

IAIP INVESTMENT PROMOTION AND MOBILIZATION STRATEGIES – POLICY ADVOCACY – PUBLIC-PRIVATE SECTOR DIALOGUE

Phase 2 – final report

Report prepared by FDI Center for UNIDO

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Abbreviation	Meaning	Abbreviation	Meaning
ECCSA	Ethiopian Chamber of Commerce and Sectoral Associations	MoTI	Ministry of Trade and Industry
EIC	Ethiopian Investment Commission	MoU	Memorandum of Understanding
EPPCF	Ethiopian Public Private Consultative Forum	PPD	Public-Private Dialogue
EU	European Union	RIC	Regional Investment Commission
FAO	Food and Agriculture Organization of the United Nations	RIPDC	Regional Industrial Parks Development Corporation
FDI	Foreign Direct Investment	RTC	Rural Transformation Center
GiZ	German Corporation for International Cooperation	SME	Small and Medium-sized Enterprises
GoE	Government of Ethiopia	SNNPR	Southern Nationals Nationalities and Peoples Region
IAIP	Integrated Agro-Industrial Park	UNIDO	United Nations Industrial Development Organization
IFC	International Finance Corporation		
ILO	International Labour Organization		
IPA	Investment Promotion Agency		
MoA	Ministry of Agriculture		

1. INTRODUCTION

This report is the final deliverable on public-private sector dialogue and is part of the phase 2 of the project to support the United Nations Industrial Development Organization (UNIDO) and the Ethiopian government with the development of an investment promotion and mobilization strategy for three pilot integrated agro-industrial parks (IAIP) (i.e., Yirgalem IAIP, Bulbula IAIP, and Bure IAIP).

This report focuses on the public-private sector dialogue and how it can provide a platform for a systematic co-operation of Federal and Regional authorities as well as Private Sector organizations to promote policies that will allow greater benefits from investors and to build the competitiveness of the IAIPs.

This report has been discussed and endorsed by UNIDO and all relevant regional and national stakeholders during the virtual validation workshop “Pilot-IAIP investment promotion strategy validation workshop” held on July 15, 2021.

The research and analysis for this report was conducted in June and July 2021. A list of all the sources used for the analysis is provided in the annex.

2. PUBLIC-PRIVATE SECTOR DIALOGUE

Why is it relevant?

A public-private dialogue (PPD) is a relevant process that serves as a platform to allow a strong and systematic collaboration among:

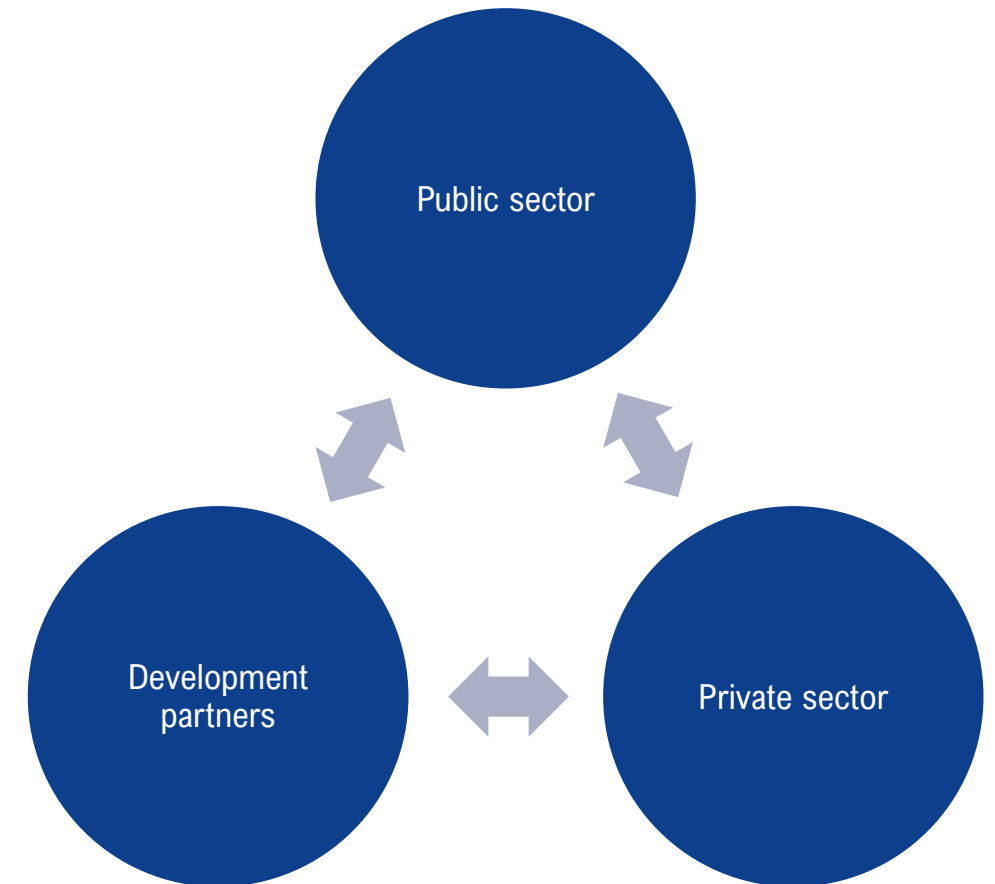
- The public sector, including representatives from the national level such as ministries that are relevant for the target group (e.g., the MoTI, the MoA, EIC) as well as regional authorities (e.g., the RIPDC, RIC, and the Regional agricultural bureaus);
- The private sector, including representatives from companies established at the IAIP; and
- Relevant development partners, including multilateral organizations like UNIDO and representatives from the academia, who are experts in certain fields and can provide feedback as well as contribute through their networks worldwide.

This process helps to build trust and understanding between the government and the private sector, identify constraints, and provides feedback for the development of evidence-based policies that help to improve the economic, social, and industrial policies of a region.

Attracting domestic and foreign direct investments (FDI) to the IAIPs will support the economic growth of each region, therefore, the country. As a result, it is necessary to take into consideration the challenges and the needs of the private investors for developing new policies and conduct new investments in the region (e.g., investing in infrastructure such as roads in a specific region or creating new policies that facilitate and encourage the growth of a particular industry).

A public-private dialogue can be structured or informal, but both aim to strengthen the policies of a country or a region to support the development of the industry.

Graphic 1: Public-Private actors involved in a PPD



Elaborated by FDI Center (2021).

Our understanding of the current Public-Private Dialogue situation in Ethiopia

After years of negotiations between the government of Ethiopia and the private sector to establish a formal mechanism for PPD, the Ministry of Trade and Industry (as leading entity representing the public sector) and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) (as the leading entity representing the private sector) signed a Memorandum of Understanding (MoU) in July 2010 to establish the Ethiopian Public Private Consultative Forum (EPPCF).

The EPPCF began operations in September 2011 with the financial and technical support from the IFC of the World Bank. Since then, the EPPCF aims to:

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

Recent meetings include meetings between the private sector and the Prime Minister in 2020 and previously in 2018.

Structure

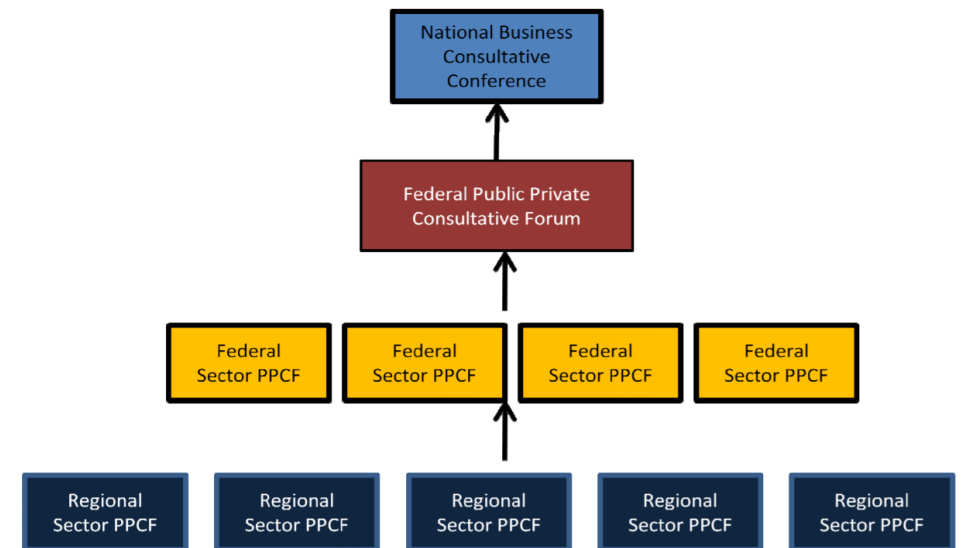
The PPD is conducted in the country through:

- The Secretariat of the EPPCF, which is located within the ECCSA and aims to provide a valuable resource for private sector members to utilize the information and research emanating from the EPPCF mechanism.
- The EPPCF Unit at the MoTI, which is responsible for facilitating and coordinating government input into the EPPCF. There is also a PPD coordinating unit at the MoTI focused on sectoral dialogues.

The work of the Secretariat and the EPPCF Unit at the MoTI have received support from key partners such as the World Bank and the UNDP.

As Graphic 2 shows, the structure of the EPPCF has been developed in a way that helps to cover all the different levels in the country (i.e., federal, state, and woreda levels).

Graphic 2: The EPPCF structure



Source: Mihretu, Mamo & Tolina, Eyob Tekalign (2014).

Case study: PPD project in Tunisia

In 2014, the Government of Tunisia conducted a structured PPD project to identify and enhance the growth of pilot clusters in Tunisia. The project was based on fact-based cross-sectorial diagnostics and extensive PPD that included workshops and business forums.

The project was focused on four pilot sectors (i.e., IT services, electronic components, pharma / human medicine, and textile and garments) and it received support from the World Bank.

This PPD project had three phases and was completed in a timeline of three years. However, it is important to note that the project faced delays due to five consecutive government reshuffles.

Phase	Timeline	Focus	Main results
1	January – July 2014	Cluster diagnostics and prioritization of binding constraints	<ul style="list-style-type: none"> • Eight reports, two on each prioritized sector, on sectoral analysis and priorities as well as digital communication materials. • A synthesis of all four sectors was presented and policy recommendations were included in the government’s “Vision 2030”. • The project received the 8th Howard award for resilience.
2	September 2014 – January 2016	Elaboration of sector specific action plans	<ul style="list-style-type: none"> • Held over 55 PPD meetings that led to: <ul style="list-style-type: none"> ○ <i>IT Services</i>: advisory and support provided to “Smart Tunisia”, a national initiative to promote investment in digital technology in the country. ○ <i>Electronic components</i>: a cluster association called “Elentica” was established in 2017. ○ <i>Pharma / human medicine</i>: advisory and financial support on reforms of the marketing authorization process, pricing process, export development strategy, medicine subsidy programs, and clinical trials with a decree. One of the main results was that the time needed to acquire a permit to market medicines was significantly reduced from 2-3 years to under 9 months. ○ <i>Textile and garments</i>: a coordination group was established, including all donors and Public-Private actors active in the sector.
3	September 2014 – 2017	Establishment of the implementation mechanisms	

Source: Public Private Dialogue (2017).

Case study: PPD in Cambodia

In 1999, the Prime Minister of the Royal Government of Cambodia decided to establish the Government-Private Sector Forum (G-PSF) with the purpose of providing a reliable dialogue mechanism for consultation between the government and the private sector on investment climate issues to encourage private sector initiatives and improve the investment climate in Cambodia.

The Council of Development of Cambodia acts as the Secretariat of the G-PSF and facilitates the dialogue within and among the public and private sector working groups. There are ten private sector working groups (i.e., Agriculture & Agroindustry; Tourism; Manufacturing and Small and Medium Enterprises and Services; Law, Tax and Governance; Banking and Financial Services; Transport and Infrastructure; Export Processing and Trade Facilitation; Industrial Relations; Unhusked Rice-Rice; and Mining Resource), which meet regularly throughout the year to identify and prioritize common problems and negotiate solutions with the government. The public and private sector meet as often as necessary, and at two levels:

- Private sector-only working group (PSWG) meetings, which are open to business associations and company representatives. These meetings allow members to discuss and agree internally on the main issues that need to be raised to the government. These PSWG meetings take place approximately every month.
- Joint Government-Private Sector Working Group (WG) meetings, which take place at the request of the private sector or the Royal Government of Cambodia. These meetings provide the space to discuss an agreed-on agenda of problems and recommendations related to either law or policy (e.g., laws, sub-decrees, decisions) or direct operational impediments experienced by the private sector (e.g., road conditions, unofficial fees, damaged infrastructure). Each WG is co-chaired by a Minister of the Royal Government of Cambodia and a representative from the private sector. The issues that are not resolved within the WG dialogue can be referred to the Prime Minister for resolution during the twice-yearly Forum plenary sessions.

PPD for the IAIPs: Organizations involved and roles

The regional governments should take the lead of the PPD for the IAIPs. The Ethiopian Public Private Consultative Forum (EPPCF) is the existing platform in charge of managing the PPD in Ethiopia and has the most experience in this field. As such, we recommend the regional institutions (RIPDC/RIC) to work closely together with the EPPCF in facilitating the PPD between the companies established at the IAIPs and the associated RTCs. The goal is to promote a strong PPD between the public and private sector as well as the key development partners by acting neutral between all the parties. Other relevant organizations for strengthening the PPD are presented below:

Level	Organizations	Role
Public sector	National <ul style="list-style-type: none"> Ethiopian Investment Commission (EIC) Ministry of Trade and Industry (MoTI) Ministry of Agriculture (MoA) Ministry of Finance Ministry of Environment and Forest (MoEF) Agricultural Transformation Agency (ATA) Ethiopian Food and Drug Administration (EFDA) Ethiopian Export Promotion Agency (EEPA) Ethiopian Revenue & Customs Authority (ERCA) 	<ul style="list-style-type: none"> Enable the dialogue and facilitate new measures that support businesses to thrive. Facilitate and monitor reforms implementation.
	Regional <ul style="list-style-type: none"> RIPDC RIC Regional agricultural bureaus 	<ul style="list-style-type: none"> Facilitate the local and regional dialogue, which can contribute to effective implementation of the national policies.
Private sector	<ul style="list-style-type: none"> Domestic and international investors Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) 	<ul style="list-style-type: none"> Contribute to the PPD by raising the main challenges that the industries are facing.
Some of the key development partners	<ul style="list-style-type: none"> UNIDO UNDP World Bank ILO FAO GIZ Italian Development Agency 	<ul style="list-style-type: none"> The development partners can facilitate the dialogue and initiate, promote, support, and fund activities (e.g., studies or capacity building activities) to improve social, economic, and political aspects of the region. Coordinate among themselves to avoid duplicating efforts and maximize the availability of funds. Be neutral and maintain a transparent environment.

Recommendations

The business climate for the selected target groups (i.e., coffee, avocado, pineapple, tomato, dairy, and livestock processors as well as industrial bakeries and producers of consumer goods from maize) needs to be continuously monitored to guarantee that current and potential investors have the support from the government to continue growing. Therefore, it is critical to develop a strong and continuous PPD.

We suggest supporting a PPD for the companies established at the IAIPs. This can be conducted in two ways. One way is providing a platform to raise specific concerns that may surge spontaneously due to an unpredicted situation (e.g., a global pandemic that may disrupt import and export activities) and need to be resolved as soon as possible. The other way is to have a structured PPD project in four phases as it is described below:



The next pages provide information for each phase related to:

- **Purpose** – what is the aim of this phase?
- **Timeline** – how much time is required to complete the activities in the phase?
- **Methodology** – what is the best structure to be used? What type of reporting system can be used?

These phases need to be conducted continuously, meaning that after one PPD project is finished, the cycle should start again. This process will allow a constant

Recommendations



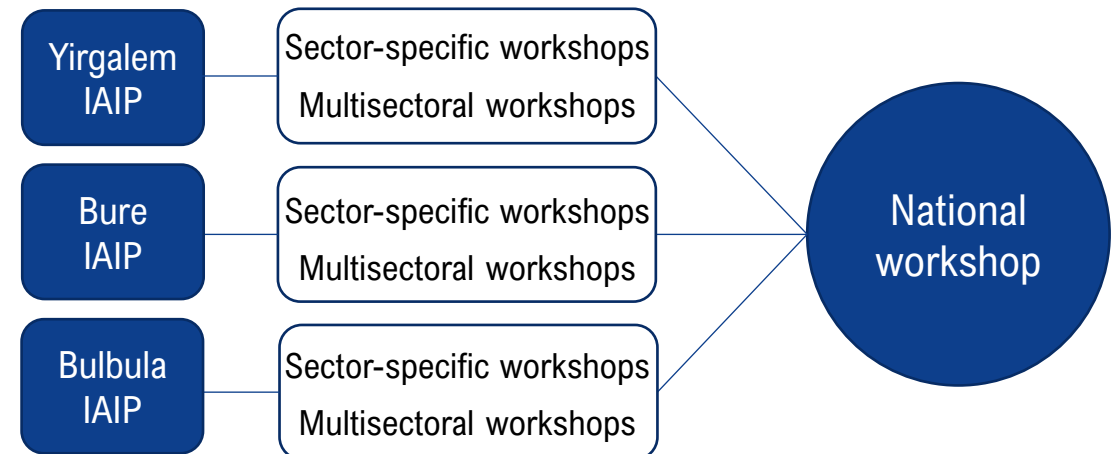
Purpose: to set up the dialogue process based on trust between the public and private sector as well as the development partners to identify all investment climate constraints that affect the success of domestic and international businesses at the IAIPs.

Timeline: up to three months.

Methodology: The investment climate constraints need to be identified per region (e.g., electricity, infrastructure, access to raw materials) and per sectors/target groups (e.g., labor force with the required skills, regulatory constraints). We suggest conducting surveys (see annex for an example) as well as two initial types of workshops at the regional level (see Graphic 3) to discuss all the constraints in a specific region and elaborate a preliminary list of measures that could be conducted to improve each constraint that has been identified. A national workshop is suggested after as a way to identify how to proceed with topics that are among all the regions and industries (e.g., tax or export/import related issues).

Once all the surveys and workshops have been conducted, it may be needed to conduct additional field interviews with established investors at the IAIPs and the cooperatives in the regions. This will guarantee that all the relevant parties are involved, and all the constraints have been identified.

Graphic 3: General structure for diagnostic



Recommendations



Methodology (continued): some of the key questions to include during the diagnostic are:

- General – What are the main constraints that the private sector is facing in the region? Are there already initiatives dealing specifically with some of the issues? What type of studies have already been conducted in the region that could contribute for the analysis of this phase? Does the private sector have a direct contact with the government? At what levels does this interaction take place?
- Investment attraction – What role play domestic and FDI companies in the social and economic development of the region? What type of incentives are available for established and new domestic and international companies?
- Exports – How important is the export market for the companies that are already established or considering establishing at the IAIP?
- Supply chains – Have companies shown interest in developing local supply chains? Which sectors have a stronger local/regional supply chain? Which sectors can be further developed? What do they need to be strengthened?
- Labor market – How large is the informal sector? What type of skills could be further developed to secure the right talent for the companies at the IAIP?
- Regulatory – What type of regulatory issues can be improved to facilitate the operations of the companies at the IAIP?
- Financial – Which sources of financing are available?

Please keep in mind that several of these points may apply for companies established outside of the IAIPs and the associated RTCs.

Finally, we consider that the regional governments should take together with the EPPCF the lead in organizing the required workshops in their regions.

Recommendations



Purpose: to develop an action plan that provides a roadmap to provide solutions for each one of the constraints identified in the diagnostic phase. It also provides solid reasoning behind which areas should be prioritized and justifies the amount of financial and human capital needed.

Timeline: up to six months.

Methodology: an action plan is a documentation of all the discussions between the public and the private sector and is seen as a commitment that actions will be taken to tackle the problems. The leading team of the PPD (e.g., the EPPCF) may conduct a brainstorm of ideas to support the selection of the most accurate indicators to evaluate the objectives and the performance of the project, including the essential timeline, steps, responsible, and resources (e.g., financial and human capital) required to work on the identified constraints. The team will also need to define how to prioritize the constraints as it may not be possible to work on all of them at the same time. It will also establish which are going to be the monitoring and evaluation indicators for the project.

Some of the key questions to develop the action plans include:

- Which are the issues that need to be solved?
- Which are the required actions to undertake to solve the identified issues?
- Who is going to be responsible for implementing the actions / reforms?
- What is going to be the timeline for executing the actions needed to tackle the constraints?
- How is the effectiveness of the project going to be assessed?

Recommendations



Purpose: to provide solutions for improving the investment climate in the IAIPs and Ethiopia.

Timeline: between one and two years.

Methodology: in this phase, actions take place and is therefore crucial that there is a good and careful ongoing support for the execution of the action plan. Many of the actions may result in a new political economy reform or capacity building activities.

Recommendations



Purpose: to analyse the results of the PPD process, demonstrate its purpose, and re-evaluate which areas can be improved for conducting further PPD projects.

Timeline: up to three months.

Methodology: the monitoring and evaluation phase will rely on a number of Indicators that have to be analysed. Table 1 presents the different types of indicators that are needed for a successful monitoring and evaluation process. Most of the indicators are likely to have been selected on the phase 2 of the project. It is important to define:

- How relevant each indicator has been?
- What is the impact of the indicator?

Table 1: Indicators & Purpose

Indicators	Purpose
Input	Measure the contributions needed to facilitate the program (e.g., resources available in terms of money, time, staff, etc.).
Process	Measure the activities and outputs (e.g., final products or deliverables of the activities).
Outcome	Measure if the PPD is achieving the expected changes in the short, intermediate, and long-term.
Impact	Measure the overall objective of the PPD.
Context	Measure any external factors that may influence the PPD such as a global pandemic or change in governments.

3. CONCLUSIONS

Interviews and Sources

This report highlights the relevance of establishing a Public-Private Dialogue (PPD) for guaranteeing that the (potential) constraints of the investors established at the IAIPs are taken into consideration at the regional and national level.

We propose a structured public-private dialogue platform for a systematic cooperation among the national and regional entities as well as the private sector and the developing partners. This structure comprises a clear process of four stages (see graphic below), which will support that the PPD is conducted as efficient and effective as possible to build competitiveness at the IAIPs.



ANNEX

Interviews and Sources

Sources

- International Trade Center (ITC) (2021). Investment Facilitation for Development: A toolkit for policymakers. Retrieved from https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Investment%20Facilitation%20for%20Development_rev.Low-res.pdf
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Suggested template / Private sector survey – diagnostic

A survey may have open and/or closed questions and should be short and precise.

The following template serves as a guideline for conducting a survey and may need to be adapted depending on the project.

- Have you had any issues in the last 12 months? Yes / No (If yes. please reply below)
 - What is the issue?
 - Why is this a problem that holds back your development?
 - Which solutions and actions do you consider can be implemented?
- What aspects do you consider can be improved to avoid any issues that may affect your business in the future?
- Do you consider that the public sector do enough to support the development of the private sector at the IAIPs?
- Which government institutions you consider as being particularly competent and capable? Why?
- What is your perception of the development partners (i.e., international donor agencies) in the region?

Enterprise: _____

Name: _____

Position: _____

Contact details: _____

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