Situation Analysis of Business and Sectoral Associations in Ethiopia

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<tr>
<td>AACC</td>
<td>Addis Ababa Chamber of Commerce</td>
</tr>
<tr>
<td>AACCSA</td>
<td>Addis Ababa Chamber of Commerce and Sectoral Associations</td>
</tr>
<tr>
<td>BDS</td>
<td>Business Development Services</td>
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<td>BMOs</td>
<td>Business Membership Organizations</td>
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<td>BSAs</td>
<td>Business and Sectoral Associations</td>
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<td>CCSAs</td>
<td>Chamber of Commerce and Sectoral Associations</td>
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<tr>
<td>CSAs</td>
<td>Chamber and Sectoral Associations</td>
</tr>
<tr>
<td>ECC</td>
<td>Ethiopia Chamber of Commerce</td>
</tr>
<tr>
<td>ECCSA</td>
<td>Ethiopian Chamber of Commerce and Sectoral Associations</td>
</tr>
<tr>
<td>EHPEA</td>
<td>Ethiopian Horticulture Producers and Exporters Associations</td>
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<td>Ethiopian Employers’ Organizations</td>
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<td>WAs</td>
<td>Workers’ Associations</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background

Business associations are membership organizations established to represent and serve the business community. They are generally made up of enterprises and individuals engaged in trade, industry, and businesses whose members share common interest. Modern forms of business associations and chambers of commerce began in France in the early 1800’s subsequent to medieval Europe merchant guilds administered by merchants seeking to protect/regulate their trades. Much in the same manner as modern business associations, the guilds’ preoccupation included such activities as supervising weights and measures; running arbitration boards for disputes; administering ports and markets; gathering, aggregating, and presenting business views to the community; organizing commodity exchanges; and collecting and providing information on commerce and trade (Davis, 1999).

The early history of business associations indicates that membership was voluntary. The associations were formed under private law, since no public law governing the running of business associations existed, and favoured self-administration. Later, variations of business associations developed in Germany and France where membership was obligatory and required by public law.

Business associations are indeed very important in promoting the interests of the business community both at the national and international levels. In the developed economies, there are two types of business advocacy organizations, namely chambers of commerce and trade/sector/business associations. These organizations not only play advocacy roles, but also engage increasingly in providing to members a wide-range of services such as promotion, information, certification, training, and technical assistance.

Ethiopia has followed a similar pattern. The Ethiopian Chamber of Commerce was established in 1978 under Proclamation No. 148/1978, bringing together twelve city chambers (Addis Ababa, Assela, Hawassa, Bahir Dar, Dessie, Dire Dawa, Gondar, Jimma, Mekelle, Adama, Nekemte,
and Shashemene) which represented several thousand members, most of them belonging to trade and service sectors. A successor peak association, the Ethiopian Chamber of Commerce and Sectoral Associations, has recently been reconstituted under Proclamation No. 341/2003, effective April 24, 2007. Regional Chambers of Commerce and Sectoral Associations make up the national body which includes 306 members.

1.2 Objective of the Study

This study aims to put in perspective factors undermining the ability of business and sectoral associations in Ethiopia to undertake effective business development services and advocacy for their membership. The objective is to identify the problems and challenges facing business and sectoral associations in Ethiopia and indicate the way forward to creating resilient and vibrant business and sectoral associations.

1.3 Approach and Methodology

The study is based on an extensive desk-work and field research that were instrumental in collecting comprehensive information for preparing a sound basis for the analysis of present, past, and future prospects for member-based organisations in Ethiopia. In this exercise a detailed questionnaire and an index of competence were used which helped to analyze the questionnaires.

The questionnaires filled by the representatives of the respective business and sectoral associations were designed to gather information about:

- Organizational structure;
- Governance and accountability;
- Capacity to dialogue and provide business development services;
- Constraints and problems (legal, policy and others);
- Mechanisms of consultation and dialogue;
- Support areas; and
- Intervention strategies that need to be followed.

The survey intentionally focused on cities and regions where the majority of the population and the business organisations reside and operate. These included cities like Addis Ababa, Hawasa, Bahir Dar, Dessie, Dire Dawa, Harar, Gondar, Mekele, Adama and Shashemene. The survey has thus covered:
Almost all of the significant business associations at a federal level;
About seven of the eleven potential regional Chambers of Commerce and Sectoral Associations;
About seven of the eleven potential regional Chambers of Sectoral Associations;
About seven city Chambers of Commerce and Sectoral Associations;
About seven woreda Chambers of Commerce and Sectoral Associations; and
Sample sectoral associations at seven woredas or cities.

The coverage of the survey was sufficiently representative of the potential population of the business and sectoral associations in the country. It only missed few of the City Chambers of Commerce and Sectoral Associations in the newly emerging regions like Gambella, Afar, Somali and Benshangul-Gumuz. However, as their share in sectoral and business associations as well as in business organisations was minimal, their influence on the results of the survey is considered insignificant.

The methodology followed in the conduct of the study focused on:

- Compiling facts on the status of business and sectoral associations through interviews and triangulation, covering sectoral and business associations in Addis Ababa and in selected major cities in different regional states, namely Adama, Hawassa, Bahir Dar, Dire Dawa, Gondar, Harar, Mekelle, and Shashemene;
- Using the index developed for measuring competence and computing the competence indexes of business and sectoral associations (BSAs) interviewed;
- Surveying BSAs in Addis Ababa and other cities to gather information on the degree and severity of the problems and challenges they face; and
- Conducting one-on-one discussions with business owners and chief executives of companies to identify the legal and structural barriers facing their respective BSAs.
CHAPTER TWO

THE IMPORTANCE OF MEMBER-BASED ORGANISATIONS

2.1 The Rationale for Engagement

Business associations are defined by Doner and Schneider (2000) as long-term organizations with formal statutes regulating membership and internal decision-making in which the members are individual business people, firms, or other associations not necessarily linked by ownership or contractual relationships.

Studies in various countries have established that a wide range of functions and activities undertaken by business associations promote efficiency and address crucial development issues, using their institutional strength for productive ends. These studies consider associations representing business interests as potentially important instruments in guiding the path and the outcome of socio-economic transformation.

Positive contributions of business associations, hence the rationale for engagement, have also been supported by empirical studies to improve economic performance in developing countries in a variety of ways. While the studies do not reject arguments relating to the rent-seeking behaviour of business associations, they do lay bare aspects of existing negative perceptions and theoretical perspectives for falling short in providing sufficient coverage for conditions under which associations might make positive contributions. Contributions of business associations to economic performance may be perceived as market-supporting and market-complementing.

2.1.1 Activities of Business Associations

Market-supporting activities are particularly important in periods of consolidating emerging market economies where, as is now the case in Ethiopia, these economies are characterized by numerous market distortions. As the environment in which many associations operate under such circumstances becomes one of widespread state and market failures, association activities are, of necessity, directed at rallying behind the proper
functioning of states and markets, as opposed to using their institutional strength to distort well-functioning markets.

Market-supporting activities of business associations relate to activities that reinforce the overall functioning of markets by supporting the provision of basic public goods essential both to members and the economy in general. Two such public goods, provided by the state and achieved indirectly by associations through lobbying or pressure on government/public officials, are strong property rights and effective public administration/rule of law. The provision of infrastructure, a third public good, may also come about both as a result of direct action by associations as well as indirect pressure on government.

Doner and Schneider chronicle the following actual cases of market-supporting activities in regard to effective public administration in which business associations played important roles:

- In Nigeria, some associations have been active in pressing for clean and effective government administration to force an improvement in the government’s basic operating procedures through opposition to “corrupt behaviour, inefficiency, and the politicization of administration”;
- The Kuwait Chamber of Commerce and Industry (KCCI) was active in customs reforms during that country’s 1980s debt crisis;
- Thai associations, both chambers of commerce and sectoral associations such as the association of gem producers, successfully pressed the government to reduce corruption in customs operations;
- In Pakistan, pressure from inter-industry associations moved the Punjab state government to solve the problem of severe power shortages;
- In Pakistan, the Surgical Instrument Manufacturers’ Association (SIMA) cooperates with the local port authority to improve customs, handling, storage, and other facilities critical to members’ capacity to export; and
- The Colombian coffee association, Federacafe’, was granted by the government the right to collect an export tax that Federacafe’ was then contractually obliged to spend on benefits for producers, especially transportation infrastructure, port facilities, and warehouses.
2.1.2 Market-Complementing Activities of Business Associations

Market-complementing activities are meant to overcome various types of market imperfections. These involve direct coordination among firms to resolve mutual production and investment problems using a network of linkages that assist them in dealing with one another and in accessing services all firms need, but no individual firm is willing or able to provide. Broad areas of positive responses by business associations in respect of market-complementing activities include the following:

Macroeconomic Stabilization and Reform. Strong business associations are instrumental in reducing the economic and social cost of stabilization and economic adjustment. In this regard, business associations could take the lead in the coordination of inter-sectoral or inter-industry tasks, and monitoring and enforcement of agreed measures with government.

An important area of stabilization and economic adjustment relates to the reduction of inflation, which typically involves fiscal restraint and price stabilization, and assumes an implicit contract whereby government is committed to keep spending down and the private sector is committed to keep price increases to manageable levels by moderating inter-sectoral and/or inter-industry price differences as well as ensuring monitoring and strict enforcement by association members. Another area is the formulation and implementation of policies in close contact with the industries in their respective sectors and policymakers in the managing of reforms.

Coordination (horizontal and vertical). A common area of horizontal coordination for business associations to engage in is the regular monitoring of markets vital to the profits of their members. Such horizontal coordination helps prevent harmful competition among members in both product and factor markets and pressuring firms to make efficient use of rents obtained to foster market performance and productivity.

Yet another area is capacity rationalization during market downturns. Rationalization of capacities during such periods helps ease the inefficiencies resulting from the underutilization of capacity and put into effect more efficient patterns of specialization. Leaving the survival of the weaker firms to market forces during market downturns may result in a costly friction, as firms contend that they will benefit by staying while others exit. Such a war of attrition can lead to a situation that would leave all producers worse off.
Business associations are well-placed to overcome such problems of collective action on such occasions. Table 1 shows examples where business associations, through their combined influence, forge association-wide agreement on capacity rationalization. Under such circumstances, business associations have also been able to facilitate the supply, price, and quality coordination between upstream and downstream firms. Through vertical coordination, business associations have helped preserve supply bases by brokering an arrangement acceptable to both suppliers and producers, hence avoiding disruptions.

Table 1 Cases of Market-complementing Functions of Business Associations

<table>
<thead>
<tr>
<th>Function</th>
<th>Cases/Action</th>
<th>Country</th>
<th>Association</th>
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<tr>
<td>Macroeconomic Stabilization / Reform</td>
<td>Coordination of inter-sectoral and inter-industry price differences and monitoring and enforcement by retailers’ association of the prices of member firms</td>
<td>Mexico</td>
<td>Business Coordinating Council</td>
</tr>
<tr>
<td>Horizontal Coordination</td>
<td>Management of quota</td>
<td>Turkey</td>
<td>Turkish Clothing Association</td>
</tr>
<tr>
<td></td>
<td>Capacity rationalization to alleviate inefficiencies resulting from underutilization of capacity</td>
<td>Korea</td>
<td>Korean Federation of Textile Industries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Taiwan</td>
<td>Taiwan Footwear Association</td>
</tr>
<tr>
<td>Vertical Coordination</td>
<td>The weaving industry and the spinning industry associations worked out a compromise by which the Taiwan Cotton Spinners’ Association (TCSA) agreed to lower the price and stabilize the supply of yarn in exchange for the weavers abandoning yarn import liberalization proposal; During NAFTA negotiations Mexican businesses organized themselves by production chains of firms and worked out a common position before meeting with government negotiators.</td>
<td>Taiwan</td>
<td>Taiwan Cotton Spinners’ Association</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mexico</td>
<td>Mexican Business Coordinator of International Trade</td>
</tr>
</tbody>
</table>
Reducing Information Costs. Reducing information costs, the cost of which is beyond the capacity of a member, by collecting and diffusing information among members is one area where collective action results in a situation in which all members gain.

Setting Standards. Setting standards could reduce information costs to buyers and sellers. In export markets for basic commodities such as coffee, oilseeds and pulses, the failure of one supplier to meet minimum standards can undermine the reputation of all the country’s producers. Business associations are instrumental in organizing members to develop and adhere to established product standards and code of ethics for business conduct. The government could also be supportive by granting export licenses only
to those firms belonging to the associations and complying with these standards. The associations could again play a critical role in enforcing quality control and testing alongside pertinent state agencies.

Quality Upgrading. Quality upgrading may be used by business associations to change the performance of members through improving technologies and skill upgrading of the workforce. In this regard, business associations may organize seminars on technology and management as well as undertake inspection trips to selected countries. Locally, sectoral associations may engage in coordinating processes of mutually compatible technological upgrading within their sectors through joint investment, procurement, and information management. Associations could also mobilize member interest to cooperate in an industry-wide venture to set up technical training institutions and technology centres that enhance local industry capacity to respond to market opportunities.

Employee Training. The quality of human resources is increasingly having a strategic influence on competitive advantage. Efforts to provide the training necessary for building skills often encounter problems of collective action dilemma due to free riding. While it may be safe to assume that access to skilled labour is cherished by all, individual employers may be hesitant to train or contribute to training for fear that others may take advantage from their investment. Business associations can tackle this problem by organizing domestic firms and suppliers to cooperate in an industry-wide association to address training needs that would enhance local capacity to respond to both domestic and export markets, and developing vocational curricula consistent with industry needs.

Several lessons emerge from the above review. One is that collective action for economic growth among business associations is widespread, with groups of competing firms participating in associations that help address economic challenges ranging from the defence of property rights to the provision of market information to upgrading and enforcement of standards as well as employee training. While the successes recorded above may not be pervasive in all associational activities, they nevertheless constitute a sizable number not to be dismissed as an abnormality or rare occurrences.

2.2 Main Functions of Member-based Organisations

Member-based organisations like chambers of commerce and sectoral associations typically perform the following four main functions:
**Representation in Policy Forums (The Advocacy Function).** Public law chambers normally have formal processes for consultation through such mechanisms as business councils and membership of special committees dealing with regulations and policy related matters alongside less formal, but no less important, consultation mechanisms.

Official governmental and quasi-governmental responsibilities afforded under delegation by the government in licensing or certifying businesses and certification of origin for goods delegated by government confers authority to the chamber in its interventions for the membership.

The combination of official responsibility and mandatory membership gives to the so-called Continental Model chambers the ability to be viewed as useful vehicles to serve member interests and to represent them with governments. Whereas formal consultations also take place in the Anglo-Saxon Model chambers, they are, however, done more in the form of informal lobbying and ad hoc representation. So while it might well be that voluntary associations may be taken more seriously, it is also possible that they could be dismissed out of hand as representing only narrow or vested interests.

**Regulatory and Quasi-Official Functions (The Facilitation Function).** Facilitation functions in the form of governmental and quasi-governmental tasks are performed mainly by continental chambers. Such tasks include administering business licenses and issuing certificates of various types, namely certificates of origin and, among other things, certifying that businesses have met all statutory registration obligations and have paid all relevant taxes and dues.

Other tasks include facilitating members’ interactions at all levels of government as regards compliance with regulatory requirements and clarification on tax and other matters, liaising with central and local governments as well as regulatory bodies on behalf of members, assisting members through the provision of arbitration services, and organizing better business workplace.

Each of the above services has related fees that provide additional sources of income to the chamber, or, at a minimum, cover the cost of the services provided. Where chambers perform these functions effectively, they are able to render efficient business services that would relieve members from having to contend with difficult choices.
Member Services (The Service Function). This is the area in which all chambers are active in a variety of ways. Virtually all chambers venture to provide business-oriented information services of interest to members. Most commonly, chambers act as a clearinghouse for business-to-business requests from non-members interested to buy goods and services or make commercial alliances with agents or partners from far and wide.

In the area of business development, chambers play an important advisory role in consulting members in preparing business plans and promoting wider member business competence. They also provide information on member competence and interest by compiling registers of members for potential partnering. In this regard, hosting promotional events, including local buyer-seller conventions or organizing marketing missions to promote members’ services and products; hosting investors or other business groups looking to do business with members become important dealings.

In respect of information services, a wide range of information services exist. These include advice on the availability of equipment and technology and their prices, sources of domestic and foreign training, product markets and prices, developments in the private and public sectors, intellectual property protection systems, tax and other regulations, ISO certifications, and multilateral trade systems. The collection and analysis of statistics and conducting periodic surveys in these specific areas of interest is an important element in the provision of effective information services.

A distinct category of services in which many chambers also commonly engage in is training. This includes a wide range of training programmes from the basics of doing business to advanced technical subject matters relating to particular interests of the chambers’ membership as well as such specialist management areas as finance, taxation, marketing, human resources development, management information systems, patent and license rights, standards, exports and foreign trade legislation, productivity and total quality assurance.

Social and Mutual Support (The Networking Function). Networking with fellow members and public officials in a social setting can be very useful in generating internal dialogue and engagement among members. Interaction among members under such a setting helps create broader business culture and cohesiveness that serve to encourage more and higher quality of participation. Such events also provide occasions for celebrating
achievements by members, enhancing social standing and a positive climate for entrepreneurship.

The quality of business services provided by the chambers tends to vary according to chamber size. Where a chamber is situated within a thriving urban economy and has a vast number of firms within its constituency, it is able to offer a relatively broad range of technical services to local businesses (economic analyses, sectoral studies, professional training, legal and fiscal consultancy). Where weaker urban economy and smaller constituencies abound, economic services tend to be weak and restricted to such areas as technical assistance and training, hence limiting severely the capacity of the chambers to undertake such promotional activities as trade fairs and business seminars.

2.3 International Practices of Engagement

The orientation of the activities of business associations may be external or internal. Internal orientation relates to the very essence of business associations in the promotion of the economic well-being and interests of their members through services they provide for members and by swaying government policies in favour of their membership.

Such an internal orientation and engagement in business associations has as its hallmark the provision of an array of services, including training, consulting, information, and expert advice on a variety of fiscal, administrative, and legal issues. With their ability to muster member resources, business associations make it possible to offer such services to members at a much lesser cost than it would be if each member were to deal with them individually. When they succeed in offering services that enhance economic efficiencies within member firms, business associations play an important positive role for the economy as a whole, making their internal orientation even more essential. Beyond the provision of services essential for members, lateral engagement among member associations at the various tiers of organization sets the scene for wide-ranging collaboration and effectiveness.

The same could be said about the external orientation of business associations, although business associations have long been perceived to pursue particularistic benefits serving their interests. While, in this regard, business associations may be seen as being more preoccupied with the protection of their members’ interests, collaborative engagement with
government may well play a leading role in the development of the economy. In particular, business associations could help establish, among other things, a network of relationships between the private sector and the government.

Central to an ideal relationship between the government and the business community is the existence of credibility and trust. Credibility relates to a situation where the business community has faith in the trustworthiness of state actors in living up to their commitment and acting accordingly. This helps reduce uncertainty within the business community over the long-term stability of government policies, hence making the business community feel safer in committing resources.

When based on trust, development oriented relations between government and business become deep-rooted, as this would create an understanding that each side would honour its commitment. Where trust between business and government prevails, uncertainty as well as transaction and monitoring costs would diminish.

The two mechanisms of engagement through which firms gain access to participating in policy-making are ‘state-centred’ and ‘society-centred’ participatory and consultative mechanisms (Goldsmith, 2002). In the state-centred or the corporatist model, the state institutes officially two or three-way mechanisms of representation with designated peak organizations speaking on behalf of the business community. “Society-centred” representation occurs through autonomous business coalitions outside the formal structure of government based on own strategies designed to gain access to policy-makers.

While public law models of business associations, as already noted, make statutory consultation mechanisms mandatory, the nuts and bolts of such mechanisms are better understood from the practical experience of countries that have effective systems of consultation in place. A great deal may, in this regard, be learned from the Mauritian experience where an effective system of governance is the hallmark of policy design and implementation. Policy making in Mauritius is participatory, based on an effective partnership between the government, business and trade unions, all contributing to the formulation of the national economic strategy. Private sector needs are fully recognized in government policy in line with the overall development objectives of the country.
All said, the success of the process of effective participation and consultation depends both on the competence of business associations and on the willingness/openness of the government. Competence in respect of business associations relates to management capabilities in the form of potent secretariats and the availability of expertise, which in addition to grass-roots organization and legitimacy from a broad-based membership must be supported by competent leadership with relevant skills in most policy areas.

2.4 Potential Mechanisms and Venues for Consultation and Dialogue

Consultation is a form of participation, which means very different things to different people. Some may insist that consultation is a form of co-determination in decision-making and a special way of negotiating and compromising. Those who share this argument find themselves opposed by those who insist that final decision-making is a legitimate business only for governments and parliaments. They, therefore, argue that the right to consultation is only a right to speak and to be heard and for that reason it does not come along with any obligations for governments to consider proposals. From another angle, it could be argued that consultation can only be a legitimate process if participation is open in the widest possible sense, while others would see no harm in limiting consultation to a narrow group. Consultation and lobbying are often used interchangeably, the argument switching from raising quality in management to building a political support base.

The intensity and form of consultation are further points of departure. Some may consider consultation as an informal one-off affair, while others will point to the need that it should be institutionalized and rights, like access to funds and independent expertise, should be granted.

Putting all stakeholders into a proper picture at an early stage may give additional space for preparing their debate in accessing expertise or in consulting their constituencies. Releasing information at the last minute or keeping “the other side” unaware up to the last moment are tempting strategies for governments seeking low-impact consultation. For most cases, it may be correct to state that the quality of consultation correlates positively with the amount of time made available before a final decision is taken. It is not only the amount of time, but the phasing of decision-making which matters as well. This is because each new round of debate
usually depends and takes off where earlier stages have stopped as those in charge of directing the process are also not keen to start everything again, just because somebody has not been around from the beginning. Hence decision-making moves forward throughout the coalition building processes and cannot disregard agreements reached in the process for reasons of new actors entering the stage lately.

True as it is for consultation to set in at an early stage, continuity is also a crucial factor. To be involved in the initial phase only to be left out at later stages when new compromises may need to be made and fine-tuning takes place, may forestall the possibility of having a given position adequately reflected in the final outcome.

Under the circumstances, it is reasonable to believe that the impact of consultation is best felt when it starts at an early stage and continues through all stages of decision-making. Clearly, then, consultation must always take place before a final decision has been made.

A further dimension of consultation is the form it takes. By looking at the form, one can gauge the degree to which consultation is institutionalized. The consultation process could be through different channels. The channels include:

**Consultation Committee.** The existence of a committee is an indicator of some control on procedures being not vested in government anymore, but is handed over to the committee and, hence, falls under the influence of its membership. While members will not be able to use such autonomy for their own ends, non-state actors are likely to collectively inject more influence compared to a situation where control is fully owned by the state.

**Consultation in Written Form.** Compared to oral form, written proposals allow wider consultation and can be circulated easily beyond a consultation forum. Written proposals further carry more weight because written statements tend to be more prudent and are open for consultation and additional opinion.

**Consultation in Oral Form/Dialogue.** An oral consultation is likely to speed up decision-making. Also, it is likely that more members will attend without a predetermined position, be prepared less, and feel less reluctant to the points of view of others. Where the audience is smaller, winners and losers are less obvious and the discussion may be less antagonistic and directed more towards a compromise.
Information. In the narrow sense, “being briefed” is not a component of consultation as it implies “the right of information” but not “the right to be heard”. However, even a mere “briefing”, if it comes early enough, may produce an additional momentum in that groups may still be challenged to develop their own ideas to go public, and finally to exert pressure on government.

2.5 The Practice of Engagement in Ethiopia

Business advocacy organizations are very important in promoting the interests of the business community, both at the national and international levels, and for inclusive policy formulation. In the developed economies, there are two types of business advocacy organizations, namely chambers of commerce and trade/sector/business associations. These organizations not only play advocacy roles, but also engage increasingly in providing a wide range of services in promotion, information, certification, training and technical assistance.

The participation of non-state actors in government business is always a difficult and delicate matter. Governments usually do not see themselves sitting at a par-level with organizations which represent sectional and particularistic interests within a society, while they see themselves as representing the whole society. Even where state actors are willing to cooperate with non-state actors, the barriers to be surmounted are formidable. There are no universal consulting models available from where a variant could be picked out for national use. Even the Cotonou Treaty is not very helpful in outlining the path to be taken.

In the Ethiopian setting, private sector involvement in policymaking has been minimal. Public-private partnership has long been virtually absent. Established processes of public-private dialogue forum are inclined to be a mere information sharing. This is a stark mark of a more fundamental governance problem, which excludes private sector stakeholders in the process of policy formulation, to the detriment of the effectiveness of, and the support for policies to be introduced however well intentioned these might be.

Trade/sector associations are very new occurrences in Ethiopia, since they were marginalized by the previous regime along with the private sector. The present government has a favourable disposition towards free associations of private entrepreneurship. In a recent move, the government has restructured business/sectoral associations and chambers of commerce. As a result, there
are currently around forty business associations, with a very heterogeneous level of efficacy and representation. These belong to a cross-section of sectors, some not active and others tailored to limited interests.

The effectiveness of business advocacy groups depends crucially on their capacity to perform their functions to the satisfaction of their members, who, in turn, will support the groups and get involved in their activities if they perceive them as effective. The business advocacy system in Ethiopia has not been as effective as it should be, even considering the infant stage of business development in the country.

The major constraints to the full development of business advocacy are found inside the private sector itself. The sector is not developed; it is weak in self-awareness and self-promotion activities; it is weak and outright antagonistic in internal self-engagement; its confidence in the general system is not optimistic, mainly due to the gap between policies and their implementation as well as a stark lack of dialogue between government and private sector advocacy groups.

Factors undermining severely the ability of these institutions to undertake effective business advocacy may be summarized as follows:

- There is no formal mechanism for consultation and dialogue with the government. Policy formulation consultations with representatives of the business community hardly exist or are only occasional. There is, further, no provision for a public-private dialogue at which such consultations can take place;
- Co-ordination among the key actors in the business advocacy system is scarce and quite limited;
- There is a widespread problem of representation. Neither the chambers of commerce nor the various trade associations and interest groups are adequately structured to represent their members;
- There is lack of resource in the system because members are unwilling to pay fees to chambers/associations, as they do not see direct benefits. The issue is not the fee, but that members’ expectations in the delivery of services are generally unmet. On the other hand, neither the chambers nor the associations can achieve results without resources to implement their activities and programs;
- There is fragmentation of membership, as more than one advocacy group represents the same constituency;
- There is lack of capacity to interpret members’ requests and formulate
position in enterprise-related matters that need to be brought to the attention of policy-makers. There is considerable lack of capacity, in addition to lack of resources, in providing effective services; and
• Membership to the chambers of commerce is voluntary. As a result, the problem of free riding is emerging. Without contributing both financially and technically, businesspersons are seen taking advantage of the efforts of chambers or associations.

These constraints need to be addressed in a comprehensive manner so that the institutions would be in a position to play their business advocacy roles effectively.

The effectiveness of the consultation process not only depends on the competence of advocacy institutions but also the efficacy of public bodies. The efficacy of public bodies in service delivery and enhancing private sector development, in the Ethiopian setting, falls far short of expectation mainly as a result of lingering attitudes inherited from the previous command economy. Despite new government policies and strategies, which consider the private sector as an “engine of growth”, and the new law of Chambers of Commerce and Sectoral Associations, the perception of the public sector toward the private sector is still that of rent seeking. Instituting an enabling environment alone is of no use if the capacity of the private sector is weak to bring about the required change. When private economic agents are nonexistent or underdeveloped, it would be incumbent upon the state not only to create an enabling environment for a free enterprising, but also to nurture private participation. Much remains to be done in this regard in present day Ethiopia.

The adoption of pragmatic strategies creates new opportunities for achieving economic, social and environmental policy objectives. However, experience suggests that new approaches need to be applied with caution and in ways that are sensitive to local conditions. Old habits die hard, and evidence from practical examples may be needed to induce change on the ground. It would be naive to assume that partnerships will make vested interests disappear. Interest groups will continue to regard partnerships as a means of increasing the role of the private sector at the expense of state control. Advocates of state intervention and community participation would also continue seeing themselves as protectors of public interest under conditions of increasing economic liberalization. It may well be that partnerships will provide another stage on which opposing parties are able to pursue their individual interests.
Given the general recognition that private sector development is a precondition for any economic development strategy, surprisingly limited attention has been paid to partnership initiatives in the field of private sector development in Ethiopia. Partnership is more than a simple link or interaction between two or more actors in the growth process. Rather, partnerships encompass:

- An active and deliberate process, even if the partners are active in not doing something;
- A process of working together in a mutually interdependent fashion, often with shared responsibilities. The most successful partnerships are those in which each partner derives something beneficial, and gains access to something that it does not have from the other partner or partners in the relationship;
- A common agenda and goal, even if the interests, benefits and powers of the partners differ; and
- A relationship in which accountability and transparency are crucial.

Responsibilities may vary, and there is certainly no need for successful partnerships to be “equal” in terms of investment or effort, although a partnership does imply a deliberate goal on the part of the actors involved to contribute something distinctive toward a common goal. The guiding principles include:

- Partnerships are based on principles of equity, economy, efficiency, flexibility;
- The role of governments should be to inspire, enable, and facilitate formal private sector initiative through an appropriate policy framework; and
- Mechanisms for formal private sector participation should be designed.

2.6 Institutional Strength and the Functioning of Business Associations

The pursuit of association objectives requires the ability on the part of business associations to offer sufficient incentives to their members in order that adequate resources are mobilized to ensure their survival and growth. In addition, business associations must be in a position to apply adequate influence over public authorities and/or rival associations in the pursuit of association objectives. Such high institutional capacity would mean that business associations need to demonstrate the following distinct traits.
High Member Density. High member density affords authoritative representation to business associations. High member density, defined in terms of the percentage value of potential output of members in relation to gross value of production of a given sector, is necessary as it lends authority to the association’s pronouncements and directions as well as commands respect among members and non-members. Maintaining high density is in part a function of selective benefits afforded to attract members as well as effective intermediation of members’ interests to retain membership. What makes member density potent once decision to join an association is made by a member is active participation. These relate to members’ participation in such collective actions as going to meetings, running for office, voting in elections, providing full information on the member’s firm, voluntary contribution of additional material resources, and subjecting members’ firms’ behaviour to collective decisions. Clearly, such membership behaviour becomes easier to achieve where members feel compensated in the form of selective and other benefits afforded by associations.

Effective Internal Intermediation among Members. Effective intermediation is obtained where a business association is characterized by proportional representation, transparency, and frequent interaction among members, which in turn depend on dealings among members, elected leaders, and permanent staff of the business association. Proportional voting of a given nature and respect for minority rights are important to retain larger and smaller firms. For, while large firms are likely to renege, if not quit formally, when outvoted by a majority of small firms, the latter could do the same if minority rights are not protected. Proportional representation of some form along with transparency and frequent interaction increases the ability among members to cooperate and to commit to new and future agreements. Transparency, particularly in the distribution of benefits to members, limits the temptation among members to cut side deals resolving internal problems through collective action and enhancing the motivation of members to comply with association rules, hence reducing monitoring costs.

Valuable Selective Benefits. Providing valuable selective incentives in the form of benefits directed at compensating members for participation in collective action encourages members to prefer association to free riding. In this regard, the government may delegate the collection and use of
certain taxes towards achieving association objectives that also enhance national economic performance and contribute to social progress. In this regard, the relative value of selective benefits to members is an important element in mustering the desired result, for investments in both money and time for some associations are substantial especially when considering the opportunity costs involved in terms of, for example, time for business executives.

Institutionalized access to government policy makers and policy forums is a further area considered valuable that provide selective benefit for business associations. This may come in the form of consultative councils or seats on boards of public agencies or state enterprises, serving as valuable channels for information for the most active members of an association, serving as strong incentives to invest in collective action, especially in the form of attending meetings, participating in taskforces and working groups, and involving in association activities that help advance the work of the business association. Under such conditions, business associations are further encouraged to bolster their own information and technical expertise to help support the associations’ positions in meetings with the government. This, in turn, would set the stage for different kinds and levels of participation in collective actions among members.

**Balanced Relations between Association Members and Staff.** Permanent staff of business associations play a key role in developing member trust in achieving association objectives and to avoid principal/agent concerns leading to the emergence of suspicion among association members. This arises from information asymmetry, the cause of which may be infrequent contact of association members with their respective staff, and the limited knowledge of their activities. This anomaly can be reduced through frequent interaction by engaging members in regular periodic meetings at the association and participation in special task forces within the association, leadership roles, or association sponsored trips and study tours.

* For instance, the Colombian government created an export tax and delegated its use for the good of Colombian coffee to an association created to administer these funds and the association Federacafe built transportation infrastructure, marketing departments, and invested in nearly every aspect of improving coffee production. There appears to be only a fairly limited boundary of benefits that an association can provide without government assistance. These benefits are usually joint marketing (publishing of directories of members, hosting trade fairs, representing the sector at other trade fairs), and common purchases of goods and services (Doner and Schneider, 2000).
Where members do not trust association staff to keep information from their competitors, access to good information by the association becomes impossible. Conversely, association staff may be given greater legitimacy to speak for the entire membership where they are presumed not to be favouring the interests of a particular firm or segment.

While associations with one of the first three attributes may be stronger than those with none, it is the synergy among the three that builds potent capacity. Staff and material resources, the latter being a function of selective incentives and density, are yet other factors to reckon with, as associations with highly trained and respected professional staff as well as well-organized offices complement institutional strength and proper functioning.
CHAPTER THREE

CHAMBER SYSTEMS, STRUCTURES AND COUNTRY EXPERIENCES

3.1 Chamber Systems and Structures

Three basic chambers of distinct legal characteristics are known to exist. These are the Continental, Anglo-Saxon and Mixed Systems Models.

3.1.1 The Continental Model

The Continental Model has as its basis the national legislation or the chamber law which stipulates the creation of chambers as corporations under public law, and has a formal quasi-governmental function. Such legal recognition by law of business associations enables the government to delegate to the chambers particular functions (such as training, certification, business registration/licensing) which are conventionally assigned to public authorities.

The Continental Model further requires obligatory membership for all businesspersons and legal entities within the chamber district. Obligatory membership has as its hallmark regular and mandatory financial contribution to the local chamber. Mandatory membership is sought-after to assure representation of businesses of all sectors, sizes and legal forms. It also guarantees that all enterprises contribute financially, thus avoiding a free-rider behaviour, and ascertaining a broad and stable source of income. As the Continental Model legally obligates governments to consult with business associations on policy matters in advance of pronouncement, it lays a firm basis for consultation and dialogue further ensuring that policy-makers draw on business sector expertise.

Yet another legal feature of the Continental Model is the rationalization of geographic coverage, limiting the proliferation of chambers unduly by restricting the number of chambers in each major town or district to only one. Unique to the Continental Model is also that business associations hold public tasks under delegation by the government due to their close links to the business community. Business associations may also provide such other
tasks as membership services within the purview of their set objectives as specified in the statute.

While the Continental Model ensures the privileges and rights enumerated above, it also provides for a special supervision of the activities of business associations by state authorities to ensure that both the interests of members and the public are not harmed while performing their designated functions.

In summary, six key characteristics define the Continental Model. These are:

- Special legislation governs the chambers;
- Mandatory membership is required by law;
- The chambers have a formal consultative status vis-à-vis government;
- There is only one chamber per legally specified area;
- The chambers must assume tasks delegated by government; and
- They are subject to public supervision.

Continental chambers can be well resourced from compulsory membership fees, laying the basis for sound and stable financial ground. Such chambers can also mobilize additional resources by assuming governmental and quasi-governmental tasks such as licensing or certifying businesses delegated by government. Such preoccupations may, however, result in distracting the chambers from focusing on member services including representing the general body of entrepreneurial interests.

3.1.2 Anglo-Saxon Model

There is no specific legislation governing business associations under the Anglo-Saxon Model. They are voluntary membership organizations governed entirely by their members. Here, chambers need only register at the pertinent government authority under existing laws of incorporation.

Membership in the Anglo-Saxon Model is voluntary and, as such, may not include all the firms within a given location. However, as there is no legal definition, the membership base may have wide-ranging sectors, including trade, industry, agriculture, services, banking, insurance, and professional services such as lawyers, accountants and consultants. In the absence of mandatory membership and assured income from membership fees, the Anglo-Saxon Model underscores relying on marketing of services that are responsive to membership needs.
As there is no legislation governing business associations under the Anglo-Saxon Model, chambers may be established at the free will of anyone. As a result, there may be several chambers competing for membership or no chamber representing the business community in a given area. A chamber’s scope of activities is not regulated, either. Each chamber is free to decide on the best way of providing services for its members.

In sum, the following four key characteristics define the Anglo-Saxon Model:
- There is no special law regulating the establishment and running of chambers;
- Chamber membership is voluntary;
- Anyone is free to establish a chamber; and
- The chambers are not required to fulfil government delegated functions.

Anglo-Saxon chambers have the ability to tap the genuine interests and energies of their members. Non-mandatory membership draws much on self-generated robust interest and governance of members in supporting the activities of their chamber, hence ensuring the chamber represents the interests of the members and provides services for both the chamber and members. The drawbacks under this model are that the chambers are often poorly resourced and they can be derailed by factional interests to the detriment of their ability to represent the general membership and become ineffectual consequently.

### 3.1.3 The Mixed Systems

These are chamber systems which cannot be categorized as either Continental or Anglo-Saxon Models as characterized above. The chamber systems under this arrangement use one model as a foundation and introduce new elements to form a new hybrid. These chamber systems are characterized as Mixed Systems.

### 3.2 Country Experiences

Country cases are presented below to show on how chambers work under the different chamber traditions and the important aspects of chamber management and organization under each case. The countries selected are Germany and France as examples of the Continental Model, the United States and Philippines as examples of the Anglo-Saxon Model, and Japan and Thailand as examples of Mixed Systems.
3.2.1 Examples of the Continental Model

1. Germany

The Role and Organisation of Chambers. In Germany, membership in chambers of commerce and industry is mandatory for all self-employed persons and legal entities engaged in business, namely entrepreneurs and enterprises in industry, trade, and commerce. There are also separate obligatory chambers for agriculture, small businesses, and professionals like lawyers, physicians and architects. The chambers cover a specific region as defined by the government. The apex body of the chambers is the Association of German Chambers of Commerce and Industry (DIHT), representing German chambers and a great number of individual companies. Unlike the regional chambers, the apex body is a voluntary organization and has no public law status. The German chamber law provides for a general framework of the internal organization of the chambers. The Ministry of Economics must approve the remaining details of the internal organization as determined by the bylaws. The bylaws govern the duties of the general assembly, the president, and the secretary general and special committees.

Internal Organization of Chambers. Decision-making in German chambers is structured in an indirect system. In this regard, chamber members elect delegates every four years to convene a plenary assembly which generally meets once a year. Seats in the plenary are allotted according to the district’s economic significance. The assembly elects a president from among the delegates every two years. The assembly further elects the secretary general. While the delegates and the president work on an honorary basis, the secretary general is a full-time professional heading the staff and managing the chamber. The president and the secretary general jointly represent the chamber.

Sources of Income. Accounting for seventy to eighty percent of the annual chamber budget, compulsory membership fees measure up to the most important component of the income of chambers of commerce in Germany. Annual membership fees are determined by the general assembly. However, changes in membership fees are subject to public supervision. While the government does not collect or administer the funds, it requires membership and regulates the fee schedules. Membership dues are collected by the chambers and all member enterprises (regardless of legal status) are required to pay two fees: one based on the size of the company and the other a variable contribution set according to the level of trade taxes paid by the enterprise. Between twenty and thirty percent of the chambers’ budget is
financed through selling services, the most important sources of finance being training activities, issuance of certificates of origin, sale of business information, and grants (Pilgrim and Meier, 1995). Many of the services of the chambers are provided free of charge or below cost since compulsory membership fees make a sound financial base for the chambers. German chambers of commerce in general do not receive public subsidies.

**Basic Function.** The basic functions are advocacy, services and delegation. German chambers of commerce and industry perform the twin role of maintaining constant dialogue with government on the likely impact of policies affecting the business sector and conveying the views and grievances of members so that problems affecting the business community are attended to. Local, state, and federal governments are legally obliged to consult the chambers about all draft laws and ordinances affecting trade and industry. At the state and federal levels, the chambers have a voice in state development, economic promotion, and traffic planning. In the process, chambers are consulted not only by the pertinent ministry, but also by the relevant parliamentary committees. In the context of these consultations, the chambers present position papers on specific issues to federal ministries. The chambers propagate their activities through press conferences, press releases, and by conducting surveys and studies.

German chambers provide services to their members in four major areas: foreign trade, training, consultancy, and research. In the area of foreign trade, German chambers offer foreign trade guidance primarily through the provision of information on foreign trade regulations, foreign exchange regulations, trade fairs and exhibitions, and joint-venture opportunities.

Training activities undertaken by German chambers focus on advanced training in management, accounting, data processing, foreign languages and other technical subjects. The chambers also organize seminars on topical issues. The advanced training provided is also open to non-members. All participants in the training are required to pay fees, regardless of their membership status.

Consultancy services to members are given free of charge and cover technical, environmental and managerial advice as well as information on public assistance programmes.

A special advisory service is also provided for new project ventures through experts employed by the chamber. The information offered by the chambers
relate to general economic development, market, and tax issues, the dissemination of which is done through publications, circulars, brochures, libraries or database listings.

The public law status of the German chambers of commerce allows the chambers to assume some responsibilities delegated by the government. The most important delegated functions of German chambers are vocational training, business registration, running arbitration courts, and issuing foreign trade documents. In respect of the German trade register, those are run by the district courts while German chambers of commerce review the applications and give recommendations to the district court. Further, the chambers have established courts of arbitration for settling trade disputes. The chambers are again responsible for selecting and swearing-in of official experts to testify before the courts and public authorities. In addition, German chambers are authorized to issue certain trade documents including certificates of origin and ATA carnets (Admission Temporaire/Temporary Admission or sometimes known outside the U.S. as temporary importation vehicles) as well as certification of invoices and other trade documents.

2. France

The Role and Organisation of Chambers. Membership in the French chambers of commerce and industry is obligatory for all businesses, including enterprises in industry, trade, and commerce. Other sectors, namely agriculture and small businesses, have separate chambers which are also mandatory. French chambers are organized in a three-tiered structure. At the local level, there are local chambers of commerce and industry, each covering one specific geographic area as established by the chamber law. Local chambers are further represented regionally at the regional chambers. Finally, both the local and regional chambers are members of the national apex body, the Assembly of French Chambers of Commerce and Industry. Unlike Germany’s apex organization, the French national chamber is incorporated under public law. Another voluntary business organization in France is The General Confederation of Small and Medium-sized Enterprises (CGPME) with members mainly from trade and service sectors. The Confederation is primarily an advocate for small and medium-sized businesses.

Internal Organization of Chambers. In France, the duties of each body within the chamber are regulated by the chamber law in great detail. As in Germany, decision-making in French chambers of commerce and industry is organized according to an indirect system. Chamber members elect delegates, to form the “chambre” or plenary assembly and serve for six years. Apart from the
elected delegates, the general assembly also includes associated delegates from employers’ associations, trade unions, and public administration. Associated delegates are, however, limited to a consultative role. Only elected delegates have the right to determine chamber policies, vote on the budget, or elect the president and other executive officers. The president is elected from among the delegates for a tenure of three years. The secretary general is not elected by the general assembly. He/she is appointed by the president. The secretary general and the professional staff are responsible for implementing chamber policies.

**Sources of Income.** Special taxes levied by public authorities in support of chambers and channelled to the chambers constitute the most important source of income to chambers of commerce and industry in France. These taxes are collected in lieu of mandatory membership fees.

There are two types of taxes which fund chamber activities in France. One is a surcharge on taxes on trade and is levied on all businesses subject to such a tax. The rate of the levy is determined by the chamber’s general assembly and submitted for government approval. Surcharges collected finances about thirty percent of local chambers’ budgets and amounts to an estimated four percent of total trade taxes collected in France (Pilgrim and Meier, 1995). The second levy in support of chambers of commerce and industry in France is based on a law that levies a training tax of one percent of the payroll of all firms with ten or more employees, determined percentage of funds collected from such a levy to be given to the chambers for vocational training centres. This source of income accounts for an approximate twenty percent of chamber budgets. The other important source of income to chambers of commerce and industry in France, accounting for about thirty percent of chamber budgets, is selling services. The most important sources of income generated from services are consultancy services and the administration of ports and airports, the latter source of income being unique to the French chamber system.

The French chamber law permits chambers to establish and run infrastructure projects like airports, ports, trade, and exhibition centres as well as industrial parks. French chambers are also allowed to borrow funds to finance such infrastructure projects, hence becoming an additional source of funding accounting for about ten percent of chamber budgets. Public subsidies for certain activities are a further source of income to French chambers, accounting for another ten percent of their budgets.
Basic Functions. The tasks French chambers perform with regard to advocacy are similar to German chambers. A distinct feature is that the chamber law mandates that the government consult with chambers on all issues relating to regional development policies, especially transportation projects and town planning.

As in German chambers, services provided by French chambers focus on four major areas: foreign trade, training, consultancy, and research. Services offered in the area of foreign trade include furnishing information on foreign trade regulations, trade fairs and exhibitions as well as business opportunities. Most of the chambers maintain specialized foreign trade data banks on export/import companies, business opportunities abroad and export formalities. Support is further given by French chambers of commerce and industry abroad.

French chambers are considered the second largest providers of training in France next to the government. The chambers run a large number of training centres, providing advanced training in courses designed to specific sectors. Training taxes levied by the government subsidize fees charged to participants.

French chambers employ a sizable number of consultants and specialists in the areas of retail trade, hotel and tourism, scientific and technological information, as well as foreign trade. Each chamber also supports new enterprises in facilitating legal procedures for registering in the national trade register.

Information services made available by French chambers cover information on products, sectors and markets, as well as scientific information, technical information (patents) and technological information. Information is disseminated through publications, circulars, brochures and databases. French chambers further run a large number of documentation and economic information centres.

A unique feature of the French chamber system is that the chambers are legally authorized to establish infrastructure projects like airports or industrial parks. Under the French chamber law, the chambers have the right to takeover land from landowners and to issue bonds to fund these projects. Currently, almost all airports in France are administered by chambers. The chambers also run sea and river ports, industrial parks, and trade centres. Greater than fifty percent of the chambers’ total staff administers these
infrastructure projects. As in Germany, the government and the private sector assume separate duties for vocational training in France. In this regard, French chambers perform the following tasks:

- Act as intermediaries between apprentices seeking employment and entrepreneurs;
- Support entrepreneurs in fulfilling all legal requirements concerning the apprenticeship contracts; and
- Run apprentice training centres for classroom instruction of apprentices. French chambers are also engaged in formal education. The chambers run a number of high schools and business schools.

3.2.2 Examples of the Anglo-Saxon Model

1. United States of America

The Role and Organisation of Chambers. Chambers in the United States are not regulated by a special chamber law, although all chambers must conform to certain local, state, and federal rules and regulations which govern the operations of non-profit organizations. Non-compliance with these laws may result in the loss of favourable tax status. This is in addition to laws and regulations that chambers must abide by when applying to be recognized as a non-profit organization.

Membership in chambers is voluntary in the United States and individual chambers determine membership eligibility in their bylaws. In general, any person, association, cooperation, partnership or estate having an interest in the organization’s mission is eligible to apply for membership. Anyone can establish a chamber in the United States and chambers are not centrally registered. Local chambers may join the state chamber or the national chamber. There are no prerequisites to join either.

The apex organization of the local and state chambers is the U.S. Chamber of Commerce. In contrast to the German and French national chambers, the membership of the U.S. apex body includes not only chambers, but also individual enterprises and trade associations. Many members belong directly both to a local chamber and the national chamber. In the United States, there are, in addition to chambers, trade associations representing companies in specific businesses and industries. Like chambers, these associations are based on voluntary membership. Many of them are very small and without fulltime staff. Others have thousands of members with a state or nationwide membership. Unlike in the Continental Model, trade and professional associations in the United States can become members of the chambers.
Internal Organization of Chambers. In the United States, the determination of the internal arrangement of chambers is the exclusive domain of their bylaws. State and local chambers of commerce are given the liberty to establish their own bylaws in conformity with local, state, and federal laws. The bylaws govern the rights and duties of the various bodies of the chambers, namely the board of directors, chairman of the board, the president, and committees.

The board of directors is the most important body of a U.S. chamber and is elected directly by the members. Usually serving a three-year term, candidates for the board must be members of the chamber. The board of directors mostly meets on a monthly basis. As the chief policy-maker, the board determines policies and sets goals of the chamber. The board of directors elects the chairman of the board and other officers from among its members. The chairman is the highest elected official. The board’s executive committee is the body responsible to take action whenever quick responses are necessary. Policy recommendations to the board come from the various standing and special committees established in specific areas of concern to the chamber.

In most U.S. chambers, the chief staff executive is hired by the board. Other professionals and management staff are hired by the chief staff executive. In most chambers, the chairman and the directors serve on a volunteer basis. The president is a full-time professional heading the chamber staff. The day-to-day chamber operations are handled by the staff. Some small chambers have either part-time or no professional staff and are managed by volunteers.

Sources of Income. The principal sources of income of chambers of commerce in the United States are voluntary membership dues and income from services provided to members. Fees from services are more important to chambers under the Anglo-Saxon Model than under the Continental Model. Membership income is critically important to both state and local chambers in the United States as it is the basis for the level of commitment to the business organization on the part of members. Through membership, the chamber develops a critical mass of business members which enables it to carry out its business plans. Membership income represents more than fifty percent of the total income of most chambers of commerce in the United States. Membership fees are typically based on the size of the company. The schedule of dues covers a minimum or base rate plus an additional fee based on the number of people the business employs.
Sources of income other than membership fees include subsidiary businesses wholly owned by chambers and direct services such as group insurance programs. Other income generating programmes include foundations, publications, trade fairs, and educational seminars. While chambers of commerce in the United States do not receive public subsidies, many business organizations have established very strong public-private partnerships for specific programmes that are managed and administered through the chamber. Significant public funds are received by many of these organizations to engage in economic development initiatives, tourism and convention projects, and education programmes.

**Basic Functions.** As private law organizations, U.S. chambers do not have privileged access to government to consult on economic matters. While no formal channels of consultation exist between the public and private sectors, the government is keen to develop stronger links between business and government as well as in drawing on the expertise and opinions of chambers as the voice of the business community. Consequently, U.S. chambers are today very influential in representing the interests of the business community.

U.S. chambers engage in direct lobbying by contacting legislators and public officials. Secondly, they engage in grassroots advocacy whereby members are mobilized to support the lobbying activities. Other formats of advocacy followed by the U.S. Chamber of Commerce include organizing and participating in a variety of coalitions and working with other trade associations on issues of mutual interest. The U.S. Chamber also runs a modern TV and radio network and publishes several business publications to inform members and the general public.

While business advocacy constitutes a vital part of state and local chambers of commerce initiatives, they are also active in other areas of importance to members. These include economic development, community development, improving education, and direct services to members by way of seminars, meetings, conferences, member discount programs, group insurance programmes.

In the area of training, U.S. chambers conduct management seminars and self-study courses for member enterprises as well as training chamber and association staff. In addition, the U.S. Chamber of Commerce sponsors educational loans for members, including employees of member enterprises and relatives.
In respect of consultancy, orientation and general advice is provided particularly to small-scale enterprises. Consultancy activities for the small-scale sector are coordinated by the small business centre of the U.S. Chamber of Commerce.

It also runs a voluntary accreditation system under which chambers submit themselves to impartial examination by independent experts. Under this programme, chamber operations are evaluated and their strengths and weaknesses identified. Those meeting certain criteria are, then, designated as “accredited.” As U.S. chambers are organized as private entities, they do not perform any quasi-government and government delegated functions.

2. The Philippines

The Role and Organisation of Chambers. Chamber membership in the Philippines is voluntary as defined by each chamber’s bylaws. In general, chambers are open to all economic sectors, including large and small businesses as well as self-employed professionals. The enterprises are only required to have a minimum of five regular employees. Most chambers have five classes of membership: regular, institutional, sustaining, associate, and honorary. Chambers in the Philippines are not regulated by chamber law but are corporations under private law. There are no regulations with regard to size or area of representation of chambers. Thus, distribution of chambers varies throughout the country. Most chambers are located in the regional centres and urban areas.

The Philippine Chamber of Commerce and Industry (PCCI) has a special position in the Philippine chamber system. It is recognized by the Philippine government as the single voice of the private sector. PCCI acts as the apex body of the Philippine chamber system. As a designated voice of the private sector, it is represented in government councils such as the Monetary Board and Export Development Council.

In addition to the Philippine chambers, there are many voluntary trade associations. The associations campaign on behalf of particular sectors and disseminate information. There is no confederation of trade associations in the Philippines, albeit larger trade associations are members in the Philippine Chamber of Commerce and Industry.

Internal Organization of Chambers. The internal organization of chambers in the Philippines is determined in the bylaws of each chamber as chambers are not regulated by a special law.
The chamber organization is generally made up of a general assembly, board of directors, president, treasurer, secretary-general and various committees. The general assembly, the highest decision-making body of the chamber, comprises all members of the chamber and convenes at least once a year. The highest ranking executive body of the chamber is the board of directors. The board directs and manages the affairs of the chamber. Board directors are elected by the general assembly and usually serve a one or two-year term. The board of directors meets at least once a month. The president, vice presidents, and the treasurer are elected from among the board of directors. The president is the chief executive officer of the chamber and presides over all meetings of the board.

The secretary general is either an appointed director or an employed staff member and is responsible for organizing the chamber’s day-to-day activities. When the chamber has a secretariat with employed staff, the secretary general heads the staff. Most chambers have various committees on different issues to advance chamber activities by providing expert opinions and developing proposals.

In contrast to chambers in the Continental Model, chambers in the Philippines are run by the elected officials, the secretariat acting as only support staff.

**Sources of Income.** Membership fees and income from services are the major sources of income in the Philippines chambers. Most chambers in the Philippines collect an admission fee and annual fees from their members. The financial base, however, is weak as most chambers have a very small number of members and fees are moderate. Consequently, only about a quarter of local chambers can afford to maintain a secretariat (Pilgrim and Meier, 1995). The largest Philippine chamber, The Philippines Chamber of Commerce and Industry (PCCI), raises about forty percent of its annual budget from membership dues. Another important source of income is the annual Philippine Business Conference organized by the PCCI. Other sources of income are selling publications, issuing certificates of origin and grants. Philippine chambers do not receive public subsidies.

**Basic Functions.** All Philippine chambers undertake advocacy activities with public authorities in relation to member interests. In this regard, chambers initiate policy dialogue with the government along with proposals for policy measures that would assist to foster favourable business environment. In general, chambers have a good and cooperative relationship with the public
authorities. As the only officially recognized body representing commerce and industry in the country, PCCI plays a powerful advocacy role in Philippines. This is done through its representation in key government agencies concerned with economic matters and in which it is consulted on issues affecting the business community. Initiated by PPCI, the annual Philippine Business Conference has become an institutionalized forum for dialogue between high ranking government officials and business community leaders. Regional business conferences are also organized to address local issues and prepare for the conference.

Most local chambers in the Philippines provide only a limited range of member services activities due to a weak financial base. However, most chambers disseminate information through circulars, bulletins and meetings, such as business developments, laws and regulations, tax issues, business opportunities, other news and chamber activities. Also, chambers organize conferences and seminars on business matters; offer skills and entrepreneurship development training; and provide advice and assistance.

PCCI, on the other hand, offers a more extensive range of services, including business and trade promotion, information, training, and consultancy. In the field of business and trade promotion, PCCI has a trade information referral system for passing on trade inquiries from abroad and to assist members in finding business partners. The chamber also notifies members of public sector contracts available for tender and organizes fairs and exhibitions. Finally, PCCI certifies export documents and organizes trade missions. In respect of information services, PCCI provides a library and documentation centre offering reference materials and business data such as market, country and product profiles as well as statistics and business reports. Further, PCCI issues a variety of publications, including trade and industry directory, business magazines, and bulletins on chamber news, small business promotion and legislation.

As private law chambers, chambers in the Philippines do not perform government delegated tasks. Exceptions are the issuing of certificates of origin by PCCI and some local chambers, as well as business registration by a few local chambers.
3.2.3 Examples of the Mixed Systems Model

1. Japan

The Role and Organisation of Chambers. In Japan, chambers are regulated under public law status but membership is voluntary. Every self-employed person or legal entity running a business in the chamber district is eligible for chamber membership.

Chambers customarily represent small-and medium-scale enterprises of specific trade relating to a business. A special feature of Japanese chambers is the regulation that obliges the largest enterprises in chamber districts whose paid-up capital exceeds certain limits to register with their respective chamber. While registration does not constitute membership, it provides a special status in the chamber by way of the right to vote in the general meeting of delegates. In addition, these enterprises must pay dues as required by the chambers.

The chamber law in Japan requires that the area of one chamber does not intersect with the area of another. Further, the law does not require that a chamber be established for each region, albeit every major city has its own chamber today.

The apex body is the National Federation of Boards of Commerce and Industry. The national federation of local chambers come under the Japan Chamber of Commerce and Industry. In addition to the chambers, there are three important national business groups, all of which are based on voluntary membership.

One such group is The Federation of Economic Organizations which is considered as the leading economic organization of the country representing the largest firms in manufacturing, finance, and international trade. Its membership includes all major trade associations, such as the Japan Banking Association, the Japan Iron and Steel Federation, and the Japan Automobile Manufacturers' Association. In the discharge of its advocacy work, the federation maintains very close formal and informal contacts with government. Yet another organization is the Japan Committee for Economic Development which is the business community’s forum for discussion and a sponsor of basic research rather than an advocacy organization. Its membership includes most prominent business leaders in the country.
Internal Organization of Chambers. In the Japanese mixed chamber system, the chamber law sets the general organizational structure of chambers. The main bodies of the chambers are the president, the general assembly of delegates, a managing director, and two or three auditors. The president is the highest ranking official and may have up to four vice-presidents. The president represents the chamber and presides over all chamber affairs. Under the president is the managing director, who may be assisted by up to four directors, and is the executive responsible for running chamber programs as per directives from the president. The auditors supervise and inspect the affairs and accounting of the chamber and report their results to the general assembly. Auditors hold no other positions within the chamber.

The chambers have an executive committee to deal with urgent matters. The executive committee may establish committees for specific assignments on issues. The president, vice-presidents, auditors, and committee members must be members of the chamber, while the directors and managing directors need not be. The directors and managing directors head the chamber secretariat and are appointed by the president with the approval of the general assembly.

The general assembly of delegates is the highest decision-making body of Japanese chambers. It is constituted by elected delegates from among the members, merchants and industrialists, as well as representatives from the different trade sectors within the chamber. The delegates are generally elected for a three-year term.

The general assembly meets at least once a year and must approve all important matters such as the revision of bylaws, fees, funding, and programmes. The general assembly is the body that also elects the president, committee members, and auditors. The activities of the chamber are supervised by the Japanese Ministry of International Trade and Industry (MITI) and the chambers are required to submit financial reports every year.

Sources of Income. Japanese chambers collect membership dues, service charges and public subsidies as sources of income. Every member must pay membership fees and chambers have the right to collect fees from specific merchants and industrialists for administering the legal register. The government provides subsidies for certain activities like small business consultancy. On the average, public subsidies account for about a fifth of chamber revenues.
Basic Functions. The Japanese chamber law entrusts chambers with the task of improving and developing commerce and industry as well as contributing to social welfare. Chamber activities in Japan fall under three main functions of advocacy, services, and delegated tasks.

In respect of advocacy, the peak organization, the Japan Chamber of Commerce and Industry (JCCI), and the local chambers are influential lobbying organizations, maintaining very close relationships with the government. And as public law chambers, the law provides for their opinions to be heard by the legislative and administrative bodies of the country. With a view to fulfilling this task, chambers compile statistics and conduct research on various business and policy matters. In all, chambers are involved in policy recommendations, regional development, environmental planning, technology development, city planning, the promotion of local industry, and the promotion of foreign trade, cooperating closely with the state. Chambers also nominate representatives to participate in central government councils and present their opinions to regional economic councils and the local community. Japanese chambers further foster their advocacy activities through regular press conferences, news magazines, bulletins, and circulars.

Major services rendered provided by Japanese chambers include foreign trade, consultancy for small-scale enterprises, and training. In respect of foreign trade, chambers organize trade missions, participate in international trade fairs, disseminate information, settle business disputes in foreign trade and hold seminars on such matters as foreign investment, trade insurance and customs procedures. The thousands of trade inquiries received by JCCI every year from around the world are passed on to Japanese companies. The chambers also issue a large number of certificates of origin as well as other foreign trade documents annually. Additionally, the JCCI maintains representative offices overseas to provide consultation.

With regard to consultancy for small-scale enterprises, chambers cooperate closely with the government. All chambers maintain consultation offices as part of their facilities to provide advice to small scale enterprises in finance, tax matters, labour problems, bookkeeping, bankruptcy prevention and other fields. A further important service for small scale enterprises is the institution of a managerial guidance system designed to improve business management which is administered by the chambers engaging full time consultants. The consultants are based in the local chambers and local societies of commerce and industry to give free services to entrepreneurs.
Chambers also recommend small scale enterprises to government-related financial institutions to facilitate loans without guarantees or collateral.

With regard to training, chambers organize courses and seminars in language, business, accounting, and bookkeeping. Japanese chambers are further authorized to conduct standard business skills and qualification tests nationwide in abacus calculation, bookkeeping, retail sales, typewriting, business English, and word processing in Japanese. These tests are highly appreciated in the business community and are given to a large number of applicants every year. Japanese chambers also provide extensive information for their members on wholesale prices, business trends, research results, finance and economics. Some chambers operate mutual life insurance systems for member firms or organize other welfare activities. Finally, chambers facilitate cooperation among enterprises.

As public law chambers, Japanese chambers perform tasks delegated to them by the government. The most important task Japanese chambers perform is to establish and administer the legal register which includes data from all merchants and industrialists within the chamber district. The legal register includes the name and type of business as well as production, sales and purchases of the firm during the previous year. Entrepreneurs are obliged to fill the legal register unless they have justifiable reasons.

2. Thailand

The Role and Organisation of Chambers. In Thailand, chambers are under public law status; membership is voluntary; and the law does not provide for the establishment of chambers. However, all provincial chambers must be members in the Thai Chamber of Commerce, which is both the apex organization of the provincial chambers and the regional chamber for the Bangkok Metropolitan Area. Individual enterprises qualify for membership in the Thai Chamber of Commerce. The chamber law permits only one chamber in each province and only one national chamber.

Sources of Income. Membership dues are the major source of income for chambers in Thailand. The dues vary in each province and according to the category of membership. The Minister of Economic Affairs has the right to determine membership fees. Most chambers charge annual fees and registration fees. Other important sources of income include issuing certificates of origin and the certification of such other trade documents as authorized by the government. Additional income is generated by organizing
social events, special meetings and conferences, renting of office facilities, and selling publications.

**Basic Functions.** The Thai chamber law states that chambers are non-profit organizations for the promotion of trade, industry, agriculture, finance and the economy. Thai chambers perform the same kinds of activities as public law chambers.

Advocacy is the most important activity of Thai chambers. Provincial chambers as well as the Thai Chamber of Commerce work closely with the government, presenting opinions and recommendations on economic policies. The chamber law requires that chambers advise the government on economic development. Policy dialogue is institutionalized in Thailand. This is done through regular meetings of the Joint Public-Private Consultative Committees (JPPCC). The Thai Chamber of Commerce is recognized as a major voice of the business community and sends representatives to a number of government committee and sub-committee meetings.

Providing services for members and non-members is an important chamber activity. Most Thai members of chambers receive monthly newsletters on business and related government activities. Organizing trade fairs to stimulate local economies, attract buyers, and promote tourism is a widely practiced activity. As most provincial chambers have been established only recently, the range of services they give is limited. The Thai Chamber of Commerce supports provincial chambers in institution building and strengthening their capacities through assistance in office organization, training courses for chamber officials and seminars for members.

The Thai chamber further disseminates several publications to the provincial chambers as well as its members. Other major services of the Thai chamber include promoting foreign trade, issuing certificates of origin, and certifying trade documents. It also provides information on trade opportunities in foreign markets, along with relevant laws and regulations and organizes trade missions. In addition, the Thai chamber arranges seminars and workshops for members to improve business efficiency, improve management practices, business development, project analysis, and customs requirements.

The Thai chamber law provides for government tasks to be delegated to the chambers. However, these activities have been limited only to the certification of trade documents with the Board of Trade performing many tasks which might otherwise be delegated to the chambers.
CHAPTER FOUR

SALIENT FEATURES OF CHAMBERS, BUSINESS AND SECTORAL ASSOCIATIONS IN ETHIOPIA

4.1 The Genesis of the Chamber System in Ethiopia

Trade and traders existed in this country since time immemorial, going as far back as the age of bartering. It is documented in Ethiopia’s economic history that trade activities were widely practiced within what was then known as Abyssinia and with the outside world across the Red Sea, the middle and far east countries. There were famous trade routes spanning in all directions and particularly in the northern part of the country. With the rise and fall of various dynasties and empires, trade in Ethiopia followed a tortuous course until the early years of the twentieth century when it started to be conducted on a stable and more modern basis as an activity essential to nation-building and economic development. However, this process was started very late, perhaps due to the long isolation of the country from the external world.

It was during the reign of Emperor Menelik II and with the construction of the Addis Ababa-Djibouti railway line that Ethiopia became more open to external trade and traders. Even during this time, trade was not as such formalized and structured. By then, the emperor would appoint what was then called “Negadras” (chief or head of traders entrusted with the responsibility of managing all trading activities in their jurisdiction). “Negadras”, among other things, presided over disputes that arose within and among merchants and buyers and sellers; oversaw goods on display; punished thieves; checked the security situation; and guaranteed peaceful trading. At the time, the government had no system to regulate trade and commerce and traders operated without licenses. So, trading was a free ride.

Literature on Ethiopia’s chamber system is scant. Two major unpublished works widely quoted in this regard are the articles of a writer by the pen name of Tsedey and a thesis by Mamoush Hailu, a student at the Addis Ababa University in 1992. According to these sources, the genesis of the chamber system in Ethiopia can be traced to the commodity crisis around
1941-42 immediately after the defeat of the Italian aggression. The stories relate of a short supply during this period of essential goods such as cotton cloths (abujedid), salt, etc., and there emerged a need to ration these items to the public. While not a legal entity, an association existed then by the name of “Hager Fikir Mahber” concerned, among other things, with the affairs of merchants and businesses. In order to deal with the commodity shortages that prevailed at the time, the Ministry of Commerce and Industry invited the association to distribute those essential goods through its members which at the time were estimated to be about three hundred businesses.

As the economy recovered and the ration system was no more necessary, however, a significant decline in the membership of the association set in and membership fell sharply to only fifty. But in recognition of the accomplishment of the association, the government soon promulgated General Notice Number 90/1947 to establish the Addis Ababa Chamber of Commerce (AACC) in April 1947. AACC is, hence, reminisced as the “mother-womb” of the chamber system in Ethiopia.

For ease of comprehension and as distinctive as the characteristics are, the history of the chamber system in Ethiopia may be broken down into three periods. These are the pre-1974 days which refer to the Imperial era; the period 1974-1992 which represents the socialist system of the previous government; and the post-1992 period which covers the tenure of the current government.

4.1.1 The Pre-1974 Chamber System

The imperial government should be credited for understanding the benefits and contributions of chambers, and eventually initiating the birth of a formal chamber system in the country in 1947. The General Notice No. 90/47 clearly defined the functions and duties of the chamber and made membership voluntary. The major functions of the chamber then were to promote trade and industry, disseminate business information, consult government and members on economic development and business issues, establish friendly relations with chambers of commerce in other countries and exchange information to their mutual interest; and engage in arbitration among members in times of disputes.

The law also stipulated that the chamber shall be administered by a board of directors and a president to be elected annually by the majority vote of its members, a reflection of the regime’s intention to cultivating a free and democratic chamber.
In practice also, the chamber enjoyed good relations with the government with patronage at the highest level of state, the Emperor. The charter also stated that the chamber was under duty to be consulted by the Ministry of Commerce and Industry. An example of the good relations and government support the chamber enjoyed at the time is the land where the existing chamber building stands, provided free of charge by the government.

During this period, membership to AACC was considered prestigious. However, membership has always been known to fluctuate ever since its founding. While the chamber started in 1947 with 50 members, far below the membership size of 300 of its predecessor association, AACC membership reached 1,861 in 1972.

Until 1971, AACC was the only chamber in the country. However, on the occasion of its silver jubilee and with the consent of Emperor Haile Sellassie, AACC changed its name to the Ethiopia Chamber of Commerce (ECC). Branch city chambers were also established the same year in Asmara, Dire Dawa, Jimma, Gondar and Nazareth. The name AACC re-emerged once again when it was re-established in 1978 by Proclamation No. 148/1978.

4.1.2 The Chamber System during the Period 1974-1992

Following the change of government in 1974, Proclamation No. 148/1978 was issued as public law to re-establish the Ethiopian Chamber of Commerce (ECC) and “legally autonomous” city chambers in line with centrally planned economic policy of the previous government.

The preamble paragraphs of the proclamation indicted the chambers of commerce that existed at the time for not having met “the needs of socialist Ethiopia in their purposes, duties and organizations” and enforced the government’s desire to change the entire way of doing business of the chamber system in Ethiopia so as to allow it close control over the leadership and activities of the chambers.

Known for its outright anti-private sector stance, the government confiscated also the chamber’s office building and exhibition centre despite the huge responsibility entrusted to ECC. Further, the provisions of the proclamation effectively wiped out the relative freedom enjoyed by the chamber during the imperial days and challenged its strength to stand up to the expectations of its members.
Proclamation No. 148/1978, in good tradition of the system followed at the time, was very restrictive. It required that the secretary general be appointed by the Minister of Commerce and Tourism. Also, it was mandatory that a government representative be a member of the council and state enterprises take posts of presidents of city chambers. Moreover, the chamber needed the approval of the ministry to engage in such routine and simple activities as organization of and participation in trade fairs. In a nut shell, the proclamation intentionally limited severely the objectives and purposes of the chambers.

The four objectives of chambers as set by this law were:

- To provide forums where government, civic and private organizations can come together and discuss their activities and mutual relations and provide recommendations to the government;
- To provide training to its members on the latest technologies specific to each activity;
- To promote the country’s export products to foreign markets; and
- To establish friendly relations with chambers of other countries.

One controversial provision of the chamber law was that of mandatory membership. Some argue that such a provision is against the fundamental rights to make personal choices to or not to be a member of any association. On the other hand, there are others who support the idea of mandatory membership from the point of view of strengthening the chamber system through financial and representational mechanisms and also because it avoids the problem of free-riders since the chamber’s advocacy encompasses not of members alone, but all issues of interest to the private sector and businesses as a whole. Be that as it may, available figures indicate that membership size increased significantly following this decree. Membership of AACC alone surged to a peak of 33,897 in 1992. For chambers or any membership-based organizations in general, a larger membership base enhances representation. While chambers are traditionally institutions of the private sector, this law made it mandatory for state owned enterprises to be members of chambers making it easier for the government to promote its policies even in the chamber system.

Another positive feature of the government of the day in its dealings with the chambers was its support in the facilitation of resource mobilization.
The government made it a requirement for renewal of business licenses to have verification of payment by businesses of their membership registration and annual fees. There was also some effort on the part of the government to encourage donors to fund chamber projects.

### 4.1.3 The Chamber System since 1992

The change of government in 1992 brought with it a change of policy from a socialist/mixed economy to a free market economy. Accordingly, the new government introduced Proclamation No. 341/2003 to reconstitute chambers of commerce and establish sectoral associations in line with the free market economic policy and the federal political arrangement adopted in the country.

While it is not clear why it took the government such a long time to come up with this new proclamation when, in fact, many new and fundamental changes have been effected in economic management attuned to the change in economic policy, the government did issue some directives to amend certain elements of the old proclamation. One such directive is the abandoning of mandatory membership of chambers. Following this amendment, the membership of AACC declined to a mere thousand. It took close to four years for the ECC and other city chambers like AACC to adopt their new structure as set out by Proclamation No.341/2003.

Accordingly, the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) was reconstituted on April 24, 2007. ECCSA’s membership now comprises of nine regional chambers of commerce and sectoral associations, two city chambers of commerce and sectoral associations, one national chamber of sectoral associations and twenty-four sectoral associations at the national level. The proclamation further stipulates that ECCSA shall be run by a board of eleven members elected by the council. Unlike its predecessor, this proclamation gives more freedom and autonomy to the constituents. However, there are few unnecessary and limiting provisions that are directly copied from the old proclamation into the new one. One such provision is the need to obtain the permission of the government for ECCSA and city chambers to organize and/or participate in local and foreign trade fairs.

### 4.2 Business Associations

Similar to the chambers, the history of business associations in Ethiopia is not well documented. It is well known, however, that business associations existed in this country since the time of the Emperor. In this document
business associations refer to all those associations formed by business entities under Article 404 of the Ethiopian Civil Code and registered by the Ministry of Justice.

Most commonly, business associations are established on commodity and or service lines. Accordingly, among the oldest business associations in Ethiopia are the ones representing the coffee, leather, textile, and manufacturing industries. Typical to any association, the objectives of business associations in general focus on advocacy, information exchange, joint use of facilities, and representing the industry in various forums. Depending on their institutional strength, these associations have been instrumental in bringing problems facing their sectors to the attention of different levels of government and achieving favourable responses to the problems.

With the promulgation of Proclamation No.341/2003 and the directive for its implementation came name changes of business associations into sectoral associations. However, except for few of the associations which required broadening their industrial scope in line with sectoral representation, such as the textile and garment association, most remain the same. Therefore, there are no major differences between the business associations of the past and sectoral associations of the present. Hence, any analysis or reference to these associations in this study shall be treated with such an understanding.

The directive for the implementation of Proclamation No.341/2003 identifies twenty-four sectors where associations can be established at the federal level. According to the available information there are currently fourteen such business associations operating in the country and these have been known to have an aggregate membership of 543 businesses in 2006.

There is a significant variation in institutional strength among these business associations. The Ethiopian Coffee Exporters Association, the Ethiopian Horticulture Producers and Exporters Association (EHPEA), the Ethiopian Textile and Garments Industries Association, and the Ethiopian Leather and Leather Products Association stand among the strongest of business associations in the country today. These associations are well recognized at regional and international levels and are also members of regional and international business organizations in their respective businesses. They also have the experience to organize regional and international events here in the country on a regular basis. Chambers of commerce and business associations in Ethiopia have, however, been characterised by small active membership base; weak organizational capability (human resource, finance,
etc); limited contribution to the causes for which they have been established; government control; and, ultimately, limited satisfaction among members.

This is further confirmed by survey results which indicate that, while varying in depth and breadth, virtually all chambers and business associations in the country, in one way or another, experience impediments resulting from legal and/or policy environment, scarcity of finance, lack of the required human resources, and lack of facilities or infrastructure. These in turn have severely limited their overall capacity to function effectively.

Put simply, the current state of chambers and BSAs in Ethiopia is not encouraging. It is not uncommon to hear from older members that most of these organizations were in a far better position sometime in their existence than they are now, one notable exception being the Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSCA). AACCSCA is the leading private sector organisation not only with a success story but also one in a cycle of continuous improvement, despite a journey that has been far from smooth.

In like manner, there are also business associations that have made notable achievements during their long existence and others in an amazingly short period of their establishment. As already noted, these are the Ethiopian Coffee Exporters Association, the Ethiopian Leather and Leather Products Association, the Ethiopian Textile and Garments Industries Association, and Ethiopian Horticulture Producer and Exporters Association. The strength of these associations comes from one or more of the following: the nature of the businesses/sectors; the support they receive from the government and other donors; their long history; and the commitment of their leadership and members.

In respect of the nature of the businesses, a clear positive correlation exists between their export orientation and the relative strength of the business associations. The business associations listed above are all in the export business, accounting for fifty percent of the country’s export earnings in 2007, according to figures compiled from the Ethiopian Customs External Trade Statistics. This has helped draw the attention and support of government and donors as well the capacity to generate and mobilize own resources. Moreover, the quality of the membership base is relatively better with such industries. There are still, however, a few business associations in the export sector which are not as strong. These are meat, oil seeds and pulses exporters associations.
Regarding government and donor support, there is noticeable difference among sectors. Generally, there is a tendency to focus attention on the export industry and there is little to argue here as Ethiopia is not the only country to do so, for developed and developing countries the world over also nurture and strengthen their export sectors. These are also sectors which garner the bulk of resources from international development assistance. There are again industries that enjoy exceptional government and donor support throughout. These supports include, but are not limited to, access to finance; access to land; access to infrastructure; open door policy to policymakers including at the highest level of government; conducive policy environment; and the like.

One such industry which is widely believed to enjoy all round support is the floriculture industry. Thanks to this support and strong partnerships of the industry with government and donors, the industry association has, among other things, established a strong in-house training department which provides capacity building programmes for its members. This is unique as no business association in the country has reached that level so far. The concern, however, is for the industry to sustain such facilities when local and donor support cease. The lessons to be learnt from this young industry is that its ability to make strong partnerships with government and other actors and its capacity to generate and mobilize resources have enabled it to build its own capacity and achieve so much in serving its members in such short period of time. It should, however, be also noted that much remains for the industry to reach the desired level of strength seen elsewhere in the sector.

Some business associations have been around for long and have managed to build their strength slowly and over an extended period of time. The Ethiopian Coffee Exporters Association and the Ethiopian Leather and Leather Products Association are cases in point.

Regrettably, however, success stories regarding private sector organisations in Ethiopia is very limited. All the more worrying is that, as noted during the field study, the outlooks of some chambers and business associations officials regarding the possibility of strengthening the institutions is dim and have no plans on the way forward. Many associations underline that they desperately need government support to survive. This is a vivid signal of the alarming situation the Business Member Organizations (BMOs) are in and the need for immediate action to reverse the situation.
4.3 Sectoral Associations

Sectoral associations are new phenomenon in the history of business associations, coming into being following the promulgation of Proclamation No. 341/2003 which established chambers of commerce and sectoral associations in Ethiopia. Proclamation No. 341/2003 defines sectoral associations as associations formed by persons engaged in production and established in accordance with Article 404 of the Ethiopian Civil Code for the purpose of pursuing their common interest.

The directive issued by the Ministry of Trade and Industry in accordance with Articles 24 and 35 of Proclamation No. 341/2003 establishes that sectoral associations may be set up at the national or regional or woreda levels by persons engaged in the production and trade of agricultural products; persons engaged in the production and trade of manufactured goods; persons engaged in micro and small manufacturing and trade; and persons engaged in the manufacture and trade thereof of any manufactured goods. Accordingly, the directive decrees sectoral associations that may at the outset establish/organize at the national, regional, and city or woreda levels. These include twenty-four sectoral associations that may be established at the outset at the national level; six sectoral associations at the regional level; and thirteen sectoral associations at the woreda level.

In respect of direct representation at the various tiers of chambers of commerce and sectoral associations, only six of the twenty-four sectoral associations that may at the outset organize at the national level and four out of thirteen sectoral associations that may at the outset organize at the city or woreda level do so. Such a direct representation at chambers of commerce and sectoral associations is afforded based on the contribution of the specific sector of concern in regard to its internal linkage to the agricultural sector, employment generation capacity, and contribution to gross value of production.

The directive does not provide for sectors specified at the regional and city or woreda levels to organize vertically across the various tiers to establish sector specific national associations, a limiting factor to fostering advantages of scale economies, experience-sharing, excellence-deepening, and sector specific dialoguing. This further limits sectoral integration and excellence beyond the woreda and city levels.
4.4 A Snapshot of Sectoral Associations of Addis Ababa

In order to develop the sense of linkages between businesspeople and sectoral associations, a survey covering businesses under the various sectors specified in the Directive to Proclamation No. 341/2003 was carried out across all the ten sub-cities in Addis Ababa. Addis Ababa has been selected by virtue of its being a business hub and its accessibility. About 140 randomly selected businesses in the ten sub-cities of Addis Ababa were interviewed using a structured questionnaire regarding membership to sectoral associations, reasons for being or not being a member, the services rendered by sectoral associations and other questions. Although the study is based on random selection of businesses, one can fairly infer from it and develop a sense of the relationship between businesses and sectoral associations.

In terms of membership to sectoral association, the table below summarises the distribution of the cases across sub-city and by sector. The response of the businesspeople at the different sub-cities is quite similar: namely, they are not aware of the existence of any sectoral association and, hence, are not members of any sectoral association irrespective of the sub-city and the sector they are engaged in.

One out of the seven businesses covered in the survey is a member of a sectoral association. Those engaged in small construction material production are more familiar to associations, followed by metal works and wood works, as a good proportion of the businesses in the sector are members of sectoral associations. This might be due to the emphasis given by the government to these sectors and the support it renders to cooperatives by way of sub-contracting works in government housing projects. Businesses in Akaki-Kaliti sub-city are more informed about sectoral associations, followed by Addis Ketema and Gullele sub-cities. This might be due to differences in how active the associations are in promoting the relevance and the value of being a member of an association.
Table 2 Sectoral Associations in Addis Ababa: Membership by Sector and Sub-city

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sample Size</th>
<th>Members</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood</td>
<td>18</td>
<td>5</td>
<td>27.8%</td>
</tr>
<tr>
<td>Grain mills</td>
<td>5</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Textile garment/canvas tailoring</td>
<td>18</td>
<td>3</td>
<td>16.7%</td>
</tr>
<tr>
<td>Traditional foods/home economics</td>
<td>21</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Silk screen printing, advertising, publishing</td>
<td>12</td>
<td>3</td>
<td>25.0%</td>
</tr>
<tr>
<td>Garage service</td>
<td>8</td>
<td>1</td>
<td>12.5%</td>
</tr>
<tr>
<td>Small construction materials production</td>
<td>5</td>
<td>3</td>
<td>60.0%</td>
</tr>
<tr>
<td>Dairy and dairy products</td>
<td>3</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Weaving and carpet-making</td>
<td>14</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Metal works and mechanical works</td>
<td>10</td>
<td>3</td>
<td>30.0%</td>
</tr>
<tr>
<td>Knitwear</td>
<td>8</td>
<td>2</td>
<td>25.0%</td>
</tr>
<tr>
<td>Jewellery and cultural artefacts</td>
<td>10</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Pottery</td>
<td>2</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Shoe making</td>
<td>2</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>136</strong></td>
<td><strong>20</strong></td>
<td><strong>14.7%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-city</th>
<th>Sample Size</th>
<th>Members</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addis Ketema</td>
<td>13</td>
<td>4</td>
<td>30.8%</td>
</tr>
<tr>
<td>Akaki-Kaliti</td>
<td>14</td>
<td>6</td>
<td>42.9%</td>
</tr>
<tr>
<td>Arada</td>
<td>18</td>
<td>2</td>
<td>11.1%</td>
</tr>
<tr>
<td>Bole</td>
<td>13</td>
<td>1</td>
<td>7.7%</td>
</tr>
<tr>
<td>Gullele</td>
<td>15</td>
<td>4</td>
<td>26.7%</td>
</tr>
<tr>
<td>Kirkos</td>
<td>13</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Kolfe Keranio</td>
<td>11</td>
<td>2</td>
<td>18.2%</td>
</tr>
<tr>
<td>Lideta</td>
<td>11</td>
<td>1</td>
<td>9.1%</td>
</tr>
<tr>
<td>Nefas Silk Lafto</td>
<td>13</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Yeka</td>
<td>15</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>136</strong></td>
<td><strong>20</strong></td>
<td><strong>14.7%</strong></td>
</tr>
</tbody>
</table>

Source: Survey results

Strikingly, the survey indicates that six out of seven businesses contacted are not members of any association, signifying that it is neither demand-driven nor promoted properly.

According to the response of the businesses surveyed, they are not members because they do not see the relevance of being members of an association; they lack basic information about the existence of an association; no association has ever approached them; or, in some cases, they are new entrants to the business. The pie chart below shows the significance of each of these.
An overwhelming number of businesses that are members of an association are neither happy about the performance of elected officials nor their accountability. Only one out of seven maintains that the performance and accountability of elected officials are high. Clearly, such a negative evaluation of governance in an association tends to spread and deter others to join an association.

Table 3 Member Ratings of Elected Officials and Quality of Service

<table>
<thead>
<tr>
<th>Rating</th>
<th>Performance</th>
<th>Accountability</th>
<th>Quality of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Medium</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Low</td>
<td>65%</td>
<td>65%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Survey Results

Regarding the adequacy of the service provided for members, only one out of ten businesses covered in the survey considers the services rendered to be adequate, while none rate services provided as high. Twenty percent of respondents maintain that the quality of service provided is medium and the remaining eighty percent consider it low. This poor perception of associations by members deters the expansion of membership through negative emulation.
4.5 Stakeholder Mapping for the Chamber System in Ethiopia

4.5.1 Introduction

Stakeholder mapping or stakeholder analysis is a methodology used to identify and assess the importance of key people, groups of people or institutions that may significantly influence institutional and policy improvements or reform processes. Put simply, a stakeholder is any entity with a declared or conceivable interest or stake in a certain activity or policy issue.

Stakeholder analysis is used for various purposes in dealing with issues ranging from simple to complex and specific to general. However, common to all, stakeholder analysis helps to:

- Identify people, groups, and institutions that will influence any initiative (either positively or negatively);
- Anticipate the kind of influence, positive or negative, these groups will have on the initiative; and
- Develop strategies to garner the most effective support possible for the initiative and reduce any obstacles to successful implementation of any program.

Most commonly, stakeholder analysis follows three steps: namely, identifying stakeholders, prioritizing stakeholders, and understanding and strategizing to obtain the support of key stakeholders.

Besides, there are various mapping techniques used by governments, donors, consultants, private sector, and academia. A World Bank document categorizes stakeholders into the following four groups:

- **Promoters**: Stakeholders who attach a high priority to the reform policy and whose actions can have an impact on the implementation of the policy;
- **Defenders**: Stakeholders who attach a high priority to the reform policy, but whose actions cannot have an impact on the implementation of the policy;
- **Latents**: Stakeholders whose actions can affect the implementation of the reform policy, but who attach a low priority to this policy; and
- **Apathetics**: Stakeholders whose actions cannot affect the implementation of the reform policy and who attach a low priority to this policy.
However, though not so much different from the above, the most often used and simple for general analysis is the Power-Interest Grid developed by Mendelow (1981) and Moorhouse Consulting (2007). According to this mapping technique stakeholders are categorized as follows:

- **High power, high interested people:** These are people who must fully be engaged with and make the greatest efforts to satisfy;
- **High power, less interested people:** These are people on whom enough work must be put to keep them satisfied, but not so much that they become bored with the intended message;
- **Low power, high interested people:** These are the people who must be kept adequately informed and engaged to ensure that no major issues arise. These people can often be very helpful with project detail; and
- **Low power, less interested people:** These are the people who need to be monitored, but with excessive communication.

![Power-Interest Grid Diagram]

A practical application of this grid on the Ethiopian chamber system’s stakeholder analysis is presented below.

### 4.5.2 Who are the Stakeholders of the Chamber System?

Stakeholder mapping has increasingly become an important tool for effective and successful implementation of changes and improvements sought in any sphere of an economy, that is, in political/policy, economic, social, environmental, and other issues. This tool is useful and relevant at the different levels of governance, namely local, national, regional and international levels. It is also well known that the same technique is widely practiced at the firm, sectoral, and national levels.
The use of stakeholder mapping is especially critical for organizations involved in continuous policy dialogue and advocacy work. Among such institutions are business membership organizations (BMOs). This study relates to chambers of commerce and sectoral associations, business associations, and sectoral associations. As there are many business and sectoral associations in the country representing the various sectors of the economy, so is the variation in their stakeholders. Hence, it is not the intention of this study to do stakeholder mapping for each of the BMOs. Rather, this stakeholder mapping focuses only on the chamber system.

In the Ethiopian chamber system context, almost all of their functions require that there is adequate involvement of stakeholders. Advocacy and policy dialogue is unthinkable without proper stakeholder consultation and coalition grouping. And so are the other functions of capacity building, trade and investment promotion, and the like in calling for the involvement of stakeholders.

As much as there are all-time stakeholders, there are other interest groups who join the community of stakeholders depending on the reform agenda or policy at hand. Therefore, identification and analysis of stakeholders shall be done for each and every particular issue under discussion or consideration.

Among the key stakeholders of the chamber system in Ethiopia are: private sector members of chambers and BSAs, federal and local governments, civil society (NGOs and other interest groups such as environmental groups), worker’s associations, employers’ associations, and donors (multilateral and bilateral). A brief discussion of each is presented below.

**The Private Sector.** As chambers and sectoral associations are membership-based organizations, their most important stakeholders are the members themselves for whose cause the associations exist. This may sound like putting a demarcation between the association and its constituents. However, there is ample experience both in Ethiopia and elsewhere that some BMOs serve the interests of boards, government, foreign entities, and interest groups over and above the interests of their members. Therefore, there is strong argument for considering members of chambers and sectoral associations (CSAs) as one of the major stakeholders.

**The Government.** Government plays an important role in the functioning of CSAs. This is especially true for Ethiopia where the government plays a major role in the economic management of the country. The government
is identified as one of the key stakeholders for CSAs not only because it is the policy maker and regulator, but also because the state is traditionally entrusted with the role of facilitator and supporter of CSAs without which they will remain weak. Besides, the Ethiopian state, by virtue of owning-managing businesses, is also directly and indirectly a member of CSAs.

As per Proclamation No. 341/2003, associations are formed at the different tiers of government, namely at the city, *woreda*, zonal, regional, and national levels, hence making the identification of the Government sector as stakeholder equally relevant to CSAs at all levels.

**Civil Society.** This category of stakeholders is assumed to represent all those organized, in particular groups or individuals representing communities, non-government organizations, sector focused advocacy groups who have direct or indirect concern on issues under consideration. The most common entities falling in this category are local and international NGOs, interest groups, environmental groups, and professional associations. These groups represent the interests of others and are often considered strong advocates of their respective agenda.

However, in the Ethiopian political setting, this group does not possess so much power to influence policy making. Therefore, the group falls in the low-power and high-interest category of stakeholders.

**Employers’ Organizations.** In Ethiopia, Employers’ Organizations (EO’s) exist at national, regional, and sectoral levels. The primary agenda of such organizations is to promote the interests of employers of that particular industry. EO’s are dominated by private sector operators. Some EO’s are very strong and active while others exist only in name. Among the strong EO’s are the ones in the transport industry. Usually, EO’s are considered to be strong partners of CSAs in coalition building. Besides, although EO’s might have strong interest in the reform agenda, they have, in practice, little power to influence decisions. Hence, EO’s are prioritized as low-power and high-interest stakeholders.

**Workers’ Associations.** In Ethiopia, workers are organized along administrative and sectoral lines. The Confederation of Ethiopian Trade Unions (CETU) is the national apex organization which constitutes the eight industry federations and the regional trade unions. These workers’ associations (WA’s), as representatives of the Ethiopian workers, defend the interests of their respective constituencies. In most cases, WA’s are
considered to be critical of new initiatives by such organizations as CSAs. However, similar to EO’s, WA’s in Ethiopia are characterized as low-power and high-interest stakeholders.

**Donors.** This group represents both multilateral donors such as the United Nations (UN) system, the World Bank, and bilateral groups such as the Swedish Agency for International Development (Sida), the United States Agency for International Development (USAID), Department of International Development of the United Kingdom (DFID-UK), German Technical Cooperation (GTZ), and The Netherlands Development Organization (SNV).

The primary interest of donors with respect to private sector development is to support the government in developing conducive business environment, building the capacity of local business and strengthening of institutions, trade and investment promotion.

In Ethiopia, the donor group has organized itself under different thematic areas and the private sector donor group (PSD) is one among them. According to the PSD group, there were, in 2008, about fifty projects/programs implemented by eleven donors supporting the private sector in Ethiopia. In mid 2007, the PSD donor group developed a road map with the objective of coordinating and avoiding unnecessary duplication efforts of some donors. The road map has identified eight major thematic areas where donors are involved, clustering donors around these areas. Support to BMOs is one of the thematic areas prioritized for donor support.

One such program worth mentioning here, and which is supporting the chamber system in Ethiopia and also financing this study, is the Private Sector Development (PSD) Hub that is supported by the Swedish Agency for International Development (Sida). Currently, the PSD Hub is implementing other sub-programs that are geared towards policy improvement, improving the commercial legal system, strengthening BMO’s, etc.

Generally, donors in any country are catalysts and not drivers of change. Therefore, their role is limited to one of advocacy and support rather than that of influence. Although practices vary from country to country, it can be concluded that in the Ethiopian context the donor group has little or no power in influencing policy despite its involvement and interest on many issues.
**International Businesses.** Since CSAs largely represent the Ethiopian business sector, international businesses also have stakes in any business reform agenda. This is especially relevant when considering today’s diversified business arrangements. There are bilateral trade arrangements between Ethiopia and other individual countries such as the USA, China and Japan. There are also trade regimes within regional blocs such as the Common Market for Eastern and Southern Africa (COMESA), Economic Partnership Agreements (EPA) which is a free trade arrangement between Africa and the European Union (EU). At the global level, there is also the trading agreement under the World Trade Organization (WTO) to which Ethiopia has applied for membership. All these and the many more not mentioned here will closely follow any private sector reform under discussion in this country. However, this group has little or no influencing power.

![Power/Interest Grid for Stakeholder Prioritization](image)

In sum, the final take from the above stakeholder analysis is that private sector and the Government are key actors who the CSAs need to be actively engaged with and manage closely as much as possible. While the private sector group is an all time supporter and promoter of any CSA initiative, the position of the government may differ from case to case. Regarding the other stakeholders of CSAs identified in the above analysis, as clearly depicted in the above figure, those stakeholders, despite possessing little power to influence policy individually, can be mobilized to build coalitions with CSAs and create the critical mass strong enough to attract the attention of policy makers. Hence, CSAs should keep these groups informed about initiatives to be taken. For, these stakeholders represent a heterogeneous group that may vote for or against any initiative of the CSAs.
CHAPTER FIVE

COMPETENCY OF THE BUSINESS AND SECTORAL ASSOCIATIONS

5.1 Conceptualizing Competency and the Relevant Factors

As already noted, chambers and associations offer not only traditional promotion activities in terms of direct services, but are also better suited to represent member interest vis-à-vis the government. By strengthening these organizations, important weaknesses of other promotion activities could also be overcome. On the one hand, this indirect support approach helps reach many diverse small-scale activities, while on the other, a more problem oriented and efficient promotion of member interests is provided. Depending on specific conditions, the most important task may either be inducing changes in the economic policy framework or offering services directed at tackling bottlenecks internal to the enterprises. Chambers and associations can become active in both areas. As far as the sustainability of the impacts of promotion is concerned, strengthening of own organization is superior to other approaches because of the following concrete advantages, among others:

- Proximity to the target group and its problems;
- Capacity to strengthen an innate political influence against discriminatory economic policies;
- Capacity to provide problem- and practice-oriented support measures;
- Capacity to afford cost efficient promotion;
- Less red tape and more flexible decision-making;
- Participation of promotion measures by small enterprise members;
- Balancing of interests between policies and the needs of small enterprises; and
- Advancement of small enterprises self help capacities.

It is, hence, not the enterprises themselves but rather the private sector organizations that have to be the centre of attention and at which institution building must be emphasized.
Business associations are uniquely positioned to encourage dialogue between the state and businesses, thus reducing transaction costs and pushing forward the process of economic development. With their special position, business associations have definite advantages. In comparison to state authorities, they are well placed to have higher professional competence in their field of operation and closer contact with members. They have better access to the state authorities and can acquire information better. Thanks to their advantages, associations are better suited to manage a cost-effective information collection, processing and transmission. Thus, they reduce transaction costs and facilitate the entire economic development process. At the same time, the role of business associations becomes more important as the demand for information increases in the society. Economic development is normally characterized by increase in specialization and in the division of labour. The more specialized and sophisticated the society is, the higher the demand for information. Based on this argument, it can be suggested that business associations foster economic development by reducing transaction costs.

In order to accomplish these functions, associations need to develop competence and excellence. Competence of civil societies indicates management capacities for the implementation of a project, like the existence of a secretariat, or it could mean the availability of expertise. Expertise and legitimacy do not always go hand in hand. There is the common case of NGOs led by highly qualified experts, which function close to consultancy firms and do not have any further linkage to wider parts of society. And there is the grass-root organization claiming for legitimacy from its broad-based membership while its leadership falls short of relevant skills in most policy fields.

Similar concerns can be raised about the third recognition criteria. Membership organizations may have statutes on elections of their leadership, the power of the chair or rules on proper financial accounting. However, whether they are “managed democratically and transparently” cannot be established easily from outside. Deficits in democracy might not show on the macro-organizational level in all its facilities, but they may be virulent on lower-tier affairs.

The attributes used to measure competence of a business and sectoral association in this study are the following:
5.1.1 Organizational Strength

We measure organizational strength of an association by the presence of a strong and representative general assembly, an elective board of directors (or an elected executive organ) and a secretariat that runs the day to day activities of the association. It is not only the presence of these organs of an association that are relevant, but also their respective mandate in decision-making as this is important in defining the strength of the association. When more power is vested upon the general assembly, the flexibility of an association towards changing circumstances and the aptness of the association to react to these changing circumstances will be compromised. While each of the organs of the association (the general assembly, the board of directors and the secretariat) has to keep its respective mandate, the upper tier of the organization structure should focus only on strategic policy guidance and should leave the routine management functions to the secretariat.

The size of active membership in any association is also a crucial factor and is a sign of strength or weakness in an association. Membership in associations has obligations to fulfil. This obligation can be accepted by the entrepreneurs if they expect that the associations’ activities bring them advantages. Before entering the associations, the entrepreneur weighs possible costs and expected benefits of membership. The association membership is an additional possibility for the entrepreneur to achieve his objectives.

Therefore, there are two preconditions for association activities to fulfil. Firstly, the activities of the association must be suitable to fulfil members’ expectations. Secondly, the entrepreneurs must be convinced that association membership is cheaper than other alternatives.

There are two possible advantages in the view of entrepreneurs. One is that carrying out activities can be cheaper, simpler, qualitatively better or faster through cooperation with other entrepreneurs. The other is that the entrepreneurs feel inadequate to be efficient enough because they lack the necessary capacities such as capital or know-how, hence the need to cooperate since enterprise objectives cannot be achieved otherwise.

It is essential, therefore, that association activities must be able to provide members with the above mentioned services. With these kinds of activities, a business association can bring concrete advantages that are relevant to the situations their members are in. However, these advantages are often ideal than real. This is because the services associations provide have a public
good character. And those who do not pay for any of the public or collective good cannot be excluded from the consumption of the good. Despite the advantages of association membership for all participants, the establishment and the existence of the association are not natural phenomena.

Without a sufficient number of members, who are ready to contribute resources and support association activities, associations cannot sustain themselves. The activities of the association must be based upon attracting members. The success of association can be measured by the growth in the number of its members. That is why the size of the active membership (those who participate in association activities and pay their dues) is so important to the strength of any association. Otherwise, it will encounter the daunting challenge of the free-riding problem.

5.1.2 Governance and Accountability

The trust of members towards the association they belong to very much rests upon the governance and accountability principles embedded in the system and their strict observance by the holders of the apex power of the association. Belongingness and commitment of members increases with the transparency of the system the association sets up and the accountability of its leaders to the objectives and values of the association. Keeping in mind that membership participation in decision-making as enshrined in the values of the association, the measure of governance and accountability of an association should centre on the following:

- Presence of a constitution and bylaws;
- A democratic and open election system;
- Participatory decision-making process;
- Existence of finance and procurement procedures;
- Annual/regular meetings;
- Regular/periodic internal/external audit; and
- Regular report/budget approval by the general assembly.

5.1.3 Capacity to Dialogue and Provide Business Development Services (BDS)

As indicated earlier there are three basic areas in which associations need to engage in. These are interest representation (lobbying), the provision of services, and delegation. Representation is regarded as the fundamental task and activity of associations. The objective of representation activity is to influence the business environment in favour of their members. To do so, business associations must maintain constant dialogue with government
on policies affecting the business sector, such as economic, trade, social and legal policies and try to influence the political decision and implementation processes. Due to its public good character, representation activity can fulfil only an inadequate part of the requirement and play only a secondary role in attracting members to the association.

The second area of association activities is the provision of services. The services offered by an association comprises in vocational training, technical and commercial consultancy, promotion of business contacts, organization of trade fairs, exhibitions, seminars, conferences, collection and furtherance of information on different matters relating to the business community. The association, by providing services, offers private goods to members. Through services, the association creates selective incentives for membership, thus making the provision of services especially suitable for the association to fulfill the requirements in attracting new members and to motivate current members to stick to the organization. Service provision, therefore, plays a significant role in attracting members to the association.

A third potential basic engagement area of a business association is delegation. This comprises all delegated tasks by the state to the association. As already noted, examples of such delegated tasks include the registration of new enterprises, issuing of certificates of origin or quality, settling business disputes, specifying the skills and knowledge to be acquired by the apprentices. The undertaking of delegated tasks has two positive influences on the association. Firstly, through the fulfilment of delegated tasks, the association generates contacts with many enterprises and thus can campaign for itself. Secondly, the delegated task is always accompanied with privileges by the state for the association. The special recognition and privilege by the state enhances the power and influence of the association. The leaders can also benefit from it as the representatives of these organizations.

The effective delivery of these activities demands that an association first have the capability to undertake these tasks. The following attributes have been used to measure the capacity of an association to dialogue and provide BDS:

- **Adequacy of Financial Resources.** Without adequate financial resources, no association could deliver the services it should provide and attain the objectives for which it is established;
- **Access to Expertise.** Even where an association is constrained by financial resources, it would still be possible to achieve its objective and deliver the services should it have access to expertise from other
sources. What matters most to an association is access to expertise with excellence in the areas of concern to their members;

- **Dialoguing.** One of the fundamental activities of an association is lobbying and advocacy to the benefit of its members. The practice depends on the cooperation of the government and the presence of a forum to dialogue. For the purposes of this paper, the practice of dialogue is measured by outcome, namely the number of events made possible for dialogue and the number of issues raised and discussed with the relevant government body;

- **Sustainability of Capacity.** An association’s capacity should not be a one-time event. It has to stay in the institution for long, meaning it has to sustain. The sources of financial resources and expertise could be a good indication of the extent of sustainability. If own resources assume a significant portion in the budget of an association or if the trend of own resources is increasing, sustainability of capacity might be assured.

- **Advocacy.** The capacity to dialogue depends on the advocacy practice. That is whether it is through discussion with government bodies at formal forums or informing government bodies through leaflets or media outlets or through participating in committees and meetings. If this is done more through institutionalized forums like the private public dialogue forum, the system itself capacitates the association in capacity to dialogue.

- **Secretariat Staff Adequacy.** Secretariat staff adequacy both in number and excellence, at least in key relevant fields, is a prerequisite for an association to be productive in its endeavours. An association without adequately staffed secretariat is incapable of achieving its objectives and will remain weak in serving and representing its members.

### 5.1.4 Legitimacy

It is not only the size of the members but also the representativeness of these members to the sector or sub-sector the association stands for that is crucial in imparting legitimacy. Representation measured by the proportion of registered members from the global potential number of members, recognition by the chamber law, and satisfaction rate of members as evaluated by the officials of the association are the main attributes considered in this study.
5.2 Competency Index

Using the attributes described above, an index of competence has been developed to gauge the competence of business and sectoral associations in Ethiopia as follows:

- Each attribute has been given a weight, giving more emphasis to “capacity to dialogue and provide BDS” (40 points) and ‘governance and accountability’ (30 points);
- The weight given to each attribute may be considered arbitrary or subjective. While this may be challenged to a certain degree, the attributes and the significance attached to each in reflecting the competence of an association may not;
- The weights for each association are summed up to reflect the extent of the competence of an association. In a perfect scenario, the weights add up to 100, reflecting 100 percent;
- The information is gathered through interviewing selected and representative associations at the management level guided by a structured questionnaire designed for the purpose;
- Those associations interviewed represent a good size of enterprises existing in Ethiopia;
- One cannot certainly claim that the information obtained from the interview is free from judgments of the interviewees. It might well be that one might not come up with the same response from another group of interviewees of an association, if repeated.

The attributes used to measure the competence of an association and the weights attached to each attribute is presented as an annex at the end of the study.

5.3 Sample Size

The attributes presented above to measure the competence of chambers and sectoral associations have been collected through a questionnaire designed to furnish information about each sectoral and business association. The survey intentionally focused on cities and regions of major populations where business organisations are located and operate. A summary of the survey by region and tier of chambers is presented in Table 4 below.
Table 4 Survey Size by Region and Chamber Tier

<table>
<thead>
<tr>
<th>Region/city/country</th>
<th>Sectoral Association</th>
<th>Chamber of Commerce and Sectoral Association</th>
<th>Chamber of Sectoral Association</th>
<th>City Chamber of Commerce and Sectoral Association</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>6</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Tigray</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Oromia</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
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<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Harari</td>
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<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
<td><strong>7</strong></td>
<td><strong>6</strong></td>
<td><strong>8</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

Source: Survey results

As can be observed from the table above, seven regional chambers of commerce and sectoral associations (out of twelve regional CCSAs in the country), six regional chambers of sectoral associations (out of twelve regional CSAs in the country), about eight city chambers of commerce and sectoral associations and twenty-one sectoral associations have been surveyed for the purposes of the study. The coverage of the survey is, hence, considered sufficiently representative of the population of the business and sectoral associations and corporate businesses in the country. The coverage of the survey and the information gathered provide a strong confidence to infer about BSAs.

Moreover, the study includes interviews of about 200 businesspeople in Addis Ababa based on structured questionnaire and in Amhara Region (unstructured questionnaire in Bahir Dar and Gondar) to observe the opinions of individual businesspeople as to how they feel about associations and chambers.

5.4 Results of the Competence Index

As outlined earlier, the main variables used to measure the competence of a business and sectoral association, in order of importance, are capacity to dialogue and to provide BDS (40 points); governance and accountability
(30 points); organizational structure (20 points); and legitimacy (10 points).

Based on the weights attached to the attributes described above and the information gathered from the sectoral and business associations through face-to-face interviews guided by a structured questionnaire, a score is given to each association for each of the attributes under consideration as described above. The results are summarized below (see details on Annex IV).

5.4.1 Capacity to Dialogue and to Provide BDS

The capacity to dialogue and provide BDS is a crucial reflection of the competence of an association. This is measured by the association’s revenue generating capacity, the sustainability of source of revenue, capacity to access expertise, and the presence as well as the adequacy of staff at the secretariat. The main results are that most of the business and sectoral associations under review have neither the capacity to dialogue nor the capacity to provide BDS. The average score is six, which computes to only eighteen out of a hundred. The maximum score is twenty-six or seventy-nine out of a hundred for Adama Chamber of Commerce and Sectoral Associations, followed by twenty-three for Dire Dawa CCSA, Mekelle CCSA, and Amhara Women Entrepreneurs Association. About thirty-six percent of the business and sectoral associations in Ethiopia do not have any capacity to dialogue or to provide BDS. About sixty-one percent of the associations attain only a meagre of fifteen percent or below in their capacity to dialogue and provide BDS. Nine out of ten associations have a capacity of only one-quarter or below of what it should be.

This is a clear indication of the non-existence of business and sectoral associations that represent the private sector or provide support for the well-functioning of the private sector. Of the different reasons, lack of financial resources is the critical factor for literally non-performing features of the existing business and sectoral associations in Ethiopia, which in turn is caused by the intricate issues of the mix of Anglo-Saxon and continental models of chambers of commerce and sectoral associations opted in setting these up in Ethiopia.
### Table 5 Capacity to Dialogue and Provide BDS to BSAs

<table>
<thead>
<tr>
<th>Score range</th>
<th>Score in %</th>
<th>No. of cases</th>
<th>Share</th>
<th>Cumulative share</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0%</td>
<td>12</td>
<td>36.4%</td>
<td>36.4%</td>
</tr>
<tr>
<td>1-4</td>
<td>0.3 - 15%</td>
<td>8</td>
<td>24.2%</td>
<td>60.6%</td>
</tr>
<tr>
<td>5-9</td>
<td>15 – 24.9%</td>
<td>6</td>
<td>18.2%</td>
<td>78.8%</td>
</tr>
<tr>
<td>10-19</td>
<td>25 – 50%</td>
<td>3</td>
<td>9.1%</td>
<td>87.9%</td>
</tr>
<tr>
<td>&gt; 20</td>
<td>&gt;50%</td>
<td>4</td>
<td>12.1%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average score = 6 or 18%
Minimum score = 0
Maximum score = 26 or 79%

Source: Computed

Considering secretariat staff adequacy, the majority of the business and sectoral associations (about sixty-one percent) do not have a secretariat at all. For the other twenty-four percent of the business and sectoral associations, the secretariat staff is inadequate both in number and in quality (skill and competence) to deal with the issues of their members.

**Figure 3 Secretariat Staff Adequacy**
The chart above shows that it is only about fifteen percent of the business and sectoral associations in Ethiopia which have a good and adequate secretariat staff. These are the former city chambers of commerce established a long time ago, namely Mekelle, Adama, Gondar and Bahir Dar, now reconstituted into City Chambers of Commerce and Sectoral Associations in accordance with Proclamation No. 341/2003.

Without a secretariat and adequate staffing with the appropriate skill and competence mix, it would be incomprehensible to think of business and sectoral associations with the required capacity to represent and serve members sufficiently.

5.4.2 Governance and Accountability

In a membership organization run by members’ contribution, trust and confidence of members in the management of the association is fundamentally critical. The organization should have a transparent and participatory system, must be governed by the rule of law (constitution and bylaws) and elected officials need to be accountable to members.

For the purpose of this study, two attributes were considered to capture the governance and accountability elements of an association, namely transparency and accountability. Transparency is expressed, as outlined above, by the presence/absence of a constitution, election system, decision-making process, and constituency consultation. Accountability is assumed to be reflected by the availability of procedures, regularity of meetings, auditing, and approval procedures.

The findings with respect to transparency fare better than the case is for capacity to dialogue, in the main due to the statutory provisions and the advisory role of the government during the setting up of most of the associations. In respect of accountability, however, the finding is gloomy, probably because of the infant stage (an average age of not more than two years) at which most of the business and sectoral associations find themselves in.

In the case of transparency, the performance of BSAs is moderately high, the average score being seventy-six out of a hundred. The BSAs whose score is below fifty percent is only one; ninety-four percent of the BSAs scored at least two out of three. The minimum score is seven out of fifteen, the range being only eight.
The case is the opposite with accountability. Nearly half of the BSAs (45.4 percent of them) scored zero, and about nine out of ten scored less than fifty percent (46.7 out of 100). The average score is 2.9 out of 15, which is only 8.8 out of 100; the minimum score is zero while there are those who scored fifteen, extending the range to be fifteen. Because most of these BSAs were established within the last two and three years, they have not been able to convene meetings, carry out audits, prepare annual reports, plans, and budgets, hence resulting in scoring less for accountability.

Table 6 Governance and Accountability of BSAs

<table>
<thead>
<tr>
<th>Score range</th>
<th>Score in %</th>
<th>No. of cases</th>
<th>Share</th>
<th>Cumulative share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 7</td>
<td>&lt;46.7%</td>
<td>0</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>7</td>
<td>46%</td>
<td>1</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>60%</td>
<td>1</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>10</td>
<td>66.7%</td>
<td>8</td>
<td>24.2%</td>
<td>30.2%</td>
</tr>
<tr>
<td>12</td>
<td>80%</td>
<td>22</td>
<td>66.7%</td>
<td>96.9%</td>
</tr>
<tr>
<td>15</td>
<td>100%</td>
<td>1</td>
<td>3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average score = 11.4 or 33%
Minimum score = 7
Maximum score = 15 or 100%

<table>
<thead>
<tr>
<th>Accountability</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0%</td>
<td>15</td>
<td>45.4%</td>
<td>45.4%</td>
</tr>
<tr>
<td>3</td>
<td>20%</td>
<td>13</td>
<td>39.3%</td>
<td>84.7%</td>
</tr>
<tr>
<td>4</td>
<td>26.7%</td>
<td>1</td>
<td>3%</td>
<td>87.7%</td>
</tr>
<tr>
<td>7</td>
<td>46.7%</td>
<td>1</td>
<td>3%</td>
<td>90.7%</td>
</tr>
<tr>
<td>12</td>
<td>100%</td>
<td>3</td>
<td>9.1%</td>
<td>99.8%</td>
</tr>
</tbody>
</table>

Average score = 2.9 or 8.8%
Minimum score = 0
Maximum score = 15 or 100%

Source: Computed

One should note that without accountability, members’ trust and confidence in their organization will suffer much, hence undermining the nurturing of a strong association. This completes the vicious circle of underdevelopment of the BSAs in their entirety.
5.4.3 Organizational Structure

By virtue of existing legislation, most of the BSAs comply with the requirement of a membership organization in terms of structure. Nearly all of the BSAs have a general assembly and a board of directors, most function as per the constitution and bylaws, mainly within the domain of the law, except in the case of chambers of sectoral associations. In the case of the latter, the president, due to spatial dispersion of board members and inflexibility caused by distance and financial incapability of bringing board members together as frequent as possible, assumes most of the power, unconstitutionally. The other challenge faced by most of the BSAs, especially the sectoral associations and the chambers of commerce, is the issue of active membership.

5.4.4 Legitimacy

On the other hand, by virtue of the law, the chambers of sectoral associations are guaranteed legitimacy, as defined by representation (measured by registered members are at least ten percent of the eligible members). The case is the opposite for the sectoral associations and the chambers of commerce, for which registered members are by far less than ten percent of the eligible members. Most of the businessmen are not members of any association, as most of them do not see the value and some do not have the awareness. The unstructured interviews with traders and businessmen across different cities in Ethiopia confirm this.

However, the level of satisfaction of members from the services of these associations, as per the opinion of the managements of the BSAs themselves is mostly low, portraying a doubtful reflection of the legitimacy of these BSAs.
Figure 4  Satisfaction Rate of Members (according to BSAs’ Evaluation)

High  
16%

Medium  
40%

Low  
44%

Figure 5  Extent of Members Dissatisfaction By Type of Associations
The charts above clearly indicate that the dissatisfaction of members in the services of the BSAs is significantly high enough to cast doubt for members to support their associations or chambers and to legitimize these BSAs. But the extent of dissatisfaction differs by type of associations, better rating for Chambers of Commerce (especially for city Chambers) than Chambers of Sectoral Associations.

The aggregate competence index, the composite of the above four attributes, is summarized below.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Actual score</th>
<th>Potential score</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational structure</td>
<td>12.2</td>
<td>20</td>
<td>61%</td>
</tr>
<tr>
<td>Governance and accountability</td>
<td>14.3</td>
<td>30</td>
<td>48%</td>
</tr>
<tr>
<td>Capacity to dialogue and provide BDS</td>
<td>6.0</td>
<td>40</td>
<td>15%</td>
</tr>
<tr>
<td>Legitimacy</td>
<td>3.8</td>
<td>10</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Aggregate score</strong></td>
<td><strong>36.3</strong></td>
<td><strong>100</strong></td>
<td><strong>36%</strong></td>
</tr>
</tbody>
</table>

As shown in the table above, the average competence score rests at 36.3, one third of the level it should be. Even this level of competence is achieved thanks to the statute that enforces the structure and the transparency attributes to comply to a large extent with the characteristics of ‘membership organizations’. The structure attribute (the presence of a general assembly, the board and secretariat) pulls the competence score of the BSAs up. The real capacity of the business and sectoral associations in Ethiopia to represent the interests of members in policy dialogue forums, advocacy for the furtherance of the sectors the BSAs, represent and provide business development services is nearly nonexistent.

Leaving aside the capacity to dialogue and provide BDS, the competence score of BSA’s under consideration ranges from twenty for Oromia Regional State Chambers of Sectoral Associations to seventy-four for Amhara National Regional State Women Entrepreneur Association, the others being in between at different scales.
Seen critically, the competence score has a definite pattern in terms of groupings. The city chambers and sectoral associations reveal a high score compared to others. This is mainly because they have been in existence for years as chambers of commerce and hence have developed some level of competence to represent and service the members. The score ranges from thirty-six for Bahir Dar city CCSA to sixty-eight for Hawassa city CCSA, followed by Mekelle city CCSA.

The main source of the strength of the CCSAs rests on the adequacy of financial resources, and hence, access to expertise and sustainability of capacity, mainly the presence, staffing and adequacy of a secretariat, set up through times of their existence.
The least performers are the regional chambers of sectoral associations, mainly due to their recent establishment and lack of follow up and support by government and the way it supports them during establishment.
Even if the regional chambers of commerce and sectoral associations are structured to include city chambers of commerce and sectoral associations, the tendency is that they did not benefit from the experience of the latter and the findings indicate that they do not reveal a significantly different competence in comparison to the newly established CSAs.

**Figure 9 Competence Score of Regional CCSAs**

![Competence Score of Regional CCSAs](image)

Of the regional CCSAs, the least performers are Oromia and Harari, while Amhara and SNNP reveal some level of competence relatively.

### 5.5 Competence of Business Associations

Business associations covered in this study added together account for more than seventy percent of the country’s foreign exchange earnings (Revenue and Customs Authority, External Trade Statistics, 2007). In terms of competence, these business associations fare by far better than any of the BMOs now operational in Ethiopia and at par with the Addis Ababa Chamber of Commerce and Sectoral Association, one of the most competent chambers in the history of Ethiopia.

This is clearly depicted in Table 8 and the chart below. Despite unfavourable conditions in terms of member density and financial resources, the competence scores attained by these business associations indicate that they are serving the interests of their members adequately.
<table>
<thead>
<tr>
<th>Business Associations</th>
<th>Organizational structure</th>
<th>Governance and accountability</th>
<th>Capacity to dialogue and provide BDS</th>
<th>Legitimacy</th>
<th>Aggregate score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopian Meat Producers Exporters Association</td>
<td>18</td>
<td>28</td>
<td>19</td>
<td>8</td>
<td>73</td>
</tr>
<tr>
<td>Ethiopian Leather Industries Association</td>
<td>20</td>
<td>28</td>
<td>35</td>
<td>1</td>
<td>84</td>
</tr>
<tr>
<td>Ethiopian Oilseeds and Pulses, Processors/Exporters Association</td>
<td>18</td>
<td>28</td>
<td>19</td>
<td>3</td>
<td>68</td>
</tr>
<tr>
<td>National Association of Ethiopian Industries</td>
<td>13</td>
<td>28</td>
<td>21</td>
<td>0</td>
<td>62</td>
</tr>
<tr>
<td>Ethiopian Horticulture Producers/Exporters Association</td>
<td>20</td>
<td>27</td>
<td>33</td>
<td>6</td>
<td>86</td>
</tr>
<tr>
<td>Ethiopian Textiles and Garments Manufacturing Association</td>
<td>16</td>
<td>25</td>
<td>30</td>
<td>1</td>
<td>72</td>
</tr>
<tr>
<td>Ethiopian Coffee Exporter’s Associations</td>
<td>18</td>
<td>30</td>
<td>35</td>
<td>10</td>
<td>93</td>
</tr>
<tr>
<td>Addis Ababa Chamber of Commerce and Sectoral Associations</td>
<td>20</td>
<td>26</td>
<td>38</td>
<td>3</td>
<td>87</td>
</tr>
<tr>
<td>Ethiopian Chamber of Commerce and Sectoral Associations</td>
<td>13</td>
<td>25</td>
<td>23</td>
<td>2</td>
<td>63</td>
</tr>
</tbody>
</table>

Source: Computed survey results
Figure 10  Competence Score of Business Associations

Addis Ababa Chamber of Commerce and Sectoral Associations
Ethiopian Meat Producers and Exporters Association
Ethiopian Tanneries and Leather Association
Ethiopian Pulses, Oilseeds Processors and Exporters Association
National Association of Ethiopian Industries
Ethiopian Horticulture Producers and Exporters Association
Ethiopian Textile and Garment Manufacturing Association
CHAPTER SIX

CHALLENGES AND OPPORTUNITIES FOR BUSINESS AND SECTORAL ASSOCIATIONS OF ETHIOPIA

6.1 Challenges

Changing economic order leads to challenging advocacy environment that forces even well-established organizations to change the way they conduct business. This is more so in developing economies like Ethiopia transitioning from command to market economies, where business associations face various challenges and constraints.

At the forefront of these challenges is the lack of business association mentality or culture, thanks to the ideology of disregard to private initiative followed by the former regime that suppressed independent association culture. Despite their decades’ long history, chambers/associations were meant for the benefit of the government, not the members, during the rule of the previous government. Mandatory association membership and the elimination of private enterprise took their toll on business association mentality and eroded associations’ ability to be effective representatives of the business community’s interests. In many cases, associations were formed as an arm of the government, viewed more as government agencies than organizations intended to benefit the private sector.

The lingering lack of support to business associations by the government, the “statist” laws governing associations that still remained after the demise of the previous regime and the lack of disposition on the part of policymakers to engage in open debates with the business community eroded support and understanding of the need for the association movement within the private sector as well. This stemmed largely from the belief that associations either could not provide demand-driven programmes and services or that they were merely extensions of government as had been the norm in the past many decades.

An offshoot of the first, a second challenge to business associations in Ethiopia is lack of trust in institutions as a whole. As national chambers of
commerce were, in the past, used by the government to promote “top-down” economic and social policies, the business community remains suspicious in accepting business associations as genuine representatives of the views and opinions of the business community. This is despite the fact that a new institutional framework is in place and the old associations are replaced by alternative business associations. Members have not yet internally owned their organization; do not yet trust it is their organization; governance is not yet transparent to members. Associations are not self-initiated and demand driven. While some members believe in the importance of and relevance of an association, they perceive it as a promotion mechanism for those at the helm of leadership.

A third challenge facing business associations in Ethiopia is the lack of effective communication and internal engagement between associations and their members, making recruitment of members a daunting task. Success in expanding membership depends on an association’s ability to develop demand-driven programs and services and, more importantly, the ability to effectively market the benefits of association membership to the private sector, including customized benefits and services to the needs of specific members. Awareness creation, while a prerequisite to expanded density, is a daunting challenge to the associations for lack of expertise and resources. Even where awareness of firms and individuals is enhanced, many would still remain sceptical to be contributing members. The main reason for such behaviour is the minimal direct benefit to be obtained. The association is unable to afford the required services to members mainly due to financial and technical deficiency, which in turn is low density.

A fourth challenge faced by business associations in Ethiopia relates to the laws governing organizational development. Current laws specifically recognize one or more business associations, namely the national chamber of commerce and sectoral association, the national chamber of sectoral associations as well as regional and woreda level offshoots and city chambers, as the government’s “official” designated representatives of the business community. Such designations have left other business associations in a legal limbo and deprived most demand-driven organizations of legitimacy, restricting the development of business associations. The law also rigidly dictates the way the associations have to organize, in a way that compromises the advantages of scale economies, experience-sharing, excellence deepening, and sector specific dialoguing. The way the law structures and organizes sectoral associations is devoid of sectoral and sub-sectoral integration and excellence-building beyond woreda and city levels.
In addition, there is lack of interest on the part of the government in acknowledging the right of associations to advocate on behalf of their members, keeping business associations on the fringe of the policy debate.

Many of the challenges noted above are best addressed through an advocacy programme that assesses the needs of the business community, develops concrete recommendations, and works with the government to improve the business environment.

6.2 Opportunities

The recognition by the government that “chambers do play a significant role in the promotion of trade, industry, and investment” in the preamble paragraphs of the proclamation re-establishing chambers of commerce and sectoral associations is a key opportunity for business associations in Ethiopia. This is a clear recognition that business associations play a crucial role in the economic development of the country and must, as such, be taken advantage of. In this regard, business associations need to develop new paradigms of association management and take the lead in creating a new vision to address the needs of the business community. To contribute effectively to development and reform, business associations need to address organizational issues inherited from the past and rebuild sound governance structures.

A further opportunity that business associations need to take advantage of is a clear articulation in the Cotonou Agreement making support to civil societies by government mandatory.

Ethiopia’s accession to WTO supports private sector engagement and, hence, affords yet another venue in which business associations can play a key role by developing a long term strategy and prioritizing their activities with a view to achieving the greatest possible impact in the shortest possible time.

6.3 Issues

6.3.1 Chamber System

As already noted, Ethiopia adopts a chamber system which cannot be categorized as either Continental or Anglo-Saxon as defined by the above characteristics. Using the continental chamber systems model as a foundation, it introduces elements from the Anglo-Saxon Model creating a new hybrid,
excluding important elements of mandatory membership, which is essential for member density, and formal consultative status vis-à-vis government. Such a chamber system is characterized as Mixed System.

Obligatory membership mandatory under the continental model includes regular and mandatory financial contribution to the chamber. The logic for obligatory membership stems from reasons of guarantees that chambers represent enterprises of all sectors, sizes, and legal forms; compulsory membership guarantees that all enterprises contribute financially, avoiding free-rider behaviour; and compulsory membership ensures a broad and stable source of income to run an effective association.

Should Ethiopia adopt the continental model in its classic form, mainly for the following?

• Enhancing membership density;
• Effectiveness in service delivery;
• Fair representation; and
• Avoiding free-rider problems.

Should one consider an association to be in agreement through which two or more people can join their knowledge or activities in an enduring way with an objective other than to share profits, its validity ruled by the general principles of contracts and obligations? This, however, is further ruled by the constitutional principle of freedom of association, by which each person is free to join or not to join an association and each association is free to accept or reject new members. Be that as it may, the requirements relating to an association’s activities have brought a breach to this fundamental principle making it compulsory to join certain associations.

In respect of mandatory association, the European Convention on Human Rights does not offer protection to associations having the characteristics of public institutions set up by statute as opposed to individuals. Interestingly, public-law models are common in many democratic countries, especially in Western Europe, and are seen functioning well in business environments. European countries with public-law models requiring mandatory membership include Austria, France, Germany, Greece, Italy, Luxembourg, the Netherlands, and Spain.

6.3.2 Chamber Organization

Current laws designate associations at given tiers as the government’s “official” chosen representatives of the business community, creating a
legal limbo, depriving most demand-driven organizations of legitimacy and restricting the development of business associations. The law also rigidly dictates the way the associations have to organize, in a way that compromises the advantages of scale economies, experience-sharing, excellence deepening, and sector specific dialoguing. The way the law structures and organizes sectoral associations is devoid of sectoral and sub-sectoral integration and excellence-building beyond woreda and city levels.

6.3.3 Service Industry

Chamber laws and regulations limit sectoral associations to those engaged in “directly productive” activities, sidelining those engaged in the service industry. Designated as “traders” in the chamber law, traders can be members only as individuals regardless of the sectors they are involved in. Paradoxically, the Ethiopian service industry currently accounts for some forty-three percent of the gross domestic production, requiring that the current status of the service industry in the chamber law be revisited.

6.3.4 Proclamation 341/2003 and Implementation Directives

While membership in Ethiopia is voluntary as in chambers governed by private law, there are provisions in the legislation stipulating that certain business associations also become members of the chamber. In analyzing national systems of chambers, it is also important to review the nature of local chambers’ membership in regional chambers, as well as of local and regional branches of the national chamber, because various forms of voluntary and mandatory membership are possible. As public-law organizations, chambers of commerce and sectoral associations in Ethiopia may potentially benefit from extensive powers and resources that such public-law status may provide in terms of government delegated tasks described earlier in the paper, creating a unique potential for local economic development.

While public-law status in Ethiopia is yet to provide such extensive powers and resources for chambers, experience in other countries shows that this also creates a particular set of problems and difficulties for the chambers. For deriving considerable advantages from public-law status also entails constraints that prevent the chambers from attending to member interests and playing a more dynamic role in the economy by providing support to member firms as well as fostering economic innovation.

Some of the constraints associated with public-law status and how these constraints affect the chambers in a number of key areas are presented below.
Economic Intervention. Public-law status as is the case here in Ethiopia has a number of important ramifications regarding the role chambers play:

- First, public-law chambers tend to act primarily as agencies of “public” economic interest, obligatory public functions taking precedence over business services undertaken on behalf of members, with the majority of chambers being unable to perform beyond the obligatory functions defined in their statutes. Within the public-law system, chambers are primarily agencies of public economic intervention, business service provision, hence, becoming less significant;

- Second, chambers are marked by a certain uniformity of function as they are regulated by uniform legislation, put in place by the central government. This means that all chambers throughout the country perform a common set of tasks as defined in their statutes although the chambers are highly fragmented structures which operate within localities of vastly differing size and economic context. Some operate in small rural areas and have at most a handful of members. Others, such as those in Addis Ababa operate in major centres of urban development. All chambers are called upon to perform a similar range of functions within all areas despite these disparities. This means that chamber intervention is not always adapted towards specific economic needs from one locality to another;

- Third, chambers are confined to sets of roles in predetermined functions as training and other management functions within a system of public law. Limiting the functions of chambers to such traditional functions may not always be relevant to the changing needs in a modern and decentralized economy; and

- Fourth, Proclamation 341/2003 does not provide for integrated business associations that encompass all levels of trade across membership lines limiting the development of a strong internal link among sectors. Organizing membership of sectoral and business associations in a way that would integrate the full market chain helps not only foster extended production, as processing and trading at each level is the outcome of actions taken at other levels, but would nurture trust and confidence between associations as well as individual members. Such integration would further make arbitration and dispute settlement by an association less costly and more efficient than other alternatives, hence providing for an effective platform for information exchange, advocacy, and trade promotion.
Representativeness. As business membership organizations, chambers of commerce are meant to be representative organizations which provide a balanced representation of local economic interests by holding regular elections during which members elect representatives to the chambers. In public-law systems, as is the case with Ethiopia, the state exercises certain controls over the selection of chamber leaders, particularly in defining the electoral procedures. It is the state that decides by statute how many representatives are to be elected to a chamber and the way in which chamber seats are to be distributed amongst the different economic sectors. In this respect, chambers might be seen to represent “state corporatism” given the range of representation that is defined by public decision undermining the representativeness of chambers.

Decision-making. Chambers in Ethiopia are subject to controls over their decision-making in that they have to conform to the parameters of public law and operate under the supervision of the public authorities. The chambers are answerable to the Ministry of Trade and Industry, to which they must submit an annual report of their activities.
7.1 Conclusions

Business associations, in their broader economic and political context, impact beyond their own sectors through unintended consequences. They contribute to economic development without intending anything more than the defence of their members’ interests. As already noted, two categories of contributions have been identified in this regard. One relates to “market-supporting” activities, including the promotion of property rights, infrastructure, and cleaner bureaucracies. Through associational pressure, these goods and services can lead to an expansion of public goods which benefit other sectors particularly where market economy is incipient. The second category of contributions relate to “market-complementing” activities, including activities ranging from macroeconomic stabilization to setting standards, training, and reconciling differences between upstream and downstream value chains.

More productive associations exhibit high member density, the ability to provide valuable resources to their members, and adequate internal mechanisms for mediating member interests. These attributes give business associations the required institutional capacity to help members make collective decisions and abide by them. Institutionally strong associations can, as stated earlier, still do damage unless subjected to external discipline, either in the form of competitive markets, especially export markets, or direct government enforcement.

Business associations in Ethiopia are a product of the country’s federal political structure. The business community, through chambers of commerce and sectoral associations, has been organized by the federal government into peak organizations representing different sectors of the economy. This arrangement has placed these business organizations in the awkward position of being perceived as mouthpieces of state-directed economic policy. This is further complicated by the preoccupation of these business associations in channelling much of their efforts into cultivating their external orientation towards the government rather than their internal orientation by way of self-engagement and acting on issues affecting the business community.
Negative perceptions of the internal orientation of the business associations centre on their being inefficient and indifferent to member needs. They are seen as largely bureaucratic entities focusing on the external orientation — on relationships with government — and internal bickering paying little attention to helping the average member.

Such strong emphasis on the external relationship with government compared to their internal orientations toward members combined with a marked lack of democratic decision-making procedures has created significant dissatisfaction particularly among members. Responding to member unhappiness in a difficult business environment requires that business associations invest more resources in services to members that would help alleviate immediate problems rather than focusing on external relationship with government and internal bickering. As it stands now, the chamber system in Ethiopia may be described as “a house divided against itself”. And as the adage goes, “a house divided against itself cannot stand”.

In terms of relationships, a member firm in Ethiopia is first affiliated to its primary craft/trade association, a horizontal regional association, and its local chamber of commerce, which are in turn members of sectoral associations, regional associations and the peak association.

As there are powerful chambers/associations, like the Addis Ababa Chamber of Commerce and Sectoral Associations to name one, there are also those that are almost inactive. Given the complex structure of peak associations and the loose link at the different levels all the way to the woreda, sectoral and regional associations are seen to jealously guarding their autonomy with respect to their membership, sometimes to the detriment of internal orientation and self-engagement even on issues affecting the business community as a result of totally negative perceptions about peak associations. While membership organizations may have statutes on elections of their leadership, the power of the chair or rules on proper financial accounting, whether they are managed democratically and transparently cannot be established easily from outside making it indeed difficult for internal orientation and self-engagement to thrive.

To counter this collective action problem, peak organizations in Ethiopia need to move to a more membership-oriented strategy. Given the substantive changes that have taken place in the structure and organization of chambers of commerce and sectoral associations in Ethiopia in terms of their membership base and their role, the peak organizations are currently faced
with distancing themselves from their traditional functions unless they develop themselves into a business advocacy group capable of speaking in the name of members.

The success and coherence of business associations depends more on the services they can provide for their members and the looseness of centralized authority and coordination. The current organizational landscape of business associations in Ethiopia is particularly redundant due to the ambiguous institutionalization of the peak organizations, namely the chambers of commerce and sectoral associations and the chambers of sectoral associations both recognized as representative horizontal organizations, overlapping or competing with each other and lacking stable relations. Under the circumstances, a single firm is seen to quite often be affiliated to its primary trade association, a horizontal regional association and its local chamber of commerce, which, as already noted, are in turn members of sectoral associations, city chambers, and the peak chamber of commerce and sectoral association.

At the national level, there are several business associations representing member firms besides the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA). These associations coexist with ECCSA. ECCSA and the Ethiopian Chamber of Sectoral Associations (ECSA) are the peak organizations of the chambers structure. In contrast to the peak associations, which are public-law chambers, the voluntary business/sectoral associations acquire recognition of their legitimacy by the state upon fulfilling conditions under which they obtain legal personality as per the directive issued by the Ministry of Trade and Industry.

While the chambers of commerce and sectoral associations play an economic role and concentrate on providing services for their members, business/sectoral associations are also consulted by several ministries and institutions on sectoral matters simultaneously, sometimes without the knowledge of the peak association. This signifies that there is no single voice representing the business community.

The interests of members of the chambers of commerce and sectoral associations are represented by sectoral associations and individual traders as well as groups of business leaders, creating a certain amount of tension regarding representation at the peak organization. This has led to the creation of associations representing particular groups of businesses. One such group is the National Association of Ethiopian Industries. A further source of tension is that emanating from individual and sectoral representation.
Yet another and more critical axis of tension arises from the different sizes and types of firms into which associations are structured. While chambers of commerce and sectoral associations in Ethiopia are structured around sectors of activity at the different tiers of a federal arrangement, the current organizational landscape limits representation to specific sectors organized at the various levels rather than making it also possible for the group of firms of their size or sector to also organize across lines to the national level. A further source of tension in the current organizational landscape is that it ignores commerce in an organized form as the chamber law allows membership of traders only individually as traders having business license and permanent working place, albeit services account for almost forty-five percent of the country’s gross value of production.

7.2 Recommendations

It has been established that the real capacity of business and sectoral associations in Ethiopia to represent the interests of members in a wholesome manner as well as to represent and provide them with a much needed business development services is nearly nonexistent. To have a meaningful impact in reversing the current state of affairs, one must start with the daunting task of tackling support and intervention areas presented in the following recommendations. Clearly, this would require a concerted effort and working in unison among all concerned, particularly the leadership of chambers of commerce and sectoral associations at all levels to meet the challenges facing BSAs and making the best out of the opportunities that exist. Recommended areas of intervention are provided below, assigning responsibility both to government and the private sector.

7.2.1 Recommended Actions by Government

The recognition by government that ‘chambers do play a significant role in the promotion of trade, industry, and investment’ needs to be followed up by actions, including revisiting current laws under which chambers of commerce and sectoral associations operate, as a prerequisite for well-functioning private sector advocacy institutions. The following are considered key in this regard:

1. Provide Funds and Technical Assistance

Allot, cognizant of the importance of advocacy institutions, funds and technical assistance to bolster the capacities and the functions of advocacy organizations, namely chambers of commerce and sectoral associations. In
this regard, it is suggested that the government allocate a third of the funds allotted to private sector development through bilateral and multilateral co-operation agreements.

2. Assign Delegated Functions

Assign, following the Continental Model, chambers of commerce and sectoral associations, to begin with, such simple delegated functions as business registration, leading to increased responsibility as those described in the earlier chapters of this study following the dynamism and sophistication of the strength and growth of business associations. The undertaking of delegated tasks will have two positive influences on the association. Firstly, through the fulfilment of delegated tasks, the association generates contacts with a great number of enterprises and thus providing for itself a good platform. Secondly, delegated tasks signify special recognition and privilege by the state and, as such, enhance the power and influence of the association.

3. Institute Mandatory Membership

Institute obligatory membership based on arguments already forwarded, namely:

- Mandatory membership guarantees that chambers represent enterprises of all sectors, sizes, and legal forms;
- Compulsory membership guarantees that all enterprises contribute financially, avoiding free-rider behaviour;
- Compulsory membership ensures a broad and stable source of income to run an effective association; and
- Mandatory membership does not breach freedom of association in respect of associations having the characteristics of public institutions set up by statute as opposed to individuals.

4. Institute Mandatory Public-Private Partnership

In order for BSAs to be in a position to play their business advocacy roles effectively, it is important that there is a mechanism for structured dialogue with public authorities. While much has been said about public-private partnership in Ethiopia, it is yet to be formally instituted as mandatory. It is, therefore, recommended that the government:

- Institute public-private sector dialogue round-table with clear legal mandate and constituency;
- Grant business associations institutionalized exclusive channels of access to policymakers in forms ranging from informal, yet regular,
consultation to statuary representation on public boards or policy councils, including representation in public entities responsible for economic policies;

- Grant business associations a statuary representation on committees responsible for negotiating trade agreements and privileged access to trade negotiations and economic integration.

5. Proclamation 341/2003 and Implementation Directive

Proclamation No. 341/2003 and the Implementation Directives in their current forms do not enhance the objectives they are set to achieve, namely fostering well-functioning private sector advocacy institutions instrumental in furthering the country’s development objectives. The following are important to note in this regard:

- Current laws rigidly dictate the way the associations have to organize, in a way that compromises the advantages of scale economies, experience-sharing, excellence deepening, and sector specific dialoguing. The way the law structures and organizes sectoral associations is devoid of sectoral and sub-sectoral integration and excellence-building beyond woreda and city levels.

It is important, therefore, that these snags be removed in a way that would enhance advantages of scale economies, experience-sharing, excellence deepening, and sector specific dialoguing and organization by permitting BSAs to organize in a way that would foster sectoral and sub-sectoral integration and excellence-building beyond woreda and city levels. This requires that a specific sector set up its association at a tier of government that would guarantee its effectiveness, namely at the national, regional, woreda or city level and not in the way the current law structures and organizes sectoral associations be in breach of integration and excellence-building.

- Current chamber laws and regulations also limit sectoral associations to those engaged in “directly productive” activities, sidelining those engaged in the service industry. The current status of the service industry in the chamber law needs to be revisited in a way that those engaged in services are treated as those in “directly productive” activities to allow what Proclamation No. 341/2003 designates as “Traders” also organize their own chambers of business associations.

- Current chamber laws allow individuals to be members of apex chambers of commerce and sectoral associations at any tier of government. This needs to be reviewed to be in favour of business associations as opposed to individuals. Under this setting, city chambers
of commerce and sectoral association, for example, shall be composed of sectoral associations set up by businesspeople residing at city level, not individuals. The same would follow at regional and national levels, regional sectoral associations forming regional chambers of commerce and sectoral associations. Such restructuring would remove the current ambiguities in managing chambers of sectoral association and chambers of commerce and sectoral associations. This would also help specific sectoral associations to link with each other at regional and national levels, instead of limiting them to the *woreda* level when they form their chambers of sectoral associations.

- In revisiting the chamber laws, conflicting and ambiguous statements leading to such anomalies as double membership, representation, membership fee, need to be avoided. Examples of such ambiguities in Proclamation No. 341/2003 include Articles 6, 16, and 20 which allow membership to one or more chambers, leading to double membership and coordination problems by the peak association.

### 7.2.2. Recommended Actions by the Private Sector

The real capacity of business and sectoral associations in Ethiopia to represent the interests of members in policy dialogue forums, advocacy for the furtherance of the various sectors of BSAs, as well as to represent and provide business development services (BDS) has been noted to be nearly nonexistent. To have any meaningful impact, therefore, any support and intervention areas to be envisaged must be directed at improving current conditions in a very substantial way. Consequently, the following recommended actions by the private sector become of absolute and immediate concern:

1. **Instituting Strong Internal Organization**

The task of having a meaningful impact in representing member interest as described above requires a well-structured internal organization of chambers of commerce and sectoral associations. Such a well-structured internal organization, above all, must be characterized by a smooth work flow and division of responsibilities between executives and staff members as provided for in the bylaws and job descriptions as these are crucial for the efficiency and success of business organizations.

A strong and well-organized secretariat would be instrumental in serving as the main vehicle to deliver assigned tasks and relieve the need for voluntary external support in the daily activities of the association. A strong and a well-
organized secretariat, on the other hand, requires a suitable management with strong leadership skills, an attractive work environment for staff members and an efficient internal communication as necessary ingredients of a well-functioning business organization.

A well-functioning business association further requires assigning clear tasks and responsibilities especially with regard to separation of the roles of the secretariat and board of directors (executive bodies) so that the work of the staff members would also improve as this would allow implementing effective administrative systems and forming strategic partnerships with external service providers.

An important instrument for a strong internal organization is communication. A strong internal and external communication allows stakeholders and the public at large to be knowledgeable about the mission and achievements of a BMO and will help it reach its potential as well as gain reputation. Effective communication, on the other hand, requires the creation of a comprehensive public relations and information strategy. This includes a determination on basic information to be delivered, the appropriate communication channels as well as the formulation of targeted and easily understandable messages. In respect of internal communication, newsletters and annual reports are effective tools to communicate regularly with members and non-members alike. When delivered in a cost-effective and successful manner, these could be important sources of income generation, including by advertising.

External communication involves printed and electronic information material as Web site or press kits and presentation material. These, however, require that sufficient resources and qualifications to maintain the quality of the information material or electronic presentation are available at the concerned BMO.

2. Building the Capacity of Associations

To perform their advocacy functions effectively on behalf of their members by identifying common concerns, providing information for policymakers, and developing proposed solutions, business associations need their core competencies to be built.

A capacity building programme for business associations aims at building the core competencies of associations so that they can perform their advocacy functions effectively for a better business climate on behalf of their members,
identifying common concerns, providing information to policymakers, and developing proposed solutions.

Such capacity building programmes are also intended for association executives to help them develop the necessary skills to advocate effectively on behalf of members. Early stages of the capacity building programmes focus on building organizational capacity, while the latter stages target advocacy and coalition-building skills. Experience sharing through links with business associations and chambers of commerce in other countries also fosters the capacity building effort. As the associations develop their institutional capacity to promote a better business climate, they will be well placed to take the necessary steps toward implementing programme objectives for which they are established.

3. Mobilizing Grassroots Networks

Grassroots organizations are made up of a group of individuals united around common aspirations, goals, and concerns. These groups usually take a common stand on a particular issue or set of issues and participate in the political system in favor of their positions. Essential vehicles for popular participation in a society, grassroots organizations are formed in a bottom-up process by citizens, and not the government, and attract members from across communities spreading far and wide like grass roots would, hence their name.

Mobilizing a grassroots network for business associations begins close at home by tapping into their own networks. These include employees and retired employees of association members; shareholders of association members; suppliers of the association and its members; retired association members; customers/clients of association members; family members; and affiliated organizations.

Yet another source of grassroots support of other groups and individuals who have interest in the particular issue close at the heart of business associations includes professional associations, consumer groups, students, or members of the public. Advocacy materials may be used to raise awareness and to garner support for key advocacy issues among these groups. This may be done informally through telephone calls or e-mails or more formally by inviting such groups to attend briefings, and luncheons hosted by business associations. The task is to make sure that such encounters garner the support of these groups by explaining why the issues are also important
to them; the position of the business association on the issue and why; what they need to do to support the cause.

Time and resources permitting, yet another effective approach for business associations or a coalition of associations to raise grassroots support on common issues would be organizing national or regional advocacy study tours. Such study tours typically involve meeting with business representatives and other private sector stakeholders that have influence over the success of the advocacy effort. These study tours can further be used to enlighten the private sector and the public at large about the advocacy process, to launch and/or refine policy proposals, and to gauge the extent of grassroots support.

Once contact is established with grassroots support, it is equally important to follow up and keep the momentum going by maintaining close contact with individuals and groups who support the association’s position. This is important in keeping grassroots supporters informed of news and events related to issues of common concern, to follow up on agreed advocacy tasks; to show policymakers the breadth of supporters; and to maintain a network that can be mobilized into action at a time of need.

4. Developing Membership

A strong membership base is important for BMO development. The registration of new members and the retention of those that already exist are of fundamental importance to creating a strong membership base.

Membership development involves an intensive marketing effort to attract new members as well as manage existing members by maintaining an up-to-date membership database, structure, and payment of membership dues. While it is important to attract additional members every year, retaining existing members is equally important, too. Maintaining and administering existing membership, while achieving significant increases in membership at the same time requires developing a firm strategy. In this regard, the secretariats of business associations need to employ effective instruments for recruitment, retention, and administration of membership.

Attracting new members requires consistent marketing and awareness campaigns while the retention of existing members requires caring for members in order to give them a sense of ownership and confidence in their association. The administration is much straightforward in that a comprehensive and up-to-date list of members would do, albeit it still
requires developing electronic general-purpose database systems tailored to the specific needs of a particular business association.

5. Instituting Strategic Planning

The above-mentioned areas of concern can be best addressed through sound strategic planning in that planning instruments can serve as valuable tools for the development of sound business associations. Through strategic planning, a consensus on organizational priorities of a business association can be achieved among the stakeholders. This is instrumental in keeping activities focused and minimizes transition problems when changes in leadership occur.

Typical paraphernalia in strategic planning are the business associations’ vision, mission, work plans, and budget statements. Strategic planning need not be a highly technical exercise only for bigger associations as it can also be introduced step by step in smaller ones. What it requires most is that it is based on realistic assumptions; that leaders commit themselves to the strategic plan; and that its impact easily monitored.

Strategic planning is particularly important for newly established business associations as well as those expanding their functions and their staff. The short-term objective of a strategic plan is an efficient coordination of resources within the business association. The long run objective is to build a focused and directed consensus about the key priorities of the business association among stakeholders. A sound strategic planning must be based on the needs of members and consensus developed on the association’s vision, mission, and long-term priorities. This must be supported by a business plan that outlines specific future activities based on a time frame, budget, and human resources requirements.

6. Developing and Advancing a National Business Agenda

A more fundamental tool for the business community to encourage investment and stimulate business activity is formulating a national business agenda. Developing a national business agenda helps mobilize the business community to use its capabilities to stimulate public policy reform by identifying laws and regulations that hinder business activity and articulating them clearly to policy makers along with concrete recommendations on reforms that would help remove these barriers and improve the business climate. Developing a national business agenda further helps enlighten members on public policies that concerns them, preparing the ground for voicing the concerns of the business community in a unified manner.
It is important that members of the business community are encouraged to participate in developing the business agenda with a view to addressing specific regional and/or industry concerns and to provide the business community with a sense of ownership of the final product. The national business agenda may be national, regional, or industry specific programme depending on the organizations involved, namely chambers of commerce and sectoral associations, chambers of sectoral associations, professional or trade associations and the like. In this exercise, it is important for business leaders to take the initiative to organize diverse business groups and build a coalition to arrive at a consensus on major issues.

A national business agenda identifies laws and regulations that hinder business activity and articulate them clearly to policy-makers along with concrete recommendations on reforms that would help remove these barriers and improve the business climate.

7. Developing and Advancing Advocacy Agenda

Educating members on what their association is advocating and enlisting them as advocates are crucial in developing and advancing a sound advocacy agenda as members are an important source of support in any advocacy effort. Involving members at the outset will foster member ownership of the advocacy agenda and the advocacy issues. Members enlisted, advancing the advocacy agenda would begin with prioritizing time-sensitive issues; establishing the required budget; and evaluating the outcome of the advocacy agenda. These are introduced briefly as follows:

(i) Prioritizing Time-Sensitive Issues

Once an issue or a set of issues to advocate are determined, those that are time-sensitive need to be identified in order for them be on top of the agenda. An issue may be rendered time-sensitive if: (i) it has widespread support currently; (ii) offers significant benefits to members shortly; (iii) failure to take immediate action could seriously harm members; and (iv) failure to take immediate action puts future chances for policy intervention at risk. Once time-sensitive issues are determined, an overall timetable is set along with clear and measurable goals to be achieved, including a periodic evaluation of the effectiveness of the advocacy strategy adopted.

(ii) Allocating Required Budget, Resources

For advocacy efforts to bear fruit, adequate resources in manpower and finance need to be planned and allocated. A detailed budget
needs to be developed based on each advocacy activity included in the overall timetable already set.

(iii) Evaluating Outcome
There has to be a periodic assessment on the result of the advocacy strategy. This helps ensure that the goals and objectives of advocacy efforts will be achieved reasonably and according to timetable set. The effectiveness of the strategy followed is best recognized and the necessary changes made when only regular and consistent performance evaluation of progress on the advocacy agenda issues and achievements are recorded.

Once progress on the advocacy agenda issues has been evaluated, recognizing the common efforts of members would be essential. This would not only sustain enthusiasm for future work, but would encourage more member involvement and attract new supporters. The association’s image and credibility would also be enhanced while at the same time reassuring the membership of its determination to conduct further advocacy campaigns.

8. Earning the Support and Respect of Policymakers, Regulators, Administrators and Staff

Earning the support and respect of policymakers, regulators, administrators, and their staff places business associations in a good position to become part of the policymaking process, helping shape policies, laws and regulations of interest to the business community. Earning support and productive relationship with policymakers and other pertinent authorities requires frequent communication and building positive relationships. This is best done by:

(i) Meeting with them and providing them with information about the association’s position on particular issues;
(ii) Holding briefing sessions, social events, where the association’s position on an issue will be elaborated and situated within a set of overall goals;
(iii) Keeping issues alive in policymakers’, legislators’, and regulators’ minds by regularly inviting them and their staff to attend briefings or roundtable discussions;
(iv) Presenting a concise account of the issues involved and the association’s position using knowledgeable people;
(v) Providing policymakers and their staff with advocacy materials on relevant issues regularly;
(vi) Hosting “recognition events” in the form of banquets or other special events to honor policymakers; inviting key association members and representatives from other organizations that support the association’s cause; issuing press releases that commend policymakers for their work and support; and

(vii) Organizing periodic public policy roundtable meetings that bring together key players who do not normally interact on a particular issue – such as national, state, and local representatives or officials from diverse departments or regulatory agencies related to the issues.

9. Building Effective Coalitions

Coalitions are useful instruments in increasing the number of organizations and individuals that support an association’s position on an issue or set of issues. Coalitions also enhance the visibility and credibility of advocacy efforts. Building coalitions is especially important when a broad base of support is needed to ensure adoption of a specific policy, legislation, or change in regulation.

Successful coalitions are typically formed between business associations within the same sector where interests are shared in broad areas. Multi-sectoral coalitions are harder to build but may still manage to find a common ground on larger issues affecting all kinds of businesses.

To keep the coalition alive, it is important that coalition members are contacted regularly and meetings organized with key representatives from each organization. This would provide a platform where members of the coalition would indicate the degree to which they are willing to be involved in coalition activities. The nature of the coalition will depend on the issue or sets of issues at hand and on the type of commitment each partner is willing to undertake. It might be the case that some partners may be willing to actively participate while others would seek minimal involvement.

10. Developing Strategic Partnerships

Strategic partnerships are voluntary and collaborative relationships between the state, the private sector and civil society organizations in which they work together towards achieving a common goal or undertake a specific task, sharing the risks, responsibilities, resources, competencies and benefits while committing to mutual accountability.
Strategic partnerships between civil society organizations and businesses are widely promoted as important new strategies in bringing about significant sustainable development benefits especially to developing countries. This partnership arises from an understanding of the need for comprehensive and integrated approaches to business/economic and social issues that involve increasingly broader participation.

Involving external partners on very specific or complex issues would help keep the activities of business associations focused by helping business organizations, civil society organizations, and government agencies engage one another and develop mutually beneficial working partnerships in resolving the challenges of sustainable development. Partners in the task could also be commercial service providers (banks, airlines, and insurance companies), other business membership organizations, universities, academics, and the like.

11. Developing External Membership and Links

Developing external membership and links with similar membership organizations would enhance the capacity of business associations in resource mobilization; facilitate access to information and current affairs; facilitate access to research outputs; and create a forum to communicate international issues and concerns.

12. Building Highly Trained and Respected Professional Staff as well as Well Organized Offices

Staff and material resources, the latter being a function of selective incentives and density, are important factors to reckon with, as associations with highly trained and respected professional staffers as well as well organized offices complement institutional strength and proper functioning.

13. Developing and Advancing Research Agenda

A wide range of research agenda may be drawn from areas of recommended actions detailed above. As a starting point, an investigation of each of the topics discussed would provide a fertile ground to develop possible research to be undertaken at all tiers, namely the woreda, regional, or national levels of business and sectoral associations.
REFERENCES


Fedotov, V. I., Organizational and Legal Models of Chambers, 2007.


ANNEXES
Annex I

Questionnaire for Addis Ababa Sectoral Associations

Situation Analysis of Business and Sectoral Associations in Ethiopia: Challenges and Interventions for the Way Forward

I. Background Information

1. Name:_________________________________________________
   Address________________________________________________

2. Type of Activity/Sector
   □ Wood
   □ Grain Mill
   □ Textile Garment/Canvass Tailoring
   □ Traditional Foods/Home Economics
   □ Silk Screen Printing, Advertising, Publishing
   □ Garage Service
   □ Small Construction Materials Production
   □ Dairy and Dairy Products
   □ Weaving and Carpet-making
   □ Metal Works and Jewelry
   □ Knitwear
   □ Jewelry and Cultural Artifacts
   □ Pottery

3. Year of Establishment (dd/mm/yy in EC) ____________________

4. Are you a member of AACSA?
   □ Yes
   □ No

   If yes, why did you become a member?_____________________
   If not, why not?________________________________________

5. If you are a member, how much do you pay for membership fee per year? Birr___________
6. Do you pay regularly without being reminded?
   □ Yes □ No

   If not, why not? __________________________________________

II. Governance

7. Have you ever participated in a general assembly?
   Yes □ No □

   If not, why not? __________________________________________

8. Do you know how long elected officials hold office at the maximum?
   ___________ years

9. How do you rate your participation in association activities?
   None □ Average □ Good □ Very Good □

10. How do you rate the performance of elected officials?
    High □ Medium □ Low □

11. How do you rate the accountability of elected officials?
    High □ Medium □ Low □

III. Capacity and Service Delivery Assessment

12. Do you believe the association is providing adequate services to members and others?
    Yes □ No □

13. How do you rate the services provided by the association?
    □ High
    □ Medium
    □ Low

14. Is there a formal structure of contact and dialogue with the association?
    Yes □ No □

    If yes, how is it done? _____________________________________
15. Has the association ever implemented programs/projects for your sector?
   Yes ☐          No ☐

16. What needs to be done to build your association’s capacity and those of other similar business associations?
   a. _________________________
   b. _________________________
   c. _________________________
   d. _________________________

17. Who should do what?
   e. The association/members:
      _________________________
      _________________________
      _________________________
   f. The secretariat:
      _________________________
      _________________________
      _________________________
   g. Chambers of commerce and sectoral associations:
      _________________________
      _________________________
      _________________________
   h. Government:
      _________________________
      _________________________
      _________________________

18. Based on existing conditions, what do you predict your association would be, say, ten years down the line?
   ☐ Would improve substantially
   ☐ Do not expect much change
   ☐ Would deteriorate
Annex II

Competency Index: Questionnaire

Situation Analysis of Business and Sectoral Associations in Ethiopia: Challenges and Interventions for the Way Forward

I. Background Information

1. Name: _______________________________________________________________________

2. Type of association
   - Chamber of Commerce
   - Business Association
   - Sectoral Association
   - Advocacy group

3. Year of Establishment (dd/mm/yy in EC) ______________

4. Membership
   4.1. Number at establishment________
   4.2 Current __________ of which active members* ___________
   4.3. Current members disaggregated by sex:
      i. Male_____________
      ii. Female____________

5. Principal Business Sector the Association is Categorized into:
   - All
   - Agriculture/farming
   - Trading (retail/export)
   - Manufacturing
   - Tourism/hospitality
   - Transport/logistics
   - ICT
   - Construction
   - Medical/health
   - Education
   - Consulting
   - Other (specify)

* These are members who participate regularly in all membership affairs and pay their membership fees.
6. Objectives of the association
   □ Advocacy
   □ Business promotion
   □ Market information
   □ Capacity building services/BDS

7. Annual budget:
   Annual budget at establishment _______ Birr
   Annual budget for 2008 _______ Birr

8. Annual budget spending
   Advocacy work _______%
   BDS _______%
   Others _______%

   Membership fee _______%
   Income from services/products _______%
   Support from the government _______%
   Support from donors/NGOs _______%
   Support from other sources _______%
   Others _______%

10. How much is the prevailing membership fee? Birr _______

II. Constitution and Governance

11. When was the existing constitution of the association adopted?
    Year ________

12. How long do elected officials hold office at the maximum?
    ________ years

13. Do you have a secretariat?
    Yes □ No □

14. If yes, what is the number of employees?
    - Professional (diploma level training and above) ________________
    - Administrative ________________
15. What are the major duties of the board?
- Policy and supervisory management
- Policy and routine management
- Other (specify)

16. Which election system are you using?
- Self nomination
- Nomination by others
- Other

17. Which balloting system is the association using?
- Open
- Secret

18. How do you rate the participation of members during elections?
- None □
- Average □
- Good □
- Very Good □

19. How do you rate the accountability of the board to the general assembly?
- High □
- Medium □
- Low □

20. How frequently does the general assembly meet?
- Bi-annually □
- Annually □
- As often as necessary □

21. Are there clear responsibility demarcations between the board and the general assembly?
- Yes □
- No □

22. Who makes the final decision on the following?
- Appointment of external auditor _________________________
- Approval of annual report ____________________________
- Approval of annual audit report _______________________
- Approval of annual budget ___________________________

23. Are there provisions in the constitution for accepting membership (associate, honorary, etc) from support service providers in the value chain, research, academia, advocacy groups, etc?
- Yes □
- No □
24. Is the association a member of any other local or international association or business group?  Yes ☐  No ☐

III. Capacity and Service Delivery Assessment

25. Does the association believe that it is providing full services as prescribed by its constitution to members and others?  Yes ☐  No ☐

26. How do you rate the satisfaction level of members with the services of the association?
   ☐ High
   ☐ Medium
   ☐ Low

27. How is the willingness of the majority of members to pay membership fee?
   ☐ Much agitation needed
   ☐ Little reminder needed
   ☐ Pay on own accord and on time

28. If advocacy was done in the past, was it done through:
   ☐ Structured policy dialogue
   ☐ Media
   ☐ Printing and distribution of promotional materials
   ☐ Combination of the above
   ☐ Others

29. If advocacy was through policy dialogue, how was it organized?
   ☐ Regular forum
   ☐ Ad-hoc committee
   ☐ Informal communication
   ☐ One time workshop
   ☐ Other

30. Is there institutional structure to dialogue?  Yes ☐  No ☐

31. Do you have access to government funds?  Yes ☐  No ☐
32. Do you have access to independent expertise to compile policy positions, cases and debates within the association and with other parties?
   Yes ☐ No ☐

33. Do you get draft policy documents directly from the concerned authority?
   Yes ☐ No ☐

34. If yes, was there sufficient time to
   ☐ Access expertise and prepare the debate
   ☐ Consult constituencies
   ☐ Lobby on other interest groups

35. When does the government provide the opportunity for association participation?
   ☐ During policy formulation and program design
   ☐ Program implementation
   ☐ Program reviews and evaluation

36. Were there instances where the association managed to get acceptance of its policy ideas that stood contrary to initial proposals by the government or other bodies?
   Yes ☐ No ☐

37. Has the association ever implemented government programs/projects as consultant/contractor?
   Yes ☐ No ☐

IV. Challenges of Business and Sectoral Associations

38. Are the provisions of the existing law for the formation of chambers and sectoral associations conducive for their functioning?
   Yes ☐ No ☐

39. Consultation with the private sector and flexibility to accommodate their concerns/interests during the passing of the law for the establishment of business associations was:
   Adequate ☐ Inadequate ☐ Non-existent ☐
40. Does your association have the capacity for policy development, analysis, and dialogue?
   Yes □ Not so strong □ No capacity □

41. What are the causes for limitations in capacity
   □ Legal/policy environment
   □ Financial resources
   □ Human resource
   □ Lack of facilities
   □ Nature of the association
   □ Others

42. What are you doing or planning to do to strengthen your capacity?
   1. _________________________
   2. _________________________
   3. _________________________
   4. _________________________

43. Do you obtain the required technical and other support from the public sector?
   Yes □ No □

44. What needs to be done to build your association’s capacity and those of other similar business associations?
   a. _________________________
   b. _________________________
   c. _________________________
   d. _________________________

45. Who should do what?
   a. the association/members:
      _________________________
      _________________________
      _________________________
   b. the secretariat:
      _________________________
      _________________________
      _________________________
c. chambers of commerce and sectoral associations:
_________________________________________
_________________________________________
_________________________________________

d. government:
_________________________________________
_________________________________________
_________________________________________

46. Which business organizations would you like to emulate as a role model?
□ Local
□ International
□ Regional

47. How do you rate public private partnership (PPP) in Ethiopia?
□ Excellent
□ Good
□ Bad
□ Non-existent

48. What is the trend in PPP development?
□ Continued improvement
□ Static
□ Declining
□ Vanishing

49. Can your organization make a difference in the industry you represent?
Yes □          No □

50. Based on existing conditions, what do you predict your association would be, say, ten years down the line?
□ Would improve substantially
□ Do not expect much change
□ Would deteriorate
Annex III

Competency Index: Index of Measurement of Competence

A. Organizational structure (25 points)
   i) Presence of General Assembly, Board of Directors, and Secretariat (8 points)
   ii) Mandate of General Assembly, Board of Directors, and Secretariat (more mandate to Board and general assembly, less point) (7 points)
   iii) Staff adequacy (5 points)
   iv) Good size of membership (>50) (5 points)

B. Governance and accountability (30 points)
   a. Transparency (15 points)
      i. Presence of constitutions and bylaws (5 points)
      ii. Election systems (self nominee, open bidding etc) (4 points)
      iii. Decision making process (3 points)
      iv. constituency consultation (3 points)
   b. Accountability (15 points)
      i. Finance/procurement procedures (3 points)
      ii. Annual/regular meeting (3 points)
      iii. External/internal audit (5 points)
      iv. Report/budget approval (4 points)

C. Capacity to dialogue and to provide BDS (35 points)
   a. Adequacy of financial resources (own and external) (10 points)
   b. Access to expertise - own and outsourcing
   c. Dialoguing capacity (practical number of issues dialogued, Number of issues raised and solved)
   d. Sustainability of the capacity (10 points)
      i. Share of own revenue (2.5 points)
      ii. Other income generating activities (5 points)
      iii. Satisfaction level of beneficiaries (2.5 points)
e. Advocacy practices (5 points)
   i. Through leaflets
   ii. Through media
   iii. Others

D. Legitimacy (10 points)
a. Active members good representation of the sector (5 points)
b. Recognition by law (3 points)
c. Redundancy and duplication of representation (2 points)

**Competency Index: Measuring Competency Index**

The attributes used to measure the competence of an association and the weights attached to each of them is presented as follows:

A) Organization Structure (20 points)

a) Presence of:
   - General Assembly, Board of Directors and secretariat (8 points)
   - General Assembly and Board of Directors only (5 points)

b) Mandate of General Assembly, Board of Directors and Secretariat (7 points)
   - More mandate to the secretariat (7 points)
   - More mandate to General Assembly and Board of Directors (5 points)

c) Size of active membership (5 points)
   - If active members are greater than 50% (5 points)
   - If active members are less than 50% (0 point)

B) Governance and Accountability (30 points)

a) Presence of constitutions and by laws (5 points)
   - If yes (5 points)
   - If no (0 point)
b) Presence of democratic election system (4 points)
   - If yes (4 points)
   - If no (0 point)

c) Decision-making practice (3 points)
   - If board (3 points)
   - If general Assembly (1 point)
   - If president (0 point)

d) Constituency consultation (3 points)
   - If yes (3 points)
   - If no (0 point)

e) Presence of financial and procurement procedures (3 points)
   - If yes (10 points)
   - If no (0 point)

f) Presence of annual/regular meeting (3 points)
   - If yes (3 points)
   - If no (0 point)

g) Presence of internal/external audit (5 points)
   - If yes (5 points)
   - If no (0 point)

h) Presence of annual report/budget approval process (4 points)
   - If yes (4 points)
   - If no (0 point)

C) Capacity to Dialogue and Provide BDS (40 points)

   a) Adequacy of own and external financial resources (10 points)
      - If yes (10 points)
      - If no (0 point)

   b) Access to own or outsourced expertise (5 points)
      - If yes (5 points)
      - If no (0 point)
c) Dialoguing practice - numbers of events and issues raised (5 points)
   - If greater than two (5 points)
   - If none (0 point)

d) Sustainability of capacity (10 points)
   - If share of own revenue > 25% and other income generating activities are up to 25% (10 points)
   - If share of own revenue > 25% and other income generating activities are up to 10% (5 points)
   - If share of own revenue > 25% only (3 points)

e) Secretariat staff adequacy (5 points)
   - Good if there are professional staff in the secretariat (5 points)
   - Poor if there are no professional staff in the secretariat (3 points)
   - None if there are no secretariat (0 point)

f) Advocacy practice (5 points)
   - If all other means including dialogue forum (5 points)
   - If merely attending meetings (3 points)
   - If none (0 point)

D) Legitimacy (10 points)

a) Members are good representative of the sector (5 points)
   - If greater than 10% (5 points)
   - If less than 10% (0 point)

b) Recognition by the Chamber law (2 points)
   - If yes (2 points)
   - If no (0 point)

c) Satisfaction rate of members – rated by the association (3 points)
   - If high (3 points)
   - If medium (1 point)
   - If low (0 point)
Using the above attributes, an index of competence to the business and sectoral associations has been developed as follows:

- Weight has been given for each of the attributes, giving more emphasis to attributes “capacity to dialogue and provide BDS” (40 points) and “governance and accountability” (30 points);

- The weight given to each attribute is arbitrary and may be easily be challenged, even though the attributes and the significance attached to them in reflecting the competence of an association may not be challenged;

- The weights given are summed up for each association to reflect the extent of the competence of an association; in a perfect scenario, the weights add up to 100, reflecting 100 percent;

- The information used has been gathered through interviewing, those at management level of an association guided by a structured questionnaire for selected and representative associations for the purpose;

- Those associations interviewed represent a good size of enterprises existing in Ethiopia;

- One cannot claim that the information obtained from the interviews is free from judgments of the interviewee as one might not come up with the same response from another group of interviewees, if repeated. Hence, the index of competence is not free from personal judgments and sentiments.
## Annex IV

### Score of Competence

<table>
<thead>
<tr>
<th>Amhara Chamber of Commerce and Sectoral Associations</th>
<th>Amhara Chamber of Sectoral Associations</th>
<th>Amhara Bahir Dar City Chamber of Commerce and Sectoral Associations</th>
<th>Bahir Dar Wood and Reeds products manufacturing Associations</th>
<th>Bahir Dar Hotels and Tourism Service Associations</th>
<th>Amhara Women Entrepreneurs Associations</th>
<th>Gondar City Chambers of Commerce and Sectoral Associations</th>
<th>Gondar City Metal Works and Jewelry Producers Associations</th>
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<td>Amhara</td>
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<td>Bahir Dar City</td>
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### Score of Competence

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<th>Mekele City Chamber of Commerce and Sectoral Associations</th>
<th>Mekele City Garage Service Providers Associations</th>
<th>Mekele City Metal and Wood Producers Associations</th>
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<td>Gondar City Wood and Reeds Products Manufacturing Associations</td>
<td>Gondar City Tailors and Canvases Products Manufacturing Associations</td>
<td>Tigray Tailors and Canvases Products Manufacturing Associations</td>
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<td><strong>B. Governance and accountability (30 points)</strong></td>
<td><strong>C. Capacity to dialogue and provide BDS (40)</strong></td>
<td><strong>D. Legitimacy (10)</strong></td>
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<td>A.1. Presence of general assembly, Board and secretariat (8)</td>
<td>B.1. Transparency (15 points)</td>
<td>C.1. Adequacy of financial resources (10 points)</td>
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**Year of establishment**
- Gondar City: Sep-06, Sep-06, Feb-07, Mar-07, May-05, Aug-06, Mar-08, 2005
- Tigray: Sep-06, Sep-06, Nov-07, Mar-08, May-08, Aug-08, Mar-08, 2005
- Mekele: Sep-06, Sep-06, Nov-07, Mar-08, May-08, Aug-08, Mar-08, 2005

**Score Details**
- A. Organizational structure: 10, 10, 11, 13, 13, 13, 8
- B. Governance and accountability: 12, 12, 15, 10, 27, 15, 12, 12
- C. Capacity to dialogue and provide BDS: 0, 0, 3, 3, 23, 3, 0, 0
- D. Legitimacy: 5, 2, 3, 7, 2, 3, 10, 2

**Aggregate score**
- A. Organizational structure: 27, 24, 29, 28, 63, 34, 35, 23
- B. Governance and accountability: 12, 12, 15, 10, 27, 15, 12, 12
- C. Capacity to dialogue and provide BDS: 0, 0, 3, 3, 23, 3, 0, 0
- D. Legitimacy: 5, 2, 3, 7, 2, 3, 10, 2

**Aggregate score**
- 27, 24, 29, 28, 63, 34, 35, 23
### Score of Competence

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<th>Oromia Region Chamber of Commerce and Sectoral Associations</th>
<th>Oromia Region Chamber of Sectoral Association</th>
<th>Adama City Chamber of Commerce and Sectoral Associations</th>
<th>Adama City Construction Sectoral Associations</th>
<th>Adama City Jewellery Service Associations</th>
<th>Shashemene City Chamber of Commerce and Sectoral Associations</th>
<th>Shashemene City Grain Mills Associations</th>
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| Aggregate score                                         | 22                                         | 20                                                   | 56                                         | 26                                         | 29                                                  | 41                                                  | 35                                                  |

A. Organizational structure (20 points)                  | 8                                          | 8                                                    | 13                                         | 8                                          | 8                                                   | 10                                                  | 13                                                   |
B. Governance and accountability (30 points)              | 12                                         | 10                                                   | 15                                         | 15                                         | 13                                                  | 15                                                  | 15                                                   |
C. Capacity to dialogue and provide BDS (40)               | 0                                          | 0                                                    | 26                                         | 0                                          | 0                                                   | 13                                                  | 0                                                    |
D. Legitimacy (10)                                        | 2                                          | 2                                                    | 2                                          | 3                                          | 8                                                   | 3                                                   | 10                                                  |
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<td>Aggregate score</td>
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<td>87</td>
<td>32</td>
<td>73</td>
<td>84</td>
<td>68</td>
<td>62</td>
<td>86</td>
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</table>

| A. Organizational structure (20 points) | 13                                          | 20                                                      | 13                                              | 18                                            | 20                                            | 18                                              | 13                                              | 20                                              |
| B. Governance and accountability (30 points) | 10                                          | 26                                                      | 9                                                | 28                                            | 28                                            | 28                                              | 28                                              | 27                                              |
| C. Capacity to dialogue and provide BDS (40) | 0                                           | 38                                                      | 3                                                | 19                                            | 35                                            | 19                                              | 21                                              | 33                                              |
| D. Legitimacy (10) | 2                                           | 3                                                       | 7                                                | 8                                             | 1                                             | 3                                                | 0                                                | 6                                                |
| Aggregate score | 25                                          | 87                                                      | 32                                               | 73                                            | 84                                            | 68                                              | 62                                              | 86                                              |
### Score of Competence

<table>
<thead>
<tr>
<th>Year of establishment</th>
<th>Ethiopian Textile and Garment Manufacturing Associations</th>
<th>Ethiopian Coffee Exporters’ Associations</th>
<th>Ethiopian Chamber of Commerce and Sectoral Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>41</td>
<td>42</td>
<td>43</td>
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</table>

**A. Organizational structure (20 points)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1. Presence of general assembly, Board and secretariat (8)</td>
<td>8</td>
</tr>
<tr>
<td>A.2. Mandate of general assembly, Board and secretariat (7)</td>
<td>5</td>
</tr>
<tr>
<td>A.3. Size of Active membership (5 points)</td>
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**B. Governance and accountability (30 points)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Points</th>
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<tbody>
<tr>
<td>B.1. Transparency (15 points)</td>
<td>13</td>
</tr>
<tr>
<td>- Presence of Constitution and bylaws (5 points)</td>
<td>5</td>
</tr>
<tr>
<td>- Election system (4 points)</td>
<td>4</td>
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<tr>
<td>- Decision making process (3)</td>
<td>3</td>
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<tr>
<td>- Constituency consultation (3 points)</td>
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<tr>
<td>B.2. Accountability (15 points)</td>
<td>12</td>
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<tr>
<td>- Availability of finance and procurement procedures (3 points)</td>
<td>0</td>
</tr>
<tr>
<td>- Annual/regual meeting (3 points)</td>
<td>3</td>
</tr>
<tr>
<td>- Internal/External Audit (5 points)</td>
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<tr>
<td>- Report/budget approval (4 points)</td>
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**C. Capacity to dialogue and provide BDS (40)**

<table>
<thead>
<tr>
<th>Category</th>
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<tbody>
<tr>
<td>C.1. Adequacy of financial resources (10 points)</td>
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<tr>
<td>C.2. Access to expertise (5 points)</td>
<td>5</td>
</tr>
<tr>
<td>C.3. Dialoguing capacity (5 points)</td>
<td>5</td>
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<tr>
<td>C.4. Sustainability of capacity (10 points)</td>
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<tr>
<td>C.5. Advocacy practices (5 points)</td>
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**D. Legitimacy (10)**

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<td>D.1. Representation (5 points)</td>
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<tr>
<td>D.2. Recognition by law (2 points)</td>
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<tr>
<td>D.3. Satisfaction rate of members (3 points)</td>
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</tbody>
</table>

**Aggregate score**

<table>
<thead>
<tr>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
</tr>
<tr>
<td>93</td>
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<tr>
<td>63</td>
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</table>

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<tr>
<th>Category</th>
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<tbody>
<tr>
<td>A. Organizational structure (20 points)</td>
<td>16</td>
</tr>
<tr>
<td>B. Governance and accountability (30 points)</td>
<td>25</td>
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<tr>
<td>C. Capacity to dialogue and provide BDS (40)</td>
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<tr>
<td>D. Legitimacy (10)</td>
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**Aggregate score**

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<td>63</td>
</tr>
</tbody>
</table>
Annex V

Types of Services Delivered by BMOs

1. Trade and market development:
   - Organizing product exhibitions and trade fairs
   - Information on prospective (export) markets
   - Buyer-seller meetings and subcontracting exchanges
   - Trade delegations
   - Facilitating market research
   - Marketing of samples and showrooms
   - Matchmaking

2. Training:
   - Management training
   - Technical training
   - Vocational training centers for staff members and apprentices
   - Seminars and group consultancy
   - Development of training manuals
   - Training curricula and standards
   - Organizing legal aspects of staff training

3. Advice and consultancy:
   - Exchange visits and business tours
   - Best practice benchmarking among members
   - Individual counseling and mentoring
   - Legal services
   - Financial and taxation advice
   - Help with accountancy and bookkeeping
   - Quality standards and ISO 9000
   - New technologies and environmental aspects

4. Information and networking:
   - Regular business meetings
   - Industry clubs and committees
   - Web site and Internet-based business contacts
5. Office facilities and infrastructure services:

- Secretarial services
- Computer services
- Telecommunications
- Internet access
- Developing and managing industrial estates
- Running testing facilities
- Storage and port services

6. Delegated government functions:

- Business registration
- Issuing certificates of origin
- Registration of samples
- Organization of vocational training schools
- Holding examinations and professional licensing
- Export quota allocation
- Running courts of arbitration
- Developing and supervising industry standards