

# Public-Private Dialogue

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## THE ETHIOPIAN PUBLIC PRIVATE CONSULTATIVE FORUM (EPPCF) CASE STUDY

Mamo Mihretu and James Brew

### A- BACKGROUND

The Ethiopian Public Private Consultative Forum (EPPCF) has been mandated via a Memorandum of Understand (MoU) to be the main vehicle for public private consultation in Ethiopia. Ethiopia is a country of 82 million people spread across a vast country and more than 70 different ethnic groups. Geographically Ethiopia is a land locked country in a volatile region bordered by Sudan, Somalia, Eritrea and Kenya. Ethiopia has had to contend with its own transition from Civil War to democracy and conflicts involving Somalia and Eritrea. The internal political transition has been challenging with the 2005 general elections marked by deep internal divisions. Until recently, a large chasm separated the private sector from the government, there were few signs of activity in the economy outside the traditional sectors, and the economy hardly looked like poised for high and sustained growth. With such a large population and a significant need for economic development the Ethiopian government has recognized the need to promote private sector and improve the competitiveness of the economy. In 2011, the Ethiopian Growth and Transformation Plan (GTP) established a target to double GDP within five years. This is an ambitious and audacious plan that could only be achieved with a prioritization on economic development and meaningful collaboration with the private sector. Working closely with the private sector means, among others, having the means to communicate and cooperate on the reforms required to further stimulate the economy.

The concept of a formal mechanism for Public Private Dialogue (PPD) is not new to Ethiopia. UNDP had worked closely with government and private sector stakeholders in the late 1990's called the Public Private Partnership (PPP). This PPP had been a top level dialogue that met on an annual basis. The final 2003 report from the PPP recommended that the government and private sector stakeholders undertake a revision of the PPP. The revision would focus on a structure that would deepen the dialogue process from the annual event. Starting from 2005, the World Bank Group worked with stakeholders to scope possible opportunities to implement this recommendation. The scoping work indicated that there was demand for PPD in line with the development potential of Ethiopia. Whilst the technical intervention provided an awareness of the opportunity for PPD, the government and private sector stakeholders encapsulated the concept within a broader agenda of putting the economy on a firmer, more sustainable footing. This agenda was to reconcile the public and private sectors towards greater cooperation and coordination based on respect and accountability.

### B- ESTABLISHMENT AND STRUCTURE

The EPPCF was formally implemented by a MoU signed between the Ministry of Trade and Industry (MoTI) and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) in June 2010. This MoU was signed after a significant period of public and private consultation on the structure and modality of the EPPCF. The process that was undertaken directly addressed fundamental issues that had otherwise restricted the private sectors involvement in working directly with the government. When consultations began on establishing the EPPCF in 2005, the level of trust between public and private sector institutions were severely strained. Little direct communication was taking place and the impact of any dialogue was limited.

Unlike many emerging markets where limited dialogue has little impact due to the lack of capacity within Business Membership Organisations (BMOs) or their government counterparts, the Ethiopian market was different. Ethiopia has one of the oldest network of Chambers of Commerce and Sectoral Association (ECCSA) in sub Saharan Africa. The capacity of the executive within the Chambers Board and senior delegates is high. The government and private sector appreciated from the outset that working together was an imperative to developing the economy. Yet, substantive issues relating to the ECCSA constitution, election of delegates, premises and other important institutional matters were preventing effective dialogue. Even if with the intent to restart a dialogue process shared by all parties, without addressing some of the substantive issues that were otherwise creating barriers to building a constructive relationship then achieving outputs based on dialogue was not possible.

The ECCSA and MoTI worked to establish the framework for the EPPDF by directly addressing their concerns. They worked through a process that involved formal meetings and meeting explicit targets (e.g. review of the ECCSA constitution, transparent Chamber elections). The culmination of this long process was the signing of the formal MoU that started the reformed PPD process.

The objectives of the EPPCF include:

- Creating a conducive investment climate that enables the private sector to thrive
- Finding lasting solutions for constraints relating to business regulations and their implementations
- Fostering strong partnership and mutual trust and cooperation between business and government.

The EPPC has an ambitious structure that covers three levels; Federal, State and Woreda.

**National Business Consultative Forum:** The high level business Forum will be held once in a year. It is chaired by the Prime Minister. This Forum is an opportunity for national level issues to be addressed by the Prime Minister. In addition to potential policy announcements, the NBCF will also provide an opportunity to outline issues and opportunities for the EPPCF to address.

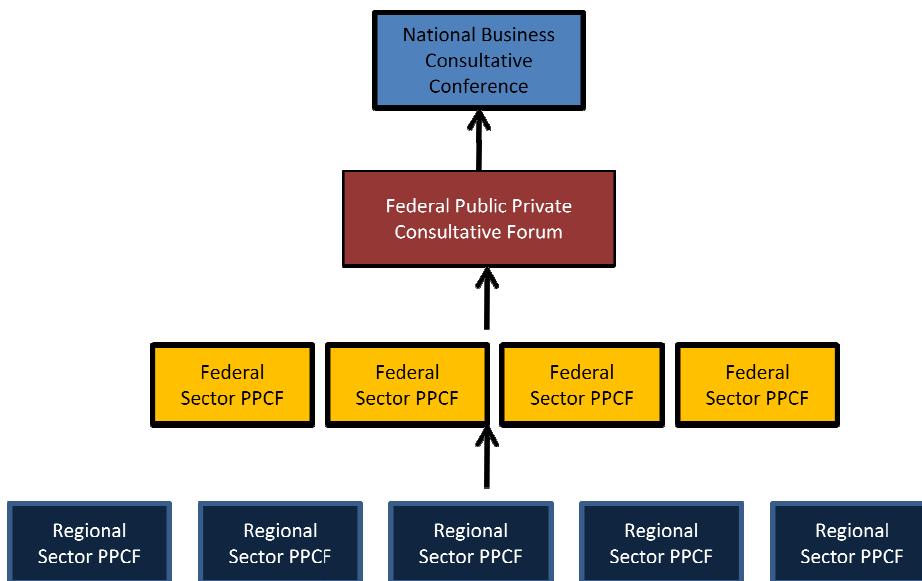
**Federal Public-Private Consultative Forum:** The Federal Level Forum will enable the Minister of Trade, the lead counterpart Ministry within the EPPCF, and ECCSA to review the progress and outstanding issues arising from the EPPCF consultations. This level of discussion will facilitate implementation of

Sector Forum issues and will insure that issues requiring consideration at the NCBF will be appropriate for such a high level consultation form.

**Sector Forums:** At the Federal level, the dialogue is centered on six sectoral associations that are the pillars of the ECCSA. The formal dialogue that will take place at this level will be in Sector Forums. These Sector Forums will be technical level discussions focused on the six sector pillars of the ECCSA.

**Regional and Woreda:** The second and third level of dialogue is at the State and Woreda levels. Given the geography of Ethiopia, these two levels of sub national dialogue represent a challenge for the implementation of the national EPPCF agenda. In a significant achievement for the EPPCF concept, the Centre for International Private Enterprise (CIPE) has began implementing this component of the EPPCF. CIPE has engaged a dynamic local consultancy to provide support for implementing the sub national dialogues. It is intended that the EPPCF at the Federal level will provide the structure from which issues raised at the level of the Worada can be raised all the way through to the high level business Forum provided that the issues are of a national interest.

**Table 1. The EPPCF structure**



## **EPPCF Secretariat & MoT EPPCF Unit**

**Secretariat:** The Secretariat is in the process of establishment. It will be provided with support by the WBG and its partners until it is well established. It will be located within the ECCSA where it will provide a valuable resource for private sector members to utilize the information and research emanating from the EPPCF mechanism.

**MoT EPPCF Unit:** To further support the implementation of the EPPCF, the Ministry of Trade (formally the Ministry of Trade & Industry) has created an EPPCF Unit. This Unit will be responsible for facilitating and coordinating government input into the EPPCF. Similarly, the Ministry of Industry has created a PPD coordinating unit that will focus on Sectoral dialogues.

To implement the mechanism will require technical and logistical support be provided to the Secretariat and MoT EPPCF Unit. The World Bank Group and the UNDP are supporting the work of the Secretariat and the MoT EPPCF Unit.

## **Checks and Balances**

**EPPCF Steering Committee:** The Secretariat will be responsible to the ECCSA Board. The ECCSA Board will insure that the Sector Forum and other activities are meeting expectations. In addition, the Secretariat will be expected to update the Board on the progress of the EPPCF so that any issues that require input from the Board are raised so that they may be addressed in a timely manner.

## **C- RESULTS**

In the first instance the establishment of the EPPCF represents a milestone in rebuilding the strained relationship between the formal institution that represents private sector interests in Ethiopia (i.e. the ECCSA) and the government. To achieve this reconciliation required institutional reform within ECCSA and the commitment from the highest levels of government to engage in output focused dialogue. In a country that had otherwise made incremental steps on the broader economic reform agenda in those difficult days in 2005, to a commitment to the ECCSA and a doubling of GDP within five years in 2011, a challenging path has been traversed.

The issue now is to implement the EPPCF as per the MoU. This means building the agendas for the Sector Forums and starting the dialogue process.

The first EPPCF Sector Forum held on February 22nd at the Addis Ababa Hilton. The Forum was well represented by line Ministers and representatives of the leading private sector institutions. The first Forum essentially started the entire EPPCF process. Notwithstanding the introductory nature of the Forum, two critical issues were raised, namely price caps ( imposed by the government to tame inflationary pressure) and Taxation (e.g. including customs procedures, payment processes). In a significant progress, the government lifted the price cap and also has started addressing the constraints relating to administration of the tax regime.

It is now left to the EPPCF to implement at the Federal level so that the vision for an inclusive economic development agenda that has a direct and quantifiable impact on the economy is fulfilled.

## **D- CONCLUSION**

The introduction of the ECCSA became fundamentally one of institutional reform. The ECCSA recognized that its central advocacy pillar needed to be output focused. Advocacy is not an issue of writing reports, but getting results on behalf of members. Within the EPPCF framework, the ECCSA will be able to provide its members with direct access to government counterparts based on agreed issues. The Ethiopian government has demonstrated its willingness to engage with the private sector across sectors. The Ethiopian government does promote selected sectors, yet the EPPCF will provide it with an opportunity to address directly issues of concern across sectors. The process that was undertaken to insure the implementation of the EPPCF was one that effectively addressed long standing issues that prevented the capacity of the private sector from providing a constructive input into the economic development of Ethiopia. The challenge now is to implement the EPPCF so that it meets the expectations of the government and private sectors.

## 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.

### **James Brew**

James Brew is a PPD Consultant with the Investment Climate Department of the World Bank Group. Previously Mr. Brew worked as an IFC Project Manager based in Cambodia. He was working on the development of the Government - Private Sector Forum. Mr. Brew is educated at the Royal Melbourne Institute of Technology, Kings College, London, and the University of New South Wales. Previous to working with the IFC, he worked for the United Nations in East Timor and in logistics management for the mining, airline and engineering sectors.