

Review of the Recommendations of the Business Community for Inclusion In the PASDEP



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List of Acronyms

AACCSA	Addis Ababa Chamber of Commerce and Sectoral Associations
BDS	Business Development Services
CCSA	Chambers of Commerce & Sectoral Associations
CSA	Central Statistical Agency
FDI	Foreign Direct Investment
M&E	Monitoring and Evaluation
MoFED	Ministry of Finance and Economic Development
MoTI	Ministry of Trade and Industry
NBE	National Bank of Ethiopia
PASDEP	A Plan for Accelerated and Sustainable Development to End Poverty
PPPF	Public-Private Partnership Forum
PSD	Private Sector Development
PSD-CB	PSD-Capacity Building
QSAE	Quality and Standards Authority of Ethiopia
SDPRP	Sustainable Development and Poverty Reduction Program
TVET	Technical and Vocational Education Training
WMSC	Welfare Monitoring Steering Committee
WMSP	Welfare Monitoring System Program
WMTC	Welfare Monitoring Technical Committee

Introduction

The private sector is now a well recognized engine of economic growth and generator of employment. The sector, through creating and expanding enterprises, generates money and jobs thus contributing to the poverty reduction objectives of the government. This makes the government and the private sector partners in development. The partnership is evidenced in the importance the sector has been given in SDPRP and PASDEP, the development strategy documents of the government.

During the formulation phases of SDPRP (2002/3-2004/5) and PASDEP (2005/6-2009/10) the organized private sector documented its views on ways of further improving the environment in which businesses operate in order to better contribute to the economic growth and poverty reduction objectives through investing in new enterprises and/or expanding existing ones. Those views were forwarded to the government for possible inclusion in the final development strategy documents.

This review focuses on assessing the assigned roles of the private and the public sectors in the PASDEP, and gauges the extent of the inclusion of the recommendations of the business community in the PASDEP. The recommendations of the community consisted of diverse issues covering competition, the financial sector and credit policy, administrative decentralization, policy dialogue and PPPF, infrastructure, education, land, cost of transportation, stability, registration and licensing, business development services (BDS), industrial research and development, standardization and quality management, government procurement, monitoring and evaluation.

In preparing this review, the PASDEP main text and the policy matrix as well as the “Recommendations of the business community for inclusion in the PASDEP” were consulted. Comments made available on the draft review through the Private Sector Development Hub of AACCSA have also contributed toward specifying and clarifying issues in this final report.

In sum, this review dwells on the roles of the private and public sectors as defined by the PASDEP, and assesses the inclusion of the recommendations of the business community in the document.

Roles of the Private and Public Sectors in the PASDEP

The PASDEP, in addition to acknowledging the cross-sectional role of the private sector in the economy, recognizes the sector as a partner in development. Special focus is in particular given to the development of the industrial and export sectors.

Furthermore, the PASDEP indicates the possible participation of the private sector in the supply of inputs, delivery of services to the agricultural sector, processing of agricultural outputs, commercial farming and the development of infrastructure.

The PASDEP also points out to the supportive role the government should play in filling the gaps not adequately covered by the private sector. Accordingly, the government would intervene in selected strategic sectors to facilitate the development of the private sector by designing appropriate policies and strategies. In this case the government is confined to extending support and improving the enabling environment in order to facilitate the activities of the private sector.

As indicated in the main text of the PASDEP, government support will include the establishment of industrial estates, the undertaking of value chain and market studies, and the provision of capacity building through training and extension services.

With regard to the improvement of the enabling environment, the measures under consideration relate to strengthening the institutional framework that focuses on further simplification of business

processes and licensing requirements, strengthening of the regulatory framework, establishment of a level playing field, financial sector reform, continued privatization, reform that establishes land tenure security and intensification of infrastructure development as well as skill upgrading and maintaining macro-economic stability.

Having set the above demarcations on the roles of the government and the private sector, the PASDEP highlights the importance of consultations between the public and the private sectors by establishing a forum where the private sector can express its concerns, forward constructive suggestions to help the government better design support programs and measures to improve the business environment. The private sector is expected to take advantage of the forum.

But to optimally utilize the forum, the sector needs to first strengthen itself. Some of the measures that could be taken to consolidate the private sector in this respect include putting in place a suitable organization with the required professional staff, generation of well researched and documented position papers on important business issues for presentation to the forum and to other stakeholders or interested bodies.

The private sector should also take measures that introduce transparency in the operations of the forum by setting agendas and publicizing outcomes of the consultative forum meetings.

The government has taken a commendable step by producing the growth-oriented poverty reduction strategy PASDEP document that recognizes the important role of the private sector in the economic development of the country. However, as the policy matrix focuses on private sector development in the industry and trade sectors, further discussions are needed in order to unleash the growth potential of the other sectors of the economy.

Moreover the policy matrix indicators on PSD should set target for the number of new business start-ups, employment generated thereof, increase in sales and tax revenue, capital invested, share of GDP, etc., in recognition of the wide economic role of the private sector and as a measure of PSD.

Status of the Recommendations

Some 38 business issues were recommended by the business community for inclusion in the PASDEP. Of those issues, 11 are fully incorporated in the document, four partially considered and 23 not included. The status of all the recommended issues is discussed below.

1. Land Issue

Establishing and publicizing transparent and detailed criteria for taking over land has been recommended by the business community for inclusion in the PASDEP. But the point is not incorporated in the document as formulated by the community. Yet continued reform to establish land tenure security for investment and trade purposes is accorded recognition.

Current practices show that any plot of land can be taken over by the government when deemed necessary for investment. This infringes upon the property rights of individuals and erodes confidence in ownership rights. There is hence a need to establish detailed criteria for taking over land for investment purposes and publicizing them in a transparent manner.

The private sector could thus undertake a study in order to strengthen and clarify its views on the issue and provide input for the government. The study could deal with the criteria to be established for taking over land and specifying the choice of media for publicizing same.

2. Financial Sector and Credit Policy

Entrepreneurs need capital for new investment and to expand or modernize existing firms. These activities contribute not only to the economic growth of the country through the increased production of goods and services, but also to poverty reduction and creation of jobs. The private sector, therefore, attaches great importance to modern and efficient banking practices as well as supportive credit policy for its growth and development.

The PASDEP too has recognized the need for sustained modernization and the raising of efficiency of banks by adopting improved practices and building capacity. It also stresses the importance of supporting the private sector through improved financial services to encourage new investors and those operating in distributive services.

All in all 11 issues under this category were forwarded for inclusion in the PASDEP. Of these, only one is incorporated. Here follows a status review of the status of each of the issues.

2.1 Provide incentive for banks and insurance companies

This recommendation was made with the belief that it would encourage banks and insurance companies to reach many localities in the country thus mobilizing much needed capital. The private sector has singled out land and tax incentives that would motivate the financial institutions. None of those suggestions was taken into consideration.

Issues regarding tax and land incentives should therefore be brought to the attention of the federal government through the PPPF, and to regional governments as well.

Follow-up measures may include lobbying through representatives of the business community. A position paper prepared by AACCSA, in

collaboration with the Ethiopian Bankers' Association and the Ethiopian Chamber of Commerce and Sectoral Associations, could facilitate the lobbying effort.

2.2 Eliminate tax on interest and dividends

Proposals for the elimination of taxes on interest and dividends were forwarded by the private sector in order to encourage more savings and investment that promote economic growth and generate employment. But the points are not taken up in the PASDEP.

They could yet be raised in subsequent discussions with the government. Before doing so, however, a paper which articulates not only the position of the business community but also the significance of the issues for economic growth and poverty reduction should be produced.

2.3 Create regulatory framework for capital market development

The PASDEP has not taken this issue into consideration. The reason for this might be the absence of prerequisites for the formation of capital markets.

Pro-poor economic growth requires a growing level of investment that generates the required number of employment opportunities. And as an alternative and cheap source of finance, a capital market has a major role to play in mobilizing the much needed investment funds. In view of this, the preparation and implementation of a regulatory framework for capital market development during the PASDEP period has to be further pursued with the government.

The private sector could support its lobbying effort by preparing a position paper which would be presented to all stakeholders, including the PPPF.

2.4 Guarantee private foreign loans through NBE

Though not entertained by the PASDEP, this point was forwarded in recognition of the foreign currency needs for the import of capital goods and domestic supply, among others.

The issue may hence be pursued with the support of a study paper that articulates its significance to the business community and to the economic growth of the country.

2.5 Provide information about multinational sources of finance

This issue was not taken into consideration by the PASDEP perhaps due to the absence of a policy that allows individual entrepreneurs to negotiate and conclude foreign loan agreements. However, such information on sources of finance could be collected and disseminated by the Chambers of Commerce and Sectoral Associations.

2.6 Attract FDI by encouraging nationals to engage in investment

Even if this point is not incorporated in the PASDEP as formulated by the business community, the strategy generally commits itself toward improving the investment environment by undertaking regular reviews. The PASDEP plans to continue with the reform programs in areas of justice and civil service. It also plans to take direct support measures that encourage private investment in industrial and export sectors. Those measures include development of industrial estates, provision of locations for medium-scale industries and market studies in selected industries/sectors as well as business development training. The reform and support measures are to enhance the environment for private investment. As more and more nationals enter into diversified

investments in response to improved investment environment, a growing number of foreign investors would be attracted to the country.

2.7 Avail pre-and post-shipment finance to producer exporters on soft loan basis

A producer-exporter normally faces shortage of finance during production and up until the collection of proceeds from export. The need for extending soft loans has therefore been proposed to overcome such problems. The measure, while providing for the financial needs of the producer-exporter, also strengthens the hard currency earning capacity of producer exporters and the country. But this fact is not recognized by the PASDEP.

The issue, supported with positive outcomes, should hence be raised in subsequent consultations with the government.

2.8 Introduce mandatory and transparent financial reporting

This point is not included in the PASDEP. This is probably due to the non-specific nature of the challenges associated with the issue.

The issue, supported with a position paper that articulates the problems involved and the impacts on the private sector's efficiency and competitiveness, could be discussed with the government.

2.9 Offer loan on strictly business criteria; allow public enterprises to deposit in private banks

The above issues are not specifically addressed by the PASDEP.

It is nonetheless important that the provision of loans be strictly based on business criteria as set and/or to be set by NBE so as to ensure the

healthy development of the financial sector. This issue, supported by a well documented paper with particular focus on instances of negative discriminatory interventions, is worth pursuing with policy-makers.

The issue of public enterprises depositing in only state-owned banks could be explained in terms of common ownership. The most reliable and long lasting solution would be the speeding up of the privatization process. The private sector should therefore prepare a position paper on how to further enhance the privatization process and submit it to the government for consultations. The paper would be expected, among other things, to consider alternative modalities of privatization that are consistent within the Ethiopian context.

2.10 Give mandate to banks to provide loans with or without collateral

This point is not incorporated in the document. Such a mandate would nonetheless facilitate the realization of innovative project ideas and/or business projects of national importance and capable of high profitability which otherwise would not see the light of day because of a lack of collateral. It is, therefore, worthwhile to follow this matter with the government.

Measures that could be taken to this effect may include the preparation of a position paper highlighting the issues involved with clear references to the impact on economic growth and poverty reduction as well as submitting same to the PPPF and other stakeholders for consultation.

2.11 Broaden the provision of supplier's credit

Measures to this effect are not considered by the PASDEP. Currently, supplier's credit is given to merchandise imports. The proposal is to broaden the scope and include machinery and equipment imports for use in the productive and export sectors.

Preparing and submitting a position paper to the PPPF and other stakeholders for further consultations could serve as a useful advocacy tool.

3. Competition

A competitive environment is one of the pillars of a free market economy. The business community would appreciate the improvement of the competitive environment so that both domestic and foreign entrepreneurs could invest in the country. In doing so, the investors would boost productivity, improve quality and encourage innovation thereby reducing poverty.

One of the key issues investors strive to verify before deciding to invest in a particular economy is the existence of a competitive environment. In a market environment like Ethiopia where different categories of enterprises (private, state-owned and party-affiliated) are active, prospective investors scrutinize the adequacy and efficacy of policies, institutions and practices put in place to ensure a level playing field among the various operators.

Keeping in mind the significance of improving the competitive environment in promoting economic growth and poverty reduction, the business community had therefore raised four issues with respect to the lack of a level playing field. Two of those are included in the PASDEP. The following is the status of the four points recommended.

3.1 Implement the competition law

This point is not incorporated in the main text as well as the policy matrix which sets targets and specifies main policy steps. The omission could probably be due to the establishment of the Trade Practices Competition Commission set to implement the competition law.

Though the effectiveness of the commission remains to be seen, the business community regards its establishment as a major step toward ensuring a competitive environment. Being a new institution, nonetheless, it needs strengthening and a follow-up evaluation on the effectiveness of the competition law itself is essential. Above all, however, even if the law provides for the representation of the private sector in the commission, this has never been realized. The private sector should therefore elevate the aforementioned issues in its subsequent consultations with the government.

3.2 Ensure equal access to resources (land, credits...)

This issue is not again addressed by the PASDEP probably due to the establishment of the Trade Practices Commission that is expected to handle unfair trade practices, including discrimination in the provision of access to resources.

The inclusion of this point could have offered equal opportunity in accessing resources such as land and bank credits. It might have also further improved the playing field and stimulated investment.

Hence the issue needs to be raised in subsequent consultations with the government. Supported with well researched and documented cases of discriminatory practices in dispensing those resources among different categories of enterprises (private, state and party owned), the issue should be brought to the attention of the Public-Private Partnership Forum.

3.3 Accelerate the pace of privatization

Due attention is given to the privatization program in the main text. The policy matrix also sets annual targets for privatization. It further sets out to develop new privatization modalities and implement them over the PASDEP period.

Privatization of state-owned enterprises, apart from allowing more efficient use of resources under private ownership, promotes a level playing field by enabling the government to withdraw from business operations competing against private enterprises.

The implementation of the privatization program as envisaged by the PASDEP would therefore contribute toward attaining private sector-led economic growth and enabling the government to focus on supporting the private sector as well as filling the gap not adequately addressed by the sector.

3.4 Promote equitable tax administration

The unequal assessment of presumptive tax and incomplete coverage of VAT payers are viewed as hindrances to ensuring a level playing field. Those issues are given consideration by the PASDEP. The policy matrix proposes solutions to the problems related to presumptive tax, issuance of profitability rate directives by regions and registration of potential tax payers. It also targets the completion of registering VAT payers.

The realization of the measures indicated in the PASDEP is thus expected to improve the playing field by promoting equitable tax administration.

4. Administrative Decentralization

Promote private sector friendly environment through PPPF meetings

This point is included in the PASDEP main text. The mobilization and capture of local and community inputs into the decision-making process are the major focus of the text. Furthermore, training of local officials and stakeholders at grassroots is planned. This is expected to contribute to the promotion of a private sector friendly environment.

The participation of the private sector in PPPF meetings would also facilitate exposure to business issues and constraints which policy-makers need to consider by way of promoting an enabling business environment and formulating measures for direct support to the private sector.

5. Policy Dialogue and PPPF

5.1 Put in place a well articulated consultation process

The issue is taken up by the PASDEP. The main text points out to the establishment and strengthening of Chambers of Commerce and Sectoral Associations at regional and woreda levels so as to take the consultations down to the grassroots.

The policy matrix also provides an opportunity for the involvement of membership-based civil societies in local council meetings and for the establishment of forums for consultations.

The realization of the institutionalization of the process of consultation with the participation of representative bodies of the private sector in the PPPF meetings at various levels of federal and regional governments would promote the formulation of economic growth and poverty reduction objectives and strategies that better reflect the country's economic conditions and the level of PSD.

5.2 Base private sector proposals on research

This point is not included in the PASDEP probably because the task falls under the domain of the private sector. However, government support that enables the sector to build research and policy advocacy capacity to produce policy position papers needs to be considered. The private sector should, therefore, raise the point in subsequent consultations with the government.

Private sector advocacy for such assistance is better facilitated with the aid of promotional materials in the form of a position paper.

5.3 Strengthen Monitoring and Evaluation (M&E) system of PASDEP and assess impact of policies

The strengthening and broadening of the existing Welfare Monitoring Steering Committee (WMSP) for the monitoring and evaluation of the PASDEP is planned.

The policy matrix presents a list of actions or policy measures and annual quantitative targets for the M&E of the achievements and drawbacks during the PASDEP period. However, it is deficient in specifying measures to strengthen and broaden the WMSP itself.

As an input for further enhancement or strengthening of the system of M&E which is put in place, the private sector could forward its own ideas in a well documented paper. This paper could be submitted to MoFED, PPPF and other stakeholders for consultation and/or lobbying.

5.4 Build the capacity of public and private business support institutions

The PASDEP main text refers to pursuing a PSD-Capacity Building (PSD-CB) project and facilitating effective and efficient services for the private sector through strengthening existing service deliveries. It further suggests a plan to strengthen Chambers of Commerce and Sectoral Associations at regional and woreda levels. Nothing is however mentioned about capacity building program(s) for Chambers of Commerce and Sectoral Associations in the policy matrix.

The significance of the private sector as a development partner to the government lies not only in the production of goods and services that benefit the people and the economy, but also in its abilities and

effectiveness in identifying and clarifying business and development issues. This valuable input would help the government in formulating development policies and strategies. It would also serve as a reference to the continuous improvement of the enabling environment for businesses.

To satisfactorily play the role of a development partner with the government, the Chambers of Commerce and Sectoral Associations (CCSA) need to build their research and policy advocacy capabilities. To this effect, CCSA should undertake a study on ways of building such a capacity and submit it to the government and donors for financial and technical support.

5.5 Provide legal basis for PPPFs at all levels

The formation and strengthening of Chambers of Commerce and Sectoral Associations at regional and woreda levels are taken up by the PASDEP. Furthermore, the policy matrix has given due consideration to the finalization of laws and regulations as well as procedures for the participation of civil society organizations at federal and regional levels.

Providing a legal basis for the PPPFs is very important to the private sector as it promotes the realization that national development endeavors are the concerns of both sectors, and enhances mutual understanding and cooperation in the PPPF deliberations so as to forge partnership for development at federal and regional levels. It also offers guidance on instituting a well articulated process of consultation involving such matters as agenda setting, implementation, assessment of outcomes and dissemination.

6. Infrastructure

Roads, electric power and telecommunications

The expansion of road networks in order to meet the socio-economic needs of the country is given due attention in the PASDEP. This would enhance the role of the private sector in the economy by increasing national income. The private sector would be able to market agricultural inputs and outputs. Furthermore, rural areas with resources could be centers of attraction for private investment.

As regards power, the PASDEP plans to construct 11 hydroelectric power stations, including the Gilgel Gibe-2, Tekeze and Beles stations. The expansion of electric power generation and distribution would support the country's accelerated economic growth and socio-economic transformation. It also contributes to the improvement of the physical environment which is essential for the development of micro, small and medium size enterprises.

The broad policy framework of the government regarding telecommunications is to retain the backbone infrastructure of the sector under the public domain and encourage the involvement of the private sector in downstream activities and services.

Upgrading and expanding telecommunications networks and services are among the major activities proposed during the PASDEP period. The private sector is encouraged to run tele-centers, provide mobile subscriber identity module (SIM) card delivery and value added services such as call center and virtual internet services as well as customer premises equipment, including mobile apparatus terminals and public branch exchange (PBX).

As indicated in the PASDEP, some aspects of telecommunications services are privatized while the basic infrastructure remains in the public domain. This cannot bring about the structural and organizational progress needed to deliver efficient, flexible and modern IT services essential for the success of a competitive business environment.

Further privatization of the sector should therefore be pursued in subsequent consultations with the government. To facilitate those, a study which clarifies the need for privatizing the sector and takes into account the concerns of the government should be prepared and submitted to the PPPF and other stakeholders.

7. Education

Invigorate the participation of the private sector in the development of TVET

The educational system needs to cater for the current and future trained manpower needs of the economy. The private sector is in a position to provide advice on its current human resources requirements and share its vision of the direction of the economy. In light of this, encouraging the private sector to take part in devising education policy and in the development of TVET is highly beneficial to the economy.

The TVET program in the PASDEP is geared toward supporting the capacity of the private sector. This is not, however, pursued in the policy matrix by specifying the nature of the support. The program also envisages holding continuous consultation forums at national and regional levels with the view of narrowing the gap between training needs and training system consistency.

8. Cost of Transportation

Products in general and farm products in particular remain uncompetitive in Ethiopia due to the high cost of transportation. Reducing and/or removing duties levied on the importation of trucks, spare parts and tires that provide freight transportation would contribute to lowering the cost of transportation. Yet this issue is not taken up by the PASDEP.

Proposals for such measures, supported with documented justifications, could be raised during subsequent consultations with the government.

9. Stability and Predictability

As investments, and particularly manufacturing ventures, require long gestation periods, they are made on the understanding that existing policies, rules and regulations would prevail until premises are constructed, projects commissioned and returns on investment realized. Sudden changes of policies can therefore result in damages on businesses. They can also signal trends in policy unpredictability and contribute to causing low investor confidence in the investment environment.

Sudden changes of policies need to be avoided during the PASDEP period. Should a need arise for changes of policies, holding prior consultations with CCSA and issuing public notices is necessary in order to enable actual and potential investors to make the necessary adjustments. No statement to this effect is made in the PASDEP.

The private sector should hence impress upon the government the significance of those issues in promoting investment. To aid the advocacy effort toward promoting stability, a position paper which identifies cases of sudden policy changes and their negative impacts on trade and investment should be prepared and submitted to MoFED, MoTI and PPPF.

10. Registration and Licensing of Businesses

The proposal for studying and eliminating the conditional renewal of licenses upon tax payment clearances from tax authority is not included in the PASDEP as formulated by the business community. However, continued simplification of business processes and licensing requirements are considered.

Registration and license renewal requirements have not only been cumbersome but allow room for corruption as the renewal of licenses is conditional upon presentation of tax payment clearances. In this regard, the proposal of the private sector was and is to study and do away with the linkage between license renewal and tax payment.

The sector could thus produce its own study document clarifying the issues and justifying its stand as well as alternative approaches which ensure that government taxes are collected appropriately.

11. Business Development Services (BDS)

11.1 Establish specialized training centers for critical sectors

The government has already established these types of centers for the leather and textile sectors. Yet the PASDEP fails to specify and prioritize sectors that need applied training centers.

Since the lack of technical competence is one of the major challenges facing the private sector, the creation of new institutions and the upgrading of existing ones can help meet the challenge.

In order to support the efforts of the government in establishing such institutions, the private sector could initiate needs assessment study

that identifies applied training needs and the setting up or upgrading of training organizations. The study may also prioritize the institutions to be established or upgraded.

11.2 Institutionalize university-industry cooperation

Although the institutionalization of university-industry cooperation could contribute toward addressing the lack of inadequate technical competence, the PASDEP has not taken this issue into consideration. Consultations could nonetheless be initiated with universities, relevant government bodies and CCSA on ways and means of establishing such cooperation.

To initiate consultations, the private sector could produce a study document that specifies the objectives, duties and responsibilities as well as organizational structure and operational mechanism, etc., of the proposed cooperation. Based on this document, the sector can sensitize the core stakeholders to the significance of establishing collaboration.

12. Industrial Research and Development

12.1 Institutionalize a system that feeds research outputs to the industrial sector

There is no institutional arrangement that allows the relay of research results to the industrial sector so that they could be used for national capacity building and advancement in technology. As a result, most findings of research institutions such as the Agricultural Research Center, universities, Science and Technology Commission, etc., remain on shelves.

The PASDEP has not included this relevant point in its program. The issue could yet be raised with the government in future consultations and a study would help facilitate the consultations.

12.2 Create an incentive scheme for enterprises engaged in technology adaptation, modification and upgrading

An incentive scheme for the development of technology is not considered by the PASDEP. The scheme is however essential to promote technology adaptation, modification and upgrading.

As the development of sustainable and competitive industry needs to be based on technology, the issue should be raised and discussed with the government in subsequent consultations. The private sector could submit a proposal detailing elements of such a scheme to the government.

13. Standardization and Quality Management

13.1 Strengthening the capacity of QSAE to provide outreach services

Many countries have now made ISO 9000 and 14000 standards mandatory for products that enter their markets. There is therefore a need for building the capacity of QSAE in order to comply with international standards not only for export promotion purposes, but also to ensure that sub-standard goods and services are not imported into the country to unfairly compete with domestic products and services.

The PASDEP does not specifically mention QSAE in this respect. There is, however, a general recognition of the need to facilitate the private sector through strengthening the existing service delivery improvement process. Specific strengthening measures for QSAE could yet be raised in follow-up consultations with the government. The private sector, in consultation with QSAE, can propose measures that facilitate the process.

13.2 Encourage the establishment of private testing and certification bodies

There is again a need for accredited private laboratories to test and certify producers of goods and services, including food safety and imported items, for compliance with ISO 9000 and ISO 14000. Support for such facilities is not envisaged in the PASDEP.

In view of the importance of testing and certification services in enhancing product quality and competitiveness as well as the need to compliment the service delivery capacity of QSAE, actions should be initiated to promote the establishment of such service providers from the private sector. The issue could thus be raised during consultations with the government. To facilitate the consultations, a study clarifying the issues and specifying support measures needed for establishing private testing and certification bodies may be undertaken and submitted to the government and other stakeholders.

14. Government Procurement

14.1 Establish mandatory purchase quota system for domestic producers

Being the biggest purchaser of goods and services and in keeping with its declared policy of promoting PSD, the government should establish a mandatory quota system whereby a certain percentage of its purchases are earmarked for domestic producers. Denying such opportunities will hamper the growth and development of private operators. Conversely, establishing a mandatory quota system would encourage them to improve the quality of their products and become price competitive.

Such a measure is not considered by the PASDEP. So in view of the positive impact of the proposed measure on the growth of domestic producers, it could be taken as an agenda item in subsequent PPPF meetings.

14.2 Facilitate credit access to domestic producers engaged in government procurement

There is no government procurement policy that provides for a mandatory quota for domestic producers in Ethiopia. The extension of credit facilities to private operators that participate in government procurement was probably ignored by the PASDEP due to the absence of such a policy.

The issue can yet be raised in PPPF meetings and with MoFED along with the proposal to introduce a mandatory quota system in government procurement. But there is also a need for assessing and evaluating the wider implications of the issue prior to initiating consultations with the government.

15. Form a technical committee that monitors the implementation of PASDEP

The creation of a technical committee which comprises the private sector trade support institutions, MoTI, MoFED, CSA and other relevant stakeholders, has been proposed in order to facilitate the M&E of the implementation of PASDEP. One of the major duties of the committee would be the production of reliable and authoritative periodic reports on the implementation of PASDEP. The PASDEP, recognizing the need for M&E, has assigned the task to the existing WMSC and the WMTC which are to be strengthened and broadened. Both committees are chaired by the MoFED.

The PASDEP monitoring and evaluation system identifies the major actors as MoFED, federal executive bodies and CSA. Though the system provides for more actors, it does not involve representatives of private sector organizations in either committees.

Since the representation of the private sector in the committees is nonetheless important to closely follow the progress in the implementation of PASDEP and contribute towards its enhancement, the issue should be raised and discussed with MoFED.

Conclusion

The PASDEP is an improvement over the SDPRP as it recognizes the vital role of the private sector in the economy, including in the modernization of small and large scale farming as well as infrastructural development. Its focus is, however, directed toward promoting and encouraging the involvement of the private sector in industry and export trade. The policy matrix does not specify implementation modalities and support programs for the participation of the sector in agricultural development. But this issue is of major significance to the country's overall development. It should, therefore, be brought up in subsequent consultations with the government.

Of the total 38 business issues submitted by the business community for inclusion in the PASDEP, 11 were taken up by the government. Six of those fell under policy dialogue and PPPF as well as infrastructure categories while the remaining five fell under competition, finance, administrative decentralization, and M&E.

Thus, some of those issues excluded need to be raised again with the government, supported by well documented studies. Representative organizations should also strengthen and build research and policy advocacy capacity in order to effectively engage in the consultation processes. The support of the government and donors are again of considerable importance. Hence the organizations should approach the government and donors for assistance in this regard.

Status Summary of the Recommendations

Recommendations	Status in the PASDEP		
	Included	Partially included	Not included
1. Land issue Establish and publicize transparent and detailed criteria for taking over land for investment purposes		✓	
2. Financial sector and credit policy			
2.1 Provide incentive for banks and insurance companies			✓
2.2 Eliminate tax on interest and dividends			✓
2.3 Create regulatory framework for capital market development			✓
2.4 Guarantee private foreign loans through NBE			✓
2.5 Provide information about multinational sources of finance			✓
2.6 Attract FDI by encouraging nationals to engage in investment	✓		
2.7 Avail pre-and post-shipment finance to producer exporters on soft loan basis			✓
2.8 Introduce mandatory and transparent financial reporting			✓
2.9 Offer loan on strictly business criteria; allow public enterprises to deposit in private banks			✓
2.10 Give mandate to banks to provide loan with or without collateral			✓
2.11 Broaden the provision of supplier's credit			✓

Recommendations	Status in the PASDEP		
	Included	Partially included	Not included
3. Competition			✓
3.1 Implement the competition law			✓
3.2 Ensure equal access to resources (land, credits...)			✓
3.3 Accelerate the pace of privatization	✓		
3.4 Promote equitable tax administration	✓		
4. Administrative decentralization Promote private sector friendly environment through PPPF meetings	✓		
5. Policy dialogue and PPPF			
5.1 Put in place a well articulated consultation process	✓		
5.2 Base private sector proposals on research			✓
5.3 Strengthen M&E system of PASDEP and assess impact of policies	✓		
5.4 Provide capacity building for both public and private business supporting institutions		✓	
5.5 Provide legal basis for PPPFs at all levels	✓		
6. Infrastructure			
Road construction	✓		
Electric power building	✓		
Telecommunications		✓	
7. Education			
Invigorate the participation of the private sector in the development of TVET	✓		
8. Cost of transportation			
Examine the possibility of minimizing cost of transportation facilities by reducing and/or removing duties leveled on trucks for freight transportation and spare parts			✓

Recommendations	Status in the PASDEP		
	Included	Partially included	Not included
9. Stability and predictability Sudden change of policies, rules and regulations need to be avoided. Should such a need arises, prior consultations and public notice be issued in order to enable investors make the necessary adjustments			✓
10. Registration and licensing of businesses Study and come up with alternative ideas		✓	
11. Business Development Services / BDS/ 11.1 Establish specialized training centers for critical sectors of the economy			✓
11.2 Institutionalize university-industry cooperation			✓
12. Industrial Research and Development 12.1 Institutionalize a system that feeds research outputs to the industrial sector			✓
12.2 Create an incentive scheme for enterprises engaged in technology adaptation, modification and upgrading			✓
13. Standardization and quality management 13.1. Strengthen the capacity of QSAE to provide outreach services			✓
13.2. Encourage the establishment of private testing and certification bodies			✓
14. Government procurement 14.1. Establish mandatory purchase quota system for domestic producers			✓

Recommendations	Status in the PASDEP		
	Included	Partially included	Not included
14.2. Facilitate credit access to domestic producers engaged in government procurement			✓
15. Form a technical committee that monitors the implementation of PASDEP	✓		