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THE REGULATORY FRAMWORK FOR COMMERCIAL BROKERS IN ETHIOPIA: AN ASSESSMENT OF ADEQUACY AND ENFORCEMENT IN BAHIR DAR CITY

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THE REGULATORY FRAMEWORK FOR COMMERCIAL BROKERS IN ETHIOPIA: AN ASSESSMENT OF ADEQUACY AND ENFORCEMENT IN BAHIR DAR CITY

BY

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January 2026

THE REGULATORY FRAMWORK FOR COMMERCIAL BROKERS IN ETHIOPIA: AN ASSESSMENT OF ADEQUACY AND ENFORCEMENT IN BAHIR DAR CITY

Thesis

Submitted in partial fulfilment of the requirement of Master of Law, (LLM)

School of Law, Bahir Dar University

By

Dagim Sisay

Advisor

Assistant professor Mulugeta Akalu

School of Law, Bahir Dar University

January, 2026

The research titled " **The regulatory framework for commercial brokers in Ethiopia: An assessment of adequacy and enforcement in Bahir Dar city" by Mr. Dagim Sisay is approved for Master of Laws (LLM)**

Board of Examiners

	Name	Signature
Advisor	-------------------------------	-----------------------------
Internal Examiner	-------------------------------	-----------------------
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Date--------------------------

Declaration

I, Dagim Sisay, declares that the thesis comprises my own work. In compliance with widely accepted practices, I have duly acknowledged and referenced all materials used in this work. I understand that non- adherence to the principles of academic honesty and integrity, misrepresentation/fabrication of any ideas/data/fact/source will constitute sufficient ground for disciplinary action by the University and can also invoke criminal sanction from the State and civil action from the sources which have not been properly cited or acknowledged.

Signature

Dagim Sisay

Id. Number BDU 1500961

January , 2026

Acknowledgment

First I would like to express my heartfelt gratitude to my advisor, Assistant professor Mulugeta Akalu, for his consistent guidance and kind, timely, and constructive comments throughout this process. His insightful feedback and academic mentorship were instrumental in shaping this research and bringing it to fruition.

I am also deeply thankful to the Post Graduate Coordinator of Bahir Dar University School of Law, Tajebe Getaneh. His continuous motivation and encouragement provided me with the necessary drive to stay on track and complete this work within the scheduled timeframe. Furthermore, I wish to extend my sincere appreciation to the individuals who provided the primary data for this study. This work would not have been possible without the cooperation of the brokers, law enforcement officials in Bahir Dar, and the officials and experts from the ANRS Revenue Office and the ANRS Trade and Licensing Bureau. Their willingness to share their time, expertise, and valuable information was essential to the depth of this research.

Finally, I would like to acknowledge everyone who contributed, directly or indirectly, to the success of this work. Whether through academic support, technical assistance, or personal encouragement, your contributions are sincerely appreciated.

Table of Contents

Acronyms

AfCFTA – African Continental Free Trade Area

ANRS – Amhara National Regional State

FDRE – Federal Democratic Republic of Ethiopia

FGD – Focus Group Discussion

GATS – General Agreement on Trade in Services

ICC – International Chamber of Commerce

MoT – Ministry of Trade

NGO – Non-Governmental Organization

NO- Number

SIB – Supervisory Authority of Insurance Business

VAT – Value Added Tax

WTO – World Trade Organization

Abstract

This research looks at the rules governing commercial brokers (commonly known as dellalas) in Ethiopia, with a specific focus on Bahir Dar City. Brokers are important because they help people buy and sell goods and services, but if they are not controlled, they can cause problems in the market. The study aimed to find out if the current Ethiopian laws for brokers are adequate enough and if the government is actually making sure people follow them. The study employs a qualitative legal research approach combining doctrinal and non doctrinal forms legal research. Data were collected through semi-structured interviews, field observation, and document analysis, and examined using thematic and analytical methods to assess the gap between formal regulation and brokerage practice. The findings show a big gap between what the law says and what actually happens. Even though the law requires brokers to have a license, brokers in Bahir Dar work illegally without having it. The research found that the government and the police often ignore these unlicensed brokers, allowing them to operate openly. This lack of control leads to problems like brokers unfairly increasing prices, tricking customers, and avoiding taxes.

The study concludes that the current system is not working well. To fix this, it recommends that the government create one clear, modern law for all brokers. It also suggests that brokers should have to meet professional standards and receive training before getting a license. Finally, it calls on the police and trade bureaus to be more active in stopping illegal brokerage activities to protect consumers and the economy.

Key words: Broker, Commercial intermediaries, Dellala, Informality, Market intermediation, Brokerage services.

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

It is evident that brokers play important role in markets where information and search costs are unevenly distributed by improving market efficiency by reducing search costs and increasing gains from trade, especially for less skilled traders[1] or seller and buyer (market players). The brokerage sector in Ethiopia in general and in the study area in particular also plays a pivotal intermediary role in connecting and convincing buyers and sellers to come to an agreement, facilitating market access, and influencing price formulation in a given markets.[2] By enabling the economic and social interactions between disconnected actors in the market, brokers trade on gaps in social structure and facilitate the flow of valued resources[3] and this is particularly important in countries where formal institutions are allegedly underdeveloped by serving as accessible entry points to the market for ordinary citizens.

Therefore, for the effective function of the market across the globe, participants including brokers need to be well regulated so that stability, transparency, and fairness in the economy will be maintained.[4] If not, such lack of compressive regulation may weaken trust in the market system and a remain fertile ground for unfair practices to flourish, which in turn creates opportunities for exploitation fraud, and dispute.[5] Moreover, the informal operation of brokers may also create an obstacle to both regulatory authorities and market participants.

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[1] Eleni Z. Gabre-Madhin, 'The Role of Intermediaries in Enhancing Market Efficiency in the Ethiopian Grain Market,' *Agricultural Economics* 25, NO. (2001), PP 311–320. Available At <https://www.sciencedirect.com/science/article/Pii/S016951500100084X> (Last Accessed on 20 July 20205) [Hereinafter, Eleni Z. Gabre-Madhin, *The Role Of Intermediaries In Enhancing Market Efficiency*].

[2] Wondu Fikadu, *The Role of Brokers on Determination Of Residential Real Estate Price In Addis Ababa*, LLM Thesis, Addis Ababa University, 2020, Unpublished, P.4 Available At: https://etd.aau.edu.et/bitstreams/E357d939-2e85-4ff4-8489-2e78711b1cb4 (Last Accessed On 20, August 2025) [Hereinafter, Wondu Fikadu, *Role of Brokers on Residential Real Estate Price*].

[3] Pei Palmgren, 'State Capacity and Opportunistic Governance: The Causes and Consequences of Regulatory Brokerage in Thailand's Guest work Formalization Process,' *Social Problems* (Oxford University Press, 2022), Vol. 70, No. 1, PP. 256-274, P. 259 Available at: https://academic.oup.com/socpro/article/70/1/256/6649505 (Last Accessed on 23, August 2025) [Hereinafter, *Pei Palmgren, State Capacity and Opportunistic Governance*]

[4] Abdullah Al-Shebli And Thafar M. Alhajri, 'What is the International Best Practice for Regulation of Financial Markets? From A Legal and Practical Perspective,' *Journal of Eco humanism* (Eco humanism, 2024) Vol. 3, No. 4, Pp. 1143-1154 at P.1143, Available at: <https://doi.org/10.62754/Joe.v3i4.3648>; See Also < https://ecohumanism.co.uk/joe/ecohumanism >(Last Accessed on 23, August 2025) [Hereinafter, Al-Shebli and Alhajri, *International Best Practice for Regulation of Financial Markets*].

[5] Ana Carvajal and Jennifer Elliott, 'the Challenge of Enforcement in Securities Markets: Mission Impossible?' IMF Working Paper (Monetary and Capital Markets Department, International Monetary Fund, 2009), WP/09/168,

For this reason, most countries across the world regulate brokers to maintain trust and fairness in markets. For example, in Singapore, every property agent and agency must be licensed or registered under the *Estate Agents Act 2010*, overseen by the Council for Estate Agencies (CEA), which was established in 2010 as a statutory board under the Ministry of National Development to regulate and raise professionalism in the real estate industry.[6] In Kenya, be it official or ordinary, no person shall carry on trade of broker be it except provided by the broker act.[7]

With respect to the legal framework in our country, the recognition of brokers dates back to the enactment of the 1960 Commercial Code of Ethiopia (recently revised in 2021).[8] While, regulation of brokers in general remains limited, those brokers operating in specific areas are subject to relatively comprehensive oversight. For instance, brokers in the capital market seems sufficiently [relatively] regulated under the Capital Market Proclamation No. 1248/2021[9] together with its implementing directives.[10] The same holds true when we come to brokers in the insurance sector. [11]

However, if we see the regulation of brokers in general as stated above, though the commercial code of the 1960 (recently revised in 2021) and other few municipal directives recognizes broker and brokerage business, such legal and institutional frameworks regulating it appear

Available at: <https://www.imf.org/external/pubs/ft/wp/2009/wp09168.Pdf > (Last Accessed on 23, August 2025) [Hereinafter, Carvajal and Elliott, *Challenge of Enforcement in Securities Markets*].

[6]Republic Of Singapore, *Estate Agents Act 2010, Revised Edition 2020* (Including Amendments up to 1 December 2021, In Force 31 December 2021), Available at:< https://sso.agc.gov.sg/act/EAA2010> (Last Accessed On 23, August 2025) [Hereinafter, *Singapore, Estate Agents Act 2010*].

[7] Republic of Kenya, *Brokers Act, Cap. 527* (Assented 24 December 1930, Commenced 24 December 1930, Revised By 24th Annual Supplement, Legal Notice 221 of 2023, on 31 December 2022), Available At: <**https://new.kenyalaw.org/akn/Ke/act/1930/56/eng%402022-12-31>** (Last Accessed on 30, August 2025) [Hereinafter, Kenya, *Brokers Act, Cap. 527*].

[8] Commercial Code of The Empire of Ethiopia, 1966, *Negarit Gazzeta*, Extraordinary Issue, Proc. No. 166, 19th Year, No. 3, Art. 56. [Hereinafter, t*he Old Commercial Code of Ethiopia*]. Available at <https://chilot.me/wp-content/uploads/2011/02/commercial_code_of_the_empire_of_Ethiopia.Pdf > (Last Accessed on 30, August 2025) [Hereinafter, the *Old* Commercial Code of Ethiopia].

[9] See the Capital Market Proclamation, 2021, *Federal Negarit Gazeta*, Proc. No. 1248, 27th Year, No. 33, [Hereinafter, Capita Market Proc. No. 1248/2021].

[10] Licensing of Insurance Broker Directive, 2010, National Bank of Ethiopia, Directive No. SIB/31/2010, Addis Ababa. Available at <https://nbe.gov.et/wp-content/uploads/2023/12/directive-No.-SIB-31-2010-Licensing-of-Insurance-Broker.Pdf> [Hereinafter, *Directive No. SIB/31/2010*] (Last Accessed on 20, August 2025).

[11] Insurance Business Proclamation, 2012, , Proc. No. 746, *Federal Negarit Gazette*, 18th Year, No. 57, Addis Ababa, 9 January 2012, Available At < https://chilot.wordpress.com/wp-content/uploads/2013/04/> As Amended By Insurance Business (Amendment) Proclamation, 2019, *Federal Negarit Gazette*, Proc. No. 1163, 26th Year, No. 6, Addis Ababa, 9 January 2020,; Corrigendum No. 14/2020 Available <https://www.lawethiopia.com/index.php/volume-3/6717-proclamation-No-1163-2019-insurance-business-amendment-proclamation> (Last Accessed 20, August 2025) [Hereinafter, *Insurance Business Proclamation Number 746/2012 as Amended*].

fragmented. Therefore, it is precisely this uncertainty between the evident importance of brokers, the partial and possibly inadequate regulatory responses, as well as the limited scholarly engagement motivates the conduct of this study.

1.2. Problem Statement

In our country, Ethiopia, brokerage services are widely practiced in public spaces characterized by informal operations. In Bahir Dar, a rapidly urbanizing city in the country,[12] the brokerage is currently dominated by the traditional '[d]ellala'[13], which is deeply entrenched in local socio economic practices, and the business is now seems appealing for professionals to join and play their roles.[14] If you walk through the downtown area, you often encounter posters attached to electric pols, buildings, and trees advertising services such as house brokerage, rental arrangement, sale and purchase arrangements, sand and grain brokerage and other key commodities, usually accompanied by a simple telephone contact. Such visibility raises important questions regarding how brokerage services operate in practice in the study area and how they are situated within the existing legal and institutional framework. Preliminary observations suggest variation in how brokers engage with licensing requirements and regulatory oversight. This situation invites closer examination of how brokerage activities are organized, how brokers interact with clients, and how existing laws and administrative practices shape market behavior with respect to brokerage business. Prior studies in comparable contexts indicate that intermediaries do not always act in ways aligned with client interests, which underscores the importance of examining brokerage conduct, accountability, and market effects within the local setting.

At the institutional level, Ethiopia has enacted laws and directives that touch upon brokerage services, either directly or indirectly. For example, the Directives issued by the Amhara Region revenue Bureau (Directive No. 20/2015) address brokers primarily from a taxation perspective.

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[12] Dereje Tessema Adigeh, *et al*, 'Informal Land Access For Housing And Associated Settlement Developments in Bahir Dar City, Ethiopia,' *Human Dynamics: Journal of Development and Society (Frontiers in Human Dynamics*, 2025) Vol.7, No.1477944, P.1-13 at P.1 Available at: <https://www.frontiersin.org/Journals/Human-dynamics/Articles/10.3389/Fhumd.2025.1477944/Full. Frontiers (https://www.frontiersin.org/journals/human-dynamics/Articles/10.3389/fhumd> (Last Accessed on 25, June 2024). [Hereinafter, Dereje Tessema,*et al*, *Informal Land Access For Housing Developments in Bahir Dar City*].

[13] In the local Ethiopian context, delala (ደላላ) means a person who connects buyers and sellers. A delala usually does not own the goods or services. Instead, they act as a middle person who helps conclude the deal and then collects a fee or commission for their service.

[14] Wondu Fikadu, Role of Brokers on Residential Real Estate Price, *Supra note* 2, P.4.

At the same time, questions remain regarding how these and other instruments regulating Commercial brokers relate to broader issues such as professional standards, consumer protection, and market regulation, particularly within the socio-economic conditions of rapidly growing cities like Bahir Dar.

In this context, concerns arise regarding the adequacy of the existing legal and institutional arrangements governing brokerage services and the manner in which they are implemented in practice. These concerns point to the need for systematic inquiry. Accordingly, this research examines the legal framework applicable to brokerage services, its implementation at the local level, and the practical realities of brokerage operations in Bahir Dar City, with the aim of identifying regulatory patterns, challenges, and areas requiring further legal and policy attention.

1.3. Objective of the research

1.3.1. General Objective

The general objective of this study is to examine the adequacy and effectiveness of the legal and institutional framework regulating brokers in Ethiopia, with special reference to Bahir Dar City.

1.3.2. Specific Objectives

- To analyze the adequacy of existing Ethiopian legal and institutional frameworks governing brokers, with particular focus on analyzing the licensing requirements, standards of conduct, accountability mechanisms, and dispute resolution provisions.
- To explore the nature and scope of brokerage practices in Bahir Dar City.
- To identify gaps and challenges in the implementation and enforcement of brokerage regulations in Bahir Dar.
- To examine the socio-economic impacts of brokerage practices on consumers, the government, and the market in Bahir Dar City.
- To identify legal and institutional measures necessary to strengthen transparency, accountability, and professionalism in brokerage services in Bahir Dar City, if challenges exist.

1.4. Research Questions

1.41. Main research question

To what extent are the legal and institutional frameworks regulating brokers in Ethiopia adequate and effective, with special emphasis on Bahir Dar City?

1.4.2. Specific research question

- To what extent does the current Ethiopian legal and institutional framework adequately regulate brokers?
- What brokerage practices operate in Bahir Dar City, and how do existing legal and institutional arrangements shape their operation?
- What are the major challenges and gaps in the enforcement of broker regulations in Bahir Dar?
- How does the informal nature of brokerage affect consumers, the government, and the economy?
- What regulatory, institutional, and policy measures are required to align brokerage practices in Bahir Dar City with formal legal standards?

1.5. Significance of the Study

The study offers both theoretical and practical benefits. To this effect, theoretically it serves as a relevant reference and literature for further study in the future. Practically, the study enables policy and law makers to have a clear picture of the problem of unregulated brokerage business in the Ethiopian market in general and in the study area in particular so that they can enact, amend or alter the existing laws based on the loopholes figured out throughout the study. Furthermore, the study will provide empirical evidence on the scale of informal brokerage and its tangible effects on consumer welfare and local government revenue, providing an evidence-based foundation for reform.

1.6. Review of Literatures

Myriads of scholars across the Globe have made studies highly devoted to issues related with brokers and brokerage business, making this work not the first of its kind. To begin with studies conducted at the international level, Christine Godsil Cooper in his article titled "*The Regulation of Brokers- New Developments*"[15] raised important issues related with regulation of real estate brokers in the real estate in Illinois, USA. The author, by taking the Chicago Bar Association v. Quinlan &Tyson case[16] as a base line, argued that courts in Illinois have recognized that broker's

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[15] Christine Godsil Cooper, 'the Regulation Of Brokers: New Developments,' *Depaul Law Review*, Vol. 28, No. 3, 1979, PP 673-98. [Hereinafter, Cooper, 'the Regulation of Brokers].

[16] *Chicago Bar Association V. Quinlan & Tyson*, Supreme Court of Illinois, 1966, Supreme Court of Illinois, Cicago. [Hereinafter, *Quinlan & Tyson*].

action has habitual negative impact to the interests of their clients /employers,[17] which needs proper regulation. In this regard, the article asses both the broker's right to commission and the conditions under which clients are not obliged to pay commission for brokers.

Moreover, the author argued that courts in Illinois have recently begun to deal with the specific roles of both the broker and the attorney and the questions concerning when it is appropriate for the broker to perform certain legal function. Accordingly, the article concludes that role boundaries between brokers and lawyers remain unsettled and litigation persists over commissions. Here, despite its contribution towards having a regulated broker's behavior, the study is limited both geographically and remains sector specific. It only addresses real estate brokers based on US court decisions, ignoring regulation of brokers in other areas and did not consider the Ethiopia context to which this study is dedicated.

The other related work made is an article by Robert Arasa *et al* titled "The *Role of Financial Intermediaries in the Internationalization of Capital Markets in Kenya: A Study of stock brokers in Kenya*"[18].

By adopting a descriptive survey, the study comprised of 19 stockbrokerage firms licensed to operate at the Nairobi Securities Exchange, its finding indicate that stock brokers contribute to the internationalization of capital markets through their roles in facilitating cross -listing, off-shoring and foreign investor by aiding in sourcing for investment opportunities, provision of relevant information and transaction facilitation. Under the study, its findings further reveals that the government issues, lack of awareness and knowledge on innovative strategies, adequate financial resources, availability of adequate infrastructure and trading costs affects stock brokers role in the internationalization of capital markets. The study recommends that the government and policy makers should direct efforts towards addressing the various bottlenecks that hinder the effectiveness of the stock brokers in the internationalization of capital markets in Kenya. Further, towards realizing efficiency and effectiveness these firms need to embrace technology and innovation. However, since the

[17] *Id*., P.698.

[18] Robert Arasa, *et al*, 'The Role of Financial Intermediaries in the Internationalization of Capital Markets in Kenya: A Study of Stock Brokers in Kenya,' *Journal of Economics and Behavioral Studies*, Vol. 7, No. 5, October 2015, PP. 91–102, ISSN 2220-6140, Available at https://www.researchgate.net/publication/356988024_the_role_of_financial_intermediaries_in_the_internationalization_of_capital_markets_in_kenya_a_study_of_stock_brokers_in_kenya > [Hereinafter, *Arasa et al., the Role of Financial Intermediaries in the Internationalization of Capital Markets in Kenya*].

study only covered the stockbrokers and their role in the internationalization of capital markets within Kenya as the title itself indicates, it did not address the issues out of Kenya and brokers out of Capital market, justifying the conduct of the research under investigation.

In Ethiopia also, several scholars have undertaken significant studies concerning regulation of brokers. Accordingly, an LL.M thesis Submitted to Addis Ababa University in 2018 titled "*Regulation of Insurance Brokerage in Ethiopia: The Law and the Practice*"[19] by Yinebeb Dereh is one among others. Under this study, the researcher tried to assess the adequacy of the laws concerning the regulation of insurance brokerage with special focus on the regulating of payment of insurance brokers' remuneration in Ethiopia.[20] To this effect, the author identified that the applicable Ethiopian legislations [during the conduct of the research] on insurance brokerage are not adequate enough to address various important issues including remuneration of brokers called commission, in the sector which requires proper intervention. Due to this, as per the author, these gaps in the laws have affected the development of the insurance brokerage industry.[21] Still, this study only covered the regulations of brokers working within the insurance industry the making its finding less applicable to brokers working out of the insurance business.

The other study conducted concerning brokers is an LL.M thesis by Wondu Fikadu, titled "*The Role of Brokers on Determination of Residential Real Estate Price in Addis Ababa"*[22], which was submitted to Addis Ababa University in 2020 .Under this study the author found that brokers play a major role in influencing residential real estate prices in Addis Ababa, although their services are widely criticized due to various reasons including but not limited to weak professionalism, and poor use of technology, and lack of reliable market information, which causes sellers to overprice properties and forces buyers into lengthy and inefficient negotiations. Based on these findings, the study recommends among other measures, legalizing and standardizing brokerage activities through a clear code of ethics, requiring brokers to adopt scientific pricing techniques such as hedonic regression models. However, the study was limited

[19] Yinebeb Derseh, *Regulation of Insurance Brokerage in Ethiopia: The Law and the Practice*, LL.M Thesis, Addis Ababa University, School of Law, College of Law and Governance Studies, 2018. Available at <https://etd.aau.edu.et/items/44c63c71-E880-4946-B984-783c22ca0e8e> [Hereinafter, *Yinebeb Derseh*, *Regulation of Insurance Brokerage in Ethiopia*].
[20] *Id*, P. 66
[21] *Ibid*.
[22] Wondu Fikadu, Role of Brokers on Residential Real Estate Price, Supra note 2, PP 1-106.

to real state brokers and geographically limited to AdisAbeba City as a case study, making its findings less directly applicable to Bahir Dar, where this research is being conducted.

Lastly, an important study on brokers is titled *"Of Markets and Middlemen: The Role of Brokers in Ethiopia"* by Eleni Z. Gabre-Madhin.[23] As per the finding of this study brokers play a central role in addressing commitment problems in Ethiopia's grain market, where weak institutions and other related challenges hinder direct transactions. The author argued that brokers reduce search costs, set daily spot prices, act as inspectors and witnesses, and guarantee contract enforcement, making their role particularly important in surplus regions. The study revealed that despite these contributions, there is a limited transparency on the practice of grain brokers, which created risk of moral hazards. Based on these findings, the study recommends strengthening transparency in brokerage practices, institutionalizing standardized grain grading and contract systems, and improving public access to market information.[24] However, the study is remaining focused only on grain brokers.

While the existing literature provides valuable insights into sector-specific (insurance, capital markets, real estate) and location-specific (Addis Ababa) brokerage, and into the economic role of brokers (grain markets), there is a conspicuous absence of research focused on the overarching general commercial brokerage sector in Ethiopia's regional urban centers. This study aims to fill that gap.

1.7. Research Methodology

1.7.1 Research Approach

This study, "*The Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City"*

" adopts a qualitative methodology since it planned focus on interpretation understanding and explanation rather than numerical measurement. Qualitative methods are particularly well suited for those researches aimed at analyzing the types of evidence, and developing the types of arguments, we typically see in law reviews.[25] Within this qualitative methodology the study is a

[23] Eleni Z. Gabre-Madhin, 'the Role of Intermediaries in Enhancing Market Efficiency, *Supra note* 1, PP1.-56
[24] *Ibid.*
[25] See, Katerina Linos and Melisa Carlson, 'Qualitative Methods for Law Review Writing', *the University of Chicago Law Review*, 2017, Vol.84, No.213, PP.213-238, At 214. Available at <
<https://Lawreview.uchicago.edu/Sites/default/files/10%20linoscarlson_SYMP_IC.Pdf> (Last Accessed on 20,

mixed legal research i.,e doctrinal and non doctrinal forms of research.[26] Accordingly, the study has a thorough analysis of relevant statutory materials and other literatures written on the area under study. Parallel to this, so as to identify the practical challenges, empirical investigations was also made.

1.7.2. Data Source

As it has been tried to be outlined above, the research is both doctrinal and non-doctrinal in nature (mixed) the proper undertaking of which requires both primary and secondary data.

1.7.2.1. Primary Source of Data

The fact that the study has a doctrinal aspect, analysis and review of pertinent Ethiopian legislations on the regulation of brokers was made. To this effect, the researcher examined relevant laws like the FDRE Constitution, the Commercial codes of Ethiopia, the trade licensing and registration proclamation, regulation directive, interviews, and others that have high correlation to the matter at hand.

1.7.2.2. Secondary Data

Apart from the aforementioned primary data other secondary data sources like books, journal articles, newspapers, and so on were consulted to obtain relevant data that substantiate the main inquiry of the study.

1.7.3. Data Gathering Tools

The researcher used the following methods of data collection for the proper implementation of the research.

i. **Semi- Structured Interview**: the researcher employed semi structured kind of interview as one method of data collection to gather relevant data from experts in ANRS trade licensing and registration Bureau, Courts and prosecutors located in Bahir Dar City, and the Revenue Authorities. The researcher used this kind of interview considering the fact that the research requires preplanned questions to be answered by respondents with some flexibility.

August 2025). See also ያለው እንዳወቀ (ፕሮፌሰር)፤ የምርመር መሰረታዊ መርሆችና አተገባበር, (3ተኛ ዕትም), ሉትማን መፃህፍት አሳታሚ፤ ባህር ዳር፤ ኢትዮጲያ ፤2009 ገፅ181.

[26] Employing both doctrinal and non-doctrinal approach will be useful to address the legal and practical imitations in the study under investigation.

ii. **Focus Group Discussion**: the researcher conducted focus group discussion with brokers working in Bahir Dar City to have the required knowledge how they operate in the study area.

iii. **Document Review:** The researcher reviewed court cases from the courts located in Bahir Dar City and decisions from the Federal Cassation bench related to brokerage disputes and administrative records from the licensing office like the number of licenses issued by the authority vs. estimated number of brokers operating in the study area, if any.

iv. **Personal Observation**: apart from the aforementioned data collection methods, the researcher also tried to appreciate the situation of working practice of brokers in the study area, Bahir Dar.

1.7.4. Sampling and Participants of the Study

The type of sampling techniques employed in the course of collecting qualitative data for the proper conduct of this research is a non probability sampling of which purposive non probability sampling technique was used. The researcher has chosen purposive non probability sampling by taking in to account the nature of questions stated in the research which needs to be answered by the participants who are required to be professionals in the registration and trade licensing office as well as experts in Revenue Authority based on their specific characteristics and compatibility to the objective and research questions of the study. In addition, since brokers in the financial industry and in the labor market are purposively excluded from being the area of this research, employing purposive sampling technique to identify the appropriate research participants, from brokers and clients working within the theme of the study is logical. Accordingly, the ANRS trade and market development Bureau (officials directly involved in licensing or enforcement), Courts located in Bahir Dar City (Judges that had ever faced with cases containing brokerage issues), and the Revenue Authority (officials assigned to collect tax from brokerage business, if specifically assigned) were the participants in the assessment of the practice of brokers in the study area. Furthermore, brokers with over 3 years of experience in the field and clients (both buyers and sellers who have used brokerage services) were also participants of the study.

As far as the sample size is concerned, the sample size of participants was determined based on data saturation rule. In this study 22 brokers have been interviewed including FGDs containing

5-7 members. In each institution, including FGDs with 2-4 officials per institution, 11 experts and officials have already participated.

1.7.5. Methods of Data Analysis

The study applies a mixed analytical approach to both doctrinal and empirical data. For the doctrinal analysis, the researcher applied a law in books versus law in action approach. Legal provisions governing brokers are examined in detail and then compared with the empirical findings to assess how these rules are applied, overlooked, or adapted in practice. This allows a critical assessment of the connection between the formal law and its application, moving beyond simple description. For the empirical data, thematic qualitative analysis is used. The researcher first transcribes interviews, discussions, or observations into written form and familiarizes themselves with the content to understand the context and perspectives of respondents. Key points and recurring issues are then coded and grouped into broader themes that reflect patterns in the data. These themes are analyzed and interpreted to identify challenges, gaps, and trends, and are linked to the doctrinal analysis to support the study's findings and recommendations. This approach ensures a comprehensive and structured understanding of both the legal framework and how it operates in practice.

1.8. Scope of the Study

The study is limited in terms of both its subject matter and geographical scope. To begin with the subject matter scope, the principal focus of this research is constrained to analyzing the regulatory frameworks installed in regulation of brokers in general commercial activities, including house rental arrangements, vehicle sales, sand and grain brokerage, and related informal services. Unless it is made for the purpose of comparisons and understanding the overall scenarios in the field, regulation of brokers particularly in financial sector such as brokers in the capital market, insurance brokers, and custom brokers, were excluded from the ambit of this study. Brokers in the labor market are not the concern of this study. These brokers were excluded from being part of this study as they are subject to comprehensive separate regulatory frameworks. Therefore, the purpose of a discussions made on the regulation of brokers in such sectors were made only to substantiate the central focus of the study under investigation and nothing else. Coming to the geographical scope, **t**he research is confined to canvassing the legal and practical hurdles encountered in Bahir Dar City, which serves as the case study. This location is selected because of its visible prevalence of informal brokerage activities.

1.9. Limitation of the Study

This research is not without limitations. The researcher believes that the quality of the research is reduced due to the reluctance of officials to be interviewed and the bureaucratic hurdles to get necessary documents. Particularly the effort to get the data that shows how many brokers are registered and have a proper license in the study area remained unsuccessful which needs another research intervention. Moreover, the absence of electronic reporting of lower court decisions to get judicial precedents and the limited availability of domestic literature on the subject also reduced the depth of the research. Furthermore, the research is unable to successfully know how much revenue the government has lost due to informal brokers in the study area. To minimize the impact of these limitations on the findings, the researcher relied on the most relevant general literatures within the Ethiopian context and addressing the actual practice on the ground in the study area. To address these issues, the study employed several strategies. Accordingly, a system called triangulation was used to increase reliability by combining different sources of data like interviews, focus group discussions, observation, and document review in order to balance the weaknesses in one method by the strengths of another. Snowball sampling as a means to mitigate the challenges will also be used to reach additional respondents when officials or key stakeholders are unwilling to participate, by relying on referrals from initial contacts. Where written sources are limited, the study placed greater emphasis on practical data from the field, so that the findings reflect the actual realities in Bahir Dar and remain both reliable and contextually grounded.

1.10. Organization of the study

The study were planned to critically examine the regulatory framework for commercial brokers in Ethiopia and its enforcement in Bahir Dar city. To this effect, the thesis is structured into five chapters. Accordingly, the first chapter, chapter One, is the proposal part of the research, which provides the background of the study, statement of the problem, research questions, objectives, significance, methodology, scope, and organization of the thesis.

Chapter Two examines the concept and nature of commercial brokerage and the theoretical foundations of its regulation. The chapter grounds the study in relevant regulatory theories, including regulatory theory, which explains why regulation exists, such as correcting market failures, addressing information asymmetry, and protecting consumers. It also draws on theories of informality to explore why actors operate outside formal frameworks and how informal practices interact with formal institutions. Additionally, the chapter incorporates Principal-Agent Theory to analyze the broker-client relationship and highlight potential conflicts of interest. This theoretical framework provides a foundation for understanding both the legal and practical dimensions of brokerage and informs the analysis of challenges in regulation.

The third chapter deals with legal and institutional frameworks regulating brokers in Ethiopia. To this effect, examination of Ethiopian laws and directives governing brokers, including the Civil Code, Commercial Code, trade licensing and registration proclamations with its implementing regulation, and the Amhara Region revenue authority directives issued in relation to taxation of brokers were thoroughly analyzed under this chapter. Furthermore, this chapter was also considering the institutional actors responsible for enforcement. The fourth chapter is the analytical part focusing on case study of Bahir Dar City. It presents findings on brokerage practices in Bahir Dar, identifies challenges in licensing, professionalism, and enforcement, and critically analyzes the adequacy of the legal and institutional framework.

Lastly, the fifth chapter is interested to deal with the conclusion and recommendation of the researcher, which could be considered as the fruit part of the research. Therefore, the chapter summarizes the key findings, draws general conclusions, and offers policy, legal and practical reform recommendations.

CHAPTER TWO
COMMERCIAL BROKER AND BROKERAGE BUSINESS: CONCEPTUAL AND THEORETICAL FRAMEWORKS

2.1. Understanding the Concept of broker commercial broker and brokerage business

It is crystal clear that having a single and universally acceptable definition for each and every term in the field of law is the most daunting task. The issue under investigation, commercial broker and brokerage business is not an exception to this assertion. However, this does not mean such terms have no meaning at all. A sundry of legislations and scholars in the field come up with distinct but related definitions. Having this in mind, let us see the definition forwarded by some legislation and scholars. Before directly proceed to defining commercial broker, it is essential to have a clear view of the term broker. Accordingly, the well known Merriam-Webster Dictionary defines a broker as

> *"[S]omeone who acts as an intermediary such as an agent who negotiates contracts of purchase and sale (as of real estate, commodities, or securities), an agent who arranges marriages, or someone who sells or distributes something".*[27]

The other definition forwarded for broker is the definition given by Wex legal dictionary. As per this definition broker is an independent person or entity who acts as an intermediary between a buyer and a seller in a contract that it arranges in a given transaction. Broker may also further be defined as an individual or a party called brokerage firm that arranges transactions between a buyer and a seller, and gets a commission when the deal is enforced.[28]

While all definitions differ in scope and emphasis, they converge on a central point equally considering a broker as fundamentally an intermediary who facilitates the meeting of parties in a transaction. The variation lies in how broad or specific the role is understood. Merriam Webster captures the term in its most general sense; Wex situates it in legal and commercial practice. From this we can easily understand that the definition of broker may be narrowed or broadened depending on the type of business the broker engaged in.[29]

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[27]Merriam Webster Dictionary Available at < https://www.merriam-webster.com/dictionary/broker > (Last Accessed on September 10, 2025)

[28] Wondu Fikadu, Role of Brokers on Residential Real Estate Price, Supra note 2, P.9.

[29] If the Business the Broker is Engaged in is the Securities Market, it May be Defined in the Way Suggested by the United States Securities Exchange Act of 1934. (See the Definition Above). If The Business the Broker is engaged

Synthesizing all these perspectives, it is possible to describe broker as an independent person or entity like a business organization that serves as an intermediary by arranging or facilitating contracts and transactions between parties, whether in general commerce, in legal and commercial dealings, or in specialized and regulated fields.

Coming to our legal system, the new commercial code of Ethiopia under article 54 reads;

> "A commercial broker is a person or business organization who, independently, professionally and for gain, brings parties together for the purpose of their entering into an agreement *such as* (emphasis added) a contract of sale, lease, insurance or carriage."[30]

This particular provision frames a commercial broker as a person or business organization who independently, professionally, and for gain brings parties together to enter agreements. This includes contracts of sale, lease, insurance, or carriage. It highlights independence, professionalism, and the intention to gain, underscoring the regulatory perspective that seeks to formalize and professionalize brokerage business. Compared to other definitions, it is the most broad and modern understanding of commercial broker. The lists are not exhaustive as we can understand from the phrase "*such as*" under article 54 stated above. To this effect, a commercial broker may include but not limited to insurance brokers, real estate brokers, and others.

One important scenario that we need to critically examine here is that, there is conceptual entanglement/overlap between broker and commercial broker across the globe. For example, the definitions given for the term broker, already discussed, have more or less similar intent with the definition given to the term commercial broker. The only visible difference between the two terms is the prefix/word "commercial" attached to a commercial broker, which implies that a commercial broker involves business to business transaction that a general broker may not. The commercial code does not have such distinction in defining the term broker. Here, it is logical to

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in is Real Estate, It May Be Defined Contextually. The same applies to brokers working in other business sectors. For example, a real estate broker is a professional in real estate industry with a state real estate broker license who helps buy, sell and transfer property, acting as an intermediary.

[30] Commercial Code Of Ethiopia Proclamation 2021, *Federal Negarit Gazzeta*, Proc. No. 1243/2021, 2021, Article 54. Available at < https://lawethiopiacomment.files.wordpress.com/2021/11/new-commercial-code-no-1243_2021_English.Pdf > (Last Accessed on September 13, 2025) [Hereinafter, *the New Commercial Code of Ethiopia*].

conclude that commercial broker is within the category of broker. The very purpose of both broker and commercial broker in the market is connecting parties in transaction. Therefore, despite such overlaps in understanding of brokers in general and commercial broker in particular for the purpose of this research, broker or commercial broker refers to the definition provided under article 54 of the commercial code.

Having said this much about the definition of commercial broker, it is essential to distinguish commercial broker from other types of intermediaries.

2.2 Distinguishing Commercial Broker from Other Commercial Intermediaries: Avoiding Misconceptions

There is often misconception regarding commercial brokers when compared with other commercial intermediaries such as commercial representatives, commercial travelers, commercial agents, and commission agents. These actors all participate in commercial transactions, which lead to confusion despite their legal and functional differences. For this reason, clarifying their respective roles under the Ethiopian legal system remains necessary in order to avoid misunderstanding.

First, a commercial broker differs from a commercial representative. A commercial representative mainly appears in international transactions and refers to a person who resides outside the country where the principal business has its head office.[31] The representative is engaged through an employment contract and carries out trade promotion activities in the name and on behalf of the principal. In doing so, the representative does not act as a trader.[32] By contrast, a commercial broker, as stated above, operates independently and is not bound to one principal. The broker facilitates negotiations between parties without acting in another's name and is recognized as a trader because brokerage is classified as a commercial activity. While residence abroad is essential for a commercial representative, the broker's role depends only on intermediation.

Again, a commercial broker must be distinguished from a commercial traveler. Under Article 36 of the Commercial Code, a commercial traveler is an employee who resides where the trader's

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[31] Commercial Registration And Business Licensing Proclamation, 2010, *Federal Negarit Gazeta,* Proc.No. 686, 16th Year, No. 42,Article 2 (8). Available at <https://www.2merkato.com/images/downloads/proclamation_686_2010.Pdf> (Last Accessed On 20, September 2025). [Hereinafter, *Commercial Registration And Business Licensing Proclamation No. 686/2010*]. See Also The New Commercial Code of Ethiopia, Supra note 38.

[32] *Ibid.*

head office is located and visits clients to offer goods or services in the trader's name. Although the traveler may negotiate, any agreement usually requires the trader's approval.[33] The traveler is not considered a trader and remains dependent on the trader through employment.[34] In comparison, a commercial broker is not employed by a trader and does not act on behalf of one party. The broker independently connects buyers and sellers, facilitates negotiation, and earns commission. This makes the traveler a dependent intermediary, while the broker remains an autonomous professional.

A further distinction exists between a commercial agent and a commercial broker. A commercial agent is an independent person or business organization authorized to represent a trader permanently in a specific area or to designated clients, with power to conclude binding contracts on the trader's behalf.[35] The agent is recognized as a trader and must follow the principal's instructions, report activities, and protect trade secrets. A commercial broker, on the other hand, does not represent a trader permanently and does not act in another's name. The broker's role is limited to mediation and facilitation of contracts for commission, without duties of reporting, exclusivity, or permanent mandate.

Finally, a commercial broker differs from a commission agent. A commission agent, recognized under Article 58 of the Commercial Code and Article 2234 of the Civil Code, is a professional trader who buys or sells goods or enters into contracts in their own name but on behalf of a principal.[36] Although the transaction is carried out in the agent's name, the economic benefit and responsibility belong to the principal. Coming to a commercial broker, it acts only as an intermediary and does not enter contracts in their own name or become a party to the transaction. While both are traders under Ethiopian law,[37] the defining feature of the commission agent is acting in their own name, while the broker's function remains limited to negotiation and introduction**.**

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[33] *Id*., Article 39.

[34] *Ibid.*

[35] The New Commercial Code of Ethiopia, Supra note 32, Article 58 (1).

[36] See Civil Code Of The Empire of Ethiopia, 1966, *Negarit Gazzeta*, Extraordinary Issue, Proc. No. 165, 19th Year, No. 2, Article 2234. [Hereinafter, *the 1960 Civil Code*].

[37] The New Commercial Code of Ethiopia Supra note 32, Article 5 (34) and 58 (2).

2.3. History of Commercial Broker

Brokerage became the most important pillar of trade and broker played a great role by facilitating trade relations between strangers and brought together suppliers and potential customers, buyers since the earliest time.[38] In the ancient time, buying and selling or commonly called transaction was solely belongs to the identity of a merchant, making the rest of mankind more exceptional to such role.[39] In such primitive societies in which most needs were met within the household or tribe there was no or little need for intermediaries.[40] The history of broker is mostly associated with the development of commercial law.[41] It was the commercial travels who were considered as merchants in the earliest day.[42] The domestic merchant appears much later in history. As such traveling merchants began to bring luxury items liquor to different regions; trade between groups became more common.[43] This eventually leads to the establishment of fairs and markets, many of which were originally religious gatherings that attracted the then traveling merchants. 300 dialects were spoken in the region resulting in significant language barriers. This language barrier became a reason for 130 language interpreters to exist so as to facilitate communication.[44] These interpreters gradually evolved into brokers in human history, helping parties from different regions conduct transactions. The earliest official mention of brokers appears in a 509 B.C. in the treaty between Rome and Carthage, highlighting their recognized role in international trade. [45]

Coming to the history of broker in Ethiopia, during the 18th century, if not before, most of the trade of the ports on the Arab coast of the Red Sea was carried through the line of brokers.[46] There was a strong economic and religious ties between Arabia and Ethiopia specifically communities in the coastal area of the country, making the existence of brokers in all important

[38] Abir, Mordechai, 'Brokerage And Brokers In Ethiopia In The First Half Of The Nineteenth Century', *Journal Of Ethiopian Studies*, 1965, Vol. 3, No. 1, Pp. 1–5, At P. 1. Available at <https://www.jstor.org/stable/41965715> (Last Accessed on 16, September 2025) [Hereinafter, *Abir, Brokerage and Brokers in Ethiopia*].

[39] Hourwich, Isaac A, 'The Evolution of Commercial Law', *American Bar Association Journal*, 1915, Vol. 1, No. 2, Pp. 70–76, At P.70. Available at < https://www.jstor.org/stable/25699734> (Last Accessed On 26, September 2025). [Hereinafter, Hourwich, *The Evolution Of Commercial Law*]

[40] *Ibid.*

[41] *Ibid*.

[42] *Id*, P. 72

[43] *Ibid*.

[44] *Ibid.*

[45] *Ibid.*

[46] Abir, Brokerage And Brokers In Ethiopia, *Supra Note* 40, P. 1.

ports not surprising.[47] The country were to a large extent economically dependent on the fruits of trade especially in the first half of the 19th century leaving its coast a strict system of monopolizing brokerage enforced by local authorities aimed at tapping the trade. At the then port of Ethiopia, Massawa, many of the leading merchants and government officials served as correspondents, agents and brokers to the Indian merchants trading in the Red Sea, to the merchants of Jidda, Cairo, the Yemeni coast and above all to the merchants of Ethiopia.[48] During that time every merchant entering Massawa had to have a broker called nazil or adar, in whose house he/she stayed while trading in the town and through whom he/she was supposed to carry on all transactions.[49] The merchant could not alter his nazil during his stay at the port. The nazil, being himself a merchant, bought part of his protégé's merchandise at a greatly reduced price, Above all he had a right to a brokerage fee called adarit on every article sold or bought by his "guest".[50] The adarit varied according to the article, from five to twenty percent of the value of the transaction, and was collected. This shows how far the broker and brokerage issues were clearly recognized even during the early time in Ethiopia. In the history of Ethiopian legal system, broker received a legal recognition upon the introduction of the 1960 Commercial code.[51]

2.4. Practical Typology of Dellalas in Bahir Dar City

Brokerage practice in Bahir Dar City operates through locally recognized categories known as dellalas. These categories emerge from practice rather than formal legal classification. The first group consists of real estate dellalas. They facilitate house sale and rental transactions. They connect owners and tenants or buyers. They often control key market information such as prevailing prices and availability. The second group consists of commodity dellalas. They operate mainly in, sand, and construction inputs. They dominate transactions in informal marketplaces and storage sites. Their role extends beyond mediation to price signaling and market access control. The third group consists of vehicle dellalas. They mediate second-hand vehicle sales. They often coordinate inspection, pricing, and buyer matching. The fourth group

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[47] *Ibid.*
[48] *Ibid.*
[49] *Ibid.*
[50] *Ibid.*
[51] The Old Commercial Code of Ethiopia, *Supra note 5*, Article 56.

includes service based dellalas. They operate in labor placement, transport arrangement, and small scale service contracts.The question worth to raise here is that is it possible to include all these types of dellala within the definition of broker under the already mentioned commercial code? To put it in another way, do these all kinds of brokers working in the study area legally recognized in Ethiopia? As clearly outlined above, the definition of commercial broker is the one who, independently, professionally and for gain, brings parties in a transaction together for the purpose of their entering into an agreement such as a contract of sale. In the study area, what brokers with the name dellala practically do is working independently for gain connects parties together in a transaction. The problem is the term '*professionally*'. Though it is not unusual to find brokers doing brokerage business as their livelihood, still it is common to see brokers doing the business of brokerage as a side hustle. There are brokers for example; whose job for living is track drivers or school teachers.[52] This lacks the requirement of professionally or (ሥራየ ብሎ) in Amharic. Apart from this, there is no such kind of classification of brokers under the law. The law merely wants to show the areas in which brokers may involve rather than interested to classify brokers in to several categories as shown practically. Therefore, these typologies show functional specialization shaped by local economic needs rather than being emanated from the inherent intent of the law. This clearly demonstrates that there is mismatch between formal legal definitions of brokers and lived commercial practice in Bahir Dar City though not entirely.

2.5. Justifying the why market regulation from commercial broker's perspective

Markets by their nature are ecologically and ethically deficient without the regulation of which a devastating repercussion called market failure like the 2008 Great Recession will inevitably occur.[53] To put it in another way, most markets are known with imperfection behavior.[54]

For example, by transmitting information that can lessen information asymmetries between market participants, intermediaries (commercial brokers) play an important role in facilitating exchange between third parties, so that the functioning of markets will be healthy.[55]

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[52] See *Infra*, Chpter Four, Section 4.1.

[53] Max Baiely, Why Do Markets Need Regulations?, 2020, P.1 Available At <https://www.researchgate.net/publication/340363474_analysing_the_need_for_market_regulations > (Hereinafter, *Max, Why Markets Regulations?*), (Last Accessed on 23, September 2025).

[54] *Henning Curti***,** Agents and Brokers as Intermediaries: Their Regulation in Germany, Available at <, German Working Papers In Law And Economics From Berkeley Electronic Press (Hereinafter, *Henning Curti***,** *Agents and Brokers as Intermediaries)* (Last Accessed on 23, September 2025).

To be specific, depending on the type of activities they are involving, the intermediaries may undertake various tasks in a business relationship, including but not limited to carrying inventory, selling, distribution, after sale service, and extending credit.[56] Its involvement varies by situation, and its role is not essential, as buyers and sellers can interact directly and assume these tasks themselves.[57] An intermediary may exist without performing specific tasks, yet still influence the relationship. When direct contact is absent, the intermediary can shape the relationship significantly, and even when direct contact exists, it can affect the relationship positively or negatively.[58] Thus, the intermediary's role is important not only for specific tasks but also for the overall character and continuity of the business relationship.[59]

Therefore, It is these special roles that brokers have allows for opportunistic behavior to occur.[60] If so, with the intention to reduce such deficiencies and its harmful effect, justifying the intervention of the government in the market is often remaining logical. In this sense, the very purpose of market regulation is to ensure that these markets are allowed to flourish and grow within a framework that permits for fair and open trade.[61] If we assure that the role of brokers in the market are crucial, then regulating their manner is a logical step. This is clearly justified by some, if not all theories of market regulation. Theories of market regulation explain why and how the state should intervene to control brokers' activities. To get a better understanding of their relationship, let us see few regulatory and informalistic based theories of market regulation her in under.

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[55] *Henning Curti***,** Agents and Brokers as Intermediaries, Supra note 69.

[56] Robert W. Palmatier Et Al, Marketing Channel Strategy, 8th Ed., Global Edition, Pearson Education, Harlow, 2021, P.12 Available at <https://mubsep.mubs.ac.ug/pluginfile.php/530549/mod_label/intro/marketing%20channel%20strategy%20international%20edition%20%28%20pdfdrive%20%29.Pdf> (Last Accessed on 23, September 2025). See Also Virpi Havila, The Role Of The Intermediary In International Business Relationships - Theoretical Framework, P. 3 Available at <https://www.diva-portal.org/smash/get/diva2:128574/FULLTEXT01.Pdf> (Last Accessed On 23, September 2025).

[57] *Ibid.*

[58] *Ibid.*

[59] *Ibid.*

[60] Mak, Why Markets Regulations?, *Supra note* 55, P.1.

[61] *Ibid*

2.6. Analyzing Some Regulatory and Informality Based Theoretical Frameworks from Commercial Broker's Perspective

2.6.1. Public Interest Theory

It is one of the contending regulatory theories that shape and dictate regulation. The standard 'public interest' or 'helping hand' theory of regulation is based on two assumptions.[62] First, unhindered markets often fail because of the problems of monopoly or externalities. Second, governments are benign and capable of correcting these market failures through regulation. This theory of regulation has been used both as a prescription of what governments should do, and as a description of what they actually do, at least in democratic countries. To be exact, as the name itself indicates, the public interest theory of regulation states that regulation seeks the protection and benefit of the public at large.[63] This assertion is based on the assumption that regulators have sufficient information and enforcement powers to effectively promote the public interest and they are benevolent and aim to pursue the public interest.[64] From this we can understand that the public interest theory provides a foundational rationale for regulating the market in general and the commercial brokers in particular. According to this theory, regulation exists to protect the public from market failures such as monopoly, fraud, or information asymmetry. In the context of brokerage, clients often rely on brokers' knowledge and expertise, creating opportunities for unethical practices and exploitation. Therefore, while public interest theory provides a normative basis for broker regulation, it must be adapted to address practical challenges in the Ethiopian market so that it is possible to minimize the jurisprudential dearth in the field as a theoretical benefit. Practically, this theory helps to assess whether the existing legal rules governing brokers genuinely serve consumer protection objectives. The empirical data of this study indicates that although the law recognizes brokerage business, regulatory institutions do not actively supervise brokers operating on the ground.[65] As a result, consumers remain exposed to misinformation,

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[62] Andrei Shleifer, 'Understanding Regulation', *Journal Of European Financial Management*, Vol. 11, No. 4, 2005, PP 439–451, at P 439. Available at < https://scholar.harvard.edu/files/shleifer/files/02_eufm00121.pdf > (Last Accessed on 23, September 2025).

[63] Michael Hantke-Domas, 'the Public Interest Theory of Regulation: Non-Existence or Misinterpretation?' *European Journal of Law and Economics*, Vol. 15, (2003), PP 165-194 at P.165 Available at <https://link.springer.com/article/10.1023/A:1021814416688 > (Last Accessed on 24, September 2025).

[64] Johan Den Hertog, Review of Economic Theories of Regulation, Tjalling C. Koopmans Research Institute Discussion Paper Series 10-18, ,Utrecht University, 2010, P.2 Available at <https://www.uu.nl/sites/default/files/rebo_use_dp_2010_10-18.Pdf > (Last Accessed on 24, September 2025).

[65] See *Infra*, Chapter Four, Section 4.4.

price manipulation, and arbitrary commission practices.[66] This situation contradicts the core assumption of public interest theory, which expects regulation to correct market failures. The continued prevalence of unlicensed dellalas suggests that broker regulation in practice is poor to effectively protect the public in the study area.

2.6.2. The Principal Agent theory

This theory is one of the dominant theoretical perspectives for analyzing and describing governance reforms proposed by Jensen and Mecklin in 1976[67], which explains how to organize relationships between parties in which one party who determines the activities delegates some decision making authority to the other who does the activities.[68] Under this situation, the one who determines the work called the principal confers responsibility to another party called the agent who does the work to take decisions on their behalf.[69] From this we can simply understand that the principal agent theory becomes important in situations where an agent act as a broker. There are scenarios under which an agent may serve as a broker too. For example a stock broker, arranges the purchase or sale of stock market investments on behalf of a client in a capital market.[70] Agency theory assumes both the principal and the agent are motivated by self interest.[71] This assumption of self interest dooms agency theory to inevitable inherent conflicts.[72] Thus, if both parties are motivated by self interest, agents are likely to pursue self interested objectives that deviate and even conflict with the goals of the principal.[73]

Generally, the principal agent theory is set to examine the challenges that arise when a principal assigns tasks to an agent, especially when their interests differ by assuming both parties act

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[66] See *Infra*, Chapter Four, Section 4.4.

[67] Kazeem Bayo Liafeez Oyero, 'Are the Principal and Agents of Microfinance Banks Complying with Statutory Roles of Regulatory Bodies? Evidence from Southwestern Nigeria,' *International Journal Of Economics, Business and Management Research*, Vol. 2, No. 03; 2018. P. 1 Available at

[68] Duncan N. Angwin, Agency Theory Perspective, Chapter 8, Lancaster University, P. 1. Available at <https://www.researchgate.net/publication/316516627_agency_theory_perspective_> > (Last Accessed On 24, September 2025).

[69] *Ibid.*

[70] The Institute of Chartered Accountants of Pakistan, Certificate in Accounting and Finance Business Law, Chapter 16, Agency, P. 206. Available at < file:///c:/users/user/downloads/pdfcoffee.com_agency-7-Pdf-free.pdf > (Last Accessed on 24, September 2025).

[71] Hounaida Daly, 'Conflicts Of Interest In Agency Theory: A Theoretical Overview', *Global Journal Of HUMAN-SOCIAL SCIENCE: E Economics*, Vol. 15, Issue 1, 2015, PP 17-22, Available at < 2-conflicts-of-interest-in-agency_pdf > (Last Accessed on 24, September 2025).

[72] *Ibid.*

[73] *Ibid.*

rationally and have access to limited information.[74] The theory focusing on two key problems: hidden characteristics before a contract is made and hidden actions after it are made, it explores how incentives and monitoring can reduce losses from these conflicts.[75]

In brokerage transactions in Bahir Dar City, clients act as principals and brokers act as agents entrusted with negotiating prices, locating counterparties, and facilitating contracts.[76] Field findings show frequent abuse of this delegated role.[77] Brokers often conceal material information, inflate prices, or receive undisclosed commissions from the opposing party. Such conduct demonstrates severe information asymmetry. Clients lack bargaining power and factual knowledge, while brokers control access to market information. The new commercial code of Ethiopia recognizes brokerage duties but does not specifically impose effective disclosure or fiduciary obligations in practice.[78] This absence of enforcement encourages opportunistic behavior by brokers. This theory therefore explains why unregulated brokerage produces systematic conflicts of interest and why voluntary compliance remains weak. The theory supports the need for legally enforceable duties of loyalty, transparency, and accountability tailored to local brokerage practices.

2.6.3. Information asymmetry theory

Asymmetric information, as the as the name implies, refers to situations in which some agent in a trade possesses information while other agents involved in the same trade do not.[79] It refers to the situation where one party to a transaction, usually the seller, is more informed than the other party, usually the buyer.[80] In capital markets for example, information asymmetry between firms

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[74] Linder, S., & Foss, N. J.), Agency Theory, Institute for Strategic Management And Globalization. SMG Working Paper No. 7/2013, 2013, P. 1, Available at < http://ssrn.com/abstract=2255895 > (Last Accessed on 24, September 2025).

[75] *Ibid.*

[76] See Annex I

[77] See *Infra*, Chapter Four, Section 4.4.

[78] See The New Commercial Code, Supra note 38, Article 56.

[79] Jefery, M. Perlof, Microeconomics Theory and Applications with Calculus: Asymmetric Information. 1, Available at <https://www.sfu.ca/~wainwrig/econ201/6500/perloff/18M_perloff_8008884_02_micro_c18.pdf> (Last Accessed on 24, September 2025).

[80] CPA Examinations Team For Professional Level Managerial Finance, A Note on Information Asymmetry and Agency Costs, and Their Impact on Capital Structure and Dividend Policy, Ireland 2022, P.2, Available at <https://www.cpaireland.Ie/cpaireland/media/education-training/2022%20examinations/articles%202022/PL-MF-A-Note-on-Information-Asymmetry-And-Agency-Costs.Pdf > (Last Accessed on 24, September 2025).

and investors can cause firms to face higher financing costs, with the magnitude of these costs depending on the firm's capital structure and dividend policy.[81]

Therefore, the theory of information asymmetry often presupposes the existence of more informed person on the one hand and less or non informed party on the other in a given market transaction. In this connection, brokers usually hold better information than clients about market prices, product quality, and trading conditions. This unequal access allows them to mislead clients or manipulate transactions. Regulation, therefore, forces brokers to disclose relevant information, act transparently, and avoid deception. Licensing, disclosure rules reduce the gap between informed and uninformed parties. For example, in markets like Bahir Dar in which the study is being conducted, unlicensed brokers exploit information gaps between sellers and buyers. Clients accept informal arrangements due to speed and familiarity. Regulation reduces this asymmetry by enforcing registration and requiring accurate information sharing.[82]

2.6.4. Market Efficiency Theory

Before directly give meaning to market efficiency theory, it is important define what efficient market mean. Accordingly, an efficient market is a market in which prices always 'fully reflect' available information.[83] An efficient market is one where the market price is an unbiased estimate of the true value of the investment.[84] It assumes that all information, public as well as private, is reflected in market prices would imply that even investors with precise inside information will be unable to beat the market.[85] Therefore, theory of market efficiency also called efficient market hypothesis is a framework explaining the state of market efficiency.[86] It is a theory suggesting that asset prices in financial markets quickly and fully reflect all available

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[81] *Ibid*.

[82] See *Infra*, Chapter Four, Section 4.4.

[83] Eugene F. Fama, Effiecient Capital Market Theory: A Review of Theory and Empirical Work, University of Chicago, Joint Session with The Econometric Society, P.383, Available at < https://people.hec.edu/rosu/wp-content/uploads/Sites/43/2023/09/fama-efficient-capital-markets-1970.Pdf.> (Last Accessed on 25, September 2025). See Also Robert Jarrow and Martin Larsson, The Meaning Of Market Efficiency, 2011, P.1 Available at <https://www.bauer.uh.edu/departments/finance/documents/rjarrow%20marketefficiency6.Pdf > (Last Accessed on 25, September 2025).

[84] Market Efficiency Definition, Tests and Evidence, P. 2 Available at <https://pages.stern.nyu.edu/~adamodar/pdfiles/valn2ed/Ch6.Pdf > (Last Accessed on 25, September 2025).

[85] *Id*, P.3

[86] Efficient Market Hypothesis (EMH): Definition, Forms & Importance available at < <https://www.5paisa.com/stock-market-guide/stock-share-market/what-is-the-efficient-market-hypothesis > (Last Accessed on 25, September 2025).

information.[87] Basically, this means no investor should consistently "beat the market" because prices adjust almost instantly when new information comes out.[88]

This theory of market efficiency clearly supports broker regulation since efficient markets require equal access to reliable information. It is evident, as it has been discussed above, brokers plays a central role towards information transmission, which is vital for a certain market to be efficient. With due consideration of this role, leaving the market in which brokers engage in unregulated remains unjustified and amounts to creating a conducive environment for brokers to distort or conceal information for personal their own personal gain. Therefore, effective regulation ensures transparency, fairness, and accurate pricing, reinforcing market efficiency.

2.6.5. Theories of Informality

This theory explains why people operate outside formal legal and regulatory systems emerged to understand the nature, causes, and persistence of the informal economy, especially in developing countries. Accordingly, early theoretical analyses of the informal economy argued that informality is a temporary phenomenon that disappears with the development of economies.[89] In the theoretical literature, the informal economy debate has divided into four main strands of thought (the structuralist, dualist, voluntarist, and legalistic schools).[90] Dualist school argues that an economy's informal sector is embraced of different marginal activities which are not related to the formal sector and that provide income for the poor and a safety net in times of crisis.[91] Structuralist school on the other hand holds that the informal economic sector is perceived as a subordinate economic unit and workers play the role of reducing labor and input costs and thus boost the competitiveness of large capitalist corporations[92] From the perspective of the legalist, the informal sector consists of courageous micro entrepreneurs who: (i) decide to operate on an informal basis in order to limit time, costs, and effort of formal registration and (ii) are in need of property rights in order to make their assets recognized assets legally.[93] The voluntarist school

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[87] *Ibid*. See Also Anne Lindner *Et Al*, Market Efficiency Theory Investment And Valuation Of Firms, Pp4-6. Available At < https://uhu.Es/45151/temas/Unit%204_1.pdf > (Last Accessed on 25, September 2025).
[88] *Ibid.*
[89] Loudi Njoya, The Role Of Economic Prosperity On Informality In Africa: Evidence of Corruption Thresholds from PSTR, A G D I Working Paper WP/22/012**,** African Governance and Development Institute, P.5.
[90] *Ibid.*
[91] *Ibid.* See Also Women In Informal Employment Globalizing And Organizing, History & Debates, Available at < https://www.wiego.org/> (Last Accessed on 27, September 2025).
[92] *Ibid*.
[93] *Ibid*.

also puts emphasis on entrepreneurs in the informal sector who deliberately aim to avoid taxation and regulation.[94]

To sum up, theories of informality explain why economic actors operate outside formal legal systems despite the existence of regulatory rules. In Bahir Dar City, brokerage activities largely remain informal even though the commercial laws do not support such informality.[95] Field data shows that most dellalas operate without licenses and without institutional oversight.[96] Enforcement bodies rarely inspect brokerage activities.[97] Informal brokerage therefore becomes a rational response to weak institutional presence rather than mere law evasion. Informality also provides flexibility. Brokers avoid taxation and accountability. Clients accept informal arrangements due to speed and familiarity. The theory explains persistence of informal brokerage as a structural outcome of weak regulatory design and enforcement failure.

2.6.6. Responsive Regulation Theory

Responsive regulation differs from other market governance approaches in both the factors that prompt regulatory action and the nature of the response that follows. [98] Scholars suggest that regulation should align with the structure of each industry, as varying industry structures require different levels and types of regulatory intervention.[99] Regulators need to respond to more than compliance levels. They should pay attention to how firms operate, how people inside firms think, the wider legal and institutional environment, the tools used in regulation, how those tools perform, and any changes in these areas.[100] Responsive regulation requires knowing the regulated parties and their environment.[101] It organizes different regulatory approaches in a clear

[94] *Ibid.*
[95] See Annex I
[96] See *Infra*, Chapter Four, Section 4.1.
[97] See *Infra*, Chapter Four, Section 4.4.
[98] Ian Ayres And John Braithwaite, Responsive Regulation: Transcending The Deregulation Debate, Oxford: Social Legal Studies, (1995, P. 4. Available at <https://books.google.com.et/books?id=pip68bvlgkyc&printsec=frontcover&source=gbs_ge_summary_R&Cad=0#V=onepage&q&F=false > (Last Accessed on 26, September 2025).
[99] *Ibid.*
[100]Robert Baldwin And Julia Black, 'Really Responsive Regulation' LSE Law, Society and Economy Working Papers 15/2007 P.3 Available at < https://eprints.lse.ac.uk/22872/1/baldwin_black_really-responsive-regulation_2008.Pdf> See Also Ojo, Marianne, Responsive Regulation: Achieving the Right Balance Between Persuasion And Penalization, Munich Personal Repec Archive, 2009, Available at <https://mpra.ub.uni-muenchen.de/15543/1/MPRA_paper_15543.Pdf> (Last Accessed on 25, September 2025).
[101] *Ibid.*

way and it pays attention to results and recognizes new challenges.[102] Baldwin and Black argue responsive regulation must also consider the growing influence of risk.[103]

Therefore, responsive regulation theory explains how governments encourage compliance through education, persuasion, and punishment. This approach fits Bahir Dar, where many brokers operate informally potentially *inter alia* due to limited awareness and weak enforcement. Such regulation can support a gradual shift of informal brokers into the formal legal system.

In Bahir Dar City, broker regulation relies almost entirely on neglect or sporadic crackdowns. There is no warning system and licensing support mechanism.[104] This approach fails to change behavior. This approach, responsive regulation, is important in the context of Bahir Dar where brokerage is deeply embedded in daily commerce. The theory supports reform strategies based on engagement and institutional presence.

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[102] *Ibid*.

[103] *Ibid*.

[104] See *Infra*, Chapter Four, Section 4.4.

CHAPTER THREE
LEGAL AND INSTITUTIONAL FRAMEWORKS REGULATING COMMERCIAL BROKER IN ETHIOPIA

3.1. Legal frameworks regulating commercial broker

3.1.1. International Legal frameworks regulating commercial broker

Unfortunately, International legal instruments do not regulate commercial brokers in a uniform or comprehensive manner. Although they do not directly target informal brokerage practices such as dellala in Bahir Dar City, they remain relevant as normative benchmarks. It is from these instruments from which some general principles such as disclosure duty could be extracted. Having this in mind, let us see the relevant aspect of some international legal instruments.

3.1.1.2. The World Trade Organization (WTO) General Agreement on Trade in Services (GATS, 1994)

The General Agreement on Trade in Services hereinafter, GATS, is the principal multilateral legal framework governing international trade in services, including brokerage and intermediary services.[105] It forms part of the WTO Agreement and binds all member states, including Ethiopia since its accession process is ongoing under observation status with currently the country Ethiopia's accession has entered a decisive phase[106] With the intent to ensure whether the instrument actually regulates issues connected to commercial broker, let us see what has been included under the definitional and its scope of application. To be exact article I (1) states that the agreement applies to measures by members affecting trade in services.[107] On the other hand, article I (3) (b) of the same instrument defines the term "services" broadly, encompassing all service sectors except those supplied in the exercise of governmental authority. **[108]** As it has been thoroughly discussed, commercial brokers provide intermediary services. Providing intermediary service is not limited to a domestic market rather it reaches the international community that facilitates transactions between buyers and sellers of goods, property, or service provider and service consumer. For example, professional service, real estate

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[105] General Agreement On Trade In Services, 1995, WTO, Available At < <https://www.wto.org/english/docs_e/legal_E/26-Gats.Pdf> (Last Accessed on 25, September 2025). [Hereinafter, *GATS, 1995*]

[106] Kassahun Gofe, Ethiopia's Minister Of Trade and Regional Integration and Chief Trade Negotiator, Speaking at the Sixth Meeting of the Working Party on Ethiopia's Accession to The WTO on 26 September 2025 Available at < <https://www.wto.org/english/news_e/news25_e/acc_26sep25_E.Htm> (Last Accessed on 25, September 2025).

[107]See GATS, 1995, *Supra note* 140, Article I (1).

[108]See GATS, 1995, *Supra note* 140, Article I (3) (B).

service, research and development service and others. These services qualify as 'trade in services' when supplied across borders, consumed abroad, or provided through commercial presence or natural persons.

Furthermore, article VI which deals with domestic regulation requires each member state to ensure that licensing, qualification, and technical standards are administered "in a reasonable, objective, and impartial manner.[109] This supports fair licensing systems for brokers. Again, article VII encourages recognition of qualifications granted in other countries, indirectly supporting international mobility for professional brokers.[110] Though not directly, article II concerning most favored treatment, article XVI dealing with market access, and article XVII concerning national treatment prohibit discrimination against foreign brokers in participating sectors, ensuring equal market access and treatment.[111]

These all allegations, taken together, tell us although GATS does not directly regulate the conduct of commercial brokers, it compels member states to design transparent, non discriminatory, and objective regulatory systems for service providers. Through this, it indirectly shapes how commercial brokers are licensed, recognized, and protected under domestic law of a given contracting state.

3.1.1.3. The International Chamber of Commerce Rules of Conduct and Guidelines for Intermediaries

The International Chamber of Commerce Rules of Conduct and Guidelines for Intermediaries hereinafter, ICC is not designed to solely regulate commercial brokers. The guidelines function as an international soft law instrument a voluntary standard that shapes conduct in global commercial brokerage and intermediation.

The Guidelines under section I expressly apply to '*agents, intermediaries and other third parties*' describing them as persons or entities who assist enterprises in developing or securing business.[112] This scope clearly encompasses commercial brokers, whose principal role is to facilitate business transactions between buyers and sellers.

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[109] See GATS, 1995, *Supra note* 140, Article VI.
[110] See GATS, 1995, *Supra note* 140, Article VII.
[111] See GATS, 1995, *Supra note* 140, Article II, XVI and XVII.
[112] The International Chamber Of Commerce Rules of Conduct And Guidelines For Intermediaries, (2010), Section I, Article 1, Paragraph 1, Available at < https://www.icc.se/Wp-content/uploads/2015/04/guidelines_on_agents_and_third_paries_ENGLISH.Pdf> (Last Accessed On 25, September 2025) , [Hereinafter, *ICC Rules of Conduct and Guidelines for Intermediaries*].

These Guidelines are intended to help enterprises develop and implement effective policies and procedures for engaging and managing agents, intermediaries and other third parties. By explicitly covering intermediaries involved in securing or executing business, the Guidelines directly address the activities of brokers in international trade.

The instrument can be regarded as an international soft law instrument regulating brokers and intermediaries in global commerce. Although not binding under public international law, they fulfill a regulatory role by setting globally recognized standards on due diligence, contractual integrity, transparency, and anti-corruption all of which directly apply to commercial brokerage activities.[113]

3.1.1.4. Agreement Establishing African Continental Free Trade Area, AfCFTA

The African Continental Free Trade Area, hereinafter referred to as AfCFTA is the other international legal instrument at regional or continental level that indirectly regulates commercial brokers through its binding provisions on trade in services. Adopted under the legal authority of the African Union and ratified by a majority of its member states, the AfCFTA possesses full treaty status under public international law. Its Protocol on Trade in Services, particularly articles 3, 4, and 19–21, establishes the legal foundation for liberalizing service sectors, including those in which brokerage activities fall.[114] The Protocol covers "business services" and "financial services," which, according to the classification used in Annex 5 (Schedules of Specific Commitments), encompass commission agents' services, intermediation, and brokerage services. By regulating how these services may be offered, licensed, and accessed across borders, the AfCFTA provides a continental framework within which brokers operate under uniform legal conditions.

Further, Article 19 on market access and Article 20 on national treatment prohibit member states from imposing restrictions or discriminatory conditions on service suppliers from other African countries.[115] This ensures that brokers licensed in one state can provide services in another without being subject to protectionist barriers. Similarly, Article 26 on regulatory cooperation

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[113] ICC Rules Of Conduct And Guidelines For Intermediaries, Supra note 147, Article IV.

[114]See Agreement Establishing the African Continental Free Trade Area, 2018, Article 3 And 4, Available at < <https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf> (Last Accessed on 25, September 2025). See Also Agreement Establishing the African Continental Free Trade Area, Protocol on Trade in Services, 2018.

[115] Agreement Establishing the African Continental Free Trade Area, 2018, Article 19 And 20.

obliges states to coordinate licensing and recognition procedures for service providers, thereby promoting harmonized rules for brokers and intermediaries.[116] These provisions ensure that brokerage services are recognized as a legitimate component of Africa's liberalized trade in services regime and are protected by principles of transparency, fairness, and equal access.

The AfCFTA thus operates as an international legal framework for brokerage regulation within Africa's regional context. While the Agreement does not expressly define commercial brokers, its trade in services regime indirectly governs their professional activities by prescribing uniform standards of authorization, transparency, and nondiscrimination. In effect, the AfCFTA takes a position of Africa's regional international legal instrument that enables brokers to operate across national borders under a predictable, lawful, and cooperative regulatory environment, which in turn strengths the institutional and legal recognition of brokerage as an integral part of continental trade.

3.1. 2. Legal frameworks regulating commercial broker in Ethiopia

3.1.2.1. The FDRE constitution

The FDRE Constitution, under Article 41(1), guarantees every Ethiopian the right to engage freely in economic activity and pursue a livelihood of his choice.[117] This provision forms a broad constitutional basis for recognizing brokerage as a legitimate economic activity in Ethiopia. Since brokerage involves mediating between parties in commercial transactions, the freedom to participate in such economic activities includes the freedom to act as a broker. The constitutional guarantee thus establishes a strong foundation for individuals to enter into brokerage without undue restrictions, affirming that such activities fall within the sphere of constitutionally protected livelihoods.

Article 41(2) further strengthens this recognition by granting every Ethiopian the right to choose his or her means of livelihood, occupation, and profession. Commercial brokerage, being both a profession and a means of livelihood, falls squarely within this constitutional protection.[118] This provision directly safeguards the freedom of individuals who wish to engage in brokerage as their primary occupation, irrespective of its kind. By including the right to choose a profession,

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[116] Agreement Establishing the African Continental Free Trade Area, 2018, Article 26.

[117] Constitution of the Federal Democratic Republic of Ethiopia, 1995, *Federal Negarit Gazzeta*, Proclamation No. 1, 1st Year No.1, Article 41 (1), Available At <https://www.ethiopianembassy.be/Wp-content/uploads/constitution-Of-the-FDRE.Pdf> (Last Accessed on 28, September 2025). [Hereinafter, *the FDRE Constitution*].

[118] *Id*., Article 41 (2).

the Constitution not only acknowledges traditional occupations but also extends protection to emerging professions such as commercial broker.

These two provisions establish both direct and indirect constitutional recognition of commercial broker as an economic and professional activity in Ethiopia. Directly, they protect the freedom of individuals to work as brokers. Indirectly, they impose a responsibility on the state to create a regulatory environment that allows such rights to be meaningfully exercised. Therefore, it is possible to conclude that the FDRE Constitution, which is the supreme law of the land in the country where the study is being conducted, has incorporated provisions that are highly relevant to commercial brokers, even though it does not mention them explicitly. In this sense, the FDRE constitution is the basic legal framework regulating brokers in the study area.

3.1.2.2. The 1960 Civil Code

The other important statutory material among regulatory legal frameworks of commercial broker is the 1960 Ethiopian Civil Code. The code contains some provisions that are highly related with the brokerage activities, but it does so indirectly and in a general framework rather than providing a comprehensive regulatory scheme. The most relevant section is Book IV of the code governing the general law of contracts. Accordingly, articles 1675 and 1678 of the Civil Code establish the foundation of contractual relations.[119] While article 1675 of the code defines a contract as an agreement by which parties create, vary, or extinguish obligations of a proprietary nature, article 1678 lays down the basic elements of contract validity: legal capacity, lawful and defined object, and observance of prescribed form.[120]

These provisions apply to all agreements, including those contracts entered by brokers with their clients or with third parties. In this sense, the civil code recognizes that brokerage transactions are fundamentally contractual, requiring mutual consent and enforceable obligations. For example, if dispute arises out of contractual agreements containing brokerage business, it is this code that plays an indispensable role for resolving such disagreements and enforcing contracts as per its designation. Therefore, though it does not create a dedicated regulatory framework and the provisions are more about defining obligations between parties than about public oversight or professional standards, its foundation is undeniable.

[119] The 1960 Civil Code, *Supra note* 38, Article 1675.
[120] *Id*., Article 1678.

3.1.2.3. The New Commercial Code of Ethiopia

Under the Commercial Code, the recognition of commercial brokers is strong and explicit. It appears at both the general and specific levels. First, chapter two, article 5 lists commercial brokers among the persons to be regarded as traders.[121] This is significant because it elevates brokerage to the status of a recognized commercial activity. Anyone operating as a broker is automatically classified as a trader, subject to the obligations of traders, such as registration, accounting, and compliance. This general recognition places brokers on the same footing as other commercial actors like agents and commission agents.

Second, Chapter Five especially from articles 54–57 provides a special framework exclusively for commercial brokers. For example, the code under article 54 defines commercial brokers as persons or organizations who, independently, professionally, and for gain, bring parties together to conclude contracts.[122] The code further state, that brokers are traders, regardless of the type of parties or contracts involved. It obliges brokers to inform parties of the terms of proposed contracts, ensuring transparency.[123] Upon failure of such duties brokers became liable for damages they cause, which enforces accountability.[124] Moreover, article 57 of this code governs issues of remuneration, stating that brokers are entitled to payment once the contract is concluded, but also denying remuneration if they act against the interests of their client.[125] As far as the amount of remuneration is concerned the code under article 57 (3) provides determination by the agreement of the parties or by custom as the case may be. The problem here is there is no specific custom readily available to determine the amount of commission to be paid. Custom may vary place to place and from transaction to transaction. This loophole may be a room for abuse. The only solution upheld by the commercial code is the court intervention when it believe that the commission is exaggerated. However, it could be better for the law to fix at least the maximum amount of compensation.

Apart from the aforementioned, the commercial code provisions regulating business organizations may also be relevant applicable legal rules governing commercial brokers when brokers do business in the form of business organization.

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[121] The New Commercial Code, Supra Note 32, Article 5.
[122] *Id*., Article 54.
[123] *Id*., Article 55.
[124] *Id*., Article 56.
[125] *Id*., Article 57.

3.1.2.4. The Trade Licensing and Registration of Proclamation 980/2016

This is another important domestic legal instrument designed to regulate business persons and service providers in general and brokers in particular. Although the proclamation does not specifically single out brokers, it incorporates them under the general category of 'business persons'[126] and 'service providers'.[127] This inclusion brings brokers into the fold of the commercial legal system, making their activities subject to civil, administrative, and even criminal rules. From a civil law perspective, the Proclamation reinforces the enforceability of brokerage agreements. By defining brokers as business persons who provide services for gain, it ensures that brokerage contracts are treated as valid commercial agreements under Ethiopian law. In this regard, article 5 of the proclamation provides that "[n]o person shall obtain any kind of business license without being registered in commercial register."[128]

This is to mean that without proper registration, a broker's agreement might face legal challenges in court, weakening the client's ability to enforce rights. The challenge may arise from civil, administrative or criminal measures following a failure.

Administratively, the proclamation places brokers under the direct supervision of the Ministry of Trade and regional trade bureaus.[129] Administrative measure" includes measures such as written reprimand, sealing, cancelation, suspension or other similar measures to be taken by the relevant authority.[130] The proclamation entrusts the relevant authority with the responsibility of maintaining a central register and issuing licenses.[131] This implies that brokers, like any other commercial actors, must secure a license before providing services. Importantly, the Proclamation gives enforcement powers to inspectors under article 2 (43), authorizing them to investigate whether commercial activities are being conducted legally. If a broker fails to comply, the law provides for administrative measures such as reprimand, sealing, suspension, or outright cancellation of licenses under**.**[132] This reflects intent to regulate brokers not only at the point of entry into the market but also throughout their operations.

[126] Commercial Registration And Licensing Proclamation, 2016, *Federal Negarit Gazette*, Proclamation No.980, 22nd Year No.101, Article 2 (2) , [Hereinafter, *The Commercial Registration And Licensing Proclamation No.980*].
[127] *Id*., Article 2 (4).
[128] *Id*., Article 2 (4).
[129] *Id*., Article 46.
[130] *Id*., Article 2(44).
[131] *Id*., Article 4.
[132] *Id*., Article 2(43).

The Proclamation also introduces criminal accountability for brokers who disregard its provisions. In the field of brokerage, therefore, Proclamation No. 980/2016 functions as more than a registration law. It is both a gatekeeping instrument and a supervisory tool. It affirms the legality of brokerage contracts within civil law, provides administrative safeguards through licensing and inspection, and introduces criminal sanctions for illegal brokerage. Although brokers are not explicitly named as a distinct category, the Proclamation integrates them within the general system of commercial regulation. This design reflects Ethiopia's effort to ensure transparency, accountability, and professionalism in commercial services, including brokerage, by combining civil, administrative, and criminal mechanisms under one legal framework. However, this does not mean that the proclamation is with no limitations at all. This licensing proclamation falls short in addressing issues of informalities. For example, the law does not provide the mechanisms through which informal business practice can be dragged in to the formal system of business operation. There is no transition period designed to attract informal business persons to get a formal business license. Furthermore, the law is silent in relation to awareness creation. Awareness is the most crucial mechanism to get things normal.

3.1.2.5. Commercial Registration and Licensing Council of Ministers Regulation No. 392/2016

This is the other key legal instrument in the regulation of brokers in Ethiopia. Though the regulation is not exclusively designed for commercial brokers, its provisions indirectly determine how brokers enter into the legal market. The regulation mostly outlines the procedural requirements for obtaining a certificate of commercial registration and a business license. For instance, sole proprietors must attach documents such as valid identity cards, photographs, proof of business address, capital allocation, and a tax identification number.[133] Since many brokers operate as individuals, this provision is directly relevant to them, ensuring that brokers must prove both their identity and their ability to operate from a recognized business address.

Further, the law regulates the registration of partnerships, private limited companies, and share companies. This is significant for larger brokerage firms that wish to operate collectively rather than individually. The provisions require submission of memoranda of association, proof of

[133] Commercial Registration and Licensing Council of Ministers Regulation, 2016, *Federal Negarit Gazette*, Regulation No.392, 23rd Year, No.3, Article 9. [Hereinafter, *Commercial Registration and Licensing Council of Ministers Regulation No.392*].

capital, authenticated minutes of resolution, and investment licenses for foreign participants**.** By demanding such detailed documentation, the regulation ensures accountability and legal clarity in brokerage firms' operations.

The Regulation also pays special attention to commercial representatives through article 13, which requires proof of appointment, bank deposits, and verification of principal business registration abroad.[134] While this provision is tailored to representatives of foreign business entities, it shows the government's concern with ensuring that intermediaries, like brokers, operate under formal oversight when they represent third parties in Ethiopia.

Finally, the regulation sets out rules for the cancellation, amendment, and substitution of business registrations and trade names under.[135] For brokers, this means their legal recognition is not permanent but conditional upon continued compliance. Failure to renew licenses or follow registration requirements could result in cancellation, thereby prohibiting them from engaging in brokerage activities.

To sum up, regulation No. 392/2016 forms a core part of the legal framework governing commercial brokers in Ethiopia. By requiring formal registration, licensing, and continuous compliance, it seeks to shift brokerage services from informal, unaccountable practices toward a structured and supervised sector. This makes it one of the most relevant legal tools in addressing the lack of professionalism and licensing among brokers in Ethiopia.

3.1.2.6. The Directive to Provide for Commercial Registration, Licensing and Post Licensing Inspection, No. 935/2022

This directive is solely designed to provide practical framework for regulating business actors in Ethiopia, including brokers. Unlike the proclamation and the regulation, which focus on establishing broad principles of registration and licensing, the directive goes further by filling important gaps in procedure, enforcement, and day to day supervision. This makes it highly relevant when assessing how commercial brokerage is legally governed.

One of the key areas where the directive adds value is its detailed rules of post licensing inspections measures. To this effect, the directive under article 51 and the following clearly outlines a comprehensive framework for post licensing inspections, making various activities subject to inspection and supervision by the authority empowered to do so. Accordingly, the

[134] Commercial Registration And Licensing Council Of Ministers Regulation No.392, Article 13.
[135] *Id*., Articles 6–8.

concerned body shall inspect and verify if business organizations or traders engaged in business without having the proper license, operating outside the business purposes for which their licenses are issued, operating without renewing their business license during the business license renewal period, and others of similar kind. [136] This represents a significant development because the proclamation and regulation focused primarily on registration at the entry stage but left post licensing control largely unaddressed. For brokers, who often expand their role informally or engage in practices beyond what is legally permitted; this provision creates a concrete enforcement mechanism.

Therefore, the directive makes the regulatory framework workable on the ground, especially in sectors like brokerage that are prone to informality. Yet, despite its stronger focus on enforcement, its effectiveness still depends on the commitment and capacity of local authorities to apply it consistently.

3.1.2.7. The Implementation Directive No.19/2014 on Taxation of Merchants Engaged in Brokerage Business, as Amended by Directive No.20/2015

This directive is the most directly relevant legal instrument primarily designed to address brokers and brokerage work, at least with respect to taxation. It was issued to impose tax on traders engaged in brokerage activities. It represents a step forward in regulating commercial brokers by ensuring they are always subject to taxation. Rather than defining commercial brokers specifically, the directive simply provides meaning to the terms broker and brokerage work. Accordingly, a broker means any person who, by arranging or facilitating the transfer, lease or sell or buy of special movable or immovable property, or shares, between a buyer and a seller, receives payment for the service provided.[137] It has also defined brokerage work stating that it means the activity by which a broker arranges the sale, lease, or transfer of movable or immovable property, or the sale of shares. Despite its significance, the directive has notable limitations.

The primary limitation lies in its restrictive definition of the term broker. The directive limits the meaning of a broker to those involved in mediating transactions of special movable or immovable property or shares. This narrow scope excludes brokers who operate in other

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[136] *Commercial Registration, Licensing And Post Licensing Inspection Directive*, Minister Of The Ministry Of Trade And Regional Integration, 2022, Article 51 ff, [Herein After, *Commercial Registration, Licensing And Post Licensing Inspection Directive]*.

[137] ደላሎችን ግብር ለማስከፈል የወጣው መመሪያ ቁጥር 19/2014፣ የግርጌ ማስታወሻ ቁጥር 16፣ አንቀፅ 2 (3)።

commercial sectors, such as commodity markets, service intermediation, or informal trading. Article 3 of the directive, which sets out its scope of application, reinforces this restriction by explicitly applying the directive only to brokers engaged in those specified areas.[138] Consequently, brokers working outside these defined sectors are unintentionally excluded from taxation. This creates a regulatory gap that undermines the broader fiscal and administrative purpose of the directive. In practice, many brokers in Ethiopia operate in diverse areas, such as agricultural commodity trade, vehicle facilitation, or daily goods transactions. By not covering these brokers, the directive fails to capture a significant portion of brokerage activity, allowing large informal operations to remain outside the tax framework. This omission contradicts the objective of ensuring equitable taxation and comprehensive regulation across commercial sectors.

Another limitation relates to Article 9(4) and (5) of Directive No. 19/2014, as amended by Article 2(c) of Directive No. 20/2015. For better understanding, the contents of these provisions are reproduced below.

Article 9(4) of Directive No. 19/2014 provides:

"[**ሻጭ እና ገዥ ፈቃድ ለሌላቸው ደላሎች ክፍያ ፈፅመው ከተገኙ ግብር እና ታክሱን ራሳቸው የመክፈል**…::"] [139] This means that if the seller and buyer are found to have made payment to an unlicensed broker, they are obliged to pay the duties and taxes themselves.[140]

Sub-article (5) of the same provision, later amended by Directive No. 20/2015, provides: "[**በዚህ አንቀፅ ንዑስ አንቀፅ 4 የተገለፀው እንደተጠበቀ ሆኖ ሻጭ እና ገዥ በራሳቸው ተገናኝተው ያለ ደላላ ግብይቱን የፈፀሙ እንደሆነ የድለላ ክፍያ አይጠየቁም፡፡**][141] which means if the seller and buyer meet and commit a transaction on their own, without the involvement of a broker, they will not be required to pay the tax that a broker would have paid.[142]Finally, Article 2(c) of Directive No. 20/2015 reads:

"[**በአንቀፅ 9 ንዑስ አንቀፅ 4 የተገለፀው እንደተጠበቀ ሆኖ ሻጭ እና ገዥ ያለደላላ ነው የተገበያየነው ብለው ከቀረቡ ደላላው ይከፍል የነበረውን ግብር እና ታክስ እንዲከፍሉ**

[138] ደላሎችን ግብር ለማስከፈል የወጣው መመሪያ ቁጥር 19/2014፣ የግርጌ ማስታወሻ ቁጥር 16፣ አንቀፅ 3 ::
[139] ደላሎችን ግብር ለማስከፈል የወጣው መመሪያ ቁጥር 20/2015 አንቀፅ 9 (4)፡፡
[140] Translation by the Author.
[141] ደላሎችን ግብር ለማስከፈል የወጣው መመሪያ ቁጥር 19/2014፣ የግርጌ ማስታወሻ ቁጥር 17፣ አንቀፅ 9 (5)፡፡
[142] Translation by the Author.

ይደረጋል፡፡]”[143]

This means that notwithstanding Article 9(4), if the buyer and seller claim that the transaction was conducted without a broker, they shall be required to pay the duties and taxes that the broker would have paid had a broker been involved.[144]

As we can understand from the contents of the directive’s provision, specifically sub article (4) of article 9 revealed a regulatory approach that assumes broker involvement in every commercial transaction. This provision seeks to ensure compliance with licensing requirements by holding sellers and buyers responsible for duties and taxes if an unlicensed broker is involved. This approach aims to enforce proper registration and professionalization of brokers, reflecting the state’s interest in regulating commercial brokers.

Sub article 5 of the same provision provides that if the seller and buyer transact directly without involving a broker, they are exempted from paying the tax that would have been payable by the broker. This clause, while intended to protect genuine private transactions, opens a loophole for tax evasion. Parties may falsely claim to have transacted without a broker to avoid tax liability, especially in informal market settings where oversight is minimal. Yet, this provision is amended by article 2 (c) of directive No. 20/2015 and such potential challenge is avoided. Despite this, the newly crafted provision introduces a reverse obligation and poses another sever challenge. As per this provision, if the buyer and seller claim that the transaction was conducted without a broker, they shall still be required to pay the tax that would have been due had a broker been involved in a transaction. The limitation speaks load here, requiring parties to pay the duties and taxes a broker would have paid, even when they truly claim no broker was involved, and thereby presuming broker participation as a default in a given transaction.

While the intent of these provisions seems to promote formalization and compliance, they carry significant limitations in practice. By shifting the compliance burden onto sellers and buyers, the law obliges them to prove a negative, which is often difficult, especially in informal or small scale markets. Especially, the mandatory presumption of broker involvement risks overreach, penalizing ordinary traders who conduct transactions independently. It creates enforcement

[143] በድለላ ስራ ዘርፍ የተሰማሩ ነጋዴዎችን ግብር ለማስከፈል የወጣውን የአፈፃፀም መመሪያ ለማሻሻል የወጣ መመሪያ፣የአማራ ብሔራዊ ክልላዊ መንግስት ገቢዎች ቢሮ፣ ጥቅምት 2015 ዓ.ም፣ አንቀፅ 2 (ሐ)፡፡ [ከዚህ በኋላ፣ ደላሎችን ግብር ለማስከፈል የወጣው መመሪያ ለማሻሻል የወጣ መመሪያ ቁጥር 20/2015 ተብሎ ይጠቀሳል፡፡]

[144] Translation by the Author.

challenges, as authorities must rely on subjective claims by the parties, potentially resulting in disputes or inconsistent application. This approach can also discourage direct transactions and compel traders to engage brokers unnecessarily, increasing transaction costs.

Therefore, the law's focus on formalizing broker activity and ensuring tax compliance is understandable. However, its current design may unintentionally penalize ordinary traders and small businesses, creating stress, administrative burden, and potential inequity. A more balanced approach would directly target unlicensed brokers while allowing parties to trade independently without automatic liability, protecting the market while respecting the autonomy and realities of everyday commerce.

The other notable limitation under the directives is the lack of professional standardization. This is to mean that the directives focuses mainly on licensing and tax compliance but do not provide substantive standards on broker qualifications, ethical conduct, or client protection. Absence of a clear dispute resolution mechanism when disputes between brokers and clients, or between brokers and the office arise is also another visible weakness attached to the directives. Therefore, while the directives can serve as a valid local regulatory instrument, it remains limited in scope and effectiveness due to its narrow focus on tax and licensing rather than broader professional governance.

3.1.3. Sector Specific Laws

Apart from the laws thoroughly discussed above, there are also financial sector specific laws issued primarily designed to regulate the overall business transactions or manner of working procedures of the actors including brokers shall follow. For instance, the insurance business Proclamation No. 746/2012 can serves as a specific legal framework regulating insurance brokers in the insurance financial sector. To this effect, article 5(9) gives the National Bank of Ethiopia power to issue directives prescribing the manner of licensing insurance and reinsurance brokers.[145] Pursuant to this power conferred upon, the National Bank of Ethiopia enacted directive sib/31/2010. This directive wants brokers to be Ethiopian nationals or businesses fully

[145] Insurance Business Proclamation, 2012, *Federal Negarit Gazeta*, Proc. No. 746, 18 Th Year No. 57, Article 5(9). [Hereinafter, *Insurance Business Proclamation No 746/2012*].

owned by them, and most importantly, they must be people of honesty, integrity, diligence and reputation.[146]

As per this directive the Chief Executive Officer (CEO) of a brokerage firm has to meet strict standards: they need at least a diploma in insurance or a related business field and a minimum of eight years of reputable managerial experience at an insurance company's head office, overseeing areas like underwriting and claims.[147]

With regard to the issue of accountability, brokers have to carry a valid professional indemnity insurance policy at all times to protect their clients against negligence or errors. This policy has a high minimum limit (Birr 1 million or three times the annual commission, whichever is greater) and must cover claims arising from things like a negligent act, error, or omission.[148] These all demonstrates that broker in the insurance sector is well regulated.

3.1.3.1. Capital Market Broker Laws

The other important statutory material in relation to regulation of brokers is the Capital Market Proclamation No.1248/2021 and. This is a law that can be taken as a legal framework regulating a particular category of brokers, specifically securities brokers who operate within the capital market. Accordingly, under the proclamation security brokers is recognized as capital market service providers who must hold a capital market service license.[149] In addition, Article 108 (2) gives the Ethiopian Capital Market Authority (ECMA) power to issue directives necessary for the enforcement of the proclamation.[150] The ECMA using its power has enacted a directive for licensing of capital market service providers, directive No. 980/2024. This directive, among other things, provides setting application procedures, minimum capital, internal organization, risk management, and supervision requirements for various service providers including brokers. This makes both the proclamation and directive a direct legal instrument for regulating brokerage services within the formal securities market, ensuring professionalism, financial accountability. However, the Proclamation's scope is limited to capital market transactions. It does not cover

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[146] *Licensing Of Insurance Brokers Directive*, National Bank Of Ethiopia, Article 4 (1) [Herein After, *Insurance Brokers Directive 31/2010]*.

[147] Insurance Brokers Directive 31/2010, Article 4 (4).

[148] *Id*., Article 9.

[149] Capital Market Proc. No. 1248/2021, *Supra note* 9, Article 2(3). See Also *Capital Market Service Providers Licensing and Supervision Directive,* Ethiopian Capital Market Authority, January 2024, Article 5 [Here in After, *Directive Number 980/2016*.]

[150] Capital Market Proc. No. 1248/2021, *Supra note* 9, Article 108(3).

brokers engaged in commercial, commodity, or informal business brokerage outside securities trading.

3.2. Institutional Regulatory Frameworks

3.2. 1. International Institutional Frameworks Regulating Commercial Brokers

3.2.1. 1. ICC And WTO: Indirect Regulators of Commercial Broker

With a critical assessment of myriads of international commercial laws, it remains difficult to conclude and argue that having a singular, authoritative international institution with binding governmental power to license, audit, or directly regulate commercial brokers across the globe is simple. However, this does not mean that some international commercial regulatory institutions have no indirect impact towards the regulation of commercial brokers. For example, with the intention to liberalize trade across the globe, World Trade Organization (WTO) was established based on the belief that such liberalization of trade brings multiple of benefits to the world population.[151] By adopting the principle of national treatment, most favored nation treatment, and domestic regulation through its rules of GATS, WTO tried to regulate the broader international market and crate a conducive environment for commercial broker to operate across borders. Whenever dispute arises, the WTO is there with its several dispute settlement methods to resolve such disagreements.[152] To this end, the WTO dispute settlement body is established with the authority to launch panels, adopt panel and appellate body reports, maintain surveillance of implementation of rulings and recommendations, and authorize suspension of concessions and other obligations under the covered agreements.[153] Therefore, the most frequently used methods of dispute settlement are adjudication by ad hoc panels and the appellate body.[154]

The other international institutional regulatory framework is the International Chamber of Commerce (ICC). The ICC, as an international institution, provides an impartial convening forum in which to work with the international business community to shape frameworks,

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[151] Hussein Ahmed Tura, Making The WTO Accession Works For Ethiopia: Lessons From Cambodia And Nepal, P. 4.

[152] United Nation Conference On Trade And Development, World Trade Organization, *Course On Dispute Settlement*, Module 3.2, Dispute Settlement, 3.2 Panel, P. 1. Available At < https://unctad.org/system/files/official-document/edmmisc232add12_en.pdf> (Last Accessed on 29, October 2025). [Hereinafter, *UN Conference on Trade and Development*].

[153] DSU – Article 2 (Practice), Available at <https://www.wto.org/english/res_e/publications_e/ai17_e/dsu_art2_oth.pdf>

[154] UN Conference on trade and Development, *Supra note* 154.

implement practical solutions and promote international best practice.[155] This organ establish non binding norms, contractual standards, model contract, such as the model commercial agency contract[156] and the model occasional intermediary contract that indirectly govern the conduct and operational environment of commercial brokers.[157] These templates define core legal provisions like the broker's duties, scope of authority, and remuneration (commission). When parties adopt these models, the ICC framework essentially becomes the binding law of their private contract.

3.2.2. Institutional Frameworks Regulating Brokers In Ethiopia

3.2.2.1. Ministry of Trade

The overall structure of the Commercial Registration and Business Licensing Proclamation No. 980/2016 2016 and the Amendment Proclamation No. 1150/2019 tells us that the Ministry of Trade serves as the central institutional and regulatory authority responsible for administering commercial registration and licensing in Ethiopia at the Federal level, including the regulation of commercial brokers in one or another way. These instruments establish both the scope of the Ministry's authority and the practical mechanisms through which brokers are brought under state regulation. The proclamation defined the term inspector as an officer designated by the relevant authority to inspect that the commercial activities are carried out in accordance with law. [158] Under the amended proclamation, relevant authority refers to the Ministry of Trade or Regional organs administering commercial activities.[159] Ministry on the other hand means the Ministry of Trade and Industry.[160] As far as the power of the Ministry is concerned, a significant element of its power lies in licensing and registration amendment proclamation under article 2(34). This provision of the amendment proclamation introduces the Ethiopian business licensing categories

[155] ICC, *Making Trade Cheaper, Faster, Simpler, More Sustain More Sustainable and More Secure*, P.2. Available at <https://iccwbo.uk/wp-content/uploads/2024/02/ICC-united-kingdom-membership-brochure.pdf> (Last Accessed on 29, October 2025).
[156]<https://iccwbo.org/business-solutions/model-contracts-clauses/Icc-model-commercial-agency-contract/> (Last Accessed on 29, October 2025).
[157] See the Model Contract Available at <https://www.scribd.com/document/660422318/Icc-occasional-intermediary-contract> (Last Accessed on 29, October 2025).
[158] The Commercial Registration and Licensing Proclamation No.980 Article, *Supra note* 128, Article 2 (43).
[159] Commercial Registration and Business Licensing (Amendment) Proclamation, 2019, *Federal Negarit Gazette*, Proclamation No. 1150, 25th Year No.77, Article 2 (3) , [Hereinafter, *the Commercial Registration and Business Licensing (Amendment) Proclamation No. 1150*].
[160] The Commercial Registration and Business Licensing (Amendment) Proclamation No. 1150, S*upra note* 161, Article 2 (2).

directive as a legal instrument issued by the Ministry, listing the types of commercial activities requiring business licenses.[161]

Furthermore, the Ministry keeps the national commercial and trade name register open to the public, handles all core registrations, manages the central database, issues special certificates, registers federal sectoral associations, and issues federal business licenses.[162] Regional offices and the Investment Commission take delegated registration tasks, transfer their data to the central system, register regional sectoral associations, and issue regional business licenses.[163] The issue of regulation of commercial broker and brokerage services falls under this category, making a license from the Ministry a legal prerequisite for operation. This framework ensures that brokers operate within a regulated environment where minimum standards are set and compliance can be monitored. Beyond registration, the Ministry also has enforcement powers. Proclamation No. 980/2016 empowers it to impose administrative measures on those who fail to comply with licensing obligations including measures such as suspension or cancellation of business licenses, effectively enabling the Ministry to regulate the conduct of brokers in practice.[164]

These all together with other powers conferred to the Ministry under the proclamation places the institution at the apex of the regulatory structure, with regional trade bureaus functioning under its delegated authority. Therefore, the Ministry's framework, therefore, bridges law and practice, ensuring that brokerage activities are subject to state supervision, accountability, and the rule of law.

3.2.2.2. Regional Organs Administering Commercial Activities: Special Focus on the Amhara Region Trade Bureau and ANRS Revenues Authority

The trade and licensing proclamation number 980/2016 gives power to the regional organs administering commercial activities, Amhara region trade bureau in our case, to undertake commercial registration and trade name registration when delegated by the Ministry.[165] To this end, this office acts as an institutional regulatory mechanism, performing administrative, supervisory, and enforcement functions. It issues brokerage licenses, monitors compliance with

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[161] The Commercial Registration And Business Licensing (Amendment) Proclamation No. 1150, *Supra note* 161, Article 2 (34).
[162] The Commercial Registration and Licensing Proclamation No.980 Article, *Supra note* 128, Article 9.
[163] *Ibid.*
[164] *Id.*, Article 2 (36).
[165] *Id.*, Article 4.

the directive, collects taxes from brokers, and has the authority to impose sanctions for violations. Institutionally, this role aligns with Article 52(2) of the FDRE Constitution, which empower regional organs to administer economic activities within their jurisdictions.[166] The office thus functions as a decentralized regulatory body ensuring that brokers operate within legal limits, contribute to tax revenue, and maintain professional accountability. Its enforcement authority and power to revoke or suspend licenses demonstrate that it is not merely administrative but regulatory in nature.

The ANRS Revenue authority is the other institutional regulatory framework regulating commercial brokers in the study area. Accordingly, as it has been thoroughly discussed above the Revenue authority enacted directive No. 19/2014 with intent to have brokers pay taxes. Based on this directive those brokers particularly engaged in mediating in selling and renting of immoveable properties and shares are required to pay taxes as per the rules enshrined under the directive. Therefore, this institution can be cited as an institutional regulatory framework of commercial brokers with respect to taxation.

3.2.2.3. Sector Specific Authorities

The Ethiopian Capital Market Authority hereinafter (ECMA) is one of the institutional regulatory frameworks regulating sector specific brokers in Ethiopia. Its regulatory role is limited in the capital market. The authority is established under article 3 of the capital market proclamation number 980/2016 as an autonomous federal regulatory body.[167] Its powers and duties, outlined under article 6, include but not limited to Licensing and supervising capital market service providers, including brokers, developing regulatory frameworks and ensuring market integrity, protecting investors and ensuring orderly, fair, and transparent market operations.[168] However, one important thing worth to mention here is that while the ECMA regulates capital market brokers cannot be taken as an institutional framework for commercial brokers in the general economy since the later fall under the jurisdiction of the Ministry of Trade and Regional Bureaus, not the ECMA. Therefore, the ECMA serves as an institutional regulator for securities brokers, not for brokers in ordinary commercial transactions.

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[166] The FDRE Constitution, *Supra note* 119, Article 55 (2).
[167] Capital Market Proc. No. 1248/2021, *Supra note* 9, Article 3.
[168] *Id*., Article 6.

The national bank of Ethiopia (NBE) together with the Insurance companies are the other regulatory institutions acting as functional and operational enforcers within the institutional framework established by the insurance business proclamation. According to Article 6(3), insurers may, with prior NBE approval, provide support to insurance brokers and agents in connection with their business.[169] It gives the National Bank of Ethiopia power to issue directives prescribing the manner of licensing insurance and reinsurance brokers.[170] Insurances have obligations to maintain transparent relations and business conduct with brokers as regulated under Article 44, which empowers the NBE to issue directives on market conduct, complaint handling, and the responsibilities of insurers toward policyholders and auxiliaries.[171] Thus, insurance companies perform monitoring and compliance roles in practice, ensuring that brokers follow the directives issued by the NBE. However, still the primary regulatory authority remains the National Bank of Ethiopia, which grant it exclusive powers to license, supervise, and discipline all actors in the insurance market.[172]

3.2.2.4. Courts

Courts in Ethiopia serve not only as forums for dispute resolution but also as institutions that indirectly regulate the work of commercial brokers. The FDRE Constitution lays the foundation for this role. Article 37 guarantees the right of every person to bring disputes before a court of law. This includes conflicts between brokers and clients, disagreements over commissions, and claims related to fraudulent or unfair brokerage practices. In this sense, courts stand as guarantors of accountability within brokerage relationships by ensuring that parties have a reliable forum to seek justice. Another dimension of judicial regulation arises in the courts' power to review administrative acts. Licensing of commercial brokers falls under the Ministry of Trade and Regional regulatory bodies, but their decisions are not absolute. Through the Federal Administrative Procedure Proclamation, courts hold authority to review and annul unlawful or arbitrary administrative measures. This judicial check allows brokers to challenge unfair license refusals or sanctions, and it also reassures clients that regulators act within the boundaries of the law. The remedies that courts grant are also regulatory in effect. By awarding damages, ordering specific performance, or even issuing injunctions against unlawful brokerage activities, courts

[169] Insurance Business Proclamation No 746/2012, *Supra note 147*, Article 6.
[170] *Id*., Article 5(9).
[171] *Id.*, Article 44.
[172] *Id.*, Article 3, 5, and 19.

discourage misconduct and set clear expectations for the profession. When criminal law is triggered for instance, in cases of fraud, forgery, or deceptive brokerage practices courts impose penalties that serve both as punishment and deterrence.

In practice, courts help fill the gaps left by incomplete legislation and weak administrative enforcement. They clarify ambiguous provisions, set precedents for fair practice, and establish a body of standards that brokers and clients can rely on. At the same time, the reach of courts is limited. They respond to disputes that are brought before them, which means their regulatory role depends on access to justice. High litigation costs and procedural delays often prevent smaller actors from bringing cases.

The other essential role courts play is interpreting criminal law provisions so as to penalize the unlawful conduct of commercial brokers. For example, as per article 5 of proclamation, No. 980/.., no one is allowed to do [brokerage] business without securing license from the relevant authority. If someone found doing brokerage business without the proper license, or any business person who has been engaged in a business out of the scope of his business license shall, without prejudice to the confiscation of merchandise, service provision and manufacturing equipment, be punished with fine from Birr 150,000 to Birr 300,000 and with rigorous imprisonment from 7 years to 15 years.[173] This is always known after the conduct of a formal criminal proceeding in a court having jurisdiction to entertain. In doing so, the court can directly regulate the behavior of commercial brokers. Therefore, courts in Ethiopia should be understood as a crucial part of the institutional framework governing commercial brokers. They safeguard constitutional rights, enforce contractual duties, review administrative decisions, and penalize unlawful conduct. While they are not regulatory bodies in the direct sense of issuing licenses or supervising brokers, their role in interpreting and applying the law provides stability and fairness in the brokerage sector.

3.2.2.5. Office of the Police and Public Prosecutor

It is evident that office of the police and public prosecutor are vital organs within the executive branch of the government in the process of crime investigation. This is inferred from the criminal procedure code and enabling laws. The power of police throughout the process of crime investigation ranges from receiving accusation to investigation of the matter and transferring file

[173] The Commercial Registration and Licensing Proclamation No.980, Article, *Supra note* 128, Article 5.

to the public prosecutor for a criminal charge to be instituted against the alleged offender. For instance, the police, if received an accusation or whenever the police know or suspect that an offence including crime related with brokerage business has been committed, it shall proceed to investigate in accordance with the provisions of the 1960 criminal procedure code.[174]

Coming to the Office of the Public Prosecutor, it is central to the enforcement of criminal law, and by extension, it forms part of the institutional framework that governs the conduct of commercial brokers. This power is exercised through the Federal Attorney General (now the Ministry of Justice) at the federal level and Justice bureaus at regional level and their subordinate offices. These institutions have the authority to investigate and prosecute offenses, including those connected to commercial activities. To be exact, article 6 of the enabling proclamation provides that the public prosecutor has the power of directing investigations, ensuring they are lawful and completed properly, and deciding whether to proceed with charges.[175] The office has the key responsibility of instituting and litigating criminal cases on behalf of the government, including making critical decisions like determining plea bargains or withdrawing charges when in the public interest.[176]

Finally, this executive organ ensures the law is upheld from the start of an investigation through the proper implementation and enforcement of all resulting court judgments and criminal punishments.[177] These shows that when broker's conduct crosses the line from civil wrongs to criminal acts, the office of the prosecutor intervenes. Fraudulent misrepresentation, forgery of documents, and unlawful brokerage without proper licensing all fall within prosecutorial reach. The trade licensing and registration proclamation number 980/20116 provisions criminalizes such acts, and the prosecutor ensures that offenders are brought before courts for trial. In this way, the prosecutorial office safeguards both the integrity of the brokerage profession and the interests of clients who might otherwise be vulnerable to abuse.

[174] Criminal Procedure Code of The Empire of Ethiopia, 1961, *Negarit Gazzeta*, Extraordinary Issue, Proc. No. 1, 32th Year, No. 3, Art. 22.
[175] Federal Attorney General Establishment Proclamation, 2016, *Federal Negarit Gazzeta*, Proclamation No. 943, 22nd Year, No. 62, Article 6.
[176] *Ibid.*
[177] *Ibid.*

3.3 Synthesis: Identifying the Gaps in the "Law in Books"

As it has been outlined above, the preceding sections of this chapter examined the legal framework governing brokerage activities in Ethiopia through relevant provisions of the commercial code, the civil code, and subsidiary instruments exhaustively mentioned above. When these legal rules are read collectively, a number of structural weaknesses become apparent. Although these laws formally recognize brokerage as a commercial activity and defines the rights and obligations of brokers, the regulatory framework remains fragmented, incomplete, and insufficiently aligned with the practical realities of brokerage markets.

One major weakness of the law is fragmentation. Rules governing brokerage are dispersed across different legal instruments without a coherent regulatory design. The civil code primarily addresses brokerage as a contractual relationship just indirectly. The commercial code, on the other hand, recognizes brokerage as a commercial activity and classifies brokers as traders. The trade licensing and registration of proclamation 980/2016 simply require broker to have a license to do brokerage business. Again, the directive to provide for commercial registration, licensing and post licensing inspection, No. 935/2022 only expect simple requirements to get a license as a trader. However, neither instrument provides an integrated framework that addresses detailed licensing procedure, supervision, professional conduct, and accountability in a systematic manner. This fragmented approach creates ambiguity regarding the institutional responsibilities of regulatory bodies and leaves significant regulatory questions unanswered.

A second notable gap is the tax centric orientation of the existing legal framework. Where brokerage activities receive regulatory attention, the focus tends to center on revenue collection rather than professional regulation. Legal and administrative measures primarily seek to identify brokers as taxable entities, while issues such as market conduct, ethical obligations, consumer protection, and service quality receive minimal attention. This emphasis reduces brokerage regulation to a fiscal concern and overlooks the broader public interest dimensions of brokerage activities. Consequently, the law fails to conceptualize brokerage as a profession requiring standards, qualifications, and continuous oversight.

The absence of clearly articulated professional standards constitutes another significant deficiency. The legal frameworks do not set out minimum qualifications, codes of conduct, or competency requirements for commercial brokers. While brokers are legally recognized as traders, there are no accompanying rules defining acceptable professional behavior or mechanisms for discipline in cases of misconduct. This silence creates a normative vacuum in which brokerage is treated as a purely transactional activity rather than a profession involving trust, information management, and fiduciary like responsibilities. The lack of professional standards weakens the protective function of the law and limits its ability to guide conduct in the marketplace.

Closely related to this problem is the weakness of licensing criteria in the law in books. Existing legal provisions do not establish clear, independent, uniform, and enforceable conditions for entry into brokerage activities. The absence of detailed licensing requirements undermines the capacity of the legal framework to distinguish professional brokers from informal intermediaries. Without clear entry thresholds, the law fails to perform its gatekeeping function, allowing brokerage activities to remain legally undefined in terms of qualification and accountability. This weakness also contributes to inconsistent regulatory approaches and uncertainty regarding who qualifies as a legally recognized broker.

This all implies that the problem in Ethiopian broker regulation specifically in the study area is not the absence of legal recognition, but the inadequacy of the legal framework itself. The law only provides a foundational acknowledgment of brokerage but stops short of establishing a comprehensive regulatory system capable of ensuring professionalism, accountability, and market integrity.

CHAPTER FOUR
ANALYTICAL ASSESSMENT OF BROKERAGE REGULATION IN BAHIR DAR CITY

4.1. Overview of the Practice of Broker in Bair Dar: Identifying Visible Regulatory Vacuum

In the initial phase of this research, my paramount task was to grasp the realities of how brokerage is actually conducted within the city of Bahir Dar. To achieve this genuine understanding, I employed a two pronged approach; sustained personal observation across public spaces and direct, in depth discussions with individuals actively engaged in brokerage work.

My personal observations were held majorly at three sits of the city where brokers are gathered from various parts of the city to mediate the transaction. To name the sites: Kebele 11 commonly known as “Abay mado gebiya”, the downtown area, Kebele 04, and kebele 14 commonly known as “Yetebaberut”. These sites are places where major transactions with broker involvement are held and informality is clearly manifested. In so doing, my observation immediately provided a striking, physical manifestation of the industry's prevalent informality. The practice of posting unauthorized, crudely printed advertisements is.[178] These paper advertisements are affixed indiscriminately to public infrastructure whether it be the trunks of trees, utility poles, or communal bulletin boards.[179] This widespread, tangible display is a clear symptom of profound non compliance.

These abundant postings almost invariably list only a mobile phone number.[180] The researcher had a telephone conversation with some of the brokers using the phones they posted, if they have a license to do this business. Unfortunately they told the research that they do not have. Crucially, they bypass every fundamental requirement expected of a formal business operation. The advertisements evidently lack a registered business name, a legally required physical office address, and any adherence to commercial advertising standards. The complete scale and sustained nature of this phenomenon where old posters are often layered on top of new ones, remaining untouched for weeks or months is not merely circumstantial evidence of informal business activities. It is compelling proof of a systemic and enduring regulatory vacuum. This

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[178] See Annex II.
[179] See Annex II.
[180] See Annex III.

widespread, unchecked environment clearly indicates that the responsible trade administration authorities are either fundamentally incapable or demonstrably unwilling to enforce basic commercial laws regulations. This allows a highly risk, and entirely unregulated real estate, rental, and construction materials market to operate openly and flourish in the city's most visible public areas. The significant concentration of these street level operations confirms that this unregulated model is in fact, the dominant mode of commercial practice, flourishing precisely because the formal administrative bodies has failed to carry out their mandated oversight and enforcement responsibilities.

As a second critical step, I sought to engage directly with brokers involved in a diverse array of commercial activities. This included, but was not limited to, real estate brokers specializing in the sale, purchase, and rental of houses, car as well as intermediaries involved in the trading or distribution of essential construction materials such as sand, block, and gravel. To gather rich, qualitative data, I conducted a series of individual interviews and organized small focus group discussions. During these sessions, the vast majority of brokers willingly disclosed their operational status and procedural norms. The initial and most telling question I posed was straightforward. Do you possess a formal trade license specific to the brokerage business? Their reply from most of the participating brokers was an unequivocal no.[181] They admitted to lacking the required legal trade license necessary to formally operate as a commercial broker.[182] Unfortunately, a significant finding was not just their lack of compliance, but their deeply ingrained belief that possessing such a license is largely unnecessary for their day to day operations.

According to their belief, the only reason for obtaining a trade license arises when their client base includes legal entities or institutions.[183] They stated that when engaging with organizations, those institutional clients always request proof of a proper operating license.[184] Beyond this narrow context, they argued, the license plays virtually no role in their ability to conduct the

[181] Interview with Adane Fentie, Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 17, 2025.
[182] Interview With Yihenew Wassie Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 17, 2025.
[183] Interview With Yeshiwas Amogne , Engaged in Brokerage, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, December 2, 2025.
[184] Interview with Kefyalew Kindie, Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 17, 2025.

brokerage business successfully within the vast informal market that defines the city's trade in the field. When an inquiry is made about the potential consequences of operating without the legally mandated license, their response was equally surprising. Nothing ever happens, they said.[185] Not a single broker I spoke with reported ever having been subjected to any form of supervision, inquiry, or penalty from the officially concerned government authorities.[186] To add insult to injury, what the unlicensed brokers told is that if they secure license, the revenue authority accidentally impose huge amount of tax without considering the income they received.[187] Hence, the license remain harmful than bringing them advantages with rational responsibilities, as per their words.[188] The researcher asked them to further clarify how they ensure that they would be taxed accidentally in the absence of a trade license from the very outset. They revealed that it is from those brokers (citing licensed brokers participating in FGD) they took a lesson.[189]

This collective experience and strong conviction reveal a local brokerage market defined not by regulatory compliance, but by a highly visible, entrenched, and pervasive informality. The overwhelming volume of this ongoing unlicensed activity is conclusive evidence of a fundamental and sustained failure on the part of the local administrative structure to uphold and enforce basic commercial legislation.

Generally, the researcher, upon examining the brokerage practice in the study area based on this approach, it has been found that brokers are working without a trade license for brokerage work. Those who do have a license are often working in a different business sector but are acting as if

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[185] Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokers in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025.

[186] Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokerd in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025.

[187] Interview with Tinsie Tsegaye, Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025

[188] Interview with Habtemariyam Yakob , Engaged in Brokerage Business, *on the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* October 22, 2025.

[189] Focus Group Discussion Conducted by the Researcher with Unlicensed Brokers in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*,, October 22, 2025.

they were brokers in practice.[190] Example: brokers involved in the transaction of supply of construction materials have a trade license for construction material supply (e.g., sand, gravel, and block).[191] Their legal role is to supply raw materials by receiving them from an individual or merchant and selling them to a buyer, meaning they are suppliers, not brokers. However, on the ground, they are acting as brokers, which do not align with their trade license.

The aforementioned Commercial registration, licensing and post licensing inspection directive stated under chapter three of this work prohibit this, clearly indicating that there will be penalties for working outside of the authorized trade license.[192] When examining these laws and its application in general, we find the laws address the issue of brokers though not fully comprehensive which existed scattered. It also lacks professionalism; individuals who obtain a brokerage license do not necessarily meet professional quality standards. The gaps instilled in such laws together with the weak enforcement makes the regulation of brokers poor.

4.2. The Manifestation and Normalization of Unlicensed Brokerage

4.2.1. The Strategic Evasion of Formal Requirements

The research confirms that this informality is not merely an oversight but a strategic economic choice by the brokers. With 17 out of the 20 interviewed brokers, including both licensed and unlicensed participants, found to be operating without a valid license, the interviews reveal a dominant pattern of informality within the sample. All of them including those who possess a license do not have office and a known address.[193] This analysis confirms that non compliance is the rule, not the exception. Brokers explicitly stated that obtaining a license would subject them to taxation and additional obligations (such as adhering to professional standards or maintaining an office), which they actively prefer to avoid. This decision calculus suggests that the perceived cost and administrative burden of compliance outweigh the negligible risk of enforcement. Furthermore, the practice of individuals using licenses for a different sector such as construction material supply to conduct brokerage work is a deliberate form of regulatory arbitrage. They

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[190] Interview with Kefyalew Kindie, Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 17, 2025

[191] Interview with Abibuwal Interview with Kefyalew Kindie, Engaged in Brokerage Business, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 17, 2025 October 17, 2025

[192] Commercial Registration, Licensing and Post Licensing Inspection Directive, *Supra note 171*, Article 51.

[193] Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokers in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025.

exploit the legitimacy of one license to illegally operate in another domain thereby violating the trade license and registration proclamation and the enforcing regulation. This in turn undermines the integrity of the entire commercial registration system. This phenomenon demonstrates how legal tools are being evaded leading to a functional nullification of the licensing requirements for a significant segment of the market.

4.3. Exploiting Information Asymmetry: Client Experiences of Fraud and Price Manipulation.

The informal operational structure directly enables a set of detrimental trading practices that distort market prices, exploit consumers, and actively undermine fundamental contractual rights. To ensure the existence or otherwise of such kinds of challenges in the study area, the researcher approached clients residing in Bahir Dar. Accordingly, the clients reported that the problem ranges from unregulated pricing to commission inflation.[194]

Mostly, in a properly regulated market, a broker's compensation is a fixed, percentage based commission, typically stipulated by law or customary business practice.[195] The findings in Bahir Dar however, illustrate a dramatic deviation from this standard particularly in some brokerage business. For example, brokers be it licensed or not unilaterally determine the price of goods or property by imposing massive profits charging a buyer 15,000 Birr for a product received from the seller at 10,000 Birr, for example.[196] Apart from this, some brokers hide the real price and keep what they commonly call '*Ferq*'.[197] This refers to extra money a broker takes by selling the goods at a higher price than the one set by the seller. This amount is not part of any agreed commission. It is an abusive and hidden form of profit. This practice has two severe consequences as stated above: the first is price inflation, which introduces an arbitrary and significant cost into the transaction, which is ultimately borne by the consumer (buyer). This directly contributes to the inflation of prices in essential sectors like housing and construction

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[194] Interview with Birhan Hunegn., Engaged in Renting Dwelling House, *on Regulation of Brokers in Ethiopia: The Case Of Bahir Dar,* November 21, 2025.
[195] The New Commercial Code, *Supra note* 38, Article 57.
[196] Interview with Yaregal Belli., Engaged in Selling Construction Materials, Including Sand, on Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokerd in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025, October 22, 2025.
[197] Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokers in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025.

materials, contradicting the government's interest in market stability. The second is a problem related with the harm to market integrity. By prioritizing their uncontrolled personal benefits over a legitimate and fixed commission, the brokers abandon their professional role as neutral intermediaries and instead act as profiteering principals. This clearly exacerbates the disputes and market inefficiencies noted by the research.

Apart from the challenges mentioned, consumers requiring broker's service revealed that brokers are still in a position of restraining trade and coercing contractual involvement. The interviewed clients (broker clients) revealed that brokers intentionally create and maintain an information asymmetry between buyers and sellers.[198] This is evidenced by reports that brokers remove private "for rent/sale" notices posted by property owners.[199] Again, in some brokerage business especially in construction material supply sector, sellers who attempt to transact directly are often consistently boycotted by the network of brokers, effectively preventing the sale of their goods.[200] There is no intervention from the concerned government authority to stop such act of market abuse.[201] This practice is a direct manifestation of the information asymmetry theory and highlights the lack of the disclosure requirements found in sector specific regulations like those for insurance brokers. In regulated brokerage sectors, such risks are mitigated through mandatory disclosure obligations and professional standards. However, the law does not impose explicit disclosure duties on commercial brokers. The absence of legally defined transparency requirements allows brokers to exploit informational advantages without formal accountability. The findings therefore illustrate how the lack of disclosure rules in the law governing commercial brokers facilitates systematic price manipulation and consumer deception.

Since they are working mostly on the bases of their practical experience, the professional quality of brokers is the other challenge in the market. In this regard, brokers sometimes may lack the

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[198] Interview With Wubshet Kindu, Engaged in Dwelling House Renting Business, o*n the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* December 11, 2025.

[199] Interview with Emaway Birhanu , Engaged in Dwelling House Renting Business, o*n the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* December 11, 2025.

[200] Interview With Getachew Fentie, Engaged in Selling Construction Materials, Including Sand, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 22, 2025.

[201] Interview With Getachew Fentie, Engaged in Selling Construction Materials, Including Sand, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 22, 2025.

required knowledge regarding goods subject to sale buy transaction over which they are mediating. For instance, they may not know which raw materials are superior, outside of customary practice. There is no specific rule designed to have a professional broker especially in some construction input market. This indicates a legal gap and a lack of professionalism and qualification. For instance, a person engaged in brokerage for construction input supply should have possessed a good understanding of those materials/inputs while in fact not. Unfortunately, they even did not take a short training enabling them to know some details over the goods they are mediating.[202]

Having this in mind, to have a full understanding of the challenges of enforcement, the researcher reached the concerned governmental authorities, as discussed herein under.

4.4. Institutional Failure: A Case Study in the Voluntarist Theory of Informality

The Amhara Regional State Bureau of Trade Licensing and Registration is an institution empowered to regulate trade and business operations in the region. Considering this assumption, I approached experts working in the business license and supervision departments and asked to explain how they are working with providing license to brokers and supervising the same. Responding to this question, experts in the licensing department, revealed that anyone who is interested to have a business license in brokerage business irrespective of the nature of the transactions he/she may be involved as an intermediary, can secure the license by simply fulfilling service fee requirements.[203] There are no any other requirements for brokers to fulfill in order to secure the license. The professional quality, level of education, and their historical background including their profile had never been considered to award the license.[204] Once the license is granted, it is the department of supervision within the institution to monitor whether

[202] Focus Group Discussion Conducted by the Researcher with Licensed and Unlicensed Brokers in Bahir Dar City, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, October 17, 2025.

[203] Interview with Mitiku Mesfin, Trade Licensing and Registration Directorate Director at the ANRS trade and market development Bureau, o*n the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 10, 2025.

[204] Interview with Mitiku Mesfin, Trade Licensing and Registration Directorate Director at the ANRS trade and market development Bureau, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 10, 2025.

that broker acts within the scope and as per the promise of his license.[205] The law also supports this allegation.

The researcher, with the intention to know if there is actual supervision in the study area, holds focus group discussion and interview session with experts in the Monitoring and Supervision Department of the ANRS Trade and Market Development Bureau and the Bahir Dar City Administration Trade Licensing and Registration Department. Unfortunately, the response is in the negative which reveals a clear disconnection between mandate and action.[206] Justifying the reason for inaction in brokerage business, experts claim that the role of brokers is insignificant in the economy on the one hand and finding their location due to their phone based operations on the other is not a simple task.[207] However, the expert's simple characterization of the roles of brokers in the market as insignificant and their conclusion of cannot find them is fundamentally flawed. As outlined above, the brokers in the study area operate officially by publicly posting their phone numbers and service types on poles and buildings across the city. Moreover, they are working their job at center of the city without even inclination to hide themselves. This simple fact transforms the issue from difficulty in locating brokers to one of institutional negligence. Neglecting this business sector from act of regulation is an arbitrary exercise of limited enforcement capacity, leaving major wealth generating sectors unregulated and unstable.

The researcher did not stop digging out the details and also tried to find out how other stakeholders are acting towards shaping the informal operation of brokers in the study area. Accordingly, an assessment of how brokers are taxed in the ANRS revenue bureau is made herein under.

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[205] Interview with Mitiku Mesfin, Trade Licensing and Registration Directorate Director at the ANRS trade and market development Bureau, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 10, 2025.

[206] Focus Group Discussion Conducted by the Researcher with Experts of Trade Licensing and Supervision at the ANRS trade and market development Bureau, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 9, 2025. Interview with Emebet Asefa, Coordinator of Trade Licensing and Supervision at Bahir Dar City Trade Licensing and Registration Department Office, *on the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 13, 2025.

[207] Focus Group Discussion Conducted by the Researcher with Experts of Trade Licensing and Supervision at the ANRS trade and market development Bureau, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 9, 2025

4.5 The Principal Agent Problem Unleashed: How the Absence of Fiduciary Rules Harms Consumers

The empirical data also reveals persistent conflicts of interest between brokers and clients. Brokers routinely act in ways that prioritize personal gain over the interests of those who rely on their services. In practice, clients entrust brokers with negotiation authority, price information, and access to counterparties, yet brokers frequently accept undisclosed benefits including 'Ferq' from the party or manipulate transactions to maximize commission.

This conduct exemplifies the principal agent problem. Though not in strict sense of the term, clients, as principals, delegate authority to brokers, who act as agents with superior information and minimal oversight. Ethiopian law recognizes brokerage as a commercial activity but does not impose fiduciary duties such as loyalty, disclosure, or avoidance of conflicts of interest. In contrast, sector specific regulations governing intermediaries such as insurance brokers impose explicit duties designed to protect clients. The absence of comparable fiduciary obligations for commercial brokers leaves consumers exposed to abuse and undermines trust in brokerage transactions.

4.6. Assessing the Enforcement of the ANRS Revenue Bureau's Tax Centric Directives

As discussed earlier, it is the Amhara Regional State Revenue Bureau's Directive number 19/2014 as amended by directive No. 20/2015 attempts to regulate the sector though it is solely for the purpose of tax collection. To curb tax avoidance, it creates a conclusive legal presumption that effectively infringes upon citizens freedom to contract directly and without intervention.[208] It imposes an undue tax burden upon parties who have legally and rightfully transacted without a broker, treating them as if they had engaged one. To counter the problem of parties falsely claiming "no broker involved" to avoid brokerage tax during title transfer, the amended directive introduced a severe presumption: "Any transaction... shall be deemed to have been transacted with a broker's involvement."[209] This is obviously, a policy of administrative convenience that sacrifices a fundamental contractual right.

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[208] ደላሎችን ግብር ለማስከፈል የወጣውን መመሪያ ለማሻሻል የወጣ መመሪያ ቁጥር 20/2015 አንቀፅ 2 (ሐ)፣ የግርጌ ማስታወሻ ቁጥር 145።

[209] *Ibid.*

The researcher asked the tax issues advisory of the revenue bureau as to why such provision is inserted in the directive while people may conduct transaction without the involvement of brokers. The advisor explained that directive 19/2014 allowed buyers and sellers to report that they transacted without a broker, pay only the title transfer service fee, and avoid further issues.[210] The problem was that after an agreement was reached with a broker's involvement, people would falsely claim they transacted without one.[211] To counter this, they changed the law in directive 20/2015 to state: "Any transaction, whether a broker was involved or not, shall be deemed to have been transacted with a broker's involvement, said the advisor.[212]

The other question I posed to the advisor was why the revenue bureau wanted to have a directive limited to brokers involving in the transaction of immovable properties, special movables, and shares. The advisor explained that justification for limiting this directive only to immovable, special movable, and shares is on the grounds that "we find them because they seek our services". There is a mandatory transfer of title (registration) for immovable and specific movable property. When title transfer and tax payment occur, people come to the Revenue Bureau, and they assume a broker might be involved, thus withholding the brokerage tax. He further explained that there is a high volume of money and transactions in these areas, and less in the others. However, the claim of the advisor "not finding them" is still unconvincing for the reasons mentioned earlier (publicly posted contact information and official public operation). Most of the time brokers operate in the city by posting their address with the lists of whatever the services they are giving.[213]

The justification of high money/transaction volume is also unconvincing. This can be manifested by two scenarios: One, as brokers in other sectors (not covered by the directive) are large in number and also roughly handle high value transaction. The scale of these dealings enables some

[210] Interview with Engidawork Gezahgn, Tax Issues Advisor at ANRS Revenue Authority, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 16, 2025.

[211] Interview with Engidawork Gezahgn, Tax Issues Advisor at ANRS Revenue Authority, on *the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 16, 2025.

[212] Interview with Engidawork Gezahgn, Tax Issues Advisor at ANRS Revenue Authority, *on the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 16, 2025.

[213] See Annex III.

of them to buy cars and house.[214] Two, the insignificant nature of broker's transaction is not scientifically proved by research. Therefore, the justification that their role is insignificant is not persuasive.

Lastly, the researcher asked the advisor how the office imposes tax on licensed brokers. He explained many unlicensed brokers fear arbitrary tax assessment once they become licensed. He replied brokers usually keep no proper books of account showing income and expenses, so the office applies estimated taxation. This practice undermines brokers' motivation to seek licensing and pushes them to remain in the informal market.

4.7. The Failure of the Criminal Justice Apparatus and Brokerage Regulation

Keeping the journey, I held interview sessions with officers from Bahir Dar Police Department and prosecutors from North Gojjam Public Prosecutor Office. I also reviewed case records at Bahir Dar and its surrounding High Court.

Accordingly, police officers openly stated one position. No investigation starts unless a private complainant appears and claims harm.[215] However, the Criminal Procedure Code does not state that an investigation can only be launched when a victim reports a crime.[216] The Police are empowered to investigate any suspect whenever they believe a crime has been committed unless the crime is upon compliant.[217] This is an error because the crime here is against public policy or economic interest of the public, and the authority responsible for investigation should be pursuing it.

Prosecutors almost follow the same path. No charge moves forward without a police investigation file.[218] Prosecutors ignored one legal fact. They hold statutory authority to order police investigations on suspected crimes.[219] Police resistance does not remove prosecutorial duty. Working as a broker without a trade license constitutes a criminal offense against public

[214] Interview with Abibuwal Terada, Engaged in Brokerage Business, *on the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* October 17, 2025.
[215] Interview with Inspector Yeshwas Gebeyew, Coordinator of the Crime Investigation Department at the Bahir Dar City Administration Police Office in the Criminal Bench, *on the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 15, 2025.
[216] Criminal Procedure Code of the Empire of Ethiopia, 1966, Negarit Gazzeta, Extraordinary Issue, Proc. No. 185, 32th Year Article. 23.
[217] *Ibid*.
[218] Interview with Abebaw Adisu, Prosecutor at North Gojam Zone in the Criminal Bench, o*n the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City,* November 12, 2025.
[219] The Amhara National Regional State Office of Attorney General Establishment Proclamation, 2009, *ZIKREHIG*, Proclamation No. 263, 24nd Year No. 02, Article 7.

policy. Public policy crimes protect social order, not private interests. Such crimes do not depend on victim complaints. Police duty arises once reasonable suspicion appears. Unlicensed brokerage operates openly in Bahir Dar. Visibility alone creates suspicion. Failing to investigate violates basic criminal procedure principles. The researcher also checked with the Bahir Dar and its Surrounding High Court, where such a criminal investigation would be presented. While many people have been investigated and penalized for engaging in illegal trade, none of them have ever been penalized, charged, or debated in court specifically for illegal brokerage work.[220] This suggests that whether people know the law or not, whether they obtain a license or not, they are effectively allowed to operate without accountability.

Generally, it has been found that the institutional problem runs deeper. No coordination exists between trade offices and criminal enforcement bodies. Trade offices identify unlicensed brokers but negligent to monitor. Police ignore such information. Prosecutors wait passively. Each institution shifts responsibility to another office. Enforcement collapses through inaction. Absence of cases in court confirms this failure. I searched criminal registers and sentencing records. No single case shows prosecution or conviction for illegal brokerage. Judges confirmed absence of such cases during interviews. Brokers appear regularly in civil disputes. Criminal accountability never follows. This practice sends a clear signal to brokers. No risk follows illegal operation. No investigation starts. No charge appears. No sentence follows. The law exists only on paper. State organs treat unlicensed brokerage as a private dispute issue, not a public offense. This view contradicts statutory duty. Crimes against public policy demand proactive enforcement. Silence from victims does not excuse state inaction.

The outcome equals functional decriminalization. Illegal brokerage continues through institutional inactivity, not legal tolerance. Responsibility lies with police and prosecutors, not citizens. Failure to act erodes rule of law and normalizes illegality in local markets.

[220] Interview with Melaku Alehegn, Coordinator of the Criminal Bench at Bahir Dar and its Surrounding High Court, o*n the Regulatory Framework for Commercial Brokers in Ethiopia: An Assessment of Adequacy and Enforcement in Bahir Dar City*, November 29, 2025.

4.8. Judicial President: Overview of Cassation Decision Concerning Brokerage Dispute

In terms of addressing civil litigation, the Federal Supreme Court passed two land mark decisions. The first decision is given under file No. 202199 (January 2014).[221] The case was first brought before the federal first instance court. The core issue before the court was whether an individual who successfully facilitated a significant commercial lease transaction in this instance, renting a property to the Embassy of Pakistan was entitled to claim the promised commission when they did not possess a valid brokerage business license at the time the agreement was executed. The lower courts had initially affirmed the broker's right to sue, prioritizing the fulfillment of the service and relying on trade custom to justify the remuneration. However, the Cassation Division meticulously examined the chronology of events, confirming that the rental contract was signed before the Respondent (the alleged broker) had secured or renewed the necessary business license.

This discrepancy led the Supreme Court to invoke foundational principles of Ethiopian commercial law. The Court reasoned that brokerage, as defined under both the repealed and the current Commercial Codes (Article 5 (34) of the current Code), constitutes a professional commercial activity undertaken for profit. For any such activity, and the person performing it, to receive the full recognition and protection of the law including the right to enforce fee collection through a lawsuit it is a mandatory prerequisite that the individual be registered as a merchant and hold a valid business license. The Court explicitly stated that the right to sue for commercial remuneration is not an inherent entitlement but one that is granted and protected by law, contingent upon compliance with regulatory requirements.

Ultimately, the Cassation Division concluded that since the Respondent could not prove he held a legally recognized status as a licensed broker at the crucial time of the transaction, he lacked the legally protected right or interest necessary to sue for and claim the brokerage commission. By annulling the decisions of the lower courts, the Supreme Court cassation established a binding and stringent precedent: the absence of a required commercial business license at the

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[221] *Dawit Belay V Tsegaye Segni*., Federal Supreme Court Cassation Division, 2014 E.C., In *የፌደራል ጠቅላይ ፍርድቤት ሰበር ሰሚ ችሎት ዉሳኔዎች*፤ ቅጽ 25፤ የኢፌዲሪ ጠቅላይ ፍርድ ቤት፤ አዲስ አበባ፤ 2014፤ ገጽ 409-414።

time of the service renders the resulting claim for professional remuneration legally unprotected and unenforceable in court. This ruling fundamentally shifts the burden of compliance, emphasizing that regulatory adherence is not merely an administrative detail but a substantive requirement for legal standing in commercial disputes involving professional fees.

This has significant contribution to drag informal brokers in to the formal market by obliging the informal brokers to have a license at least to claim their commission as of right before the court. This is a good start, if expands.

The second Cassation decision is provided under volume 19 file number 109535.[222] The dispute originated when the Respondent (a broker) sued the Applicant (a property owner) in the Federal First Instance Court for unpaid brokerage commission. The Respondent claimed that based on an oral agreement, he facilitated a 20 years lease agreement between the Applicant and the Royal Norwegian Embassy for a villa. The lease was set at a monthly rent of $20,000 USD, and the Embassy had already made an initial payment of over 4.5 million ETB. The Respondent sought a commission equivalent to one month's rent ($378,400 ETB) plus 9% interest, while the Applicant denied the existence of a brokerage agreement and argued that even if one existed, the fee should only be 2%.

The lower courts ruled in favor of the Respondent, confirming the existence of a valid brokerage relationship through witness testimonies and evidence of the Respondent's professional license. The lower court noted that a staff member from the Norwegian Embassy testified that the Respondent was indeed the person who facilitated the connection. Consequently, the court ordered the Applicant to pay the one month rental commission plus interest. The Applicant appealed this decision to the Federal High Court, which upheld the ruling, leading the Applicant to file a petition to the Cassation Bench alleging a fundamental error of law regarding the commission amount.

The Cassation Bench affirmed the lower courts' decisions, emphasizing that its jurisdiction is limited to correcting fundamental errors of law and not reevaluating factual findings or witness

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[222] *Salvatory Dembeta Complex V Habtamu Abadi*., Federal Supreme Court Cassation Division, 2008 E.C., In *የፌደራል ጠቅላይ ፍርድቤት ሰበር ሰሚ ችሎት ዉሳኔዎች*፤ ቅጽ 19፤ የኢፌዲሪ ጠቅላይ ፍርድ ቤት፤ አዲስ አበባ፤ 2015፤ ገጽ 432-435።

credibility. Regarding the commission amount, the Bench referred to Article 59(3) of the Commercial Code, which allows courts to reduce brokerage fees if they are found to be excessive. However, the Bench found that given the significant scale of the 20 year lease and the specific oral agreement between the parties, the one month rent commission was reasonable and did not constitute a fundamental legal error. The petition was dismissed, and the lower court's judgment was sustained

From this, we can understand that the Cassation Bench affirmed article 57(3) of the new Commercial Code. When a commission proves excessive or disproportionate, courts reduce it. However, the Cassation Bench interpretation did not address the issue of fixing minimum and maximum commission rates for brokers in a given transaction.

Generally, the Cassation Court decisions addressing disputes involving informal brokers reflect an attempt by the judiciary to rely on private law mechanisms to discipline informal brokerage practices. By denying claims for commission where brokers operate without legal recognition, the Court implicitly promotes formalization and compliance with statutory requirements. This approach follows a legalist logic, where courts use contract validity, enforceability, and civil liability rules to discourage informality and sign the advantages of lawful market participation.

However, this judicial effort remains ineffective in practice. The impact of Cassation jurisprudence is nullified by the inaction of the criminal justice system and regulatory authorities. Informal brokerage continues openly because operating without a license rarely triggers investigation, prosecution, or administrative sanction. As a result, brokers face no real risk beyond losing commission claims in court, a consequence insufficient to alter behavior in a market driven by immediate economic gain. This institutional disconnect exposes a structural failure in enforcement. Civil courts attempt to regulate informality indirectly through dispute resolution, while criminal and administrative bodies fail to provide deterrence through inspections, sanctions, or prosecutions. Without coordinated enforcement, judicial precedent alone lacks the coercive power needed to transform informal brokerage into a regulated profession.

CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

5.1. Conclusion

This thesis has demonstrated that the regulation of commercial brokers in Ethiopia is characterized by a fatal divergence between law and practice. A fragmented and shallow legal framework exists on paper, yet institutional behavior renders it ineffective. Regulatory bodies tolerate informality, brokers strategically remain outside the law, and the justice system ignores violations affecting public economic interest.

To be specific, at the normative level, Ethiopian commercial laws recognize brokerage as a commercial activity and classify brokers as traders. However, this recognition lacks operational depth. The law provides no coherent professional standards, no meaningful disclosure duties, and no enforceable ethical obligations. Extent of liabilities, benefits or remunerations, Licensing and inspection rules exist in isolation. Directives directly addressing brokers "Dellalas" remain tax centric only useful as revenue collection tools, not as regulatory instruments designed to protect market participants. This directive is not adequate even for taxation purpose of all brokers focusing almost exclusively on transactions involving high value assets like immovable property and shares, leaving a wide range of essential commodities like inputs of construction materials in a legal gray zone where brokers can operate with near total impunity. Moreover, the directive Directive No. 20/2015 remain problematic in terms of identifying transactions in which broker is involved. It presumes every transaction as if conducted with involvement of the broker in the absence of which it requires the contracting parties to cover the tax that could be paid by the broker, had the latter been part of the transaction. This is the most unprofessional legal drafting which has the effect of prohibiting freedom of contract in the market. This design weakness creates a regulatory gap. This shows that while sectors like insurance and capital markets offer models of relatively successful, specialized regulation, the general commercial brokerage sector remains a neglected area where the lack of transparency fosters a fertile ground for fraud and exploitation.

At the institutional level, enforcement failure emerges as the central problem. Local authorities specifically the ANRS trade and market development Bureau at the top and its subordinate body ,the Bahir Dar city administration trade licensing and registration department, do not conduct a periodic inspection in the study area to check whether operation of licensed brokers is within the scope of their license. There is also no trend to supervise the market as to whether brokers are operating with license. There is no training arranged for brokers, public awareness or transition period to get unlicensed brokers join the formal market. Police intervention is absent as a result of which subsequent prosecution of unlicensed brokers remain nonexistent. Informality therefore shifts from an exception into a governing market norm. This confirms a system where non compliance carries no cost and formalization offers no advantage.

Judicial intervention, though principled, remains structurally limited. Cassation Court decisions deny protection to informal brokers through civil law reasoning, indicating preference for lawful conduct. Yet civil sanctions alone fail to deter widespread informality. Without criminal or administrative follow up, judicial precedent lacks practical effect. Courts speak in isolation while enforcement institutions remain silent.

Empirical findings from Bahir Dar expose the human cost of this failure. Clients face price manipulation, concealed margins, and fraudulent practices rooted in information asymmetry. These harms are not accidental. They flow directly from the absence of fiduciary duties, disclosure rules, and professional accountability. The market rewards opportunism rather than competence. The government is losing revenue from broker's taxation.

Generally, the study makes it clear that the current regulatory regime for commercial brokers in Ethiopia is neither adequate in its design nor effective in its implementation. The systemic failures identified so far ranging from legislative gaps and professional incompetence to institutional negligence requires serious adjustments.

The study therefore establishes one central claim. Informal brokerage in Ethiopia is not caused by absence of law. It is produced by weak law design, institutional tolerance, and weak enforcement. Addressing brokerage informality therefore requires confronting this structural alignment between legal inadequacy and institutional indifference.

5.2. Recommendations

To bridge the gap between the informal reality and the legal requirements of the brokerage sector, the following reforms are recommended by the researcher. Therefore, the findings of this thesis call for coordinated legal, institutional, and judicial reform;

- **Reform the legal framework governing commercial brokers:** In the short run, the lawmaker should amend article 57(3) of the new Commercial Code to set clear minimum and maximum commission rates for brokers. Directive No. 20/2015 should also be changed to exempt transactions without broker involvement from tax liability. In the long run however, Ethiopian commercial law must move beyond recognition and introduce substance of commercial brokers. The law should define minimum professional standards for brokers, including duties of disclosure, record keeping, and loyalty toward clients, competence and, explicit liability for concealment and manipulation
- **Strengthen administrative enforcement and apply responsive regulation**: The Amhara Regional State Trade and Market Development Bureau in general and Bahir Dar City Administration Business Licensing and Registration Department in particular should move from passivity to active oversight. These institutions should periodically carry out regular inspections to check whether licensed brokers operate within the limits of their licenses. Furthermore, they should also create public awareness by educating the public to only use registered brokers.
- **Institutionalize coordination among regulators:** The already mentioned regulators, Trade offices, tax authority, police, prosecutor, and court currently operate in isolation. A coordinated enforcement mechanism, with shared reporting and referral duties is currently much in demand to close enforcement gaps and prevent institutional deflection of responsibility.

  In this regard the government in the study area should apply responsive regulation by adopting a graduated approach. First, a public awareness and persuasion; then, targeted inspections (deterrence); finally, coordinated police prosecutor action (punishment).
- **Reform criminal justice enforcement:** The prosecutor office and police departments must be sensitized to the fact that unlicensed brokerage is a crime against public policy. Prosecutors should exercise their statutory authority to order police investigations into the open and notorious practice of illegal brokerage, rather than waiting for individual victims to file complaint.

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ANNEX I ∶ Research Interview Questions

A. Interview Questions for Brokers (For FGDs and individual interviews)

1. How did you start working as a broker?
2. What type of brokerage activities do you mainly engage in?
3. How do you usually connect buyers and sellers?
4. What role do you play during price negotiation?
5. How do you determine commission rates?
6. Do clients usually know the commission amount in advance?
7. Are transactions recorded in writing or conducted orally? Why?
8. Are you aware of any laws regulating brokerage activities?
9. Do you have a license? If not have you ever applied for a license or registration?
10. Do clients ask for proof of licensing or authority?
11. Have you ever been inspected by any government office?
12. What common disputes arise during transactions?
13. How are disputes resolved?
14. Have you ever been taken to court police or a government office for having no license?

B. Interview Questions for Officials of the ANRS trade registration and licensing Bureau

1. What is your office's legal mandate regarding brokerage activities?
2. Do you know how whether brokers are registered or licensed in the city?
3. Do you know that brokers are operating without licenses?
4. How does your office monitor brokerage activities?
5. Are routine inspections conducted? If not, why?
6. What sanctions exist for unlicensed brokerage? Have your office took any measure against unlicensed brokers?
7. Are you aware of the widespread posting of unauthorized brokerage advertisements?
8. What challenges limit effective enforcement against informal brokers?
9. Is there coordination with other government organs?

C. Interview Questions for the ANRS Tax and Revenue Authority Officials

1. Are brokerage activities captured in the local tax system?
2. How do informal brokers affect revenue collection?

3. Are brokers registered as taxpayers?
4. Is there a coordination with the trade licensing and registration offices and law enforcement organs?

D. Interview questions for the Bahir Dar city police department

1. Under what circumstances does the police department initiate investigations into illegal brokerage on its own authority?
2. What challenges are there preventing your office from treating the lack of a trade license as a sufficient reason to arrest and investigate a suspect?

E. Interview questions for the office of North Gojjam Zonal prosecutor

1. To what extent does your office prioritize the institution of criminal charges against brokers who disregard the mandatory registration requirements of the Commercial Registration and Licensing Proclamation?
2. Given that prosecutors have the statutory power to order investigations, under what conditions do you exercise this power to compel the police to open files on suspected illegal brokers?
3. What legal hurdles does your office encounter when attempting to position an informal 'dellala' as a criminal accused in court for violations related to public policy?

F. Interview questions for the Bahir Dar and its surrounding high court

1. Has your court ever receive cases involving brokers as an accused?
2. How would you describe the types of criminal cases involving accused persons for operating trade without license that typically appear before this court? Are they usually for involving unlicensed brokers or for other unlicensed trade crimes only?

ANNEX II፡ Observation Checklist and Field Observation Summary

Title: Brokerage Practices in Bahir Dar City

Observer: Researcher/ Dagim Sisay

Date: 1 November to 1 December 20205

Study Area: Bahir Dar City

Method: Non participant personal observation

Specific Observation Sites:

- Kebele 11, commonly known as Abay Mado Gebiya
- Bahir Dar Downtown area, Kebele 04
- Kebele 14, commonly known as Yetebaberut

TABLE 1

Structured Observation Checklist

Focus Area

- **Observation of broker presence**

Remarks: Brokers gather at Abay Mado Gebiya, downtown Kebele 04, and Yetebaberut as central points where intermediaries from different parts of the city gather to mediate transactions. Activities are conducted openly in public spaces without fixed offices.

- **Observation of broker identification**

Remarks: Brokers introduce themselves verbally as intermediaries. No license, registration certificate, or formal identification was presented during observations.

- **Observation of nature of brokerage activities**

Remarks: House rental and sale brokerage dominates. Vehicle transactions and commodity related mediation like construction materials were also observed.

- **Observation of client interaction**

Remarks: Brokers actively negotiate terms, influence price formation, and demand commissions. Commission rates are not standardized and are rarely explained clearly. Transactions rely predominantly on oral agreements.

- **Observation of the physical manifestation of informality**

Remarks: The industry displays visible informality through the widespread posting of unauthorized, crudely printed advertisements. These paper notices are affixed indiscriminately to tree trunks, utility poles, and communal bulletin boards.

ANNEX III: Image description


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ቤት ኪራይ ሽያጭ
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አሰሪ እና ሰራተኞች
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የድለላ ስራ
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የቤት ሽያጭና ኪራይ
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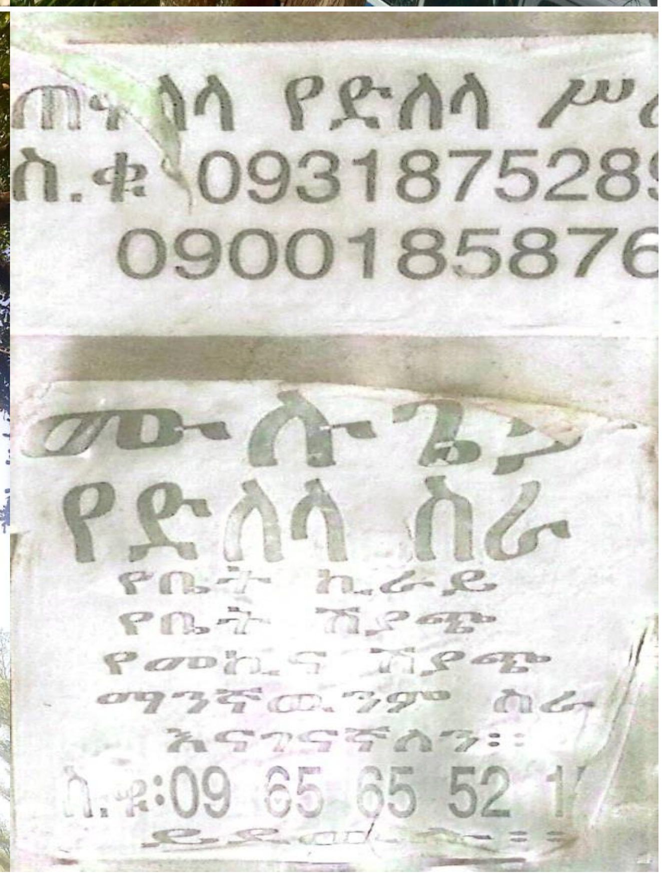
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