

**Proceeding of the first National Reference Group (NRG) Meeting of
Ethiopia for the Implementation of Capacity Building on Competition
Policy and Law in select Countries of Eastern and Southern Africa
(7up3 Project)**

1. The first National Reference Group (FNRG) Meeting of Ethiopia was held on 27th May 2005, in the *Tana* Hall of *Ghion* Hotel, in Addis Ababa, Ethiopia.
2. Some Forty Four NRG members, drawn from different governmental and non-governmental institutions, civil society, media, and consumer representatives attended the meeting. (see annex I attached hereto).
3. Due to political situations, especially related with the unfinished results of the May 15, 2005, national election, government officials in the Ministry of Trade and Industry; and Ministry of Justice could not avail themselves in the meeting. However, apart from several representatives from different government institutions, members and Heads of the two Standing Committees: Trade and Industry Affairs Standing Committee; and Legal and Administration Affairs Standing Committee in the House of People's Representative (National Parliament) have attended the meeting as members of the NRG. Had it not been the case, H.E. Ato Harka Haroye, Minister of Justice and Chairman of the Investigation Commission (of Trade Practice); and H.E. Ato Fantaye Biftu, State Minister of Trade and Industry were to open and attend the meeting. However the ministries have been well informed of the whole process of the 7up3 project and the NRG meeting in particular.
4. In his welcome speech Ato Alemu Jotie, President of AHa ECoPA has explained that consumers in Ethiopia have been victims of food adulteration, unethical service provisions, arbitrary price increases and other anti-competitive and unfair trade practices. He added on the importance of competition policy and law to the Ethiopian consumers, through laying the ground for level field in the market towards adequate supply of quality goods and services enabling the consumers to choose among and go for cheaper price. Moreover, he stressed that in order to benefit from the free and fair marketing processes, there should be competition policy and law in Ethiopia and it was with this point in mind that the Consumer

Union Trust society (CUTS) took the initiative to include Ethiopia with other six African countries to implement the Capacity Building Project on Competition Policy and Law in Select Countries of Eastern and Southern African, 7up3. He also added that the members of NRG in Ethiopia have great and national responsibility of initiating the national competition policy and law in the country and to this end he urged the participants to utilize all their capacities, skills and efforts in order to make the 7up3 project objectives real in Ethiopia and make the market work more effectively to give Ethiopian consumers access to quality goods and services at affordable prices.

5. Mr. John Ochala, who represented CUTS in the FNRG meeting, highlighted CUTS activities in the field of competition policy and law, which mainly focused on addressing consumers' issues in Asia and Africa in particular. He further added that the CUTS has been working to respond to the needs of developing countries of Asia and Africa through the 7up projects whereby two 7ups (7up1 and 7up2) have been successfully implemented in the period between 2000-2002. Accordingly, he pointed out that in the 7up1 project, competition regime of seven countries: India, Kenya, Pakistan, South Africa, Sri Lanka, Tanzania and Zambia have been assessed, while in the 7up2 project, Advocacy and Capacity Building on Competition policy in Asia involving six Asian countries: Bangladesh, Cambodia, India, Lao PDR, Nepal and Vietnam has been conducted. He further elaborated that in its continued effort to assess the competition environment in the developing countries, CUTS has initiated 7UP3 project on Capacity Building on Competition Policy in Select Countries of Eastern and Southern Africa (popularly referred to as 7up3 project) with a view to build the capacity in the project countries: Botswana, Ethiopia, Malawi, Mauritius, Mozambique, Namibia and Uganda, and to assist the countries engaged in the implementation of the project to formulate, implement and/or enforce competition policy and law at the national and regional levels. By way of conclusion he reminded the participant that the National Reference Group (NRG) in all project countries in general and in Ethiopia in particular, has the responsibility to debate on the Preliminary Country Paper (PCP) and the field work research to be done by the ECoPA accordingly and forward constructive suggestions to further strengthen and make the research

full and meaningfully advantageous to the country and play crucial role during the advocacy and capacity building activities to be carried out in the second stage of the project.

After listening to the two speakers, the following questions were raised by the participants:

1. How can the ECoPA work to realize the UN Guideline on consumer protection?
2. Why Eastern and Southern African Countries are too late to introduce consumer protection and competition policy law?
3. How can the activities of the 7up3 Project contribute to the achievement of effective Competition Policy in Africa?
4. What is the notion of 7up3 and the rationale to choose the seven countries engaged in the project?
5. What success stories and/or challenges with respect to consumer protection in Kenya could be helpful to Ethiopia?
6. How does the purging of South African Brewery from Kenya go with market economy? Regional Integration? And fair competition?

The two speakers responded to the questions according and elaborated that:

- Continued advocacy work and lobby of policy makers can result in initiation, formulation, and implementation of effective consumer protection law and policy as well as competition policy and law in Ethiopia;
- The weaker state of the markets to implement free market economy and low consumers activism could be taken as contributing factors, while political situations and late introduction of democratization processes have had their part role in delaying the introduction /formulation/ and implementation of the policies and laws;
- The activities of 7up3 has been justified to contribute to the achievement of effective competition policy and law in Africa in that through the researches/field works in the project countries, problems faced by consumers in the market would be forwarded in the initiation process of

competition policy and law to be followed by thorough discussions by the NRG, and then to be raised in the advocacy work to create and raise awareness, and finally to be forwarded to the policy making body (usually the parliament) to formulate effective Competition Policy and Law (CPL) to be enforced to meet the interests of the consumers;

- The notion of 7up3 has been elaborated that "7" standing for seven countries; "up" for picking those seven countries and "3" third round of similar projects. The rationale for selecting the seven countries of the 7up3 project was based on the interest shown by concerned institutions, like in Ethiopian case AHa ECoPA, to work with the CUTS in an effort to assess competition environment in respective countries and initiate CPL, in the case of those countries with no CPL; and the forward tangible evidences of anti-competitive practices in the market and insist concerned government bodies to enact the CPL effectively, in the case of those countries who already have formulated CPL and not yet implemented it effectively;
 - Consumer protection in Kenya has been focused on making the consumers aware of their rights and responsibilities and mobilizing them to stand for their rights. The challenge, however, was that limited capacity of consumer organizations, which is being addressed through capacity development and/or building interventions of different partners. Thanks to CUTS support in particular consumer protection in Kenya is witnessing considerable improvement especially in strengthening consumers; and
 - The purging out of castle Brewery from Kenya was justified in that it had been expanding to Tanzania, resulting in loss of jobs in the latter. However, in terms of competition, much more issues could be raised.
6. The PCP of Ethiopia was presented by Mr. Gebremedhine Birega, V/President of AHa ECoPA and 7up3 project coordinator in Ethiopia. Apart from general background of the country, including brief analysis of socio-politico-economic history, the presentation included social and economic policies affecting competition: comprising industrial policy, trade policy, regulatory policy, investment policy, government procurement policy, labor policy, development

policy, SMEs policy and consumer policy; nature of market and competition: comprising nature of competition in the market, level of competitiveness of local firms, existing or potential entry barriers, market concentration, structure of the market; competition law with especial emphasis on in situational and procedural aspects, power, annual budget of competition authority; regional integration and consumer protection law. Moreover the presentation comprised conclusion and the relevance of 7up3 project to initiate competition policy and law in Ethiopia. Furthermore, sectoral analysis of pharmaceuticals, electricity and financial services were included in the presentation.

After the presentation, the participants forwarded the following questions and forwarded some recommendations.

Questions raised include:

1. As the saying goes "Development is measured by the questions raised, not by the answers given" and in the same token while Ethiopian economy faces several problems, how can one accept the 11.6% growth report of the IMF in 2003/2004, when compared to the -3.8% growth of 2002/2003? Does the IMF deserve praising for this report?
2. Some say that the ADLI strategy of Ethiopia is the replication of socialist ideology and are skeptical that it will succeed and even predict that it would face similar fate like that of previous development initiatives like: ARDU, WADU, CADU, PADP and others resulted in failure. Amidst these hesitations, what strengthen of ADLI can make us anticipate its success?
3. In view of trade policy, where the distributions of agricultural inputs are too costly and hence the farmers have to balance their costs, how can one blame the latter even if they adulterate the grains they supply to the market?
4. With respect to investment policy of the country, investors are heard that they usually complain that taxes for raw materials are too high. How is it being addressed?

5. How is advertisement on alcoholic drinks are handled in competition policy and law? For instance, the Ethiopian St.George Beer is being advertised as if it is carrying an ambassadorial mission through out the world?
6. What is the benefit of having cheap and disciplined labor force pointed out in the investment policy part if it is not effectively utilized?
7. How can consumers be protected in an environment where effective competition policy and law functioning?
8. How can one think of and anticipate consumer related projects, like 7up3, will be successful in a country where corruption is rampant?
9. What can be said about the advantage of having CPL for FDI for a country?
10. How can it be said that local investors are encouraged, as mentioned in the investment policy part, which does not allow privatization of land?
11. How can language proficiency, as mentioned in the investment policy part, be raised as one of the constants for FDI in Ethiopia?
12. How can we talk about the Investment Commission, which is not appropriately institutionalized?
13. What are the indicators of labor productivity and industrial peace of a country? (There are memoirs in the reverse).
14. How can it be said that the charge of Internet service is pro-poor without comparing with other countries?
15. Has devaluation of local currency met its intended objectives, promoting export and investment?

Both the presenter and CUTS representative responded to the questions accordingly as follows:

1. Quoting of the IMF data on the growth of Ethiopian economy does not mean that it is real. But only to refer to the currently available up to date data.
2. The objective of the PCP is not to analyze the success or failure of ADLI, but to show what development strategy is being adopted by the government.
3. Adulteration by any means and by any one is not acceptable as far as consumer protection is concerned. Moreover, it cannot be the solution for the demand-supply mis-match of agricultural inputs.

4. It might be right that taxes on raw materials could have been too high. Yet the concerned government bodies in the Investment Commission say that the investment policy is being amended from time to time to address the problems being raised both by the local and foreign investors.
5. As far as the breweries are functioning legally and the contents of the advertisement are not misleading to the extent of influencing consumers' choice, the advertisement cannot be taken as anticompetitive practice.
6. The availability of cheap and disciplined labor force in a country can attract FDI in that it has direct relation with cost effectiveness, especially in labor-intensive manufacturing/investment.
7. Formulation and implementation of effective CPL can help the protection of consumers in that the behaviors of some actors in the market could be controlled to the benefit of consumers, resulting in access to quality goods and services in an affordable price.
8. The success of a project depends on its objectives, implementation, M&E and other factors. As far as the 7up3 project is aimed at assessing competition situation, identifying major problems hindering competition, initiating policy ideas, raising awareness and influencing policy making bodies, to the benefit of consumers, its success should not be in doubt. What is required is real commitment to work towards making a difference.
9. CPL is the starting point to realize level field in the market, to be guided by market principles, and hence can play a crucial role in guaranteeing the FDI and overall situation in the country.
10. Land is accessed through lease up to 99 years, and together with other incentives like tax holidays, not only local investors but also foreign investors could be said that they are encouraged to invest in Ethiopia.
11. It is not the proficiency, but lack of proficiency of foreign language by most of the labor force, which is considered as one of the constraints to FDI in Ethiopia, for the simple reason that investors would be required to invest on the labor force to upgrade their language proficiency up to the extent of ensuring smooth communication in the work place.

12. On whatever status it is, the existence of Investigation Commission is obvious, and hence we should not wait until the commission is well institutionalized. Rather its weakness has to initiate us to approach concerned body to take action to strengthen the Commission.
13. Smooth performance of industries, harmony between to trade unions and management boards of industries, profitability of industries, payment of fringe benefits as dividends (profit bonuses) to the workers, etc could be taken as indicators of labor productivity and industrial peace in a given country. Rumors are rampant all over the world, on all matters, and should not dictate us to take wrong actions.
14. The current Internet tariff of Ethiopian Telecommunications Corporations (ETC) is 0.06-0.07 cents per minute, which enable an individual to utilize the internet service for up to 12 and half hours with only a USD or ETB 8.70 and this shows that the PPP of ETB is very high validating the argument that the tariff is pro-poor. Comparative analysis of other countries could be additional help and would be dealt during the research work.
15. To say yes or no with respect to the intended objective of devaluation of Ethiopian Birr, we have to assess the current situation of the two intended objectives mentioned above and others.

Apart from these, the comments forwarded by the participants included

- Industrial waste disposal management and recycling should be seen in-depth with respect to consumer's rights especially to live and work in a healthy environment.
- The implementation of effective CPL requires real commitment from concerned stakeholders including the government (as facilitating enabling environment), the private sector (as creating job opportunities) and the consumers (as promoters of consumer rights to balance the two).
- The assessment of monopoly market structure should touch up on sugar, media, and water together with others included in the PCP.
- Better to include the conclusion in the word version of PCP as in the power point presentation.

- Awareness creation on significance of CPL and its enforcement, introduction of redressal mechanisms to damages in the market, and taking cases to the court should be taken in to account in order to realize consumer protection in Ethiopia.
- Trade balance of the country should be included in the background part of the PCP, so that the international trade would be complete.
- It would be better if the background of PCP included compassion of the socio-economic situation of seven countries and showed Ethiopia's position. (This comment was responded in a way that the TOR of the PCP does not require doing so).
- It would have been better had the ADLI and/or Industrial policy comparatively seen interims of competition and competitiveness.
- The need to assess the relationship of between shift in trends of international trade and local resource mobilization (the advantage and disadvantage).
- Better if the cooperatives policy and possibility of organizing the cooperatives in competition framework would be included in the future research.

After listening to the questions, replies and comments on the PCP, Mr. Ochola, on his part, added that:

- Appropriate institution and law are vital to realize consumer protection in a country;
- Corruption need to be addressed accordingly;
- Consumers should stand for their rights, as they pay for products and services.

The participants reaffirmed their readiness to work as NRG members towards effective Competition Policy and Law in Ethiopia.

At the end of the meeting, the remaining works of the project, the schedule of NRG meetings and the need to networking were briefed and wholeheartedly accepted by the participants.

The meeting was held in a friendly, cooperative and mutually understanding manner and ended at about 16:00 hours in the afternoon.