Competition Scenario In Ethiopia

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Preface

This report (Country Research Report) is an output of the research undertaken under the project "Capacity Building on competition policy in select countries of Eastern and Southern Africa", referred to as the 7up 3 project, coordinated by CUTS International in seven countries of the region and implemented in Ethiopia by AHa Ethiopian Consumer Protection Association (AHaECoPA).

The report is organized into ten chapters. Chapter one focus on the introduction; Chapter two deals with the general background and theoretical aspects of the competition policy and law; chapter three discusses the impact of social and economic policies on competition. Chapter four attempt to explain the nature of market competition. Chapter five discusses about competition law in Ethiopia; chapter six delves at the Interface between Competition and Economic Regulations in Select Sectors. Chapter seven looks for Regional Integration. Chapter eight overviews the importance of consumer protection law; chapter nine data analysis on field survey and the last Chapter addresses conclusion and recommendation emerging from the research study.

Executive Summary

As market oriented economic policy overwhelmed the command economy of the cold war, Ethiopia declared a market-led economic development strategy and started to practice the rule of privatization, trade liberalization and encourage the involvement of private sectors into the flourishing economic reform process. Price liberalization has to be accompanied by competition policy and law to benefit all those is taking part in the country's economy.

The main objectives of competition policy and law are to secure and enhance competition by eliminating and preventing anti-competitive practice and unfair trade practice. Besides, competition policy and law aims at ensuring the effective and efficient allocation of resources in the economy Like other policies, the government is responsible to design and promote competition policy and regulation that aims to regulate the bahaviour of private companies in the market and curb possibilities of unfair trade practices thereby contributing to the process of economic reform..

As the overall economy of the country is dominated by agriculture, the Ethiopian government followed a strategy of Agricultural Development Led Industry (ADLI) to encourage and advocate the importance of the agricultural sector. Although, it has been agreed that the economic policy of the country is inclined towards free market economy, but the Ethiopian economy has not yet moved as anticipated towards that end due to prevalence of non-diversified production process, underdeveloped infrastructure, limitation of capital, inadequate skilled human resources and market fragmentation. This has restricted the possibility of competition in limited sectors of the economy, both, nationally and in the international market.

The Ethiopian government adopted Trade Practice Proclamation (TPP) in 2003 with the general objective of making trade practice in agreement with free market economic policy, to maintain conducive competitive environment among the business groups to the benefit of consumers. Following, the TPP 239/2003, the government established the trade practice investigation commission (TPIC) which is accountable to the Ministry of Trade and Industry. The commission was mandated to advocate, promote and safeguard competition in the country. The proclamation authorized the commission to prevent abuse of monopoly in the market and protect consumers from anti-competitive, mal-trading, unfair trade practices and unethical service provision. However, the commission is not in a position to perform and solve the abovementioned problems as anticipated due to several factors detailed in the report later.

This Country Research Report attempts to analyse the state of the competition regime in Ethiopia and recommends ways to strengthen the functions of the trade practice commission to implement the trade practice proclamation effectively for the benefit of the Ethiopian economy and consumers.

Chapter 1:
Introduction

From the historical inception of Adam Smith's modern economic theory, free competition is a fundamental principle in any market economy and has been seen as one of the foundations for democratic societies. Smith and other writers, such as Alfred Marshal, emphasized the benefit of the entry and exit to and from.The dynamic nature of competition bolsters the existence of relatively easy procedure for new and more efficient firms to enter or leave the market.

Modern economics has also rediscovered the idea that competition not always perfect. (Lucian Cernat and Peter Holmes, United Nation Conference on Trade and Development in 2004/1).In most developing countries, the conditions for perfect competition are far from being met and the possible benefit of competition do not necessarily always translate into additional growth. Efforts to deregulate markets that are intended to benefit consumers don't always achieve the desirable objectives. For instance, from the empirical evidence of developing countries' experience, the consumer welfare and development benefits resultingfrom trade and investment liberalization and privatization in the absence of appropriate competition rules and supporting institutional infrastructure has been questioned.

Many developing countries during the past two decades, tried to formulate a competition law , in the political economic environment which relied heavily on the markets and less on government interventions.The removal of import restrictions, the reduction of subsidies, the privatization of public owned (government) business enterprises as well as utilities, the easing of foreign exchange controls and the encouragement of foreign direct investment (FDI) were planned to benefit citizens and enhance their position in the market place.

It has now been realised through experience gathered from various parts of the world, that potential benefits of a shift towards a market-oriented economy will not be realized unless business firms are prevented or protected from imposing restrictions on competition. Deregulation of previously regulated sectors, including state-controlled monopolies such as utilities for a long time considered for the most part being "natural monopolies", need to be subject to review by the competition authority to ensure that these firms do not abuse their dominant position in the market.

Purpose of the study:

The purpose of this research is to survey and address the problems that consumers face due to the present state of the competition regime in the country, and recommend ways to better the situation through participatory process of engaging multiple stakeholders performing specific roles to make competition effective.

Objective

The major objective of this report is to come up with the finding that help the Ethiopian government towards effective implementation of competition legislation in the country

Research Methodology

Working on the issue of competition draws on a variety of methods and techniques that involve political, economic and social interactions, particularly between the three major actors - government, producers and consumers. The research is based on competition approach in the context of economic theory. The rise of demand for competition policy and law for producers and consumers is becoming one of the essential concerns of the 21st century. Based on this, the proposed plan of the researchers was to register the perception of the above-mentioned stakeholder groups towards benefit from a functional competition regime in Ethiopia. The information was collected from six National Regional States and two chartered cities, namely Addis Ababa and Diredawa. In addition, the research also comprised analysis of various government policies to assess the extent to which those policies affected (positively or negatively) competition in the marketplace.

Method

The information collected for the purpose of the study was based on literature reviews, field survey and informal interactions with various key personalities both within the country and outside.

a. Literature review

For background discussion and theoretical explanation, the researchers relied on secondary data. Variety of books, published and/or unpublished government documents, websites, reports and newsletters were reviewed to make the study fruitful.

b. Fieldwork

200 questionnaires were distributed in six National Regional States towns (Adama, Awassa, Gambela, Gondar, Harar and Mekele; and two chartered cities namely, Addis Ababa and Diredawa) in Ethiopia to make the research nation wide. The output of the survey will be discussed in chapter nine.

c. Interviews

Although, the researchers launched their interview and discussion regarding competition policy and law informally, the theme was to acquire sufficient data about the problems consumers faced, due to the slow progress of the investigation commission (TPIC) towards implementation of the competition legislation in the country.

Chapter 2:

General Background:

Ethiopia is an ancient polity, with long independent history. As archeological findings attested, it is the cradle of human civilisation. The country has a long history; mosaic of people and diverse cultures. The empire of Ethiopia was founded by the descendants of King Solomon and Queen Sheba. It is a land locked country, located in the Horn of Africa with paradoxical situations. On the one hand, the country is rich in natural, material, human resources, fauna and flora. On the other hand, the country is known as the motherland of drought and famine since time immemorial.

2.1 Ethiopia's Geographical Location

Ethiopia is situated between 3˚ 14' N latitude and 33˚ 48' E Longitude in the Horn of Africa, and share its borders with : Eritrea, Djibouti, Kenya, Somalia and Sudan. A prominent feature of the country is its rugged topography, comprising alpine mountains, flat-topped tablelands, deep canyons and rolling plains. Even though, Ethiopia is twice the size of France with an area of 1.13 million square kilometers, only half of it is potentially arable, including over 3 million hectares of potentially irrigable land.

Despite Ethiopia's location within 15^0 of the equator, the Ethiopian highlands, inhabited by the majority of the population, enjoy temperate climate with sufficient rainfall to grow at least one crop a year. The sparsely populated lowlands of the east, southeast and northwest, on the other hand, typically have sub-tropical and tropical climates, with rainfalls ranging from less than 200 to 800 mm. Despite an adequate average national rainfall of about 930 mm, Ethiopia has been facing frequent droughts.

2.2. Population

Ethiopia is the second populous nation in Africa next to Nigeria. The January 2006 Ministry of Finance and Economic Development (MoFED) status report on the Brussels Program of Action (BPoA) for the Least Developed Countries (LDCs) figured out the population size 74.2 (World Fact Book, 2006) out of which the total urban population size was estimated to be 11.97 million, while the total rural population size was 62.24 million. The size of the population has been increasing at an alarming rate with the annual population growth rate of 2.75% (CSA, 2004:20; MoFED, 2006:1).. According to a research survey launched by MoFED in October 2005, more than 2 million people are added to the country's population every year.

2.3. Gross Domestic Product (GDP)

In 2004, Central Statistics Authority (CSA) estimated the country's GDP at 50.74 million. The growth rate of gross domestic product has been seen to hover around 5 percent (MoFED, 2006:1). The GDP per capita income estimated at 817.8 Birr, roughly less than $100.00 (one hundred US dollars). The government revenue from domestic and abroad estimated to be ETB 17.19 million, while the expenditure of the government for capital goods and other is estimated to be ETB 20.10 million during the budget year, 2003/04 that recorded a deficit of 2.90 million Birr (ibid).

2.4. Literacy Rate:

The survey of the second round of the CSA of April 2004 advocated about educational attainments underlining that 58.5 percent is illiterate people out of which 66.2 percent is male and 33.8 percent is female. The same survey estimated the ratio of literacy at 41.5 percent (MoFED, 2005:82).

2.5. Unemployment Rate:

According to the CSA survey of April 2004, the employment ratio of urban population was estimated at 2,854,321 (42.6%) of the total population; of which1,625,558 (56.9%) were male and 1,228,763 (43.1%) female.

2.6. Analysis of Socio-Politico-Economic History

From the economic perspective, the country has reasonably good resources for potential development with the availability of agricultural land, biodiversity, water resources, minerals and so forth. Agricultural sector constitute the largest economic activity of the country..

More than 85 % of the total population is engaged in agricultural works and depends on this sector for survival, with about 90 percent of them living below the poverty level (Alemayehu and Befekadu, 2002:2, MoFED, 2005:4), and practicing subsistence agriculture. Agriculture contributes40.1 % to the country's GDP and 60% to its export.

The services sector stood second in economic importance to agriculture and this makes the share of industry to GDP only 12.7% (World Book Fact, 2006, Rahel Kassahun, 2003:1, CSA, 2004: 140). Due to various reasons, both agriculture and industrial sectors depends on the external environments, which means that both of them requires imported inputs like fertilizers and pesticide chemicals for the agricultural sector and raw materials and spare parts for the industrial sectors that exacerbate the scarcity of foreign exchange in the country. Researchers like Alemayehu and Befekadu (2002) categorised the Ethiopian economic policy regime into three distinctive periods.

1. Pre Dergue Regime: the political economy of this period was dominated by feudalism. The political culture of the country was fractured, its society was fragmented, and the economy was severely dependent on agriculture. Service and industry were at infancy level. A little before the collapse of the ruling power, the regime strived for the emerging of market led economy in Ethiopia.

2. The Dergue Regime: the period was a radical departure in ideology to change the feudal economic perspectives into socialist/command/economy. The emerging socialist economic policy began to bitterly bite the promising effort of the industry sector. The economic policy of the Dergue regime hampered the development of private sector that forced the economy to retard at 2.3 %, with negative per capita growth.

The colonial legacy and the cold war influence, contributed a lot for the underdevelopment of the country as external variables and the political commitment of the period added to the decline of economy at home. The civil unrest, the struggle for political power, the practice of command economy that alienated the private sectors from the economic activities, limitation of finance and poor infrastructure were among the internal factors that contributed towards retardation of economic growth until 1991.

3.Post Dergue (1991)

Following the change of the government in Ethiopia, in 1991, on the demise of socialist oriented economic policy, a marked departure from the planned economic policy to move to a market oriented economic policy (Alemayehu and Befekadu, 2002:4) was witnessed. Ethiopia oriented a market-led strategy and began to apply the privatization policy into practice. The government of Ethiopia also embarked on a continuous program of economic reform including trade liberalization, privatization and deregulation. In this regard, the reform program had achieved the success of stabilizing the economy - aiding the transition to a free market system.

The economic growth averaged about 5% per annum, between the periods 1999/2000 to 2004/05, while population growth average per capita incomes rose only by about 2.1 % per annum. Although the government adopted a strategy of Agricultural Development-Lead Industrialization (ADLI), with an emphasis on agriculture as the generator of primary surplus, taking advantage of backward and forward linkages to fuel the transition of a more modern economy, more than 31 million people still remained in the grasp of severe poverty with an income of less than 45 US cents per day. According to present estimatesbetween 6 and 13 million people are at a risk of starvation each year (DTIS, 2004:12, MoFED, 2005). Whereas, for the fiscal year 2004/05 Ethiopia recorded a 15.1% increase in agricultural food production , as addressed by Prime Minister Meles Zenawi in his press conference to private and public press, (Capital volume 8 No. 372 published on Sunday January 29, 2006).

It is possible to deduce that the development plan of the government has focused on agricultural development to provide all resources to the industrial sectors as a catalyst for economic growth. This policy attempted to eliminate and/or minimize barriers to trade and tried to simplify bureaucratic regulations and procedures to attract domestic and foreign investors. However, due to cumbersome bureaucratic practice, rampant corruption, unappealing land policy, and other social factors, the effort of the government remained unimplemented and the country's cumulative economic growth has not met targets as anticipated.

The growth trend analysis from 2000/01 to 2004/05 reveals the following pattern (Getachew Adem, 2005).

- Agriculture: 11.5 % to 15.1%
- Industry: 5% to 3.6%
- Distributive Services: 5.2 % to 6.9 %
- Other services: 4.5% to 5.9%

As forwarded by Prime Minister Meles Zenawi, the agricultural output had recovered during the 2004/05-crop year due to adequate rainfall in the country.

In a nutshell, the government acknowledges the flourishing of private sector into market oriented economic movement and encourages widening the involvement of private sector. However, there are many complaints from the private sector that the party (state)-owned enterprises are dominating the market and negatively affecting competition.

2.7. Trade Balance

The limitation of industrial products and the nature of global trade forced the country to import large quantity of foodstuffs, capital goods, spare parts, raw materials for the infant industries and fertilizers, pesticides, chemicals and other agricultural inputs to satisfy the needs of the society at large, and the consumers particularly. On the other hand, due to lack of high value exports such as minerals, petroleum and other natural resources the volume of import exceeds the volumes of export, which in turn lead the country into deficit in trade balance.

According to the 2002/2003 (CSA) data, the country's export volume shows an amount of Birr 3,846.6 million, while the import value was Birr 13,566.5 million with the deficit balance of Birr 9,719.9 million for the year 2002. For the year 2003, the country earned from its export volume Birr 4,470.9 million, while the payment for its import volume was 23,069.2 million with the deficit trade balance of 18,598.3 million. In summary, during the fiscal period of 2003, both the export and import trade balance was increased at the rate of 16.1% and 70.0% against that of the year 2002 respectively (CSA, 2004: vi). The CSA (ibid) data shared that the deficit for the year 2002 & 2003 estimated at 9.7 million and 18.6 million respectively. The overall balance of payments deficit widened to USD113.8 million in the 1st quarter of 2005/2006, where as the deficit between import and export accounts USD985.04 million = export - import (i.e., USD182.96 million –USD 1068 million).

Chapter 3:
The Impact of Social and Economic Policies on Competition

In an ideal world, fair competition between businesses has been argued to benefit both producers and consumers. Taking the demand side of the benefit, it has been said that economic efficiency, innovation and better quality product at affordable prices, to be a major manifestations of how the consumers benefit from competition. It is believed that not only the consumers, but also the economy of a country as a whole becomes more prosperous (CI, 2001:5).

Such outcomes are dependent on good governance and related issues. Governance when taken in an association with the policy formulation activities of governments refers to “the process by which diverse elements in a society wield power and authority and, thereby, influence and enact policies and decisions concerning public life and economic and social development" (Corkery J et al, 1997:2).

Responsibility for deciding on national policies and securing their implementation rests with government. Policy formulation requires effective action by the head of state, the executive or cabinet of ministers, and by the administration/civil service. In parliamentary democracies, it requires capacity for independent scrutiny by the legislature or parliament and subsequent impartial enforcement by the judiciary. These parts of government all need adequate capacity for the work to be done well. But, there are capacity needs also among the other stakeholders in the policy formulation process.

The initiative for a policy change may come from politicians, for example, resulting from an election manifesto, from officials in response to new information about changing situations or difficulties in implementing present policies, or from organs of civil society (Ibid: 3). If these initiatives do not accommodate different interest of the different groups in the society, they can distort competition through regulations, interventions and lack of effective infrastructure (CI, ibid: 14).

In a democracy, the government takes decisions on policy, which in turn is accountable to the electorate. The electorate is generally not satisfied with being consulted once every four or five years (or whatever the agreed period between elections is). People in all countries are becoming more educated and much better informed. Increasingly, they are becoming better able to articulate their needs and having the confidence to put them forward. In this environment, governments need to consult the people at large as well as relevant interest groups if they are to produce the most effective policies. Consultation does not mean only that governments will ask people their views on the government's proposals but also that government will listen to proposals that come from their citizens. This is what this report aims to achieve – i.e., to record perceptions of three main stakeholders of a competition regime, on ways of operationalising competition legislation in Ethiopia.

This does not reduce the responsibility of governments to govern but it does mean that in determining policies to be pursued, the governments takes into account the views of those who may affect or are affected by any of these policies. Trade and economic policies, for example, need to take into account the views of trade unions, employers, investors and consumers (Corkery J et al, ibid: 2).

In principle setting up a competition regime might sound a straight-forward process. However, in practice there are tensions between governments’ various development policies, particularly in economies moving from state to private control of industries. Under such a situation, promoting an effective competition regime might not appear a priority of a government

It has been said that the absence of competition law in some countries has been partly due to governments fear that competition could exacerbate economic inequality political instability between the different business ethnic communities. In such circumstances, choices are made to emphasize social harmony over competitive business practices. Governments in some countries also have opted to balance the need for competitive business practices with the belief that many people in their countries are poor not because of badly distributed incomes, but because total income is too low to be adequate for all, no matter how it is dispersed.

Thus, a government may wish to increase its industries' overall competitiveness in order to increase the total income to be distributed, but the two goals of more competition and greater overall income – can conflict. In trying to enhance national champions – the most important national industries for governments may subsidize and protect certain firms at the expense of their taxpayers and consumers.

This tension between trade and competition policies has grown during the past 3 decades, as national economy has become more interdependent and interrelated. In addition, the consensus emerging from the World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank (WB) has been to promote liberalization, privatization and the removal of national barriers to trade - as an engine for better economic growth.

Consequently, social and/or economic policies of a country either positively or negatively affect the competition regime in that country. To see this in Ethiopia, some eight policy orientations namely: industrial policy, trade policy, regulatory policy, investment policy, government procurement policy, labor policy, development policy, and policy for small and medium size enterprises are briefly analyzed as follows.

3.1 Social and Economic Policies

3.1.1 Industrial Policy

Since 2001, the country has adopted an Industrial Development Strategy, which clearly recognizes the private sector as the engine of growth, and industrial development with a focus on, *inter alia*, export-led industrialization and competitiveness. This strategy also follows the line of agricultural development led industrialization (ADLI) by incorporating the participation of the rural areas /peasant communities; labor-intensive industrialization / technology as a preferred option for employment creation; co-ordinated foreign and domestic investment; strong leadership role of the government; and coordination between government and the private sector (MoTI, 2001: 5-89).

To strengthen the principles, it has been elaborated in the document that there is government commitment to work towards creating enabling environment for the private sector; achieving macroeconomic stability; creating and facilitating modern and easily accessible financial system; construct and provide reliable development infrastructure; establishing modern, accountable, transparent, and satisfactory governance system; and establishing modern, independent and reliable justice system (Ibid: 90-217).

Regarding competition in the industrial sector, the policy document provides for the significance of strong competition to realize effective resource allocation in the country and also the importance of attaining competitiveness to be part of the international economic system. Moreover, the document also recognizes that formulation and implementation of strong sectoral policy is essential to make the private sector to accept and put into practice the principles of competition. It has been elaborated in the document that any support from the government to the private sector should be to build the capacity required to be competitive in the market, provided that the latter is committed and ready to sacrifice its resources in order to make use of the support expected from the government (Ibid, 189-194).

Sub-sectors, such as textile and clothing, leather and leather products, food processing, in particular, meat, cereals, edible oil and fruits, identified to drive the industrial process (Ibid: 224-286). The facilitating role of the government, in terms of creating an enabling environment for private sector development and industrialization and when appropriate, its intervention to correct market failures are reiterated in the strategy. Also recognized is the importance and effectiveness of public - private partnership (Ibid: 90-217). Hence, for the time being, no appreciable adverse impact is observed or otherwise expected from the industrial policy against competition and competitiveness. It has been claimed from the government side that the good policy orientation in the sector has resulted in an increase of productivity and GDP share (NBE, 2004).

The opinion of the private sector, calls for radical transformation of existing laws, regulations, policies, institutions, social attitudes and motivations. Further more, it has been said, "Such a structural change leads to increasing employment opportunities, higher labor productivity, increase capital stock, etc," (The Reporter, January 28, 2005).

3.1.2 Trade Policy

The trade regime is a part of the overall incentive structure. Trade reforms are important for the modernization of the economy and are an aspect of the transformation from an inward oriented to an outward oriented economy. Trade policies are also of vital importance for the transfer of technology, management know-how and for increasing the efficiency of the economy including the non-tradable sector through competition for resources (MoTI, 2004b: 21).

For a country like Ethiopia, with little market power, open trade policies are an instrument available for the transformation to a modern economy. However, for a variety of reasons, Ethiopia has not fully realized the full benefits from its trade reforms that began in earnest in the early 1990s. It has been argued, "the country is certainly better off under the liberalized trade regime compared to the highly restricted trade regime of the ***Dergue period***" (Ibid). To make trade one aspect of the transformation of the economy, it needs support from other policies, institutions and infrastructure to realize full benefits from increased integration with the world economy.

During the Dergue era import trade of Ethiopia remained severely restricted through a combination of high tariffs and a plethora of quantitative restrictions. Tariffs were as high as 230% on certain luxury consumer goods and many of intermediate and investment goods imports to public sector enterprises were allowed at zero or low duties. The quantitative import restrictions on imports by the private sector included direct import prohibition (a long 'negative list'), quotas, strict licensing and foreign exchange rationing (Ibid).

In August 1993, the new government embarked on a comprehensive trade reform program aimed at dismantling quantitative restrictions and gradually reducing the level and dispersion of tariff rates. The negative list used to determine eligibility for imports through the foreign exchange access was reduced significantly. Currently quantitative import restrictions are applied only to contraband items, harmful drugs and armaments for security reasons (Ibid). Both tariff levels and dispersion have been reduced significantly under tariff reforms. Specific tariffs have been converted into *ad valorem* rates. The average (un-weighted) tariff rate declined from 28.9% in 1995 to 17.5% in 2002. The degree of dispersion of tariff rates, measured by the coefficient of variation declined from 82.4% to 69.7%.

It has been argued by the government, "there has been substantial private sector growth in recent years, in part as a result of a more open and liberalized economy, and in part due to the rebound from years of unsettled domestic and external conditions" (MoFED, 2005:54). Moreover, it has been said, "with the return of peace and economic stability there has been renewed confidence and a surge in business activity". Examples cited in this regard include: value-added in services grew by about 6.2% in the last two years, in industrial output by 7%, and in construction by 8.2%. Similarly there has been a major take-off in firms that produce cut flowers for the export market in Europe" (Ibid).

The principles underlying the PASDEP strategy include a commitment to ease the environment for private investment and business activity, to replace the hitherto significant role of the state with greater domestic and foreign private participation, and to strongly support the growth of export industries. The overall strategic framework is comprised of the government's Industrial Development Strategy, implementation of the findings of the Diagnostic Trade Integration Study, the ongoing Privatization Program, and the National Micro and Small Enterprises Development Strategy.

In the past year, an Investment Climate Assessment Study was undertaken which analyzes the conditions for private investment and enterprise growth in Ethiopia, drawing on the experience of local firms to pinpoint the areas where reform is most needed to improve the private sector's productivity and competitiveness. The study confirmed that improved conditions prevail in business registration and licensing, customs clearance, telecommunication services and labor regulations. The update also signaled concerns in areas such as access to land, the firms' perceptions of the overall tax regime, access to credit, and utilities (electricity and water) (MoFED, Ibid).

As a way to build on the progress, the government says that it is planning to work hard towards more participation of private sector development in the future. To this end, it has been proposed that:

- *Increased competition would be seen through progressive number of cases ruled by the Investigation Commission, 5-9 cases per annum in the next five years;*
- *To privatize 30 enterprises per annum to meet the target of 7%, 16%, 27%, 40%, and 55% in the next five years until 2010; and*
- *Advance the simplified and faster business registration and licensing processes with targets including: a) reduce the time spent by individual business persons, companies and associations from 47 minutes in 2004/05 to 35 minutes in 2009/2010; b) reduce time required to register a foreign investor to start a business from three hours in 2004/05 to half an hour in 2009/2010; and c) reduce time required to get permit for foreign investors from 60 minutes in 2004/05 15 minutes in 2009/2010.*

On the other hand, observers argue that efforts being made to realize economic freedom in Ethiopia are not sufficient. One group argues from the policy importance point of view and say that the importance given to trade sector has been too small. Elaborating this (Ladd, 2003: 2) they submit that:

> *"Given the importance of trade, one would expect the effects of different trade policies to be thoroughly dissected and analyzed in Poverty Reduction Strategy Papers (PRSPs) – the flagship development framework of donors and national governments. But evidence suggests otherwise. ... This suggests that, despite the rhetoric of PRSPs, trade policy is not determined in a participatory way that draws on the perspectives and aspirations of different groups of people in each country. In the absence of ex-ante impact studies, there is also no reason to believe that trade policy has been designed to maximize its contribution to poverty reduction".*

The other groups says, "a least efficient country such as Ethiopia, where customs clearance requires an average of 30 days, would *ceteris paribus* nearly eliminate trade" (WTO, 2005: 124). In addition to this, the 2006 Index of Economic Freedom puts Ethiopia at the 133rd rank, out of the 161 countries analyzed, with 3.7 average score. The summarized report on Ethiopia reads as follows:

"The government continues to promise economic reform, but progress has been slow: Nearly 200 state-owned enterprises have yet to be privatized, corruption is widespread, bureaucracy is burdensome, and much economic activity occurs in the informal sector. In addition, taxation is unevenly enforced, the judiciary is overwhelmed, and key sectors of the economy remain closed to foreign investment. The government has taken some steps toward reforming the civil service, improving infrastructure, and removing regulatory impediments to investment and business establishment. Land-locked Ethiopia depends heavily on Djibouti for access to foreign goods. Ethiopia's government intervention score is 0.5 point worse this year (2006); however, its trade policy score is 0.5 point better, and its fiscal burden of government score is 0.3 point better. As a result, Ethiopia's overall score is 0.03 point better this year. Therefore, one can easily analyze that much is to be done to make Ethiopia's trade regime free and competitive as well.

3.1.3 Regulatory Policy

Previously, government procedures and paper works were usually complicated and time-consuming; regulations have been too bureaucratic, impartial and inflexible. However, following the 1996 comprehensive civil service reform program, measures are being taken especially since 2003, on business licensing, import-export regulations, foreign exchange regulations, and others have been relatively simplified. Provision of the service brought down to one-stop-shop approaches and as a result, some improvements are registered in 2003/04 that resulted in easy entry and exit of commercial activities.

However, Miles et al (2006: 180) in 2006 Index of Economic Freedom argues that:

> *Ethiopia's cumbersome bureaucracy deters investment. According to the Economist Intelligence Unit, "Corruption in Ethiopia poses various problems for [the] business environment, as patronage networks are firmly entrenched and political clout is often used to gain economic prowess." The U.S. Department of Commerce reports, "Ethiopia's regulatory system is generally considered fair and honest, but not always transparent. There are instances in which burdensome regulatory or licensing requirements have prevented the local sale of…exports, particularly personal hygiene and health care products." The EIU reports that corruption imposes a serious burden on economic activity.*

3.1.4 Investment Policy:

Investment is, without doubt, one of the primary engines of growth in all economies. However, its effectiveness rests on strong complementarities with other elements in the growth process, most notably technological progress, skills acquisition and the development of innovative capability. These elements make investment a natural point of departure for Governments seeking to formulate a robust development strategy.

The link between investment and these other determinants of growth, requires among other things a favorable macro policy environment and specific policies and institutions aimed at encouraging savings and attracting and directing investment to key sectors in the economy thereby enhancing the contributions of investment to skills formation, technological change, competitiveness and economic growth. A clear understanding of the link between investment and technological progress is an essential prerequisite for designing an effective national investment policy and investment promotion strategy (UNCTAD, 2002:1)

It has been argued that Ethiopia's market-oriented economic development strategy embraces wide reforms, with inducements to both domestic and foreign private investments. Moreover, it has been argued that the private sector is encouraged to invest in almost all areas of economy. The areas include those sectors formerly reserved for government, hydropower generation, and telecommunications services. Like wise, Ethiopia does not impose local content, technology transfer or export performance requirements on foreign investments. There are no restrictions on repatriation of earnings, capital, fees or royalties.

It has been argued that Ethiopia's record in attracting FDI has been poor. More than four- fifths of the projects that have received licenses have not been implemented. This lackluster record reflects several constraints including the same constraints that operate on the domestic private sector and that arise from a negative perception of FDI in the country, including in some parts of the Government. Equally, foreign investors have perceptions conditioned by the past poor record of the Dergue *regime* policies, famines and poor infrastructure compared to other sub-Saharan countries.

3.1.5 Government Procurement policies:

Government procurement is by competitive bidding. There are no burdensome administrative procedures or special document regarding government procurement. However, currently, there are efforts being made to make the procedures of public procurement more economic, efficient, fairer, transparent and non-discriminatory. This has been seen since the introduction of proclamation No 430/2005 on 12 January 2005, which provides for non-discrimination of candidates on the basis of nationality, race or any other criterion not having to do with their qualification (Art.18).

However, actions being taken following the proclamation like, establishment of independent Public Procurement Agency; and introduction of procurement directives to smoothen the implementation of the Proclamation seem to be evidences that the Government is serious to improve the structural predicaments related to public procurement in the past. Previous public procurement systems have been complained to be discriminatory, unfair, and anti-competitive and based on discretionally power of government officials. In the newly introduced directive, it has been reiterated, “No candidate shall be discriminated because of nationality or other reasons which are not related to the evaluation criteria except in accordance with the rule of preference provided for in the proclamation”[1] (MoFED, 2005c: 2).

The provision regarding open international bidding, which necessitates only when determinations of thresholds and issuance of directives by the Minister of Finance and Economic Development seems to be one of the limitations of the proclamation regarding competition.

3.1.6 Labour Policy:

The country's current labour policy has been based on labour proclamation No. 377/2003, which is in effect since 26 February 2004. Maintaining industrial peace and work by enabling both the workers and employers to be based on basic principles of rights and obligations, through harmony and cooperative efforts have been the major objectives of the policy. It has been argued that the proclamation is compatible with international conventions and other legal commitments to which Ethiopia is a party.

The new statute represents an important tool for labour unions and employers to participate in all labour matters (Sommer, 2004: 5-6). The innovation concerns the right of workers, without distinction whatsoever, to form organizations of their own choosing and the right of these organizations to organize their activities without interference by the public authorities and not to be dissolved by administrative authority (Article 114(1), (2) and (7)). Labour proclamation 377/2003 amends the previous Labour Proclamation by adding some crucial and important issues to benefit employees, employers and working environment.

The policy also intends to address unemployment related problems in Ethiopia, especially in urban areas, which is one of the serious challenges. Working age population (labor force) stood at 54 percent in 2003/04. It has been argued that it is important to note the fact that pressure on the labour market comes directly from the supply of labour, which in turn is induced by the growth rate of the population. Moreover, it has been said that the challenges being faced by the Government in fulfilling the demand for increased employment in a progressive way are of two-fold: a) managing the dynamics of population growth; and b) expansion of labour-intensive productive activities (MoFED, 2005: 16).

3.1.7 Development Policy:

The country's overall economic development strategy has been based Agriculture-Centered Development as a means of promoting industrial development and market-oriented economy. Agricultural Development Led Industry (ADLI) policy, therefore, came in the wake of a series of trails to promote agricultural development. A major push on growth has been identified as essential in order to have a lasting impact on poverty, as well as to finance the necessary social investments for human development (MoFED, 2005:5). However, as has been said in the PASDEP document, there is little hope of significantly reducing human poverty in Ethiopia. For instance, as projection shows a growth rate of 4% p.a., there would be about 22 million absolutely poor people by 2015, living at or below the food poverty line. Conversely, calculations show that a growth rate of about 8% p.a. would have to be sustained to reach the MDG of halving income poverty by 2015. This compares to an average rate of about 5% over the 10 years 1993-2003, and of about 5% during the SDPRP I period (2003-2005) (Ibid).

Moreover, it has been said that alleviating poverty and transforming the structure of the economy been major objective of Ethiopia's economic development policy and/or programs. The Agricultural Development Led Industrialization Strategy (ADLI), adopted in 1993, has been argued to serve to this end. This strategy aims at improving agricultural production and productivity as a basis for improved income and living condition for the small holder farming population on the one hand, and as a source of improved export earnings to finance investment elsewhere in the economy. Improved farm income would also generate sufficient demand for the industrial sector instigating dynamism and inter-sectoral linkages. Thus, ADLI is a strategy that is expected to generate development processes, which directly address poverty eradication (MEDaC, 2001:5). However, quite a lot debate emerged about the government ADLI policy couldn't meet the anticipated goal of self-sufficient food production and poverty reduction.

3.1.8 Policy for Small and Medium Size Enterprises (SMEs)

Small and Medium Enterprises are widely acknowledged to contribute towards promotion and development of inventions, minor inventions and industrial designs and thereby generate employment opportunities in the country. SMEs are particularly important in the context of Ethiopia's poverty-reduction strategy because they are seedbed for the development of medium and larger enterprises, and because they absorb agriculturally under-employed labour, and diversify the sources of income for farming families. Areas of high potential for SMEs include animal husbandry, poultry, silk harvesting, honey production, small-scale garment manufacturing and metal work, construction, and increasingly urban-based services (for example - solid waste collection, parking lots, small shops and repair services). It is estimated that as a result of support to date about 96,000 SMEs were strengthened and some 280,000 jobs have been created (Ibid: 56).

In order to improve the performance of SMEs, it has been stated in PASDEP that strategic emphasis to be given to growth (rural, industry and export) particularly promotion of micro and small-scale enterprise development, construction etc. The recent experience of the Addis Ababa City Administration in small and medium scale enterprise development linked with Technical and Vocational Education Training (TVET) and low cost housing program is going to be scaled up and rolled out to other towns in the country (MoFED, Ibid). With the growing urban and small-town economy, and increased domestic demand, there are substantial opportunities for SME growth.

The government's support is mostly channeled through the Federal Micro and Enterprise Development Agency (MSEDA), and increasingly through Regional MSEDAs. Activities include basic training in technologies and business skills, development of low-level serviced working premises, the provision of micro-credit and information on markets and techniques, and working with producers to identify constraints and bottlenecks. Plans for the immediate future include providing more basic training in textile skills, upgrading business development services by strengthening the capacity and providing staff training to Regional MSEDAs; creating market linkages with foreign importers, with a special emphasis on handicrafts, especially hand loomed '*shemma*' products, leather, bamboo, and basketry (Ibid).

However, as the sector is limited to small enterprises like handicrafts, cottage industries, wood and metal works and the like, only local citizens are mostly handling them. And when seen from domestic point of view, the policy of this sector needs to be seen to give some rooms for foreign investors and facilitate level-playing ground.

3.2. The Need for Consumer Protection Policy:

Consumers have been protected by different laws that specify consumer protection as their primary concern; numerous other provisions have the effect of protecting the consumer, for example by streamlining the prosecution of fraud, protecting property, or facilitating litigation. As a result, the boundaries of consumer protection law are not easily drawn (Cartwright, 2001:1). However, mal-practices of trading business and unethical service provisions have been affecting consumers in Ethiopia. Lack of complementary consumer policy, together with encouraging better implementation, monitoring and enforcement for competition regimes has contributed to a lot for such illegal trade practices.

Using the language of efficiency and equity rather than market and social goals, Ramsay (1984: 12) observes "an efficient policy is ultimately justified by equity since consumers are able to obtain goods and services of a quality, on terms, and at the price that they are willing to pay". Although helpful for the purposes of structure, the market/social distinction is imperfect in practice. Moreover, it has been argued that the market, underpinned by private law, is an important technique for ensuring that consumers are able to purchase the goods and services that they want, and that intervention which helps the market to function is valuable. However, social goals are being recognized as increasingly important and it is important for any effective consumer protection policy to address both (Cartwright, Ibid: 2).

The main characteristics of consumer protection policy has been argued to be that the supplier acts in the course of a trade or business, the recipient is a private individual, and the recipient acts in a private capacity. It should be remembered that it is important not to limit the term 'consumer' to contracting parties, as that might exclude the ultimate user of goods and services. Indeed, it is possible to develop a much wider concept of the consumer than has traditionally been envisaged.

A private individual who receives services from a non-commercial state authority, such as the user of National Health Service facilities or even the recipient of state benefit, might be aptly described as a consumer. As Kennedy has stated, 'consumerism is just as concerned with the supply of services as with goods. The consumer merely becomes the client, or patient, or whatever rather than the shopper.' We could even go as far as to equate the word 'consumer' with 'citizen'. Moreover, it has been also pointed out that the consumer interest is involved whenever citizens enter relationships with bodies such as hospitals and libraries ((Ibid: 2-3)

The combination of a strong consumer policy that empowers and informs consumers, and competition regimes that are effective and enforceable, actually promotes the development of firms that are more efficient and competitive. Implementing consumer policy as a complement to a competition regime will reinforce the benefits of competition for both consumers and markets, and have a positive effect on economic development.

It has been well acknowledged that domestic competition creates the pressure for companies to innovate. At the same time, antimonopoly policies remain vital, particularly in relation to horizontal mergers, cartels and other strategic alliances (CI, ibid: 22). There are, therefore, both persuasive economic and welfare arguments to support the development of consumer policy alongside competition policy, in both developed and developing countries. Such a move will help to ensure that the development of market economies – and the promotion of liberalization and deregulation – are measured and balanced against the wider social goals of the community. And yet, researches show that effective consumer policies have not emerged, particularly in developing countries that lack both competitive markets and strong consumer welfare lobbies (Ibid: 23). Different Laws in Ethiopia have been used to protect consumers for years. Ethiopia does not have a comprehensive Consumer Protection Policy and Law. Consumer issues are being addressed in different regulatory regimes like the penal code, civil code and other specific regulations. Much more is to be done to see effective Consumer Protection Policy and Law in the Country.

3.2. Any other Policies Affecting the Level of Competition in the Market

Many sectors, particularly in services and trade, are off-limits to foreign investors. The government retains control over the utilities sector and did not allow foreign participation in banking and insurance. The commercial code is antiquated, not amended since 1960s, and the under-staffed judicial system is inadequate. In the 2006 Economic Freedom Index, it has been said that:

> *"Ethiopia's judicial system remains underdeveloped, poorly staffed and inexperienced, although efforts are underway to strengthen its capacity. While property and contractual rights are recognized and there are written commercial and bankruptcy laws, judges lack understanding of commercial matters. There is no guarantee that the decision of an international arbitration body will be fully accepted and implemented by Ethiopian authorities".*

In summary, it has been argued that in the short-to-medium term, Ethiopia's economic performance will depend on its ability to continuously improve the business environment for the private sector, further liberalize the economy - particularly in the financial and telecommunications sectors - attract foreign direct investment, speed-up the privatization process, streamline the bureaucracy and maintain political stability. Other factors, such as favorable weather conditions, external market situations and consumer satisfaction will also play an important role over the coming years.

Chapter 4:
Nature of Market/Competition

The theme of this chapter focused on nature of market in Ethiopia. In principle, the market for agricultural commodities is found under competitive conditions with a large number of widely distributed small producers/farmers, who generally have to sell their entire output, irrespective of the price level. It is possible to agree that the market for grain is the largest of all markets in Ethiopia in terms of volume handled. As personal observation of the writers, millions of farmers and consumers as well as a number of marketing agents are engaged in the production and consumption of grains.

4.1. The Nature of Competition in the Market

The main features of the Ethiopian marketing system are marketed volumes through alternative channels, although it is difficult to determine the volume of grain marketed annually, due to its fluctuation from year to year, depending on the weather rain fall conditions (Gebremeskel et al, 1998:10).

With regard to the industrial sector, the total number of large and medium scale manufacturing establishments for the country as a whole stood at 1,074 according to the 2003 & 2004 CSA and World fact book of 2006, data in which contributes some an approximated rate of 12.7 percent to GDP. Clothing and food processing industries, which located at different areas of the country and compete with each other, play a dominant role to satisfy the need of consumers. Besides, domestic and international competitiveness for a firm is influenced by internal and external factors in which these factors influences the competitiveness of the industries (Berhanu & Kibre, 2002)

Ethiopia is in fact, one of the world's least industrialized countries. As witnessed in the latest UNIDO indicators, ranking 93 countries for 2000, Ethiopia is the last in terms of manufacturing value added per capita, with $12, well below Kenya ($34), Madagascar ($25), and Zimbabwe ($130). Furthermore, the share of complex products (i.e. medium and high technology products) in manufacturing value added and exports is extremely low, even by African standards.

For the country as a whole, the establishments are classified under the manufacturing of food products and beverages industrial group constituting the largest share accounting for 30% of the total output (which includes: flour, bread, edible oil, soft drinks, beer and alcoholic drinks). This is follwed by manufacturers of furniture and non-metallic mineral products, which constitute 16.0% and 11.5% of the total.

4.2. Market Concentration

Producers have options to sell their grain products to retailers, or consumers bypassing the grain wholesalers in Ethiopia. Gebremeskel et al (1998) argued, "unlike the size distribution of traders at the national level, the extent of inequality in market share at the local market level differs from market to market, crop to crop. After disaggregating the number of local traders operating in individual markets, no markets in the sample had a level of concentration for all grains collectively, this would be considered anti-competitive". However, this does not mean denying of market concentration in some areas of the country on specific types of crops like in Gondar and Baherdar for Teff (staple) and Sorghum;, Maize in Diredawa and Bahirdar;, Barley in Assassa and Shashemenie and Wheat in Nazerath and Shashemene in which the market concentration was found to be over 40%.

Generally, as stated by Gebremeskel et al (ibid) with these possible exceptions, the structure of the grain markets generally does not indicate that few traders in the local markets control a sufficiently large share of the marketed volume at the wholesale level, which they could use to influence grain prices to their advantage.

In terms of industries, the manufacturing sector concentrates in the production for domestic use of construction materials, metal and chemical products, and basic consumer goods such as food, beverages, clothing, and textiles. The sector is dominated by about 110 public enterprises, which account for more than 75 percent of total value. Production by state-owned enterprises is concentrated in food and beverages, textiles, clothing, leather products, tobacco, chemical, rubber, plastic and cements sectors.

The share of the three industrial groups (food processing, beverage and edible oil industries) combination exceeds 57.4% of the total number of manufacturing industries ,which indicates that the Ethiopian large and medium scale manufacturing industry is characterized by a high concentration (CSA,2004:6).

Besides, the soft drink industry is totally occupied by the largest two companies: MOHA and East African Bottling that indicates the existence of market concentration in the industrial sector, which means market concentration addresses a function of the number of firms in a market and their respective market shares or the extent to which the top firms in an industry take up a large portion of the market share.

Private sector manufacturing activity follows a similar pattern. Production is concentrated in bakery products, meatpacking, textiles, footwear, construction, metal works and furniture.

As be observed, the grain market structure flows within the streamlines of producers, rural assemblers, inter-regional traders, wholesalers, and brokers in terminal markets, processors, retailers and finally consumers. Market structure is the term used to describe the way in which industry competitors interact. Economists view the nature of market as perfect competition, imperfect competition, monopolistic competition and monopoly as well as oligopolies nature (Samuelson and William, 1988). In this regard, let us check the market structure in Ethiopia with respect to industrial sectors accordingly:

- Cement industry, Sugar industry, Ambo Mineral Water industry, Ethiopian Telecommunication, Ethiopian Postal Service, and Ethiopian Electric Corporation could be cited as monopoly market**s** especially owned and run by the government.

- Soft drinks industries, owned by two firms: MOHA and East African Bottling could be good examples of oligopoly markets. This has resulted in denial of one of basic rights of consumers, the right to choose among different products and services. For instance, in the five stars international hotel ‘Sheraton Addis’, one cannot get soft drinks manufactured by the East African Bottling Ltd, (Coca Cola and Sprite), only because the hotel does not serve soft drinks not produced by its sister enterprise, MOHA that produces Pepsi and Miranda.
- Plastic industries and soap industries could be taken as monopolistically competitive.
- If we look at the leather & leather products sector, the market is not highly concentrated. There we have about 20 industries in the market with approximately a few variations in market share. Further study is needed to know the market concentration in leather industry.
- The mining sector especially, the Gold mining found to be under the monopolistic competition of an individual private firm.

4.5. Existing or Potential Barriers to Entry:

Thanks to the market liberalization of 1991, most of the institutional barriers to grain trade such as: the enforcement of the quota system, price control, preferential treatment given to state enterprises and cooperatives, limitations imposed on capital ceilings for wholesale and retail trade, restrictions on the number of merchants in a particular markets not observed (DTIS, 2004: 18). Even though, such obstacles are no longer obstacles to private grain traders, limitation of finance, infrastructure like road and other means of communication may remain barriers to entry.

It has been well acknowledged by international financial institutions and other concerned bodies that the country has no significant quantitative restrictions on imports. As a result of the tariff reform, the range of tariff rates narrowed from 0% - 240% at the beginning of the 1990s to 0% - 80% in 1995. The current tariff structure, introduced in 2003, consists of six rates: 0%, 5%, 10%, 15%, 20% and the highest 35%. During the same period, the tariff bands (the number of official tariff rates) were reduced from 23 to 6. It is important to note that the current rates are very close to those that will be used for the common external tariff of COMESA’s Customs Union (CU), where the maximum rate will be 30% (DTIS, 2004: 22).

Existing constraints to trade in Ethiopia are more identified with those related to the private sector development than the trade regime. However, private sector development issues go well beyond the issues of trade in general and more related to the Integrated Framework in particular. For instance, few enterprises owned by the government and/or affiliated party, have been alleged by the private sector for controlling the supply of certain goods and services in the market. Ethiopian Telecommunication Cooperation (ETC), Ethiopian Electric Power Corporation (EEPCO), and Ethiopian Postal Service could be cited as examples of government monopolies. These are the only producers and/or suppliers of the products and/or services in the respective sector (s). Although power generation and transmission up to 20 KMW in the energy sector has been allowed for local private investment very recently, not yet realized.

Limitation of quality raw materials, non-availability of infrastructure, which affects transaction costs, trade and overall industrialization policy, exchange rate policy and the like are affecting competition in the market).

With respect to tariffs, nowadays, these do not constitute a meaningful trade barrier to access the Ethiopian market and all Ethiopian's trade partner's benefit at least from the Most Favoured Nation (MFN) regime. The principle of most favoured nation aimed at trading of equal rate with the exclusion of barrier to trade. The principle also enforces states to offer another state in trade treaty, that may loses its option of discriminatory tariffs (Henderson, 1998: 271, 279 & 356). However, there are apparently some implementation difficulties. For example, within the 2003 tariff schedule, there remain some products with an import duty of 40%. For some other products, the applied duty rate could be dissimilar between trading partners.

In summary, the task of bringing back the Ethiopian Economy from the past command economy is considered to be a good start that led the county to market oriented economy, which in its turn brought a change of GDP form negative to 5 percent. The level of production in the agricultural sector observed to be competitive, while the industrial sector has to pass through hard way competition. However, competitiveness among the establishments is a sign of the good performance of manufacturing activity so as to protect distorted domestic market, which may open door for the international market. The concentration of market in agricultural sector is insignificant. The structure of market in the agricultural sector considered being competitive, while oligo-polistic and monopolistic competition and government monopoly persisted in the industrial and service sector.

Chapter 5:
Competition Law in Ethiopia

Ethiopia as a long polity practiced different type of economic transformation, which has been characterized, by its unique kind of traditional agrarian economy. Within this dominant type of economy the principal economic actors and the form of ownership of the economic resources has been changing depending on the economic policy orientation of the previous and current governments.

The pre-1974 imperial regime claimed to have a free market economic policy orientation. However, it failed to have a consolidated type of competition law. Of course, this government has been merited for its introduction of modern legal system in the country including the codification and promulgation of the commercial code, which primarily regulates the types, formation, and dissolution of commercial partnerships trademark and trade name registration and the legal protection that should be given for such commercial rights.

Post 1974 Ethiopia's economic history on the other hand was characterized by its socialist form of economic system in which competition in the market can't be envisaged as a matter of ideological principle. The main economic actor in the economic system was the government. The economy was highly centralized and there was neither real nor nominal kind of economic competition in the market. In this period let alone having a competition law as such, even the existing commercial law was in practice for quite rare incidences. This period at last came to an end in 1991 in which Ethiopia experienced another historic break through both in its type of political system and economic policy orientation.

Then the transitional government of Ethiopia and the subsequent, successions officially proclaimed that the economic policy of the country is a free market economy. Though this has been the policy direction, competition law as a consolidated form of law is not yet in place except the coming into force of Trade Practice Proclamation of 2003. In this period trade practice proclamation No. 329/2003 was legislated with a purpose of regulating trade practices.

As of the coming into force of this proclamation, 35 cases were registered for investigation in the trade practice investigation commission office out of which 13 cases got decision. Four cases not fall under the jurisdiction of proclamation 329/2003, whereas two cases pended additional information. The rest of the cases found to be under investigation for hearing.

The gap of the trade practice proclamation is, it does not address all the issues, which should actually to be addressed in the competition law. As the proclamation does not incorporate all competition related issues, it is not possible to discuss in detail issues of approaches to horizontal restraints, vertical restraints, dominant market position, mergers and acquisitions cross border abuses, check s and balances and other further details.

5.1 Objectives, Scope and Coverage of the Competition Law

Trade Practice Proclamation (TPP), promulgated with the general objectives of making the trade practice in consonance with the free market economic policy: to establish a system that is conducive for the promotion of competitive environment, regulating anti-competitive practices in order to maximize economic efficiency and social welfare; and to safeguard the public from price hike and for equitable distribution of goods and services in time of regular and short supply.

With this general objective, the proclamation covers certain areas of material jurisdiction to be exercised by the investigation commission. The commission looks into issues of anti-competitive practices: such as agreements on joint price fixing, collusive tendering as to determine market price; market or consumer segmentation, allocation by quota of production and sales, concerted refusal to deal, sell and render services as detailed within Articles 6 and 11 of the proclamation.

5.2 Institutional and Procedural Aspects

5.2.1 Structure of the Trade Practice Investigation Commission

Conventionally, structure refers to how a given institution is organized. It is concerned with how vertical and horizontal accountabilities are set. Accordingly, the commission is structured to undertake its power within the Ministry of Trade and Industry (Art. 12). The commission is hierarchically accountable to the Minister of Trade of Industry. The commission has also a secretariat with a general power and duties of implementing the directives issued by the commission to execute administrative measures, keep minutes, reports and so on (Art. 18). The accountability of the secretariat, however, seems to be both to the commission and to the Ministry, because the secretariat is a department under the organizational structure of the Ministry (Art. 2(8)).

5.2.2 Number and the Procedure for Selection of the Members of the Commission

The proclamation states that the commission shall have members selected from government, private organizations and consumers association (Art. 13(a)). The law, however, doesn't specifically state the actual number of members that the commission should be composed of. This may be specified in the rule of procedure, which is not available at our hand for the time being.

As a matter of fact for currently the Commission has five members chaired by the minister of justice, with members including economic advisor to the head of Government (the Prime Minister), National Bank of Ethiopia, and Director General of Quality and Standards Authority of Ethiopia and Director General of Federal Cooperatives Commission. The consumer association and the private sector have not represented in the commission as per the stipulation of the law. Concerning the selection, members of the commission including the chairman are appointed by the prime minister upon the recommendation of the Minister of Trade and Industry (Art. 13(2)).

5.2.3 Powers of the Commission

The commission has been empowered by the proclamation to exercise investigative, prosecutorial and adjudicative powers such as:

- Investigation of complaints submitted to the commission by any aggrieved party in violation of the provisions of this Proclamation;
- Compelling any person to submit information and documents necessary for the carrying out of commission's duties;
- Compelling witnesses to appear and testify at hearings;
- Taking oaths or affirmations of persons appearing before it, and examine any such persons;
- Entering by showing the commission's ID card and search the premises of any undertaking during working hours, in order to obtain information or documents necessary for its investigation;
- Appointing or employing, upon the approval of the Minister, experts to undertake professional studies as may be necessary;
- Taking administrative measure or/and give penalty decisions on any complaints submitted to it.

Though the commission is empowered to exercise such powers, its decisions may not be final. In the case of administrative measures and penalty decisions, approval of the Minister is a must. Thus the Minister can amend, or remand, approve, reverse the decisions of the commission (Art. 15 (2) and (3).

Concerning executioner power, it is the Ministry, which is authorized to execute, and it may order the police in order to execute any administrative measures or/and penalty decisions of the commission (Art. 16).

5.2.4 Procedure under Which the Commission Takes Decision

Rules of procedure of the commission are not available for the time being. Regarding the meeting of the commission, quorum shall be constituted when more than half of the members are present at meetings of the commission. Decisions of the commission shall pass by majority vote and the chairman shall have a casting vote in case of a tie.

Chapter 6 Interface between Competition and Economic Efficiency: Regulation in Select Sectors

Along with the development of variety of economic policies, infrastructure development like, electricity to power industries, telecommunications to support commerce, roads, railways, airways etc… to transport human beings and goods, have been accepted as the major factor for the nation's economic growth. As argued by writers, Cecilia Briceno- Garmendia et al (2004), "promoting growth, reliable and affordable infrastructure can reduce poverty and contribute to the achievement of the Millennium Development Goals (MDGs)".

The writers of this paper analyze how regulation works on some utility services such as: electricity, telecommunication, pharmaceutical, and financial services in which two of them (Electricity and Telecommunications) are under government monopoly.

6.1 Pharmaceutical Service:

In Ethiopia it is believed that more than 50 percent of population and 90 percent of livestock rely on traditional medicine, mainly based on the use of medicinal plants for their health care needs. The history of traditional use of medical plants, traces back to the era of antiquity. Medical plants are more easily accessible than the modern pharmaceuticals and are affordable to the majority, especially in the rural areas of the country.

In the pre-1974, the health care system was designed in a way that involves private sectors to play crucial role in the supply and distribution of drugs. Laws and regulation were stipulated for the administration of healthcare system. However, laws and regulations have not been revised with the change of political economy of the Imperial Regime.

In 1974, socialist-oriented political economy replaced the imperial government by the help of revolutionary political upheaval, with the strategy of planned economy, primary healthcare, education, trade, investments and so on. New strategies and policies developed to empower the politico-economy of the socialist system. Surprisingly, drug related strategy, regulation or policy had never been addressed to assist the control of manufacturing and supply of drugs.

The change of political order of 1991 in Ethiopia resulted in the shift of socialist system into market oriented policies and strategies. The newly emerged political forces proclaimed the policy of free market economy as an appropriate solution for economic growth of the country.

Among the declared policies of the Transitional Government of Ethiopia (TGE), the adoption of National Drug Policy is the most and considered to be as one of the major socio-economic development process to safeguard the society. The stipulated policy focuses on the manufacturing and distribution of just and equitable pharmaceutical services and drugs to all, with the hope to maximize the level of welfare gradually (TGE, 1993). Major objectives of the policy include: Developing the capacity to ensure drug supply efficacy and quality; Meet the countries demand side and supply side satisfaction of drug; Crate enabling situation to make the price of the drugs affordable and compatible to the purchasing power of the society; Controls the illegal transmission, manufacturing, importing, distribution, selling and consumption of narcotics and psychotropic drugs in the country.

Drug promotion is one of the activities carried out by pharmaceutical companies to compute for a bigger sale of their products through disseminating information to consumers and health professionals. Information and promotion of drugs may greatly influence its supply and use.

Provision of adequate and correct drug information to consumers and prescribers are essential for rational and safe use of pharmaceutical products.

It has been observed that drugs are being promoted as ordinary commodities. Furthermore, the ever-increasing brand oriented promotion is being observed to have misled physicians not to select the right drug for their patients. On the other hand, the frequent prescription and supply of costly branded drugs arising from promotion of such types is creating a non-conducive environment in which the majority of the people can't afford to pay for the drugs they are prescribed with.

Strong regulation of promotional activities and the provision of accurate information to prescribers and consumers are among the indispensable steps that the government should take to improve the rational use of drugs. The 41st World Health assembly endorsed the ethical criteria for medical drug promotion, which constitute general principles that could be adapted to the situation in member states and urges them to take their own appropriate measures to ensure that medical drug promotion support the aim of improving health care through rational use of drugs.

6.1.1 Establishment of Drug Administration and Control Authority

Being one of the member states, the government of Ethiopia accepted the resolution WHA41.17 by the World Health assembly on the ethical criteria for medical drug promotion and delegated the Drug Administration and Control Authority with the main objectives: to control dissemination of drug information and promotion, which is stated under article 22 of the Drug Administration and Control proclamation No 176/99.

6.1.2 Powers and duties of the Authority

Article 6(2) of the proclamation gave the following power, duties and responsibilities to the drug Administration and Control Authority: setting standards of competence for organizations to be involving /participating in drug trade; issuance of certificate of competence; control the compliance with the set standards; renew, suspend, and revoke the certificate of competence; and providing of inform it to the concerned authority.

Article 6 (9) of the same proclamation urges the authority to: Serve as a drug information center; Distribute drug information to the professionals and the public; Disseminate current and unbiased information; Raise public awareness on the use of drug; and Controls the quality of raw materials, produced or imported drugs and packing material used for production of drugs.

6.2 Electricity Services

Electricity is one of the sources of productivity to help the nation in poverty reduction. For instance, people in poverty afflicted rural areas have no access to energy to operate machines in which they are obliged to achieve low productivity. According to the PASDEP of 2005, main text volume II, Ethiopia generates only 791 MW out of potentially estimated available 30,000GW. The responsibility of generating, transmission, distribution and selling of electric power vested to the state owned Ethiopian Electric Power Corporation (EEPCO).

The current electricity coverage in Ethiopia is about 15 percent of the total population. The per capita electricity consumption is about 22.1KWh/Year, which is significantly small as compared to the African average 431.3KWh/Year (NBE Quarterly Bulletin, Volume 21 No. 1, 2005/2006:5). Although, the coverage of electricity in Ethiopia currently found to be very low, the corporation set a strategic plan to increase the national electrification by 50 percent with in the plan period 2006-2010, through the supply of adequate, affordable and reliable electricity on a sustainable basis. According the set strategy, about 24.9 million people are expected to have access for this power.

To meet the set goals, expansion in electricity generation, transmission, distribution and selling at an affordable price is indispensable. It is obvious that sustainability in the electricity sector requires huge investments in which EEPCO engaged in the construction of big hydropower plants and high voltage transmission line based on a least cost development plan. In this regard, EEPCO works to increase electricity coverage and to maintain sustainability.

Realizing that an investment in the categories brings sustainable electric coverage; the government has to encourage the public owned EECPO, and private investors. In this regard, it has been realized that the government is embarking to encourage domestic private sectors to participate and play significant role in the generation and supply of electric power as stated in the proclamation 37/1997. On top of this, the government is to delineate the operation and regulatory functions to the private sector and gradual planned to liberalize the sector.

Accordingly, Proclamation No. 37/1997 particularly allows the participation of domestic private investors in the production and supply of electrical energy with an installed capacity of up to 25 mega-watts. On the other hand, production and supply of electrical energy with an installed capacity of above 25 mega-watts is open to foreign investors.

The provision embraces the development of small and medium scale capacity plants from diesel, coal, gas, hydro and other sources. Council of Ministers Regulations No. 7/1996 and as a mended in No. 36/1998 extends attractive package of encouragement in the form of duty and profit tax exemptions. The investment law coupled with the new regulatory framework is believed to provide enabling environment for private investment in the sector.

The investment program, based on the power sector development, is a public priority that includes building new hydroelectric plants and extending the grid to different areas of the country to promote critical socio-economic benefits of industrial development, agricultural productivity, and enhancement of educational opportunities and general betterment of the population.

The Ministry of Mines and Energy, issued electricity services quality standards directive- No. 2/2006, with a main objective to determine the quality standards of electricity services that are provided by a Licensee. In its second part the directive came up with the focus of customer compliant handling, Record of complaints and its application.

6.3 Telecommunication Service

Upgrading, expanding and empowering telecom network and services are essential to support national growth and rural economy. Having basic telephone access in villages helps farmers to acquire adequate and sufficient information of prices for their crops and livestock products. It also improves the efficiency of local administration, and encourages the development of trade and small business; facilitates the provision of social services like health, education and agricultural extension.

Despite the fact that Ethiopian population is high, the coverage of telecommunication is at the lowest position in the world. According to PASDEP of 2005, about 45 percent of the total households need to travel for 15 kilometers to reach the nearest telephone services unit. About 44 percent of household can get telephone service within less than 10 kilo meters and about 29 percent of the household are at least 20 kilo meters far away from this service. About 94 percent of urban households have telephone access with in the range of five-kilo meters distance.

The government in collaboration with telecom agency, Telecommunication Corporation set action plan for wider coverage of fixed and mobile telephone lines. The action plan opts to cover 2,463 and 4,926 million of fixed and mobile lines within the plan period of 2006-2010.

In recent years, Ethiopia has made a huge investment in basic multi media infrastructure, which includes the laying of fiber optics cables and installation of satellite and radio communication technologies. Moreover, the government of Ethiopia proposed for the downstream telecom liberalization, which creates conducive situation for competition, wider service coverage options, potentially affordable rates. The downstream liberalization expected to encourage private sector motivation and participation on the provision of the service.

6.4 Financial Service

The history of financial service in Ethiopia begins with the establishment of the then known as "Bank of Abyssinia" in 1905. The first central bank was owned and run by the Egyptian National Bank. At that time, the bank was rendering dual service both as a central and commercial bank.

The Bank of Ethiopia replaced the Bank of Abyssinia in 1931. This bank unlike, the Bank of Abyssinia, was serving as a fully Ethiopian monetary institution. Yet, like the Bank of Abyssinia, the Bank of Ethiopia was rendering dual central and commercial bank services.

During the Italian occupation, Italian Banks such as Banko De Roma, and Banko De Napoli replaced the Bank of Ethiopia. Between 1942 and 1943, there had been another foreigner owned bank known as Berkley Bank in service in Ethiopia.

After the victory of over the Italian occupation, the Ethiopian government established, Government Bank of Ethiopia in 1943. This government bank was rendering service by integrating the services of the former central and commercial banks of Ethiopia. The Ethiopian Monetary and banking law that came in to force in 1963 separated the function of commercial and central banking by creating National Bank of Ethiopia and Commercial Bank of Ethiopia. Moreover it allowed foreign banks to operate in Ethiopia. Hence, in July 1964, a proclamation known as "Monetary and Banking Proclamation" was promulgated to establish two separate banks i.e. the National Bank of Ethiopia and the Commercial Bank of Ethiopia.

The National Bank of Ethiopia established in 1964 with the authority and responsibility vested in it by the Ethiopian government to: design and print the country's legal tender; supervise all banking service banks in the country; serve as the main national bank of the country in administering and guiding the international, the supply of circulation and monetary reserve.
Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. Banking During the socialist Regime following the declaration of socialism in Ethiopia in 1974, the government issued a new monetary and banking proclamation number 99/1975, which replaced the 1964 banking and monetary system. This proclamation issued in March 1975 was based on the rule of command economic system, which promotes centralized banking system. The proclamation also affected in nationalization of all private banks in Ethiopia. The financial sector under the socialist oriented government left behind constituted only 3 banks and each enjoying monopoly in its respective market. The following was the structure of the sector at the end of the era. The National Bank of Ethiopia (NBE); the Commercial Bank of Ethiopia (CBE); Agricultural and Industrial Development Bank (AIDB). Basically the function of the Commercial Bank is divided in to four major areas.

1. Holding in deposit public money with guaranteed security;
2. Giving loans for all sorts of commercial and personal needs;
3. Offering assistance in matter of foreign exchange to business sector;
4. Providing safekeeping for an individual's most valuable possession.

The first private bank, the Addis Ababa Bank Share Company was established in the first half of 1960s. This bank was also engaged in commercial banking. The bank was active in crop financing providing advice and facilities of newly established Ethiopian enterprises encouraging and sponsoring the accelerated growth of the activities of the private sector in all economic fields. There were two other banks in operation namely Banco di Roma and Banko di Napoli S.C.

The collapse of the military rule in Ethiopia in 1991 brought major changes in the banking and related service sector. Following the change in the economic policy, financial sector reform also took place. Monetary and Banking proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main functions.

Monetary and Banking Proclamation No 83/1994 and the Licensing and supervision of banking Business No 84/1994 laid down the legal basis for investment in the Banking sector.

- With the coming in to effect of the Licensing and supervising Banking Business proclamation No.88/1994 a couple of private banks have also emerged and joined he market since 1994.
- The June 1996 proclamation number 40/1996, offered provision for the establishment of Micro finance institutions in Ethiopia.

All the measures undertaken after the economic reform have that aim of promoting a competitive environment and efficient banking services to the public. Accordingly, at present the number of banks in Ethiopia reached 9 and that of insurance companies increased from 1 to 9. The number of micro-finance institutions reached 27.

At present Banking business in Ethiopia is governed by two proclamations. The first monetary and banking proclamation No.83/1994, defines the powers and responsibilities of the National Bank of Ethiopia, which is the central bank of the country. Proclamation No. 84/1994 sets out the conditions under which commercial banks can provide license and supervise the banking business, which sets out the conditions under witch commercial banks can be licensed. The proclamation No.86/96 offered the provision for the private investors in insurance service and for establishment of micro financial institutions respectively.

All proclamations have the aim of promoting competitive environment in the sector. In general components of the current financial sector are the Central Bank (National Bank of Ethiopia (NBE), commercial and specialized Banks, insurance companies, pension and social security Authority and credit and saving cooperatives currently there are one commercial and one specialized government banks operating compressively with seven private commercial Banks.

Chapter 7:
Regional Integration

In order to ensure the existence of transparency on fairness among economic operators with in the region, COMESA has formulated a regional competition policy. The objective of these regional arrangements was to enhance cooperation in the creation of an enabling environment for fair competition in the marketplace, maximizing consumer welfare in the COMESA region, through an effective regional competition framework and consumer protection culture. The competition framework agreement compels adoption of competition laws by the members. In this regard, Ethiopia adopted a national competition law.

Although the competition regulation of COMESA, argued that regional integration contribute to improve production and distribution or promoting technical economic progress in allowing to Ethiopian consumers a fair share of the resulting benefit, Ethiopia's participation in regional economic integration of concrete results from COMESA has so far been very little, which emanates from weak involvement at the business, weak industrial structure, governments heavy dependence on tariff revenue, the uneven distribution of cost and benefit of the COMESA integration arising from economic differences of member countries.

According to the COMESA Free Trade Area (FTA) treaty, customs duties on the list of category of goods selected were supposed to be reduced by 25% every two years. However, this treaty has been ineffective in Ethiopia yet, due to the above mentioned conditions. Further, the Ethiopian consumers and business community lack awareness on the advantage and disadvantage of joining Free Trade Area.

Due to the above mentioned facts, Ethiopia is not a member of the Free Trade Area (in which it is among the eleven member states that are at different stages of preparation of tariff reduction to join the Free Trade Area) and has only done a 10 percent tariff reduction for goods imported from COMESA member countries, because of the fear of government revenue losses, potential damage to the countries weak industrial structure and low competition in domestic and international marketplaces.

Although, it is difficult to predict the negative impact of joining the Free Trade Area, Ethiopia calculated its negative effect on government revenue loss from Import-Export Trade deficit perspectives. Ethiopia's participation in regional economic integration visibility is minimal.

In summary, Ethiopia exporting less and importing more from COMESA, not utilizing COMESA institution, the Ethiopian business community is largely unaware of the regional trading opportunities, discouraged Ethiopia to adopt and implement the treaty of COMESA. Treaties and protocols don't solely bring about regional trade expansion, but also require the dynamic participation of the business community, the government commitment and willingness to adopt and implement COMESA's competition treaty for the benefit of Ethiopian economy. Hence it would be essential to create awareness on the advantage and disadvantage of framing national competition law to the society at large.

In Ethiopia, although, there has been little structural transformation, the trade balance dominated by import of finished commodities than export of primary commodities. Ethiopia, as a member of COMESA, its economy with small domestic markets, non-diversified production bases, underdeveloped infrastructure and inadequately skilled human capital, financial constraints, etc… gives only little chance of competing regionally and globally.

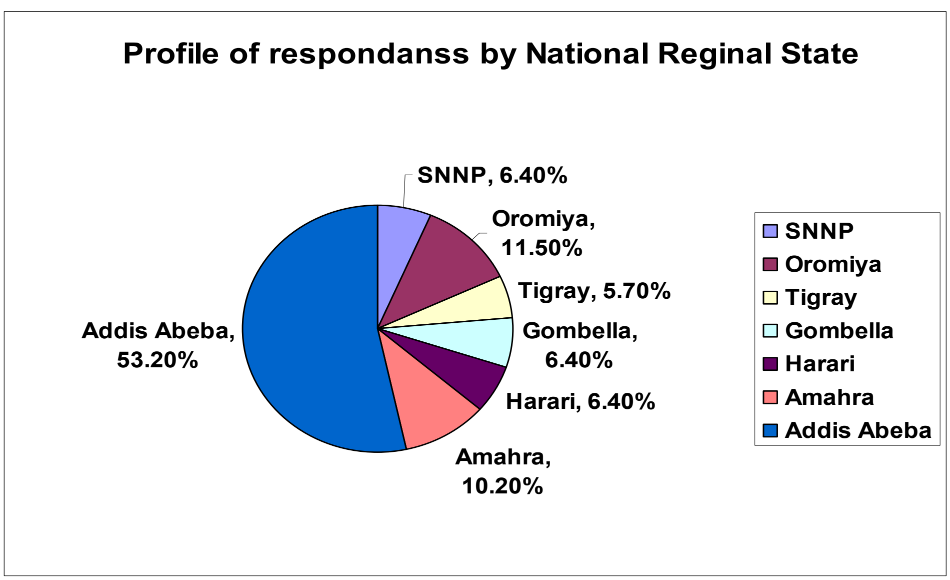
So as to have efficient competition within the business community and member countries in COMESA, need to attract new players in the market/with the existing or new coming commodities and products by regulating the existence of monopolies and oligopolies nature of the market. This arrangement helps to form large scale of operation that leads for lowering prices that may benefit consumers.

To secure a competitive market place and thus to protect the consumer from unfair, anti-competitive practices, the state intervention in policy and law area is crucial. For this, Trade Investigation Commission should be strengthened institutionally, in human and material resources. The proclamation needs to be revised as to the standard of other similar African countries. Also to carry out actively the day-to-day activity of the Commission, full time manager should be in place. Ethiopian Trade Investigation Commission needs to form collaboration, harmonization and experience sharing forum in business sectors with COMESA member countries.

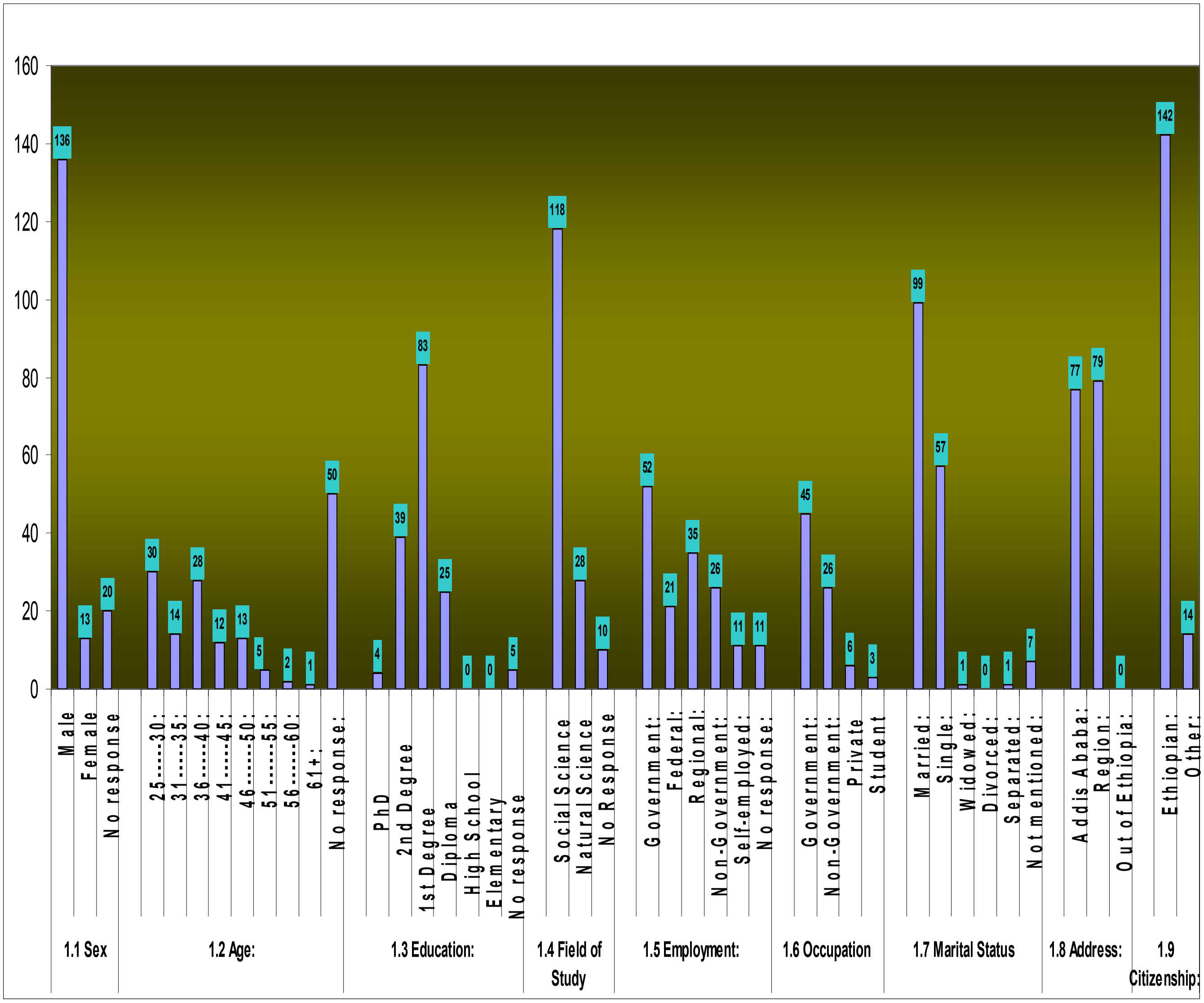
Chapter 8:
Consumer Protection Law
Ethiopia doesn't have consumer protection law in a consolidated or codified form. This doesn't mean that there is no consumer related legislations at all. It is possible to consider Consumer Protection Laws in Ethiopia as a conglomerate of various legal rules that are found being scattered in the various branches such as: civil, commercial, penal laws and other sect oral issue and specific legislations.

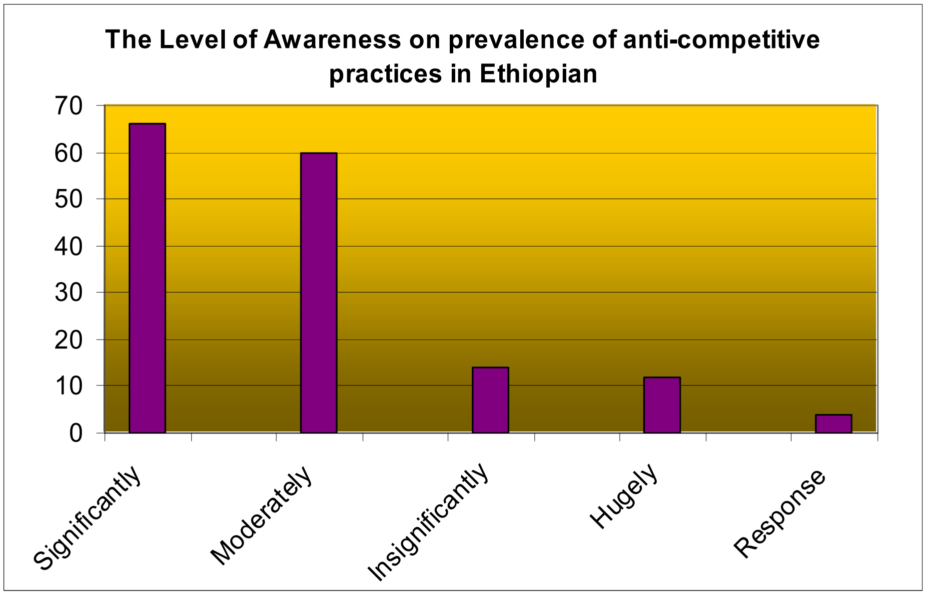
These laws have practical application almost on daily basis to protect the interest of consumers from any form of abuse. Lack of consolidation of these laws for the specific interest of the consumers have created a confusion as to the very existence of the law itself and the law has been inaccessible for easy reference so that the consumer can easily identify the law and assert its right on that basis. For further analysis of its interface with the competition regime also, lack of data and the problem of naming of court files under the title of competition cases, it is almost impossible to deal with its interface with the competition regime.

Chapter 9: Summary of the Field Survey
To conduct primary research on Competition Policy and Law, a total number of 200 questionnaires were distributed to six National Regional States towns Adama, Awassa, Bahir Dar, Gondar, Gambella, Harar and Mekale and two chartered towns Addis Ababa and Diredawa.

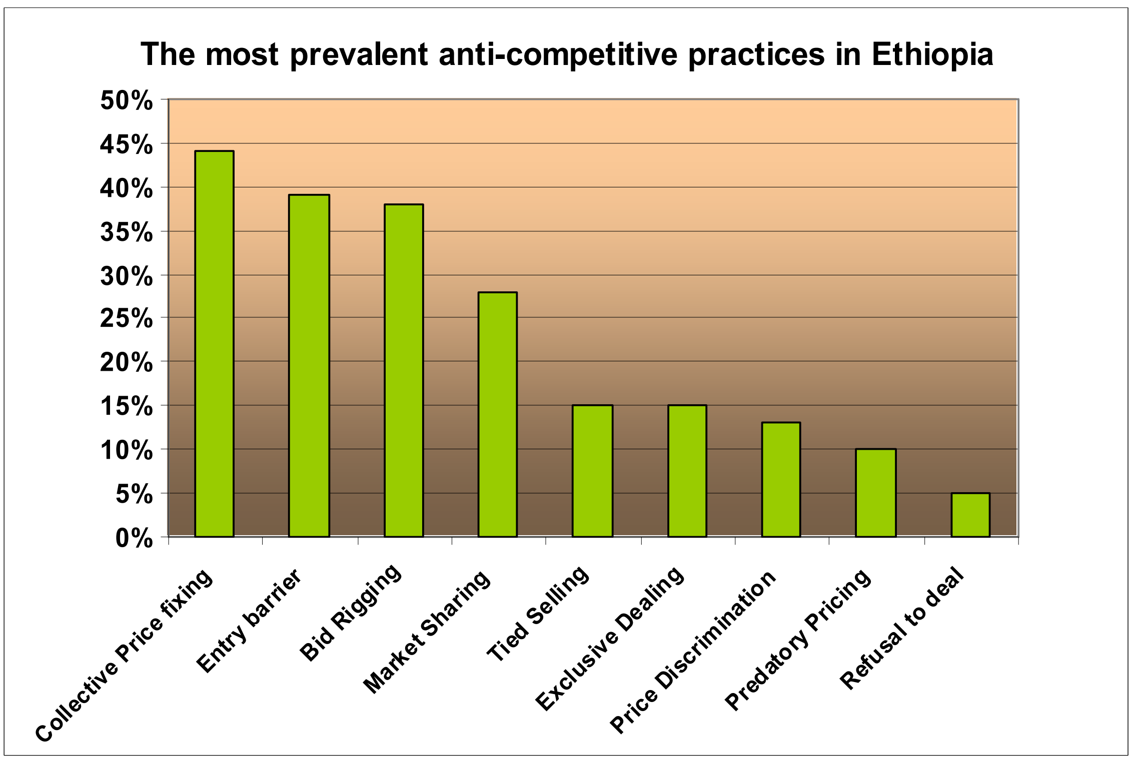


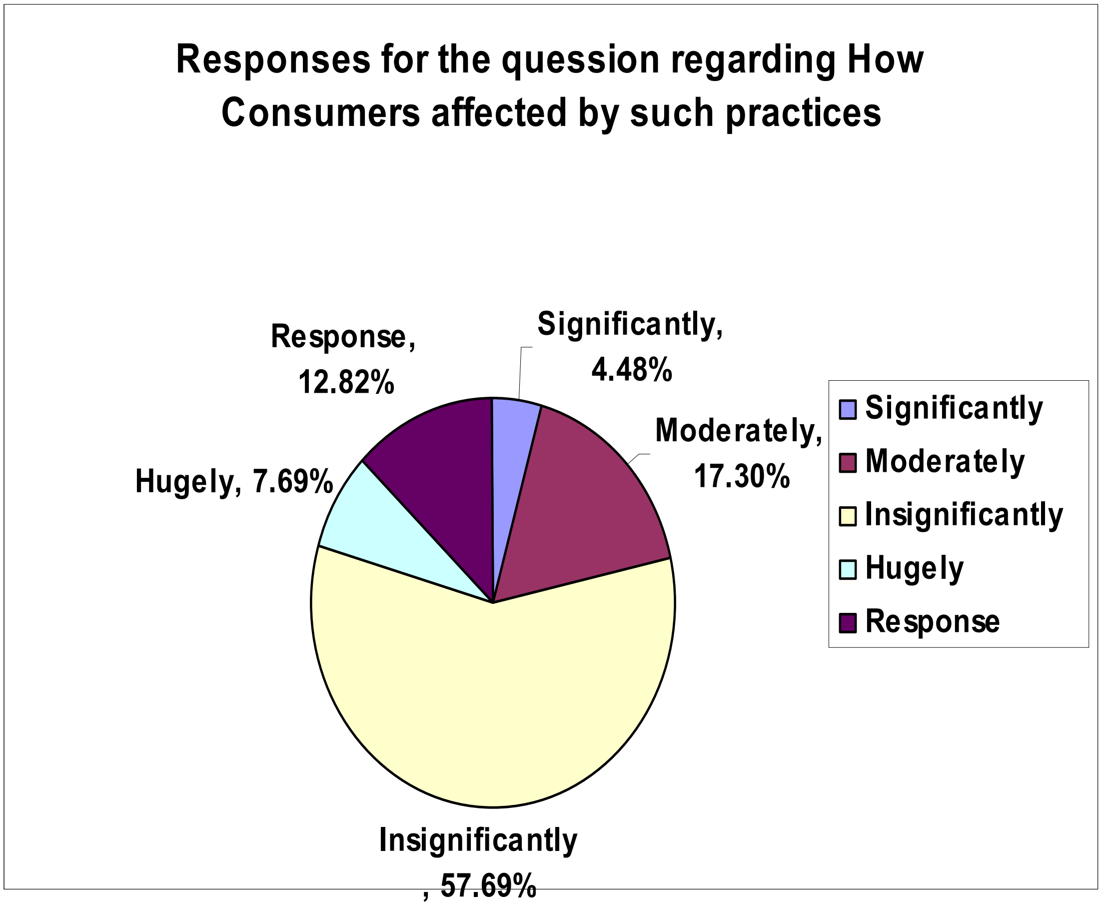
Profile of Respondents





According to the field survey data analysis, the prevalence of anti-competitive practices in the Ethiopian markets indicated on the graph.





21.8 percent of respondents know the existence of rules, regulations or laws to check anti-competitive practices. 20.6 percent of the respondents marked "Yes" for the capability of existing rules, regulations and laws to check anti-competitive practices. Therefore, there is a need for empowerment of trade practice commission to create nation wide public awareness on anti-competitive practices as confirmed by 74.4 percent of the respondents. *85.3* percent of the respondents suggested that the objective of the law should focus on economic efficiency and consumer welfare. 65.5% of respondents said that the law should cover all types of enterprises, persons and all areas of commercial activities.

For the purpose of implementation of the law 63.0 percent of respondents advocated for the establishment of autonomous competition authority (CA) in Ethiopia; 42.2 percent suggested for both investigation and adjudicative competition authority; and 37.1% proposed investigative CA, but adjudicative power should be vested to the courts. With regard to the power of CA, 91.4 percent of the respondents marked "Yes" for the question whether CA should deal with unfair trade practices and consumer protection issues. 82.1 percent of respondents underlined for the involvement of different stakeholders in CA functions, especially in the area of advocacy and publicity.

In relation to the questions that deals with specialized sectors regulatory such as: electricity, telecommunications, Drug Administration and Control, etc; 33(28.4%) of the respondents entrusted over all power to CA, while 38(32.8%) agreed CA as a coordinating institution.

123(78.8%) respondents marked "Yes" for the existence of state monopolies in Ethiopia; 15(9.6%) no; 12(7.7%) said can't say/don't know and 6(3.9%) no response. 94(60.3%)

respondents marked “Yes” for the indulgence of state owned monopolies in anti-competitive practices, 18(11.5%) no; 30(19.2%) said can’t say/don’t know and 14(9.0%) no response.

Major state-owned/private enterprises in Ethiopia that have indulged in anti-competitive practices are: ETC, EEPCo, Agro-Industries, National Bank of Ethiopia, Housing Agency, Sugar factories, Cement factories, Media, Agricultural Inputs Supply Enterprises, Party affiliated, Ethiopian Airlines, Addis Ababa Water & Sewerage Authority, City Bus and Postal services.

When any anti-competitive practices encountered 32.1 percent of the respondents marked for “would do nothing”; 26.9% marked for “to seek help from Consumer Organization”. 24(15.4%) seek help from judiciary 22(14.1%) seek help from Police; 18(11.5%) seek help from Local Councils.

In a nutshell, out of 156 respondents, 116 (74.4%) marked “Yes” for the need of enactment of comprehensive law to check anti-competitive practices, 12(7.7%) no, 13(8.3%) said can’t say/don’t know and 15(9.6%) no response. Recently, the writers of this CRP realized that the government endorsed “unfair trade practice proclamation”, which have been said to be equivalent to competition law.

Finally, the respondents gave their comments that may help to improve the level of competition in the Ethiopian market as follows:

- Joint judiciary action by government and consumer protection association;
- Awareness creation on the notion of free market verses competition policy and law;
- Strengthened government measure towards enabling environment;
- Establish AHa ECoPA branch offices in all regional governments;
- Enforcement of effective consumers protection law;
- Avoid party affiliated, involvement in business; and
- Consider Political, Economic, Social and Cultural situation of the society while implementing the proclamation.

Chapter 10: Conclusion

The study indicates that consumers are severely affected due to absence of competition policy, limitation of awareness on the benefit of competitive market. Competition policy and legislation can market a significant contribution to the integration of the country into the global market and helps to reduce poverty. The primary goal of competition policy should be to drive competitiveness and efficiency, which ultimately leads to better consumer welfare in accordance to the economic principles. The regulation of a free market economy cannot be completed without effective and efficient competition policy and legislation, which ensures competition in the market, is free and fair.

As a result of the culture of monopolies in the economy, the efforts to integrate into the global market can not succeed unless local enterprises can participate effectively on fair economic arena.. As a summary of the survey and research, unfair trade practices, collective price fixing, entry barriers and bid rigging are among anticompetitive practices that initiated the enactment of trade practice proclamation 239/2003, with the establishment of trade practice commission in Ethiopia.

Business needs an effective competition policy so that markets operate properly and consumer welfare is maximized. However, unprecedented challenges may arise in competing with the new industrial powers and competition policy needs to recognize the new commercial realities of the global market place.

The over all anticipation from consumer perspectives, competitive markets delivers the quality products and services at an competitive, affordable and attractive prices for consumers than be achieved through regulation and state planning. Markets should be made free from the hands of government so as to encourage the major economic actors such as government, business and consumers to play the crucial role for better productivity, sustainable consumption and boosting government revenue. Markets must be freed of barriers to entry so as to encourage new entrants into marketplace.

It has been argued that it is only in a country where there is economic development that domestic enterprises can be integrated into the global economy or market. Besides, it is through free and fair competition that weak and poor are allowed to participate effectively in their economy and take parts in reducing poverty. To allow the weak and the poor to participate and play crucial role effectively in the economy or market, there must be effective competition policy and legislation that protects and prevents consumers from exploitation.

Therefore, the writers of this country research report recommend that the government, business and consumers have to advocate and promote trade practice proclamation 329/2003, through awareness creation mechanisms. As stated above, consumers are victims of anticompetitive practices such as: horizontal agreements, abuse of dominance position, unfair trade practices, collective price fixing, entry barriers and bid rigging. Hence, consumers have to build pressure for the effective implementation of trade practice proclamation.

Considering that effective trade liberalization policies should protect the weak and the poor through trade policies, enterprises operating in the economy/market have to promote economic development so as to reduce poverty. It has been realized that most monopolistic enterprises are in the country are in the area of essential commodities and services like, sugar production, cement production, electricity, water, soft drink and air transport etc. As a result of these most people cannot afford basic necessities leading to the escalation of poverty and low levels of food security. Hence the AHa Ethiopian Consumer Protection Association (AHaECoPA) aimed at strengthening its capacity to launch nation wide awareness creation program on the advantage of competition policy and law in collaboration with the trade practice investigation commission.

Recognizing, the importance of consumer rights to equality, social justice and economic advantage the government has to seriously work on the area of competition law with enthusiasm to protect its consumers from anti-competitive practices.

In addition, the writers of this report recommend on capacity building - that trade practice commission has to be strengthen in terms of human and material resources to advocate and promote trade practice proclamation. Improving communication between trade practices investigation commission, sector regulators and stakeholders; improving the effectiveness for judiciary to support the commission through training; upgrading skills of case handlers for effective enforcement; conducting policy research and analysis and holding nation wide awareness creation workshops, panel discussions, and training is crucial for strengthening the competition regime in the country.

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