

ETHIOPIA: Ethiopian Public Private Consultative Forum (EPPCF)

by

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1- Background and Context

The Ethiopian Public Private Consultative Forum (EPPCF) is mandated by a Memorandum of Understanding (MoU) signed in July 2010 between the then Ministry of Trade and Industry and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA). The MoU is a result of years of negotiations between the private sector and the government to establish a formal mechanism for Public Private dialogue. Controversial negotiations included a long naming battle on whether the forum should be called “ Consultative forum ” or Dialogue forum “ reflecting the prevailing political economy in Ethiopia in those days.¹ In a country where the level of mistrust between the private and public sector is deep and relations severely strained, the signing of the MoU and the establishment of the EPPCF represented a major milestone in rebuilding government and private sector relations.

The EPPCF secretariat began its operation in September 2011 with the financial and technical support from the International Financial Corporation (IFC) of the World Bank group. The secretariat has small but nimble team that steers the dialogue process in an organized manner. One reason for the abrupt end of the first wave of consultations in the early 2000’s was that the government became increasingly impatient with the way the private sector presents issues for consultation. The government was seriously questioning the ability of the private sector to take objective positions based on verifiable and well-researched facts. Under EPPCF, this is no longer an issue as the private sector engages the government based on facts that are based on well-

¹. Government’s suspicion of the term dialogue comes from the assumption that it connotes a discussion among equals, something the government was not remotely ready to consider. The private sector on its part feared that giving up for the term consultative amounts to allowing the continuation of government driven “consultations“ that were largely symbolic in nature. It required committed champions and a development partner that saw the larger picture to patiently work through these differences.

researched studies.

2- Partnership, Structure and Processes

The MoU that established the EPPCF outlines the structure, roles and responsibility of the public and private sector participants in the EPPCF process. In what can be described as a dual structure, the Ministry of Trade and Industry (now Ministry of Trade) is the lead public sector counterpart in the EPPCF model while the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) is the private sector counterpart. The Ministry has established an EPPCF unit as outlined in the MoU while ECCSA hosts the EPPCF secretariat. The secretariat and the unit work in close consultation leading the dialogue effort. The EPPCF unit at the MoT was designed to be a coordination and facilitation mechanism managing the intra ministerial coordination.

EPPCF had trying times in the earlier years of its history. Including loss of two of its prominent champions; the leadership of ECCSA and the Ministry of Trade, the two signatories of the MoU, and a complete staff change at EPPCF due to internal quibbling within ECCSA, the host institution, EPPCF had to withstand critical challenges that threatened its continued existence. Thanks to the initial set of dialogue forums that were beginning to show some results, the stakeholders were able to pull it together and ensure EPPCF's continuity despite the challenges.

EPPCF has an ambitious structure that covers three levels; Federal, State and Woreda. At the Federal level, the dialogue is centered on six sectoral associations that are the pillars of the ECCSA. Once a year, a high level National Business Conference, chaired by the Prime Minister, is held at the Federal level. In addition to these Federal level consultations, the MoU also specifies that the second and third level of dialogues be held at the State and Woreda² levels.

The EPPCF Secretariat works closely with other partners to exploit the ambitious structure of the EPPCF model and deepen a strong dialogue culture across the nation. For instance, the EPPCF secretariat supports regional PPDs through regional chambers and other partners such as Center for International Private Enterprise (CIPE). Owing to EPPCF's long-standing achievement, the dialogue culture is deepening across the country. Taking advantage of the enabling environment the EPPCF had created and the successful federal level lessons, MoUs are increasingly being signed at state and sub state levels establishing dialogue platforms.

EPPCF follows research driven process in developing agenda for dialogue. The EPPCF secretariat engages the private sector continuously to identify pressing issues that warrant a dialogue with the government. A dialogue forum is always preceded with rigorous analysis of a potential agenda. Studies might be undertaken by secretariat staff or may be outsourced. Studies conducted by the Private Sector Development (PSD) hub of the ECCSA, a project funded by SIDA, also serve as important source of dialogue agenda. A dialogue issues so developed will then be validated by the private sector through validation workshops. Currently, this exercise is done in a more structured way through the development of a National Business Agenda (NBA) developed with the support of IFC and the project. The NBA finalized in December 2013, for instance, identifies a number of dialogue issues that formed the basis for PPD sessions held in

² Woreda is an equivalent of a county.

2014 and for the dialogue sessions to be held in 2015. The dialogue forums organized by the EPPCF secretariat are always co-chaired by the private sector and public sector. The chairmanship from the government side depends on the specific agenda under consideration. The government, having received the agenda prior to the meetings, responds to the set of recommendations put forward by the private sector. Agreements reached at the forum then form the basis for the reform exercise, follow up and implementation. In most cases, joint public-private Technical committees will be established to work on the implementation of issues agreed upon at the Forum. The EPPCF does not have permanent working groups.

Institutionally, ECCSA and Ministry of Trade continue to be the champions of the EPPCF. Despite the difficult times early on, ECCSA now considers the EPPCF initiative as the pillar of its advocacy service to its members and is as such the Champion for its ongoing operation. The Chamber has put together a sustainability strategy to ensure the continuity of the EPPCF initiative with a clear road map developed for an eventual ownership of the initiative by the private sector.

In terms of output, the EPPCF has so far conducted more than fifteen dialogue forms and two National Business Conferences chaired by the Prime Minister. The Forums were conducted along the specific themes of taxation, trade logistics and customs procedures, trade licensing and registration, government procurement, company formation and registration issues, tax appeal and VAT refund issues, access to finance constraints, issues related to protection of property rights, and a dialogue on the tourism sector, among others. EPPCF has also organized two National Business Conferences with the Prime Minister. The second National Business Conference brought together more than 1000 members of the business community and the entire cabinet. These forums have led to a number of reforms that resulted in significant savings to the private sector and improved business environment. The PPD team has now put in place a rigorous Monitoring and evaluation framework to objectively measure the results of the dialogue forums.

The EPPCF secretariat is currently working on a broader stakeholder engagement strategy to create more awareness about the EPPCF and its achievements. The EPPCF team distributes newsletters, albeit irregularly, and is also beginning to use its website as an import tool for outreach.

3- Results so far

Given the short life span it has, EPPCF has accomplished quiet a lot particularly in terms of institutionalizing the PPD and building trust between the private and the public sector.

The fact that both the private sector and the government are taking the forum seriously and opting for a dialogue, as a major option to solve the business environment, is a testament to this achievement. . One remarkable instance in this regard is the decision by the Council of Ministers in 2013 to reject a draft customs procedures law primarily due to a concern that enough consultations have not been made with the private sector. In a country where mutual suspicion between the private sector and the public sector was a norm, this is a powerful development.

As mentioned above, the link between the dialogue forums and the improved business environment and tangible private sector savings is also getting stronger. The dialogue forums have resulted in overhauling of the customs procedures, in efforts to revise decades old commercial code, in an improvement in business licensing and registration process, in simplification of company formation procedures, in the betterment of property rights regime, and in ensuring a fair participation of the private sector in the public procurement systems, among others. The simplification of company formation and administration procedures has been significant in terms of reducing the time and money wasted by the prolonged document authentication process. The elimination of capital confirmation requirement for license renewal has saved many a small trader the trouble of mobilizing the already invested capital for renewal purposes. The recognition of more than 55000 undocumented land holdings, as part of the improved property rights regime, is expected to unleash the economic value of land significantly.

EPPCF has also offered an opportunity to find sustainable solutions for some of the critical challenges caused by lack of capacity in the public sector. The automation of trade licensing and registration by Ministry of Trade and the ongoing effort by the Ethiopian Revenue Authority to simplify trade logistics-both supported by IFC- can be traced back to EPPCF as the problems were identified at the PPD Forums. The forums have also provided an opportunity to resolve longstanding challenges the private sector faces. For instance, in June 2013, a National Business Conference with the PM has resulted in clearing out a longstanding confusion on dividend tax payment in the country. The country's revenue authority used to collect dividend tax on retained earnings and a successful dialogue session led to the discontinuation of this practice resulting in significant saving to the private sector. The private sector savings is estimated at USD 25,384,677 based on the tax complaint figures filled at the Ethiopian Revenue and Customs Authority.

4- Expected Results

By building further on the EPPCF success to date, the PPD team in Ethiopia plans to lay a solid foundation for the PPD by building a robust dialogue culture in the country. Now that the EPPCF has a strong track record due to its long-standing achievements, the team expects to increase the frequency and quality of dialogue sessions. The team also plans to gain more out of each dialogue sessions in terms of concrete private sector savings by refining the agenda selection process and improving the quality of the forum conducted.

The PPD team also plans to implement the clear road map developed for the sustainability of the EPPCF initiative in Ethiopia. As the only organized and structured platform, EPPCF has the opportunity to be the major vehicle for meaningful policy deliberations. Given the dialogue culture it was able to build over the last years, EPPCF has the opportunity to consolidate this gain. As EPPCF has significantly improved ECCSA's visibility, legitimacy and creditability both in the eyes of its constituency, the government and the larger public, ECCSA has strong interest to ensure the sustainability of the EPPCF mechanism.

5 – Private Sector Growth Component

The Ethiopian government is increasingly realizing that sustaining the current economic performance is going to be impossible unless a strong public-private alliance is forged. EPPCF has an opportunity to continue to be a major platform where such partnership is forged. EPPCF is also providing unique opportunity for the private sector to engage in strategic issues that are critical for private sector growth in Ethiopia. Currently, EPPCF is spearheading efforts for the development of a private sector development strategy in Ethiopia. As the government is currently developing its second 5 years growth and transformation plan, EPPCF is also ensuring that the private sector gets involved in the planning exercise both in terms of substance and content. In addition to providing critical inputs for the plan, EPPCF will provide meaningful opportunity for the participation of the private sector at large by organizing consultative forums on the draft plan.

Biographies of Authors:

Mamo Mihretu is a Program Manager working for the International Finance Corporation (IFC) of the World Bank Group, managing projects in Access to Finance and Investment Climate Business Lines.

Mr. Mihretu has extensive experience and background in the legal reform and economic development issues. Since 2005, he has worked as Principal Attorney with Booz Allen Hamilton on WTO issues in Ethiopia where he advised the Ethiopian government on WTO accession, EPA and other trade policy issues. In addition to research and teaching appointments at Addis Ababa University and other Ethiopian academic institutions. Mr. Mihretu served as an expert advisor to the COMESA Secretariat on trade negotiations. Previously, he has served at the Ethiopian Embassy to the EU and the Federal High Court of Ethiopia.

Mr. Mihretu earned a MPA in public policy (with specialization in economic development and leadership) at Harvard University, Kennedy School of Government, LLM in international trade and investment law at the University of Pretoria and the University of Amsterdam, and a LLB in law at Addis Ababa University.

Eyob Tekalign Tolina joined the EPPCF Secretariat in October 2013. Eyob brings to the secretariat over 14 years of experience in private sector development, government relations, research, advocacy, economic and social policy analysis, policy advice, diplomacy, trade, development finance, operations management, research and academics. Eyob has a deep understanding of the private sector challenges and the functioning of the government. His years of experience in Ethiopian Foreign Service included his assignment at the Ethiopian Embassy in Washington DC heading the Embassy's economy and business portfolio. In this capacity, he spearheaded the Embassy's effort to promote trade and investment working with diverse stakeholders.

He has also advised African Ministers of Trade on Trade issues and the Ethiopian Governors of the World Bank and IMF on economic policy. Over the years, Eyob has worked for the IFC, the World Bank, COMESA, African Union, and the United Nations. Eyob has published a number of articles on social and economic issues and produced and presented papers at both national and international conferences. Through his writings and public service work, Eyob has played a significant role in shaping economic and social policy debate in Ethiopia.

Eyob is a PhD Fellow at University of Maryland. He has obtained his Masters form George Washington University and his Bachelors degree in Economics from Mekele University in Ethiopia