

# Public-Private Dialogue

## 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.<sup>1</sup> 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 a 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

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<sup>1</sup> 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 under an initiative called the Public Private Partnership (PPP). Largely an annual top-level dialogue, this initiative lacked a strong structure that would deepen the PPD process. Since 2005, the World Bank Group was working with key stakeholders to put such structure in place, which led to the creation of the EPPCF.

in the early 2000s 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 data and analysis. Under EPPCF, this is no longer an issue as the private sector engages the government based on facts that are based on well-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.

Improving on the previous dialogue experience of the 1990s that focused on an annual top-level dialogue, the EPPCF has a wider structure. It has an ambitious structure that covers three levels; Federal, State and Woreda (local). At the Federal level, the dialogue is centered on six sectoral associations that are the pillars of the ECCSA. In addition, the MoU specifies that Federal Public-Private Consultative Forums will be held at least twice a year. Once a year, a high level National Business Forum, 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 Woreda levels.

Although the Secretariat has not fully exploited the ambitious structure of the EPPCF model, it works closely with other partners to deepen a strong dialogue culture in the country. For instance, the EPPCF secretariat supports regional PPDs through regional chambers. In what can be considered a great success for the EPPCF model, other programs are implementing dialogue forums at regional and sub-regional levels, taking advantage of the lesson and structure the enabling MoU that created the EPPCF generated. An organization called the Center for International Private Enterprise (CIPE), for instance, has conducted regional and sub-regional level PPDs under the auspices of regional MoUs that initiated the national level MoU.

EPPCF follows research driven process in developing the 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 issues 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 an important source of the dialogue agenda. Issues 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 will form the basis for PPD sessions to be held in 2014.

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, a joint public-private Technical Working Group (TWG) will be established to work on the implementation of issues agreed upon at the Forum.

Institutionally, ECCSA and Ministry of Trade continue to be the champions of the EPPCF. 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. ECCSA, however, has yet to come up with a strategy to ensure the sustainability of the EPPCF initiative. Such a strategy helps develop a road map for an eventual ownership of the initiative by the private sector.

The Prime Minister is also a key PPD champion. Issues which cannot be resolved at the Working Group or Co-Chair levels are referred to the PM for decision.

In terms of output, the EPPCF has so far conducted six federal dialogue forms and one National Business Conference chaired by the Prime Minister. The Forums were conducted along the following specific themes: Tax, Trade Logistics, Public Procurement, Commercial Registration, Business Licensing, Tourism, and Company Formation and Administration. 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 to date**

Given the short life span it has, EPPCF has accomplished quite 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,
- efforts to revise the decades old commercial code, and
- an improvement in business licensing and registration process.

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 resulted in clearing out 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 ERCA.

#### **4- Challenges**

The greatest challenge of this reform process is the time-consuming nature of reform implementation. However, as part of the PPD, an Implementation Committee has been formed for each reform agreed and consists of a mix of public and private sector representatives. The purpose of each such Committee is to follow up on decisions made/reform agreed to ensure that in practice they are working.

A second challenge, this one for the Secretariat, is for the private sector to reach agreement on priority issues. And a third challenge is sustainability, with IFC support expected to conclude at the end of 2014. That issue is addressed below.

#### **5- Future 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, the team expects to increase the frequency and quality of dialogue sessions. In the year 2014 alone, the team plans to organize more dialogue sessions than the number of sessions held in the previous two years combined. Adding more vibrancy to the dialogue culture by engaging different organs of the government including the legislature is another focus area. 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 conduct.

The PPD team also plans to identify a clear road map for the sustainability of the EPPCF initiative in Ethiopia. There are ongoing discussions on how the work of the EPPECF secretariat continues after December 2014, when IFC's support to the EPPCF secretariat is expected to end. A strategy needs to be developed and implemented to ensure the sustainability of the EPPCF. Though donor support is unavoidable for the immediate future, the long-term goal of the strategy should be to ensure EPPCF as a sustainable advocacy platform of the Ethiopian Private Sector. Eventually, EPPCF should be funded largely with domestic resources.

## **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 13 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 in the US. He has obtained his Masters form George Washington University in the United States and his Bachelors degree in Economics from Mekele University in Ethiopia.