		Support the setting up of a gender responsive information desk and/or toll-free call	<ul style="list-style-type: none"> <li>• Number of men and women information desk users</li> </ul>	<ul style="list-style-type: none"> <li>• Number of accessible desk officers</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in agency operation and accessibility</li> </ul>

		centre dedicated to addressing tax related issues.			
6		Prepare gender sensitive manuals, brochures and/or other simplified information documents on tax administration	<ul style="list-style-type: none"> <li>• Number of gender responsive manuals, brochures produced and disseminated</li> </ul>	<ul style="list-style-type: none"> <li>• Number of publicly available information</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage/Number of women who consider tax administration as a constraint</li> </ul>

## 8.5 Updated Gender-Responsive M & E Matrix: Trade Logistics

*\* Proposed gender sensitive revisions to the Program document is highlighted in red.*

Statement of Market Failure
<p>Ethiopia--Africa's sixth largest economy and second most populous nation, home to 80 million people- is growing. Economic growth in Ethiopia averaged 10.7 percent per year in 2003/04 - 2011/12 compared to the regional average of 5.4 percent (WB). Soaring public investment explains most of the 2011/12 growth, with private consumption explaining about one third (WB, 2013). For the growth to be enduring, the authorities will need to seek a different balance between the public and private sector involvement.</p> <p>The development of a strong and vibrant private sector would eventually be needed to sustain high growth, as the experience of other high performing countries) demonstrates. The main issues holding back the private sector growth are found in the policies that constitute the investment climate (ICA, IMF, WB). According to the World Bank's Doing Business Indicators, the business climate in Ethiopia has worsened over the period 2008 to 2014, with the country's ranking declining from 102 (out of 178) to 125 (out of 189). As elaborated in Ethiopia Umbrella IC Concept note, the main market failures include regulatory obstacles to enterprise formation, high cost of trading across borders in Ethiopia, high compliance cost in paying taxes and regulatory barriers to FDI.</p> <p>The Trade Logistics component of the Ethiopia Investment Climate Program will facilitate high priority reforms to address high cost of trading across borders in Ethiopia.</p> <p>Ethiopia currently ranks 161 out of 183 countries on the Doing Business Trading Across Borders Indicator (2013). The recently released Light Manufacturing Study by the World Bank also highlights the trade logistics challenge faced, particularly by the apparel sector. It is identified as "the binding constraint on Ethiopia's competitiveness in apparel". Importing a container in Ethiopia, compared to Tanzania adds an additional cost of US \$ 1,095 for an Ethiopian importer .Time to import and export is about twice as long for Ethiopia as it is for China, Vietnam and Kenya. Pre-implementation Trade Logistics scoping work with extensive private sector input identified challenges that contribute towards Ethiopia's poor trade logistics performance and include:</p> <p>(a) BURDENSOME DOCUMENTATION : Businesses submit up to 21 documents for clearance in Ethiopia, some submitted 15 times to 8 different agencies. Further, up to 10 documents are required for time consuming transit procedures within Ethiopia itself (excluding Djibouti). (b) MANUAL CLEARANCE PROCES: Over 100 procedures are required to obtain clearance through 25 face to face interactions with 8 agencies. Only 2 of the above procedures can be performed manually.</p> <p>(c) INADEQUATE BORDER AGENCY COORDINATION : 25 actors are involved in border</p>

clearance with little coordination between them resulting upto 36 days for clearance procedures based on clearance regime (and not including document assembly period)  
(d) FREQUENT AND ONEROUS INSPECTION REGIME: 84 percent of cargo undergoes physical examination causing further delay in the clearance process.

The above challenges are posing significant barriers for businesses, particularly women, engaged in the import/export sector. The challenges force businesses to hold larger inventory with potentially higher losses and damages. Aside from tying up precious working capital they also need to service the debt on high interest loans. IFC Trade Logistics interventions would seek to work with Ethiopian Revenue and Customs Authority to reduce the time and cost to trade, simplify procedures and implement a more coordinated and modern border management system.

### **Objective Statement**

The overall objective of the Ethiopia Investment Climate Program is to streamline and simplify high priority regulations, processes, and practices that are burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia.

The Trade Logistics component specifically aims at achieving USD 18 million in private sector savings due to Trade Logistics improvement within 2 years of project completion by:

- (1) Reducing the time to export from 42 days (DB 2013) to 36 days (14 percent reduction)
- (2) Reducing the time to import from 44 days (DB 2013) to 38 days (14 percent reduction)
- (3) Reducing the documents required for import clearance from 25 documents (pre-implementation project baseline) to 15 documents (40 percent reduction)
- (4) Reducing the documents required for export clearance from 15 to 10 documents (33 percent reduction).

## Updated Gender-Responsive M&E Matrix for Trade Logistics

SN	Proposed Gender Sensitive Activity and Indicators in the Trade Logistics Program				
	Existing Project Activities	Revised Gender Sensitive Activities	Indicators of Gender sensitive outputs	Indicators of Gender sensitive outcomes	Indicators of Gender sensitive impacts
1	Capacity building trainings and outreach	Gender responsive trainings and gender focused events (particular emphasis to ESW implementation)	<ul style="list-style-type: none"> <li>• Number of men and women participants</li> <li>• Number of women associations participating</li> <li>• Number of women focused events</li> </ul>	<ul style="list-style-type: none"> <li>• Number of customers with knowledge of trade logistics requirements and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Women user satisfaction and perception</li> </ul>
2		Support the setting up of a gender responsive information desk and/or toll-free call centre dedicated to addressing trade related issues.	<ul style="list-style-type: none"> <li>• Number of men and women information desk users</li> </ul>	<ul style="list-style-type: none"> <li>• Number of accessible desk officers</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in agency operation and accessibility</li> </ul>
4		Prepare gender sensitive manuals, brochures and/or other simplified information documents on trade logistics	<ul style="list-style-type: none"> <li>• Number of gender responsive manuals, brochures produced and disseminated</li> </ul>	<ul style="list-style-type: none"> <li>• Number of publicly available information</li> </ul>	<ul style="list-style-type: none"> <li>• Number of women who consider trade logistics administration as a constraint</li> </ul>

## 8.6 Updated Gender-Responsive M & E Matrix: EPPCF

*\* Proposed gender sensitive revisions to the Program document is highlighted in red.*

Statement of Market Failure
The Ethiopian private sector is at a nascent stage, the country transitioning from command economy structure. Current policy dialogue in Ethiopia is often characterized by entrenched positions and a lack of shared assumption and objectives. Given the magnitude of the challenge the country faces, Ethiopia can afford nothing less than a pragmatic evidence based dialogue that is fully open to a new solutions to long standing problems in Ethiopian Investment climate. The EPPCF will provide the platform to do that.
Objective Statement
<p>The objective of the forum is by June 30, 2013</p> <ul style="list-style-type: none"><li>(1) to facilitate the creation of a public private consultative forum in Ethiopia (PPCF), including the establishment of a functioning secretariat,</li><li>(2) To support 10-15 investment climate <b>and genderrelated</b> improvements in Ethiopia and through this</li><li>(3) To achieve 20m/n in cost savings</li></ul>

## Updated Gender-Responsive M&E Matrix for EPPCF

SN	<b>Proposed Gender Sensitive Activity and Indicators in the Ethiopian Public Private Consultative Forum Program</b>			
	<b>Existing Project Activities</b>	<b>Revised Gender Sensitive Activities</b>	<b>Indicators of Gender sensitive outputs</b>	<b>Indicators of Gender sensitive outcomes</b>
1	Organize of National Business Forum	<ul style="list-style-type: none"> <li>• Mainstream gender in planning, implementation and agenda setting</li> <li>• Ensure gender representation at the EPPCF</li> <li>• Ensure 30% women participation at National Business Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Number and/or percentage of women members at EPPCF Secretariat, Gender Working Group</li> <li>• Number/percentage of women participants</li> <li>• Number of gender focused recommendations</li> <li>• Number of women in media appearances/communications pieces</li> </ul>	<ul style="list-style-type: none"> <li>• Number of gender focused recommendations enforced</li> </ul>
2	Design sustainability plan for the EPPCF	Include gender elements in the structure and planning of the program.	<ul style="list-style-type: none"> <li>• Number and percentage of women members at the Secretariat</li> </ul>	<ul style="list-style-type: none"> <li>• Well-functioning and gender responsive Secretariat</li> </ul>
3		Amend the Chamber Proclamation 341/2003 – to allow formal representation of women associations at ECCSA	<ul style="list-style-type: none"> <li>• Number of gender focused provisions</li> </ul>	<ul style="list-style-type: none"> <li>• Number of women association and women business participation at ECCSA</li> <li>• Proactive engagement of women (women's association) in reform programs</li> </ul>
4		Amend the EPPCF governing MoU to ensure gender inclusion	<ul style="list-style-type: none"> <li>• Number of gender responsive provisions articulated and addressed</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate gender representation at EPPCF Secretariat</li> </ul>
5		Organize Women Business Forum	<ul style="list-style-type: none"> <li>• Number of women participating/benefitting</li> <li>• Number of women focused issues articulated and addressed</li> </ul>	<ul style="list-style-type: none"> <li>• Number of recommendations enforced</li> </ul>

9		Training and Outreach for women entrepreneurs and associations	<ul style="list-style-type: none"> <li>• Number of businesswomen participating/benefitting</li> <li>• Number of training modules with gender inclusive focus</li> </ul>	<ul style="list-style-type: none"> <li>• Number of women associations proactively engaged in PPD agenda setting</li> </ul>
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## 8.7 Gender Action-Plan

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- **Develop a Gender Working Group (GWG)**

The study team proposes for a GWG to be established to follow-up the implementation of gender responsive recommendations. The proposed team members are:

- IFC Program components team leaders (4)
- IFC Monitoring and Evaluation officer
- MoT, Gender Directorate Head
- ERCA, Gender Directorate Head
- MoWA, Directorate for Economic Empowerment of Women
- Ethiopian Chamber of Commerce and Sectoral Association – Gender Unit
- Ethiopian Public Private Consultative Forum – Secretariat (*Gender Focal Person*)
- Ethiopian Women Entrepreneurs Association
- External Gender consultant (*optional*)

The working group will specifically be charged with supporting the government to address the identified regulatory and policy-level gender constraints. It should be a key part of the PPD Initiative. The Gender Working Group will spearhead the follow-up of the recommendations made in this gender assessment of the investment climate reform.

- **Organize Women Business Forum**

One of the key gender-related constraints that came out of this study was the perception of women entrepreneurs, and associations regarding lack of access to key policy makers. Representatives and women alike repeatedly expressed the desire to voice their concerns to government leaders but the inability to do so. The existing Public Private Consultative forum is considered by businesswomen as lacking gender responsive processes and mechanisms, which is inadequate to address gender related constraints facing the community.

We suggest the Gender working group, in collaboration with the PPD Secretariat, organizes a Women Business Forum. The forum should design pertinent gender related agenda for

discussion with key policy makers. To ensure better coverage and ownership, forums will be developed in partnership with local organizations and existing businesswomen's associations, such as the Ethiopian Women Entrepreneurs Association (EWEA), the Ethiopian Women Exporters Association (EXExA), Women in Self-Employment (WISE), Association of Women in business (AWIB), the Gender Unit of the Ethiopian Chamber of Commerce and Sectoral Association, etc.

- **Proposed Gender Agenda for Women Business Forum**

Many of the challenges that women entrepreneurs associations and other representatives of women entrepreneurs identify as the most pressing for women are similar to the most pressing issues of the general business community. However, the generally disadvantaged position of women in the formal economy due to such factors as lower levels education, time-poverty, limited ownership of resources, they are often more severely impacted by the constraints that affect the business community in general. Most of the following agenda items, accordingly, reflect those challenges that tend to impact women disproportionately.

- Amendment of the Chambers of Commerce and Sectoral Associations Establishment Proclamation No. 341/2003 to cover women entrepreneurs associations
- Access to Finance (requirement of a collateral)
- Access to Premises
- Tax Assessment and tax administration issues
- Ease of registration and licensing requirements
- Ease of trade logistics
- Capacity development for women entrepreneurs

- **Strengthen Women Business Associations**

Networks of businesswomen usually provide support and training to women and assist them in the legal, regulatory and administrative interactions necessary to start and operate a business. They also provide a platform for women to share information, knowledge and benefit from mutually supporting each other. Promotion of business linkages between women and large companies and provision of training and advisory services like business mentoring, so as to develop the managerial and marketing skills of women entrepreneurs would also contribute to alleviating internal impediments to the growth of enterprises.

## **9 ANNEXES**

### **9.1 Annex 1: Terms of Reference (ToR)**

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#### **Assignment Name: Gender Related Investment Climate Constraints in Ethiopia: Diagnostics and Action Options**

##### **Background**

IFC, a member of the World Bank Group, is an international organization whose mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

IFC and the Government of Ethiopia have agreed to cooperate in implementing the Ethiopian Investment Climate Program. The overall objective of the Ethiopia Investment Climate Program is to streamline and simplify high-priority regulations considered burdensome to private businesses and address investment climate issues that are holding back investment and productivity growth in Ethiopia. It will support the government to improve business licensing and registration, business taxation, trade logistics, debt resolution and business exit, and to carry out industry-specific reforms in key sectors such as tourism and agribusiness.

As part of the project, in collaboration with IFC's Women in Business Program, the project team is keen to mainstream gender issues in the project's investment climate reform work. One of the key partners of the Ethiopia IC program, Canadian International Development Agency (CIDA), is also keen to better understand the business climate for women entrepreneurs in Ethiopia operating in the informal sector. CIDA is interested in different approaches for building an environment where micro-scale women entrepreneurs can grow and formalize their businesses. In short, the Ethiopia Investment Climate Project aims to promote gender-sensitive investment climate reforms that would equally benefit women as well as men.

IFC's internal analysis indicates that the gender gap in economic participation remains vast. Improved investment climate will create better opportunities for women entrepreneurs. Poor investment climate tends to have disproportionately adverse effect on women. Women own fewer businesses--only one-third of firms surveyed by the World Bank in 118 countries have female participation in ownership. Businesses owned by women tend to have fewer employees, lower sales and lower capital. Worldwide women are three times more likely to be found in the informal sector. Women have limited voice in public decision making. Expensive and

lengthy procedures impact women more. If one takes business registration as an example, women report being more likely to be hindered by cumbersome procedures. But they tend to be more likely to comply with regulations once requirements were simplified.

Gender-disaggregated Enterprise Survey data (2011) shows that Ethiopia ranks in the middle among sub-Saharan countries in terms of female entrepreneurship (35% of formal enterprises are owned by women). Thus, for female entrepreneurship, Ethiopia is marginally below World average and marginally above sub-Saharan African average. In terms of female-managed firms, Ethiopia is almost in the bottom quartile among sub-Saharan countries. The share of women-managed firms is only 14%, which is below sub-Saharan and well-below world average. The lack of data on women entrepreneurship and their enterprises is a challenge to addressing gender-specific investment climate constraints effectively. Data from 1997 shows that in Ethiopia women are highly concentrated in the micro-enterprise sector and in small-scale production. Data also shows that women-ownership decreases dramatically with increasing firm-size. (65% of urban micro-enterprises were run by women and 26% of small-scale producers were women - 1997). But data on the number of women starting and registering firms every year is not properly captured by the authorities and firm creation and growth trends for women firms can there not be tracked and analyzed and relevant constraints not be understood. More data and information is necessary to profile the situation of women in the Ethiopian economy, particularly in the informal sector where it is expected to find a high concentration of female entrepreneurship.

## 9.2 Annex 2: List of interviewees, Organizations and FGDs Participants

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### Interviews: IFC Program Management Team

	Name	Organization	Date
1	Ato Mamo Esmelealem	Program Manager, ICP	November 27, 2014
2	Ato Abebe Ababayehu	Team Leader, Trade Logistics	November 27, 2014
3	Ato Eyob Tekaligne Tolina	Team Leader, EPPCF	November 27, 2014

### Interviews : Women Entrepreneurs

	Name	Organization	Date
1	W/o Gizeshwork Tessema	Owner and General Manager, Gize Plc	November 18, 2014
2	W/ro Zeineba Yinga	Owner and manager, Construction Machineries leasing Co	December 05, 2014
3	W/ro Nigist Haile	Director, CAWEE	November 29, 2014
4	W/ro Tsige Haile	Director, Women in Self-Employment (WISE)	November 20, 2014
5	W/t Sappi Nalbadian	Owner and Manager,	November 29, 2014

### Associations/Organizations Consulted

	Name	Date
1	Ethiopian Women Entrepreneurs Association	December 01, 2014
2	Ethiopian Women Exporters Association	December 05, 2014
3	Association of Women in Business (AWiB)	November 14, 2014
4	Women In Self-Employment (WISE)	December 04, 2014

5	Alliance of Women Entrepreneurs Program (AWEP) – Ethiopia Chapter	November 29, 2014
6	Network of Ethiopian Women Association (NEWA)	November 27, 2014
7	Center for Accelerated Women Empowerment in Ethiopia (CAWEE)	November 29, 2014
8	Ethiopian Chamber of Commerce and Sectoral Associations	November 19, 2014

### **Government Agencies Consulted**

	<b>Name</b>	<b>Date</b>
1	Ministry of Trade	November 28, 2014
2	Ministry Women, Children and Youth Affairs	November 28, 2014
3	Federal Investment Commission	November 28, 2014
4	Federal Micro and Small Enterprises Agency (FEMSEDA)	November 28, 2014
5	Ethiopian Revenue and Customs Agency (ERCA)	
6	Ministry of Finance and Economic Development	December 05, 2014
7	Ministry of Labour and Social Affairs	December 05, 2014
8	Central Statistics Agency	December 05, 2014

### **FOCUS GROUP DISCUSSIONS**

<b>Members of Ethiopian Women Entrepreneurs Association</b>
<p>Ethiopian Women Entrepreneurs Association – 12 participants, including</p> <ul style="list-style-type: none"> <li>• Chairwoman of Ethiopian Women Entrepreneurs Association</li> <li>• Director of Ethiopian Women Exporters Association</li> <li>• Chairwoman of Addis Ababa Women Entrepreneurs Association</li> </ul>

## FOCUS GROUP DISCUSSIONS

<b>Members of Women in Self-employment Association (WISE)</b>
<ul style="list-style-type: none"><li>• W/ro Zeineba Yinga (Owners of multiple companies, Leasing of Construction Machineries and also Restaurant)</li><li>• W/ro Aster Yigezu (Spices and Food Items Packaging)</li><li>• Alemnesh Belete (Restaurant)</li><li>• Misrak Shiferaw -- café owner</li></ul>

### 9.3 Annex 3: References

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#### National Laws

- The Constitution of Federal Democratic Republic of Ethiopia (1995), NegaritGazeta, Year 1, No.1.
- Commercial Code of the Empire of Ethiopia of 1960, NagaritGazeta, Extraordinary issue, No. 3 of 1960
- Income Tax Proclamation of Ethiopia of 2002, Proclamation No.286, NegaritGazeta, Year 8, No. 34
- Commercial Registration and Business Licensing, 2010, Proclamation No.686, NegaritNegaretGazeta, Year10, No. 9
- The Revised Family Code Proclamation No. 213/2000, Federal NegaritGazetta Extra Ordinary Issue No. 1/2000
- Civil Code of the Empire of Ethiopia, Proclamation No. 165/1960.

#### International Laws, Agreements, Treaties

- African Charter on Humans and People's Rights (ACHPR) Declaration on the Elimination of Violence against Women (DEVAW),
- Beijing Platform of Action (BPA),
- Convention on the Elimination of All Forms of Discrimination against Women (CEDAW),
- International Conference on Population and Development (ICPD) and Solemn Declaration on Gender Equality and Women's Empowerment
- Vienna Declaration and Program of Action, Part I, Chapter I, World Conference on Human Rights, Vienna, Austria (1992)

#### National/International Surveys, Statistics, Reports

- |            |   |
|------------|---|
| CSA (2006) | Report on the 2005 National Labour Force Survey, Addis Ababa, Ethiopia. |
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CSA (2014),	Urban Employment Unemployment Survey, Oct. 2014, Addis Ababa, Ethiopia
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