JIMMAA UNIVERSITY, COLLEGE OF LAW AND GOVERNANCE

SCHOOL OF LAW

LEGAL AND INSTITUTIONAL FRAMEWORK GOVERNING SUGAR INDUSTRY IN ETHIOPIA: A

COMPARATIVE STUDY

THESIS SUBMITTED TO JIMMA UNIVERSITYSUMMER PROGRAM FOR LLM IN COMMERCIAL AND INVESTEMENT LAW

BY: FASIL G/MARIAM WOLDE

ADVISOR INSTRUCTOR: TADDELLE GEREMEW (LL B , LL M)

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APPROVED BY THE COMMITTEE OF EXAMINERS

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STATEMENT OF DECLARATION

I, Fasil G/Mariam, assert that this study entitled “**LEGAL AND INSTITUTIONAL FRAMEWORK GOVERNING SUGAR INDUSTRY IN ETHIOPIA: A COMPARATIVE STUDY**” is my own original work that has not been presented for a Master study in any other University and that all sources of materials used for the study have been **duly** acknowledged.

Declared by ________________ _________________

Fasil G/Mariam **Signature** **Date**

APPROVAL

This is to approve that student Fasil G/Mariam has completed writing a master’s thesis entitled “**LEGAL AND INSTITUTIONAL FRAMEWORK GOVERNING SUGAR INDUSTRY IN ETHIOPIA: A COMPARATIVE STUDY**” with my advice and follow up. I also approve that his work is appropriate enough to be submitted as a partial fulfillment of the requirements for the Award of LLM in Commercial and Investment Law offered by the University.

___________________________ _______________ _________________

Advisor Name, Signature Date

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List of Acronyms

EC	European Community
EPRDF	Ethiopian People Revolutionary Democratic Front
ESC	Ethiopian Sugar Corporation
GATT	General Agreement Trade and Tariffs
GTP	Growth Transformation Plan
HVA	Handelsvereniging Amsterdam
KESMA	Kenya Sugar Manufacturers Association
NSW	New South Wales
OGIs	out-growers institutions (
PERTAR	Program of Extraordinary Tax Regularization
QSC	Queensland Sugar Corporation
SAP	State Advised Price
SASA	South Africa Sugar Association
SBT	Sugar Board of Tanzania
SDA	Sugar Development Agency
SDF	Sugar Development Fund
SIDF	Sugar Industry Development Fund
SIRWP	Sugar Industry Review Working Party
SMP	Statutory Minimum Price
SPF	Sugar Processing Factories

Abstract

The objective of this thesis is to analyze the legal and institutional framework governing Sugar industry in Ethiopia. It also identifies and compares the other countries legal and regulatory framework of sugar industry to identify lessons thereof for Ethiopia to have adequate regulatory framework. Descriptive, comparative and qualitative research type was used to undertake the research. Hence, primary, secondary data sources as well as experience of other legal system were extensively used. Accordingly, despite the current Ethiopia government move to make fully privatized pre existing government owned sugar industries, absence of specific legal and institutional regime as existed in many Sugar Producing countries is seen as bottleneck for efficient and adequate regulation of sugar industry including price determination, marketing and trade. Ethiopia's recent move to reform sugar industry via privatization wouldn't be realized with the existing old aged legal and institutional framework without devising new regulatory scheme needed to achieve the goal of privatization.

The researcher recommends legislative scheme with detailed rules not limited to various aspects of sugar industry regulation including pricing, production, taxation, marketing and exporting of sugar products but also with regard to dispute settlement system. The Ethiopian government is expected to take lessons from best legal and regulatory experiences of other jurisdiction.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Sugar development sector is one among other huge projects which enables industry take a leading role in the nation's economy. Ethiopia has huge human as well as natural resources which enable the nation to broaden this export oriented manufacturing industry sector and its productivity. The nation has suitable climate, wide and proved irrigable agricultural land (more than 500 thousand hectares) as well as abundant resource of water to use through canal schemes. And, the Government, to ensure equitable share of the nation's resource among its peoples, has started broadening the sugar development sector which had been limited around WonjiShoa, Metehara and Fincha Sugar Factories for long years to Oromiya, Afar, Amhara, Tigray and Southern Nations, Nationalities and Peoples regional states [1].

Ethiopia's sugar sector has remained mainly state-run under the Ethiopian Sugar Corporation (ESC and formerly known as Sugar Development Agency) which controls sugar production, processing, marketing and trade Although foreign investors have expressed growing interest in sugar production..

The sugar sub-sector in Ethiopia faces several challenges, the most important of which remains that of satisfying local demand at a stable and relatively low consumer price. The fast growing demand for both energy and sugar is due to the population and per capita income growth. Ethiopia is also facing challenges stemming from its complex sugar trade policies and trading arrangement at both regional and global levels. Another big challenge the Ethiopian sugar sub-sector faces is the unpredictable changes in the world sugar market. Changes in the sugar market, specifically changes in international sugar prices, significantly affect the Ethiopian sugar industry [2].

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[1] Ethiopian Sugar Corporation (ESC and formerly known as Sugar Development Agency) which controls sugar production, processing, marketing and trade.

[2] MamounAmrouk, Manitra A. Rakotoarisoa, and Kaison Chang (2013) Structural Changes in Sugar Market and Implication for Sugarcane Smallholders in Developing Country Case Studies for Ethiopia and Tanzania. FAO Commodity and Trade Policy Research Working Paper No. 37 Trade and Markets Division Food and Agriculture Organization of the United Nations.

Similarly there isalso present additional challenges which have implications on stakeholders both within and outside the sugar sub-sector is land rights and relocation of farmers. For instance, the expansion in production areas required households to be relocated, the majority of whom have been living in public lands for manyyears [3]. Therefore, the purpose of these studyis to comparatively assess the legal and institutional framework governing sugar industry in Ethiopia.

1.2. Statement of the Problem

Sugar industry plays a tremendous role in the socio-economy development of Ethiopia as it produces sugar for household as well as industrial consumptions;creates wide job opportunity to citizens; serves as source of energy and input ofco-products which are used for miscellaneous purposes. Commercial sugarcane cultivation in Ethiopia started in 1954 at Wonji on 5000 ha. Now-a-days sugarcane is cultivated on 37,000 ha and the four operational sugar mills produce about 300,000 tons of sugar per annum. However, this production could not satisfy the domestic consumption, and thus the gap is being filled importing sugar. To bridge the gap between supply and demand as well as exploit the international market, Ethiopia, parallel with expanding the existing sugar mills, is in the course of establishing new sugar factories with large tract of sugarcane plantationfield with the aim of attaining production of 2.25 million tons of sugar and 181 million liters of ethanolby the end of the year 2014/15[4].

There is an evident gap between the potential yield and the yield level achieved so far though productivity of the plantations seems high when compared with many other countries. This may be attributed to the combined impact of inefficient management and use of limited improved technological developed in situ or abroad. Thus, the cane agriculture in Ethiopia still needs improved technologies that can alleviate the existing production challenges namely lack of cane varieties with high yield, prevalence of diseases and pests, reduced land productivity, rise of soil and water management related problems, etc. Moreover, existing sugar mills particularly Wonji-Shoa, Metahara and Finchaa do not use state-of-the-art technologies and hence they require either to be replaced or upgraded.

[3]Okland Institute: Miracle or Mirage? Manufacturing Hunger and Poverty in Ethiopia.2016.

[4]Kebede, Shimelis&Damtie, Ambachew&Gebregiorgis, Firehun. (2017). Trends of Sugar Industry Development in Ethiopia: Challenges and Prospects. Conference paper presented in State of Science(s) and Technology in Agriculture.

In spite of the fact that the government of Ethiopia puts a privatization modality on the sugar sectorit requires legal and institutional framework which shall govern differentinterested sugar producers and other stake holders of the industry.

As a result to do away with thec hallenges faced and inefficiencies reflected in the sugar sub-sector, the government has come up with a new direction to work with local and foreign investors in joint investment modalitiesor else privatize sugar factories and projects. However, there is a limitation in implementing it due to the absence of legal and institutional framework that govern the industry. As a result, maintaining different stakeholder's interest in the industry and working to improve the sector taking a lesson from other countriesisthe primary problem that was observed. Moreover, there is no detailed legal regulation to enforce the sugar industry fund proclamation No. 415/2014[5] and as it has notbeen amended taking in to consideration some conditions and changes with regard to ownership after the proclamation is enacted. Therefore, the purpose of this study isto comparatively assess the legal and institutional framework currently governing the sugar industry of Ethiopia.

The main problem related with such legal and regulatory framework governing sugar industry is limitation of literature specially in the Ethiopian context and non existence of specific legal framework like sugar act in Ethiopia . As a result ,thewritor will try to search out such gap and recommends what kind of legal frame work in the Ethiopian context including the regulatory framework .

1.3. Research Question

- ✓ Are theexisting legal and institutional framework in place capable of attaining the industry goal?
- ✓ What are the legal and institutional challenges of the sugar industry in Ethiopia?
- ✓ What are the experiences of other countries` sugar industry legal and institutional framework with regard to economic reform and privatization?
- ✓ How to accommodate economic reform and privatization in the Ethiopian Sugar Industry?

[5] Sugar industry fund proclamation No. 415/2014

1.4 RESEARCH METHODOLOGY

1.4.1Research Approach and Design

The methodological approach employed here in the study was non-doctrinal research method. This method was selected because the underling study we want to conduct entailed besides desk and library review, the conduct of survey to gather appropriate data. The non-doctrinal approach allowed the researcher to conduct research that analyses the law from the perspective of other science disciplines, and to employ those disciplines in drafting the law.

Moreover, non-doctrinal research, also known as social-legal research, is a research that employs methods taken from other disciplines to generate empirical data that answers research questions. It can be a problem, policy, or a reform of the existing law [6].

The paper has been done in a comparative study.Comparative law is a legal research method that compares the similarities and differences of the domestic laws of one country with another country. Comparative law tends to be subject focused - comparing the laws on a particular topic in at least two jurisdictions.

1.4.2. Type and Source of Data

The study had used both primary and secondary sources of information and data. The secondary information and data were obtained from Ministry of Trade and Industry, Sugar Corporation and Public Enterprise Agency report, unpublished documents and web sites of these organizations. Primary data which were qualitative in nature gathered from relevant officials and executives of Ministry of Trade and Industry, Sugar Corporation and Public Enterprise Agency key informants by using convenience sampling [7] technique.

[6] Salim Ibrahim Ali, Zuryati Mohamed Yusoff and Zainal Amin Ayub (2017).Legal Research of Doctrinal and Non-Doctrinal. International Journal of Trend in Research and Development, Volume 4(1), ISSN: 2394-9333 Available Online@www.ijtrd.com.

[7] Convenience sampling (also known as Haphazard Sampling or Accidental Sampling) according to Dörnyei, Z. (2007) is a type of non probability or nonrandom sampling where members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study.

Secondary Data Sources Secondary sources (journal articles, books, conference proceedings) were consulted in examination of existing knowledge on the study area and to provide the conceptual and theoretical framework as well as in the initial stages of carving the problem to be studied. In addition, documents were analyzed in order to gain in-depth knowledge about the background of the study.

1.4.3. Method of Sampling and Data Collection

To achieve the objective these study a desk-based content analysis of key policies and legislation within sugar sub-sector was carried out. This analysis also had included a literature review and building evidence from published and unpublished reports.

The sampling technique that was employed is convenience sampling. The nature of data and data source entail the appropriateness of the sampling technique. Moreover, convenience sampling technique is applicable to both qualitative and quantitative studies, although it is most frequently used in quantitative studies while purposive sampling is typically used in qualitative studies[8]. However, sampling must be consistent with the assumptions and objectives essential in the use of either convenience sampling or purposive sampling. Convenience sampling methods place primary emphasis on generalizability (i.e., ensuring that the knowledge gained is representative of the population from which the sample was drawn).[9]

The key informant interviews with Ministry of Trade and Industry, Sugar Corporation and Public Enterprise Agency will be undertaken. The interview had broadened the understanding of practices and challenges phased on the ground. The collection of a broad range of stakeholder views ensured a strong set of information, from which to draw initial recommendations to strength legal and institutional frameworks.

1.4.4 Method of Analysis

The final research report was prepared by extracting views and reviews of the interview and by complementing it with comparatively analyzing with different countries sugar act or agreement experience review. This systematic analysis used standard templates and assessment tools.

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[8]Dörnyei, Z. (2007). Research methods in applied linguistics. New York: Oxford University Press.

[9]IlkerEtikan, SulaimanAbubakar Musa, RukayyaSunusiAlkassim (2016). Comparison of Convenience Sampling and Purposive Sampling. American Journal of Theoretical and Applied Statistics 2016; 5(1): 1-4 doi: 10.11648/j.ajtas.20160501.11 ISSN: 2326-8999 (Print); ISSN: 2326-9006 (Online)

1.4.5. Ethical Consideration

In conducting the key informant interview the researcher established ethical procedures which was expected to offer safeguards with issues in surveying.

1.5. Objective of the Study

1.5.1. General Objective of the Study

The general objective of the study is to assess the legal and institutional frameworks to govern the Ethiopian Sugar Industry with comparatively review from other jurisdiction.

1.5.2. Specific Objective of the Study

The specific objective of the study is:

a) Examine the existing legal and institutional framework to regulate and govern the sugar industry in Ethiopia;
b) Analyze the Legal and Institutional challenges of sugar industry of Ethiopia has been facing;
c) Examine the experiences of other countries` sugar industry legal and institutional framework on the eve of economic reform and privatization and

1.6. Significance of the Study

The study is undertaken to come up with the legal and institutional frameworks regarding the sugar industry which best entertain the economic reform the country is carrying out which hence enables ensure sustainable sugar production and trade as well as to provide an analysis of the challenges facing the sugar industry and its pivotal role in the economic sector.

The following are among the significance of the study to different parties:-

- It assists different stakeholders including existing and new entrants to have clear understanding about the present legal regime governing the sugar industry of the nation;
- It also plays its own role in assisting different implementing institutions by identifying the major legal and institutional problems in the area and recommend concerned policy makers and institutions to realize the existing draw backs in the sector and thereby find out appropriate solutions and

- It serves as a basis for further researches by the academia as well as ~~by~~ other researchers.

1.7. Scope of the Study

Many other activities are involved in the sugar industry which may be broadly categorized into production, processing and marketing. The study will comparatively assess the legal and institutional framework governing the aforementioned categories of the sugar industry of Ethiopia. This is due to the fact that sugar industry is growing at a terrific rate, justifying the need to check whether the existing legal and institutional frameworks are adequate to sustain the industry. In order to give comprehensive analysis on the subject, however, the study will also broadly discuss the institutional frameworks regulating sugar industry of both the country as well as foreign countries. Moreover, this study paper will mainly be concerned with analysis of the law that is governing the industry incorporating some practices to the extent possible considering their relevance to enrich the study.~~.~~

CHAPTER TWO
LITERATURE REVIEW

2.1. Overview of development of the Sugar Sub-sector in Ethiopia:

It was at Wonji in 1951 some 110 km east of the capital Addis Ababa that modern sugar industry started in Ethiopia as a share company established by foreign private investors & Ethiopian government. By then the Netherland's H.V.A.[10] Company had entered into the sector as a foreign share holder. When the factory started production in 1954 its initial production was one thousand four hundred quintals of sugar a year. At the start, the share company had five thousand hectares of land for its sugarcane cultivation. As its location is one of the most suitable areas of the world to the sector it opened a door to Wonji Candy Factory to come forward .

Then, followed Shoa Sugar Factory in 1962 with 1,700 quintals of sugar production capacity a day. The two factories known by the name WonjiShoa Sugar Factory altogether had the capacity of producing 750,000 quintals of sugar per annum till recent time i.e. prior to the completion of the new WonjiShoa Sugar Factory. Serving for more than half a century and getting obsolete, these two Wonji and Shoa sugar factories were closed in 2011 and 2012 respectively. Replacing these pioneer factories, the new and modern factory had started production in 2013 with higher production capacity.

The second factory- Metehara Sugar Factory was established as a share company between same Netherlands Company and the then Ethiopian government in 1965 and started production in 1969 at a location known as Mertti some 200 km from Addis Ababa. Currently, the factory with a total 10,235 hectares of sugarcane cultivation land has a capacity of producing more than 1.3 million quintals sugar and 12.5 million liters ethanol a year on average.Five years after the establishment of Metehara Sugar Factory i.e in 1974 following the dawn fall of the emperor's regime all sugar factories were made to be administered under the ownership of the government and started operating under the then Ethiopian Sugar Corporation. The corporation had also been made to administer the Addis Ketema and Asmara Candy Factories together with the above mentioned three sugar factories.

Later in 1992 when the Corporation which had administered all sugar factories was dissolved by statute; all the above factories were reestablished as separate public enterprises. Following

[10] Netherland's H.V.A Company had entered into the sector as a foreign share holder. When the factory started production in 1954 its initial production was one thousand four hundred quintals of sugar a year.

this the Ethiopian Sugar Industry Support Center came into existence in 1998 to provide support to the factories. The center was established as a share company of the Development Bank of Ethiopia, Ethiopian Insurance Corporation and the three sugar factories.

Fincha Sugar Factory as the third sugarcane crushing mill to the nation came into existence in late 1998 though its establishment process and other activities dated back to 1975. The gap between the establishment and commencement of production of the factory is mainly occurred due to the political change the nation had undergone.Its finance sources were African Development Bank and Development Fund; Governments of Australia and Spain as well as domestic banks of the nation.Its initial sugar production was 500,000 quintals per annum. More modern than the former factories, the factory's construction job including its ethanol plant was executed by American company known as F.C. Shefer and Associates and Netherland's company called Dewetto International while many domestic construction companies had also played their part in the process.

In 2006 Tendaho Sugar Development Project was established as a fourth two-phased project in the country. Construction of the first phase of the factory has started production in 2015. The two-phased project, reaching its maximum crushing capacity, eventually enables the factory produce 3 Million quintals of sugar and 30 million Litters ethanol a year. The factory, with its first phase factory construction finalized, has started producing sugar. The factory will in total have 50,000 hectares of sugarcane cultivation land. It was during the inception of Tendaho Sugar Factory that the Ethiopian Sugar Development Agency came into existence replacing the support center to assist the sugar factories in project development, research and training.

The present "Sugar Corporation[11]" with a vision of executing sugar development activities at a large scale[12] has carried out various activities such as building various infrastructures as well as social institutions carrying out wide sugarcane plantation activities and creating large job opportunities during the First GTP. On the other hand, the Corporation, from the concluded GTP exposure, has learnt that it has got a lot to do to increase the number of sugar factories as well as amount of sugar production and co-products.

[11]Sugar Corporation which came into existence on October, 2010 by the Council of Ministers Regulation No.192/2010 replacing the former Ethiopian Sugar Development Agency. Currently, with the Regulation No. 916/2015 instituted to determine the authority and practice of FDRE Executive Bodies, the Corporation is operating under a Board of Management while it is organized under Ministry of Government Enterprises.

[12]Growth and Transformation Plan which was launched in 2010 by Government of Ethiopia.

Hence, the Government has comeup with a conclusion that the Corporation, to attain the mission, is expected to make certain structural changes which enable it accomplish the goals of the Second GTP of the sector. Accordingly, the Corporation, with a new structure which is believed to efficiently conduct sugar development activities at a large scale in the nation, is now carrying out various activities[13].

2.2. Rationale for Sugar Industry Legal and Institutional Framework

In most sugar producing countries the legal frame work for sugar industry usually related with sugar act which establish sugar board and sugar institute and Arbitration panel .

The creation of an enabling environment for the development and continued success of the sugar industry in any country is of paramount importance to all direct and indirect stakeholders, and how this enabling environment is developed differs from country to country. The sugar industry is an extremely important sector of the world economy providing valuable foreign exchange, export opportunities, employment and income generating opportunities via a strong dynamic value chain to all economies regardless of their status in development terms[14].

As the industry develops through new investors in ethanol and sugar production, and diversifies into electricity production and the development of downstream products, the importance of a flexible and dynamic regulatory and monitoring framework increases. There are a number of reasons why an industry should begin to consider some form of regulatory framework but more recently, a significant influencing factor is the increased scrutiny of private sector industry by many national and international Government, non-government and consumer bodies. This direct interest leads to an increased need for transparency of operations, participatory representation of all stakeholders, good governance and accountability, which, if not governed by existing national frameworks or initiatives, can be aided by an industry regulatory framework.

Legal regulation in the sugar industry is implemented through a variety of different routes dependent on the policies of Government, the enforcement and monitoring capacity of its existing legal framework and the stage and capacity of the industry itself. Many countries use Sugar Authorities or Sugar Boards as governing regulating bodies, some of which are Para

[13]Ministry of Finance and Economic Development of Ethiopia.

[14]Jan Meyer, Peter Rein, Peter Turner and Kathryn Mathias (2011) Good Management Practice Manual for the Cane Sugar Industry. Produced for the International Finance Corporation (IFC)

statal and others are more participatory with stakeholder representatives. Legal controls and regulations are generally prescribed through a Sugar Act and/or Sugar Industry Agreement, a legal document which details the conditions of operation within the country[15]. The Act or Agreement is often very detailed and comprehensive and covers the following matters in to consideration:-

1. **The roles and responsibilities of industry stakeholders and supporting institutions including :-**

- Sugar Boards or regulating bodies – how they are governed and the scope of activities and responsibilities;
- Sugar research institutions – how they are governed and operated, research areas, information dissemination and commercial activities;
- Training institutions − how they are governed and operated, who they cater for, thematic subject areas, funding and commercial activities and
- Industry funding institutions – how funds will be sourced, dispersed and managed.

2. **Cultivation of sugarcane: -**

- Cultivar control – importation, breeding and penalties for the use of non-approved cultivars;
- Crop husbandry – regulations limiting the use of certain chemicals and providing guidelines and legal limitations for certain practices to improve performance and
- Pest and disease management – guidelines for controlling P&D, legal limitations to chemical use, restricted growing areas, penalties for non-compliance with control measures and allocation of responsibilities for control.

3. **Licensing and registration:**

- Growers – the legal registration of cane suppliers incorporating details of growers and land areas;
- Processors and refiners – provision of licenses to process sugarcane supplemented by processing guidelines and regulations and

[15] Ethical Sugar (2010). Sugarcane in southern Africa: A sweeter deal for the rural poor. University of Warwick, UK.

- Traders − provision of import and export licenses for sugar.

4. **The administration and financial management of the industry bodies:-**

- Asset management – what physical assets the industry can own;
- Human resources – how the regulating bodies are managed and supported and
- Arbitration routes – how industry disputes are managed.

Whilst Sugar Acts are useful for establishing regulations and standards, and guiding industry development, they can also be cumbersome − being slow to change and react to industry development. If not cautious, the number of regulatory bodies which are established can become a burden to the efficient operation and development of an industry. Interestingly, the major growth in the Brazilian industry has occurred since deregulation, supported by industry self-regulation and strong national laws. Yet in Africa, many countries which not yet regulated industry are driving towards it. The need for industry regulation can depend heavily on the general legal environment of a company .For instance if there exists a strong national environmental department and framework that is monitored and enforced effectively, there is less need for an industry specific regulation and guideline, as the rule will be simply to meet national legal standards. However, where capacity is lacking in key areas of national government to enforce legal standards, there is more of a need to regulate in an industry-specific manner. It is important that the framework adopted must be dynamic that support innovation, thus allowing the industry to adapt efficiently to changes in innovation and market demand.

A regulatory framework can establish a 'level playing field' for all stakeholders within the industry, setting basic standards on which good management practices can be developed. Different stakeholders have different views on the value, roles and responsibilities of a regulatory framework and these ideas could differ according to the role of the stakeholder and the perceived power of the organization. Some stakeholders believe that regulating an industry is necessary to control income flows to the Government and to ensure that operations are undertaken within the legal requirements of the country. Others see a regulatory framework as a way to build harmony between the stakeholders, develop operating standards and strengthen business relationships, resulting in a more efficient industry beneficial to all stakeholder groups. It is important to understand that there is no single framework, Act, Bill or regulatory body for the sugar industry that suits all environments, and each is governed by the laws of the country in which the industry operates.

A regulatory framework should add value to an industry rather than confine and subdue development of commercial operations. The risk of a heavily regulated industry is not only the cost but the difficulty in decision making procedures. And also in changing the business focus to react to the fluid changes of the market and industry. Mauritius, for example, as a well established industry that has recently been forced to consolidate and streamline activities due to market changes, has an extremely complex and heavy regulatory framework that can cost 6-8% of gross revenue. With the changes taking place and the move away from sugar as the main product into a cane cluster approach, the industry is considering refining the regulatory framework and streamlining or merging a number of the organizations to reflect the dynamics of the industry. However, changing the regulatory framework is a lengthy process.

Although the development of a legal regulatory framework is an area that companies have little influence over, it is important that companies engage with other stakeholders to address the most suitable structure for the situation, and develop or manage a framework in a participatory and transparent manner that reflects the needs of all stakeholders.

2.3. Review of Policy, Legal and Institutional Framework of Ethiopia Sugar Industry

2.3.1 Overview of Industrial Policy of Ethiopia

Sugar production is a key sector prioritized by the Ethiopian government . As mentioned above Ethiopia,to become one among the prominent countries of the world in the production and export of sugar in the near future, is carrying out various activities related to the industry.

On the other hand industrial policymaking in Ethiopia has advanced substantially over the last few years. Especially the institutional reforms of the Civil Service Reform Program are guiding the industrial policy system in the right direction. Some agencies under public ministries including the sugar development sector have already been restructured in a way that makes them more flexible and responsive to the needs of the private sector[16].

[16]Tilman Altenburg (2010) Industrial policy in Ethiopia.Discussion Paper / DeutschesInstitutfürEntwicklungspolitik ISSN 1860-0441.

To develop an open policy learning system, however, Ethiopia still has a long way to travel. Although the government has designed quite flexible and appropriate policies for different challenges, these decisions are taken within the confines of the government (or the ruling party) and are neither systematically substantiated with evidence nor participatory or transparent. This may be a reflection of the EPRDF's[17] dogma of insulating its institutions from rent seeking interests. Moreover, especially the relationships between government, ruling party, state-owned enterprises and endowment-owned enterprises are quite opaque. Transparent procedures with regard to allocation of credits, land, and subsidies of different kinds are needed to create a level playing field for all companies and build trust among the public and the private sector [18].

. Although there are some requirements which demand reporting, reports are observed merely providing information on activities rather than impacts, and are usually prepared by the implementing agencies themselves, rather than by third regulatory or neutral parties. Monitoring and evaluation is increasingly built into some programs but the government has not yet taken steps towards fully independent third party evaluations or open stakeholder processes.

2.3.2 Legal and Institutional Framework of Ethiopia Sugar Industry

In Ethiopia there are a number of policies, legal and regulatory documents issued. Among others, the legal and regulatory documents relevant include: the Growth and Transformation Plan, Sugar Corporation Establishment, Climate Resilience Green Economy strategy, Cooperative proclamations, Investment proclamations, Directive in relation to sugar distributions and Ethiopian labor law are among the major policy documents.

In the Ethiopian sugar industry there is no specific either proclamation or regulation in order to supervise, improve and manage the sugar industry except the proclamation to establish sugar development agency which is proclamation no 504/2006 [19] and [20]regulation no.192/2003 to establish Sugar Corporation.

[17] EPRDF- Ethiopian People Revolutionary Democratic Front, the ruling coalition which is in power since 1990.
[18] Mulu Gebreeyesus (2015) Industrial policy and development in Ethiopia: Evolution and present experimentation. Learning to Compete Working Paper No. 6

[19] proclamation to establish sugar development agency no 504/2006
[20] regulation no.192/2003 to establish Sugar Corporation

Beside this, there are other legal and regulatory framework commonly applicable for both sugar and other business industries.

To began with first and the supreme law that govern all activities of trade is the 1994Ethiopian constitution. Under such constitution not only human right issue has been raised but also economic right also expressed. Under the Ethiopian constitution Article 40 it has been clearly stated every citizen has a right to own property to sale, dispose or transfer it to other party.

Especially in Ethiopian Constitution, Article 85 economic objectives the Government shall ensures that all Ethiopians equal opportunity to improve their economic condition distribution of wealth among them. After the enactment of the constitution the government enacted also investment proclamation. And among those, the current governing one is [21]proclamation No. 769/2012 of investment proclamation[18]. Under this proclamation preamble it is clearly stated that the encouragement and expansion of investment especially in manufacturing sector has become necessary so as to strengthen the domestic production capacity accelerates economic development of the country and to improve living standards of its people, to increase inflow capital and transfer of technology etc.

When we come to see areas of investment open for foreigners also Article 8 it says it would be determined by its regulation with limiting postal service, telecom manufacturing of weapons and ammunition is only by gov’t or jointly. Under investment regulation No.270/2012 under Article 3 it enumerates investment areas exclusively reserved for Ethiopians. When we examine the proclamation and regulation the sugar industry is open for not only local investors. But also for foreigners .

Further more investment incentives and areas of investment reserved for domestic investors [22]. The other line that may be raised the issue is 33% from the production cost for excise tax which is proclaimed under proclamation No.307/2002 .it is “Any type of sugar solid from excluding molasses is subject to a tax of 33% from its production cost under the table attached with the proclamation”.

[21] proclamation No. 769/2012 of investment proclamation

[22] Investment incentives and areas of investment reserved for domestic investors regulation No.312/2014
Excise tax which is proclaimed under regulation and proclamation No.312 and 307/2002 respectively
Trade practice and consumer protection proclamation 685/2010 Article 13

It is really arguable that sugar is not a luxury commodity, it is a basic need.Because one of the purpose of Excise tax is to discourage luxurious product. Yet it may be the reason to enhance the government revenue as it has been explained in the first preamble.

There is an exemption of capital goods and construction materials from custom duty as it has been indicated under Article 13 of the same regulation investment reg. no. 270/2012 it would clearly applicable for the investors who would engage in the sugar sector.

Finally trade practice and consumer protection [23]proclamation 685/2010 13 also applicable for the sugar industry..

When we come to see institutional aspect of the Ethiopian sugar industry most of the sugar factories having a type of company's nature from business organization it seems due to the sugar factories, having huge sugarcane cultivation, factories requires well established logistics and supply including marketing. So in order to manage such transaction in well defined manner previously most companies of sugar established either in share company or private limited company.

Before the establishment of sugar corporation by regulation No. 192/2003 most of the sugar factories like Wonji Showa sugar factory, Fincha sugar factory, Metehara sugar factory were established each of them in share company modality with having their own Article and memorandum of Association.

when we come to see the previous company which had owned ArjoDedissa sugar factory and was transferred to sugar corporation it was owned by AllHabesha's sugar mill private limited company which is different from the share company modality.. In addition, if the business is established in a company type either of the two modality it shall be deemed to be a commercial nature whatever their objects according to Article 10(2) of the commercial code.

Legal and Juridical System

[23] consumer protection proclamation 685/2010 13 & commercial code Article 10(2)

The Commercial Code of 1960 provides the legal framework for undertaking business activities in Ethiopia. The constitution, in accordance with Article 40, ensures the right of every citizen to the ownership of private property, including the right to acquire, use and dispose of such property. The Investment Proclamation (769/2012)[24] gives also a foreign investor the right to own a dwelling house and other immovable property necessary for his investment.

The Investment Proclamation (769/2012) guarantees investors against measures of expropriation or nationalization, and specifies advance payment of compensation "corresponding to the prevailing market value" of a private property earmarked for expropriation or nationalization for public interest.

The Investment Proclamation of 2012 and the Regulations on Investment Incentives and Investment Areas Reserved for Domestic Investors of 2012 are the main legal framework for both foreign and domestic investment in Ethiopia.

2.4. Overview of other jurisdiction Sugar Industries Legal and Institutional Framework

Under the literature review part, countries with similar experiences in the sugar industry and most of them are the emerging economy. Thus, they would be a model for the improvement of the sugar industry in Ethiopia. In addition, those countries like India and South Africa are listed the top ten sugar producing counties in the world.

2.4.1 South Africa

The South African sugar industry produces an estimated average of 2.2 million tons of sugar per season, with about 60% of this marketed in the Southern African Customs Union (SACU). It directly supports approximately 79,000 jobs,and indirectly supports another 350,000. Approximately one million people, more than 2% of South Africa's population, depend on the sugar industry for a living. There are 29,130 registered sugarcane growers of whom 27,580 are small-scale growers mainly on tribal land. A growing number of black growers are entering sugarcane farming on commercial farms made available at market-related prices by the major milling companies and other sellers of freehold land. There is an important issue related to land transfers in South Africa in that the success of the sugar sector in transferring land to previously disadvantaged groups may well be creating a constraint to

[24] The Investment Proclamation (769/2012)

further liberalization in South Africa, but such a policy constraint is not one that should be unique to sugar.

The South African sugar industry is regulated within the wider context of the following regulatory framework of Sugar Act No 9 of 1978, Sugar Industry Agreement of 2000 and SASA Constitution.

The South African Sugar Association is an autonomous organization and operates free of government control. In terms of the Sugar Act and Sugar Industry Agreement, statutory powers of self governance are granted to the sugar industry. Sugar Association Council 50/50 representation by Millers and Growers (i.e. SA Sugar Millers' Association Ltd and SA Cane Growers Association), 6 Milling Companies and 14 Local Grower Councils. when we come to see our country context there is no sugar association which is empowered on the statutory issues of sugar act or the industry .

2.4.2 Tanzania

Sugarcane is an important commercial crop in Tanzania. It is the main source of sugar produced for both export and domestic consumption. Currently, most sugar-cane is grown in estates, owned by the sugar processing factories (SPF) as well as contract growers. The Sugar Industry Act, Cap 251 [R.E.2002]: This Act makes provisions for the establishment of the Sugar Board of Tanzania and the National Sugar Institute, to provide for the improvement, development and regulation of the sugar industry and matters related thereto. The Act established the Sugar Board of Tanzania. This Board is basically responsible for a matters pertaining to the improvement, development and regulation of the sugar industry in Tanzania. The Board is mandated to issue licenses to sugar manufacturers and small plant operators and to register exporters, importers and industrial users of sugarcane, etc. It has also the power to issue sugar import and export licenses. All licenses are issued subject to the payment of various fees.

The Sugar Board of Tanzania (SBT) is under the Ministry of Agriculture, Food Security and Cooperatives. SBT was established under section 3 of the Sugar Industry Act No. 26 of 2001 which came into operation on 1st July 2003 vide Government Notice. No 329 of 5th July 2002.The Act was however revised in 2009. Under the revised Act, SBT is now a regulatory and licensing body of the sugar industry financed by the government and from own sources.

The Board is also responsible for sustainable development of the country's sugar industry as well as achievement of sugar self sufficiency and promotion of export.

2.4.3 Kenya

The sugar industry plays a key role in agriculture and the government has severally responded to its problems, constraints and challenges, through several national and sectoral policy papers. Key amongst these are Economic Strategy for Wealth and Employment Creation 2003 - 2007 as conceptualized in Strategy for Revitalization of Agriculture, Sugar Industry Task Force 2003, National Sugar Conference October 2004 and Draft Sessional Paper for Revitalizing Sugar Industry 2008. Despite these policy profiles, it has been severally noted that government policy with regard to a number of critical competitive and efficiency factors for the sugar industry has remained unclear. In order to achieve the anticipated industry resuscitation programmes, a critical success factor will require supportive and assertive government policy, embraced by all target actors and beneficiaries. Most medium and long term recommendations are abandoned midstream. The Sessional on Revitalization of Sugar Industry 2008 and Sugar (General) Regulation are yet to be adopted, gazzeted and implemented. Another key policy document marking time at the Ministry of Agriculture is the recommendations of the Sugar Industry Privatization Committee 2009, yet privatization is critical to resuscitation of the sugar sub-sector.

The sugar sub-sector is characterized by numerous stakeholders, key amongst them being the sugarcane farmers and their out-growers institutions, the sugar companies and service providers. There are nine (9) established sugar companies eight (8) of which are operational. Over the years, there has been a consistent widening gap in the realization of the envisaged capacity, posting the country as a persistent net importer with negative impact on foreign exchange balance. The millers are organized under Kenya Sugar Manufacturers Association, (KESMA), through which the collectively negotiate for sugarcane prices and advocate for favorable government policies. Most sugarcane farmers belong to membership based organizations commonly known as out-growers institutions (OGIs). There are two categories of OGIs, one based on service provision to members and the other performing the role of lobby and advocacy.

The Kenya Sugar Board is the industry regulator. It is established under the Sugar Act No. 10 of 2001, to regulate, develop and promote the sugar industry. It is also mandated to coordinate the activities within the industry and facilitate equitable access to the benefits and resources of the industry, by all interested parties. The board's key weakness lies in its inability to implement the provision of the Sugar Act No. 10 of 200. It also lacks capacity to manage Sugar Development Fund (SDF) and regulate sugar imports. The Kenya Sugar Research Foundation was incorporated in 2001, with the sole objective of conducting research and undertaking technology transfer. Though amply funded by the Sugar Development Fund is activities are yet to impact on the industry performance and betterment due to low adoption rate of their recommendations by millers and sugarcane farmers.

2.4.3 Australia

Australia's sugar industry is widely acknowledged as one of the lowest cost in the world. Australia currently ranks seventh among world sugar producers behind the European Community (EC), China, India, Brazil, the United States and Thailand. Among exporters, Australia is surpassed at the global level only by the EC and Brazil, competing with Thailand for third place. About 95 percent of Australia's sugar are produced in Queensland, one of Australia's seven States located on the northern half of Australia's eastern coast. Most of the remaining production is in New South Wales (NSW), to the south of Queensland.

The Queensland sugar industry was regulated by the Sugar Acquisition Act and Regulation of Sugar Prices Act enacted in 1915 until 1991 when a new Sugar Industry Bill was introduced. NSW sugar was produced and marketed within this general framework, while a Commonwealth/State agreement allowed the domestic price of refined sugar to be regulated. The Sugar Industry Act of 1991 introduced significant regulatory reforms, which were reviewed once more in 1995 putting in place policies aimed at developing the industry over the next decade according to the aspirations of the cane-growing and milling sections. This review of the evolving de-regulation came to be known as "Vision 2000."

A Sugar Industry Review Working Party (SIRWP) which included representatives of Commonwealth and Queensland governments, growers, millers, Queensland Sugar Corporation (QSC) and users commenced operations in October 1995. The objective was to develop the industry to be a sustainable competitive raw sugar industry, which is environmentally responsible, focused on improving productivity and the preferred supplier to all outlets. The principle recommendations were adopted and implementation began on 1 July 1997. These were:

1. The removal of sugar import tariffs combined with the strengthening of anti-dumping laws to provide protection for industry producers.

2. On marketing and related arrangements:

- The retention of the current single-desk selling arrangements for raw sugar.
- The QSC continued to be the statutory body responsible for domestic marketing of Queensland raw sugar but in relation to domestic pricing, raw sugar prices should be set at export parity levels.
- Pool differentials (6 percent in 1997) were phased out and abolished by 1999.

3. Cane supply and processing arrangements: Cane growers retained the right to negotiate collectively with mill-owners, while also enabling the negotiation of individual agreements.

4. Ownership and Management of Bulk Terminals was given to the QSC.

5. Production and marketing institutional arrangements: Regulatory functions were separated from commercial functions. Consequently the QSC was divested of any regulatory functions, except those which were clearly ancillary to its marketing role.

6. Research development and extension arrangements: This would remain with the industry, which had a long-term commitment to research and development.

As a result of the de-regulation of the past decade, the regulatory system based on mill area assignments can no longer be regarded as hampering the industry’s ability to expand, or to rationalize, as may be necessary to deal with changing market circumstances and opportunities. Nevertheless, it seems likely that the industry will continue to operate within an overall broadly integrated framework and continue to be overwhelmingly export-oriented. Indeed, it is expected that the present export dependency ratio of 85 percent will rise to 90 percent by 2000.

2.4.4 China

Since the founding of the People's Republic of China, and especially since the Government's commencement of the economic reform process and opening up in 1978, the sugar industry in China has made rapid progress. The national sugar output (not including Taiwan province of China) has developed from 260 000 tonnes in the early 1950s to 2 million tonnes in 1978 and then to more than 8 million tonnes in the early 1990s. During the same period sugar consumption expanded from 2.08 million tonnes in 1978 to 7.6 million tonnes in 1992. On a per-capita basis from 2.9 kg to 6.5 kg. Currently it is nearer to 7 kg per year which is relatively low compared to other countries with similar economic status.

China does not have a specific policy per se for sugar. Sugar is embodied in the overall sectoral policy on agriculture and self-sufficiency in basic food items. From 1978 to the early 1990s government policy favored the expansion in sugar output to the point where it even rewarded growers of sugar crops (cane and beet) with grains. In addition investment in the sugar industry increased during this period (Seventh Five-Year Plan) developing 4 new production bases in selected provinces. Reforms in the production and marketing of grains and sugar brought new contradictions in 1992. The readjustment of grain prices through changes in pricing policies favoring grains rather than sugar production resulted in a 3 year decline in sugar output until it bottomed out as 5.3 million tonnes in 1995. Output recovered as government attempted to bring parity into grains and sugar production, but not to the levels of 1992. Consumption in the meantime has fluctuated but not increased considerably as the competition from substitutes has become significant.

China continues to be net importers of sugar do its domestic supply is insufficient to meet its demand. Although net imports will likely stabilize around 1.0 to 2.0 million tonnes in the next few years, the longer-term outlook is that self-sufficiency will become ever more difficult to achieve and imports will continue to increase. Increased competition from other crops is expected to reduce sugar area in traditional growing regions. Despite the guidance prices set for sugar crops, producers may continue to find procurement prices for grains to be more profitable. In cases where sugar mills are unable to pay producers in cash, payment with IOU's may also dampen producers' intentions to grow sugar crops. Thus, the available domestically produced sugar supply is not expected to keep pace with the growth in domestic consumption. The population expansion rate has averaged 1.4 percent over the last decade and this is likely to continue, and there has also been significant income growth in the last decade and this is expected to increase its rate as well. The ongoing growth will most likely increase consumer demand for sugar-based processed foods, beverages, snacks, and desserts.

2.4.5 India

India's position in world sugar production fluctuates between being the second and third largest producer. In India the white sugar industry is of considerable economic importance. It is the second largest after the cotton textile industry. Sugarcane farmers and their families, numbering over 35 million, constitute about 7 percent of the rural population. The sugar industry employs 350 000 workers and also provides substantial indirect employment through various ancillary activities.

In India, government polices, both at the Federal and State levels, have played crucial roles in the development of the sugar industry. The main objectives of the national policy are to ensure a fair price to cane growers, adequate returns to the industry and a supply of sugar to consumers at reasonable prices. The situation is more complicated because of the existence of a large cottage industry that manufactures open-pan sugar, specifically gur (solidified cane juice) and khandsari (semi-white centrifugal sugar).

While the Central Government regulates the sugar industry, the State Governments exercise control over supply and distribution of cane as an agricultural crop. Thus, the State Governments announce State Advised Prices (SAPs) for sugarcane in respect of cane supplied to mills within their boundaries. The SAPs which mills are required to pay are generally substantially higher than the Statutory Minimum Price (SMP).

Within this regulatory framework, the cane growers encounter three different market situations. The first is the unorganized market where cane is sold to the gur or khandsari producers. The second is the private sector sugar mills, and the third the co-operative mills. In each of these markets a different price for cane may prevail. In the unorganized market, the price tends to be the lowest, except in seasons of shortage, when gur producers have greater flexibility to bid for supplies. In the case of co-operative sector mill, the tendency is to offer prices, which initially are slightly higher than the Statutory Minimum, while the private sector mills generally pay the State Advised Price (SAP).Government procurement prices of levy sugar are fixed on the basis of the SMP of cane plus conversion costs as recommended by the Bureau of Industrial Costs and Prices. However, as indicated above, the actual support prices of cane are generally much higher than the prescribed minimum prices.

Although gur and khandsari are still the main sugar products consumed in rural areas, demand for white sugar is expected to continue to increase both in absolute and per caput terms. Rising incomes and urbanization are expected to result in further shifts in demand from open pan to white sugar. Moreover, the growth of sugar demand by food industries and other non-household users estimated to account for about 40 percent of total utilization will provide additional impetus to longer term market growth. Under the assumption that pricing and distribution policies remain unchanged, the domestic market could absorb much of the perspective increase in production. In addition, net imports could be needed periodically to offset short-run crop shortfalls. However, if the general liberalization of the Indian economy extends further also to the sugar sector, it may be expected that domestic price levels would adjust upwards, leading to some weakening in the growth of demand and possibly to added incentives to production expansion.

2.4.6 Thailand

Thailand is the sixth largest producer of sugar in the world and competes with Australia for third exporting country. Currently most of the sugar factories are still plagued with under utilization problems; they are forced to choose to maximize sugarcane volume, not sugar yield, to mitigate costs. This leads to fierce competition for sugarcane and consequently worsens conditions of crushed sugarcane in terms of purity and freshness. Hence, sugar yield is negatively affected.

The regulatory framework as contained in the Cane Sugar Act of 1984 is geared mainly for exports and allows exports only of annual surplus of production over domestic requirement. Hence, the export availability depends on how fast and by how much output exceeds consumption.The two main features of the Cane Sugar Act (1984) include:

1. The determination of the annual export quota by the Cane and Sugar Board, by deducting annual consumption from total production. However, as exports are measured in calendar years (January-December) while production is by crop year (October - September) there is usually a difference between export quota and actual shipment volumes.

2. The revenue sharing system (70/30).

3. The Cane and Sugar Board divides annual sugar output into 3 quotas namely quota A for domestic sales, quota B for exports under industry’s long term contracts and quota C for exports under the individual export contracts. Cane payment is determined by:

- adding up all the gross sugar proceeds from domestic sales (quota A) and exports (quota B + quota C);
- gross expenditure is then deducted from gross proceeds; and
- The 70 : 30 division is made in favor of the grower.

According to international sugar production cost analysts, Thailand ranks among the world's lowest cost producers. Efforts to expand cane production to better match milling capacity should enhance this status. However, Thailand's future as a low-cost producer is not certain in view of sharply increasing land costs reflecting rapid industrialization and rising labor costs.Domestic demand is likely to continue to expand rapidly, but growth in production should continue to allow Thailand to need only about 25 to 30 percent of annual output for use at home In terms of exporting the industry has identified 3 areas for improving the management of their export sector:

1. The transportation system should be updated to cope with larger volumes of sugar to be transported from the sugar factories to export terminals; sugar availability at terminal prior to the contractual shipment period must be assured.
2. A clearing house for bulk sugar should be established to allow swaps of sugar under fair established settlement procedures, and
3. The bag loading system should be modernized to cope with labor shortages.

CHAPTER THREE:

The Legal and Regulatory framework of Ethiopian sugar industries: comparative analysis with other jurisdictions

3.1 Introduction

Sugar Corporation, Ministry of Trade and Industry and Ministry of Public Enterprise serves to characterize the legal and institutional practice of the sugar industry sub-sector of the country. Through direct survey which provided depth and richness, represented the view points from a broader, purposive sample of the population. Conclusions are drawn from, and recommendations are provided based on the data collected from interviewee and experience of other selected jurisdiction.

3.1. Legal and regulatory the Ethiopian Sugar Industry.

In the Ethiopian Sugar Industry what we got a unique feature as some of the countries in the worlds almost the industry has been monopolized by the government public enterprises. Before such governmental monopolization some of the sugar factories had been owned by a Dutch company. After Nationalization of such sugar factory those sugar factories was newly established through regulations of council ministers each of them their own legal personality which had been enabled them to own their properties ,be sued and sue concluding of contract's for their transaction etc.

Although the Ethiopian Sugar industry has been lapsed more than half of a century the legal structure has not been well defined and structured. Even after the implementation of the 1987 E.C Ethiopian constitution which encourage more capitalism rather than socialism and encourage the private investment with in the country the private either foreign or local investment has not been well invested or expanded. The only major sugar investment which had been done by Alhabesh Sugar mill private limited company at ArjoDedessa area, five thousand Sugar cane crushing capacity has been sold to Sugar Corporation due to the damages of the Sugar cane with in the area and facts problem happened to the owner. When we come back to our main concern of the Topic as observe from in the literature part even the African countries like Neighbor Kenya, Tanzania and south Africa have well established legal formwork of the Sugar Industry what we call it from their commonly feature of their Sugar act. they have established Sugar board like a consortium representing different stake holders manufacturers, Sugar cane Suppliers and chamber of commerce, government etc.

The board empowered to improve the industry with having a power and duties like determining the sugar price, register and licensing manufacturing of sugar import and export and register and licensing Sugar Cane suppliers, levy of Tax and collecting Revenue for the improvement of the Sugar Industry. In the other aspect such Sugar act, establish also a Sugar institute for research, Training and skill transfer b/n the stake holders etc.

The current government has done an invitation or call for foreign and local investors to render their own need to own the preexisted Sugar Factories and projects. Most of other countries experience shows that there was legal formulation before the implementation of the privatization on the Sugar Industry. The implementation of privatization of the Sugar industry in Ethiopia which is almost monopolized by the government would not be easy. Because the new entrant private investor may demand to compete with the rest of government Sugar Company based on the dominance factory of demand and supply not based on the price to be determine by ministry of trade and industry as currently used.

What we can observe from this is in the country there is no well-established legal regulatory from work for specifically for the industry. Related with this in the Ethiopian Sugar industry there is a legal known Sugar fund which is recognized under proclamation No 415/2004 G.C for the expansion or development of Sugar Factories. Under the proclamation there is a source of fund from factories sugar production cost, it has been intended for the study of new projects and to establish new companies what we observed that there is no specific office establish to administer the fund like Road fund office etc.

3.2. Institutional aspects of Ethiopian Sugar Industry

In the Ethiopian Sugar Industry the factories previously established as a share company having different supervisory entities like sugar support center sugar Development agency. After 2003 all the Sugar Factories lost their own legal personality by establishing Sugar Corporation under council of ministers regulation No. 192/2003 whatever the kinds of the factories establishment they were supposed to be governed public enterprise proclamation No. 25/1984. Such proclamation set’s the way how public enterprise establish, capital contribution either paid up or payable, the structure of corporate governance like Board of Directors, Manager etc. The proclamation also listing powers and duties of Board of Directors, General Manager etc. We could observe from Sugar corporation establishment reg. No. 192/2003 under Article 2 & 3 it is clearly stated that the corporation shall be governed under public enterprise proclamation No. 25/1984. What would like to raise as of the fact that the current public enterprise possessory and administration agency is working to amend the such public enterprise proclamation where is the legal source of corporation or enterprise is the key question as at they are not legally recognized under commercial code Article 212 as a type of business organization it is known that the corporation type of company modality is usually under American and Britain legislative decree.

Currently, Ministry of Trade and industry has empowered to determine the price in the Ethiopian of sugar market. However, as we have seen the most other jurisdiction like Kenya and have an independent sugar board to determine the sugar price of the market. Due to the fact that the members of the board are from mill owners, out growers and Chamber of Commerce, they can determine the price of the sugar independently.

3.3. The general legal and policy Aspects of Ethiopian Sugar Industry

Still now Ethiopia does not have specific sugar policy. Based on the fact that there is ongoing privatization of the sugar factory and projects which had been managed by monopoly by the government and this will change in the near future. The private stake holders would be a part of all related activities.

3.1.1.Production Policies

The major issue in the production process is cane production by own plantations of sugar producers and out-grower farmers and the efficiency of the whole supply chain.

Out-grower Development Schemes

In order to have a developed cane production and constant supply it shall be propose government supported out-grower development schemes. The schemes need to have efficient coordination of cane production with modern agronomic practices to supply high quality sugar cane that can yield better prices. These schemes also need institute cane quality standards that is agreed upon between out-growers and millers. They need to have the autonomy to hire experts and manage farms in a modern way.

In order to avoid conflicts of interest the development of this farmer extension scheme needs to be separate from the establishment of the Sugar Board. That would ensure the independence and credibility of the board. It would also ensure that sugar and sugarcane producers would independently negotiate and implement sugarcane supply contracts with mutual obligations. To ensure steady supply the government's major role would be to guarantee law enforcement.

Out-grower Miller Relationship

The writer proposes that the Sugar Board play a facilitating role in the relationship between out-growers and millers. This would include but not limited to setting up the production standards that are measurable and verifiable to avoid conflicts between millers and out-growers. In more developed sugar producing countries where out-grower based schemes are used factories institute quality assurance technologies that measure the average sucrose levels when shipments are delivered.

The board can also flexibly agree on sugar minimum prices including guaranteeing a minimum price for out-growers. Given the large investment in land development the land needs to be used for sugar production. Without guaranteed return farmers may shift to the production of other crops. It is, therefore, important to mediate quality and margins of sugar cane.

In addition, the policy needs to create a supportive relationship where factories support out-growers to enhance the quality of cane. There are excellent examples in Africa where there are constructive relationships between out-growers and millers. One of the responsibilities of the board would be to support this relationship to grow. Development partners may be encouraged to support supply chain advisory programs.

Taxes on Domestic Production

It is find that excise taxes are too excessive putting a high burden on domestic factories. It is therefore our recommendation that reasonable adjustments be made to the excise tax. As indicated above productivity is expected to increase in the newly built factories and with privatization. This would mean that the government would compensate the revenue loss it faces from adjusting the price from the increase in volume through increased productivity. For example if the excise tax levied on domestic sugar production is halved it will be revenue neutral if we expect the production of sugar will double in the medium term from 400 to 800 thousand ton. [25]

[25]. Draft sugar policy of Ethiopia

3.1.2. Trade Policies

Both domestic and international trade policy can be adjusted to reach sugar policy goals. Global sugar markets are very volatile and may fluctuate below domestic resource costs. Global sugar markets are distorted by subsidy policies of many sugar exporting countries subsidizing domestic industries. With the exception of the EU that has reformed its past distorting sugar market regime various sugar exporting countries mainly from Latin America and Asia increased their level of subsidies during the last years. This implies that global sugar prices reflect only partly market shortages.

Domestic Distribution and Trade

The dynamics of trade in places where there is supply shortage tends to be different from places where there is surplus supply over demand. As indicated above the reason for the government to remove the participation of private wholesalers from the distribution of sugar is when it observed what it perceived to be unfair trade practices in the form of blocking entry of new entrants through hoarding. I suggest that such concerns of unfair trade practices are better addressed through competition policy rather than exclusionary measures.

It is expected that in the short term the country may not fulfill domestic demand. This can lead to similar behavior that the government observed in 2010. The right approach would be to align incentives in the official markets to reflect the demand by frequently adjusting minimum prices. In addition, it would be important to monitor by competent competition policy authorities if there are unfair trade practices in the value chain of the sugar sector.

We suggest keeping both public and private outlets. We understand that the consumer cooperatives have created access to sugar for remote areas. It should be noted, however, that we don’t suggest giving public outlets special considerations. Consumer cooperatives also trade goods that are freely competitive in the market.

International Trade Policy

As indicated above, imports face a number of cumulative taxes. This serves to protect the domestic producers from distorted low global prices. As indicated above the major issue in imports is the efficiency loss in logistics services. We suggest that the sugar sector should benefit from a competitive logistics and transport system in line with the government’s intention to make the logistics sector more competitive including storage and transport from the port to the central market.

In addition, the time lapse between auction approvals is cumbersome as it moves through different institutions. We suggest the streamlining of this process and removing the bottleneck by allowing the private sector to import sugar while monitored by the board. This means liberalizing the import of sugar to the private sector.

3.1.3. Pricing Policies

We expect that the Horn of Africa will remain a sugar deficit region in the medium term. This is likely to drive up sugar prices. We suggest that policy for pricing sugar should be to stabilize prices at a minimum level during times of global sugar market depression. Given the large investment both in land and in sugar factories stable and predictable prices that reflect domestic resource costs are important to ensure viable investments while stabilizing prices for consumers. It is expect that the Board would regularly calculate domestic resource costs of sugar and sugar cane production and would propose minimum prices. This is in line with various other countries.

We propose guaranteeing gross margins for out growers to maintain the productivity of the irrigated land for the purpose of sugarcane production.

3.2 Key Findings of Key Informant as to the legal and Institutional framework of Ethiopia

According to the respond of the interviewee, the roles and responsibilities of industry stakeholders and supporting institutions on sugar fund were not clearly specified by the existing legal regulatory framework. Though, the informants are not expert in this area, overwhelmingly responded that the sugar corporation was established by law accounted for all government owned sugar factories and projects in the country. Moreover, about two-third of the informants responded and discussed that the sector is functionally structured, where departments or work units are organized following the value chain to meet specified objective.

Most of the informants recognized the sugar corporation research wing which has a responsibility to execute research on improving sugarcane productivity, enhancing performance of sugar factories. The informants further discussed that research results are communicated to the sugar factories through regular research review programs and demonstrations. However, survey respondents revealed that there are no commercial activities in relation to research results as there is no private sugar factory in the country.

Regarding sugar industry source of funds and management, most of the informants responded that the Sugar Corporation is funding its self from sales of sugar and related by products. Same fund allocated to each sugar factory based on their production level at a given rate per unit of the product which varies from factory to factory. Any sales amount in excess of this rate kept as sugar industry development fund (SIDF). The fund is used to support ongoing sugar projects under the Sugar Corporation. This indicates absence of clear and up to date legal and regulatory framework by taking in to consideration the near future privatization reforms.

The respond from the informant also indicate that the strict regulation as to the importation, breeding, use of cultivars, use of certain chemicals, sugarcane growing areas and pest and disease control measures.

Regarding registration of sugar cane suppliers, most of the informants responded as there is no legal framework to register individual grower or cane growing association to acknowledge and register before entering cane growing operation. The only step known so far is that growers are organized to form association certified from the regional certifying body to acknowledge as associations though not specific to sugar cane growing. Regarding provision of licenses to process sugarcane, majority of the informants responded that the country does not have such regulatory body and guideline scheme that is established to provide license to sugar process or manufactures. So far as all (98%) of sugar mills and cane growers are state owned, the only initiator and implementer is the Sugar Corporation. Apart from this, the small private mill (Wama Sugar mill) might be given the certificate from the Ministry of Trade and Industry.

In the current institutional structure of the country's' sugar industry, the sugar corporation is responsible for import or export sugar and sugar by products. Moreover, more than half of the informants responded as there is no regulation set by any other government body in these regard.

The sugar industry disputes including contractual disputes, labor related disputes and community linked disputes is settled based on conventional dispute settlement system. Nevertheless, the disputes related to sugar industry need to be administered separately to ensure efficiency and for smooth operation and handling of disputes as done in other jurisdictions.

3.3 Legal and Institutional Perspectives of Policies, Sugar Markets, and Sugar Production: Comparative Analysis

Like the international sugar market, domestic markets are characterized by extensive interventions and a complicated political economy. As mentioned earlier many of the interventions are based on special long-standing trade arrangements. Other issues important to domestic markets relate to the role of sugar as a basic food item, the physical characteristics of sugar production, and certain features of the industry's organization and of factor ownership. In these regard the government of Ethiopia shall come to realization and correction of existing play ground for the new entrants that are expected to be involved and operate in the future when the country's economic reform and privatization deepen in the sugar industry.

3.3.1 Food Security

Because sugar is a basic food item and because sugar prices are volatile, governments often intervene in sugar markets with the purpose of maintaining food security. But while it is often important as a basic food item, sugar is nowhere a diet staple comparable to rice, maize, or a handful of other crops. Governments nevertheless apply similar policies to a handful of "essential" food commodities that often includes sugar. Experience from China and India illustrate the need for independent sugar policies.

Current policy in India dates back to the Defense of India Act of 1939, which aimed to limiting speculation and hoarding during World War II, and to the tragic Bengal famine of 1942 that claimed 2–3 million lives.[25] In 1955 the Essential Commodities Act established a wide range of policy instruments to control the storage, trade, and prices of food crops, including sugar. Over the years both the central and state governments imposed additional controls on the industry. In India, sugar is produced by almost 5 million smallholders on plots that are generally less than one hectare. The country has more than 400 sugar mills, of which 60 percent are cooperatives, 15 percent are publicly owned, and the remaining 25 percent private. Until the end of the 1990s, when the government began to grant licenses to private traders, the State Trading Corporation monopolized imports and exports.

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[26] World Bank 1996.

Import levels are still set by policy. The federal and state governments also subsidize farm inputs, especially water and fertilizer, and sometimes offer soft loans to mills. Mills are restricted in the amount of land they can own and may purchase cane only from administered zones.

The genesis of China's sugar policy is harder to trace, but the 1959–62 famine that killed 15–30 million people influenced the drive for self-sufficiency in all food items, including sugar.[26] Domestic and trade policies are not consistent, however, and provide contradictory incentives. Trade with other countries—and sometimes trade among regions is subject to regional and central government controls, and the government owns many sugar mills. Domestic sugar prices tend to be high around 50 percent more than international prices in 1997.

Coming Ethiopia, data from informant respose indicate that the cost of import sugar is lesser that what it has been produced in Wonji or Meteharra sugar factory. This is due to the fact that the high excise tax imposed on sugar product.[27] This indicates the sector is not exempted from excise tax considering sugar as not basic commodity. Thus, the above mentioned experiences of different countries showed sugar is a basic commodity that should be exempted from excise tax.

3.3.1 Production Characteristics, Land and History

Sugar production has two cost components: field and processing. For most agricultural crops, production, storage, and processing are independent activities, and markets exist for both processed and unprocessed commodities. But field and factory costs in the sugar industry (from cane to raw sugar) are interdependent. Despite this, fully integrated sugar companies are unusual outside of sub-Saharan Africa.[28]

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[26] *Ironically, the food shortages resulting from the failed Great Leap Forward also pushed the government toward a heavy reliance on internal market mechanisms.*

[27] Excise tax proclamation 307/2002

[28] *Fully integrated sugar industries frequently originated as colonial plantations and in many instances were nationalized at the end of the colonial era. Often the nationalized sugar companies retained monopolies or other special privileges. In Indonesia, for instance, the Dutch plantations were converted into government-owned "people's plantations." In Chad a colonial company was transformed into joint venture between the government, the private sector, and a French multinational.*

In most countries, sugar producers and processors are separate economic entities that can achieve economic efficiency only through cooperative behavior. Sugar cane is bulky and degrades soon after harvesting. The high cost of transporting it creates local monopolies and monopsonies. Conflicts between producers and processors are common and are often exacerbated by the need to share costs. For example, minimizing field costs often requires a planting and harvesting cycle that produces cane for processing during a relatively short period. But the increased sugar processing capacities needed during this period raise mill owners' fixed costs. Spreading deliveries over an extended period minimizes processing costs. As a result scheduling and pricing conflicts often emerge between producers and processors. Frequently, the conflicts spill over into political confrontations.

Land policies and ownership often influence sugar policies as well, for two reasons. First, policies on land ownership influence the organization of the industry, usually by limiting the scope for integrating production and processing. Second, since the value of land for sugar production and sugar producers' income levels depend on proximity to an efficient sugar mill, investment and production decisions tend to become matters of public debate in areas with many small or medium-sized cane growers. For this reason governments often intervene to take over or failing sugar mills. Governments, on the whole, are rarely good at running sugar mills, and often the acquired sugar mills are later resold to the private sector.[29]

For instance, prior to the Mexican Revolution, large landowners controlled and integrated cane cultivation and processing. The revolution resulted in a restructuring of the industry. Morelos , the center of the peasant-based Zapatista Movement, was also the heart of the country's sugar industry. By 1921 many of the country's sugar mills had been destroyed and much of the irrigated sugar-growing land transferred from the large plantations to peasant cooperatives. A new and successful structure emerged based on smallholder cane producers

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[29] *Although small and medium-sized producers complicate the political economy of the sugar industry, family-owned farming systems are among the world's most efficient sugar producers. Family ownership creates strong incentives toward long-run stewardship and reduces the costs of monitoring performance. In terms of efficiency, smallholder farms in Thailand compare favorably with large and medium-sized sugar farms in Australia, France, and the United States.*

and private sugar mills with concentrated ownership.[30] The implicit mill cartelization was formalized in 1932 with the establishment of Azúcar, SA, a miller-owned organization that was granted a marketing monopoly on sugar. The association set quotas and organized exports of subsidized sugar in order to maintain domestic prices above world levels. Financing was organized through a government-subsidized bank, BancoAzucareros, SA.

Despite these changes tensions between growers and millers remained high, and in 1938 the industry was reorganized. Government ministries were allocated voting rights in the cartel. Over time the government's role in the affairs of the sugar industry grew. Because local economies depended on the sugar mills, the mills were not allowed to fail. In many instances the government took over mills that were no long viable or that had been at the center of disputes with growers. By the mid-1980s the government owned 75 percent of the country's sugar mills, which by law could not own or lease land for cane production. Azucar retained its marketing monopoly. The government intervened further by subsidizing cane growers, paying agricultural insurance premiums, and mandating special social security payments for sugar producers. Prices were regulated along the entire marketing stream.

Producer prices were not directly linked to wholesale prices, and cane growers received a common payment regardless of the sugar content of their cane. Government-owned sugar mills were overstaffed and productivity levels declined. Despite it's monopoly, Azúcar began running deficits that the treasury was forced to absorb.

3.3.3. Rules on cane-pricing and revenue sharing

As mentioned before, governments chose to solve the conflicts between can producers and mill owners through forced vertical integration. Another approach involves mandating revenue-sharing rules. The value of cane delivered to a mill is determined by the sugar content of the cane and the ease with which the mill can extract the sugar. High-value cane has low fiber content, a high sucrose content, and high juice purity that is, low levels of soluble impurities and be free of debris. The quality of cane delivered to the mill is affected by many factors along the production chain: natural endowments such as rainfall and soil

[30] *By 1934 the top six [use English word here] ingenios processed about 56 percent of the country's sugar (Crespo 1988.)*

quality; production methods, such as the variety of cane that is planted and the methods used to harvest it; and the promptness with which the cane is delivered.

Unfortunately pricing systems that create the proper incentives require a degree of sophistication that is difficult to legislate and is likely to arise only from truly cooperative approaches. Poorly conceived approaches, while easier to administer, encourage misdirected efforts. For example until recently growers in Colombia were paid according to the weight of the cane they delivered to the mill. The practice encouraged cane production but discouraged attention to quality. In Mauritius, the Philippines, and South Africa, sugar revenues are shared according to a fixed rate. Consequently, a portion of the efficiency gains generated by new investments in sugar mills accrue to the cane growers.[31]

3.3.4 More on factor markets

As mentioned previously the political economies of land and sugar are often intertwined. But land and sugar policies can be linked in other ways as well. In the Philippines only 10 percent of sugar cane farms are irrigated, although the returns to irrigation are substantial, increasing yields by 60–70 percent. Uncertainty over land reform is perhaps the primary reason so little land is irrigated. This uncertainty limits the incentives for land improvements. In a 1990 survey by the Management Association of the Philippines 60 percent of respondents who together hold 72,000 hectares said that they had reduced or put off farming investments because of uncertainty over land reform.

Sugar cane production in St. Kitts and Nevis occupies almost half the islands' arable land. The sugar enters into the United States and the EU under preferential trade arrangements. In 1975 the government intervened to nationalize the failing sugar industry, acquiring 52 privately owned estates and one sugar factory. As a result the government became the largest property owner in St. Kitts. In 1992 the government began leasing out land under 35-year agreements.

Water policies are often linked to sugar policies as well. provide a step-by-step account of the efforts made by Zimbabwe's governments to provide water to the country's sugar-growing area. In 1970 the government of Senegal signed a special agreement with the

[31] *See LMC (1997) for a more complete discussion of the details, benefits, and drawbacks of the various cane-pricing methods. [LMC not in reference list]*

CompagnieSucrière du Senegal the firm that provided with a free 99-year lease on land near Guiers Lake, with guaranteed free access to irrigation water (up 20,000 m3/ha). The agreement also granted the company production and trade monopolies that were protected by quotas and tariffs. The arrangement remained in place for nearly 25 years, effectively immobilizing regional irrigation and land assets (World Bank 1995.) And in India states and the national government provide farmers with access to subsidized water, power, fertilizer, and credit. Because producing sugar requires more of these inputs than most other crops in India, the policies favor sugar over other crops. Because rainfall and soil conditions differ across regions, the subsidies also favor some geographic areas over others (World Bank 1996.) Sugar processing is capital intensive, requiring large fixed investments.

Mills must acquire working capital to cover the period between the harvest, when mills buy cane, and the eventual sales of processed sugar. When governments direct credit to mills and farmers, sugar market reforms depend on the ability of mills, farmers, and financial institutions to forge new structures. During times of economic hardship, the new structures can be severely tested and sometimes fail. The Mexican experience again provides an effective example. During the privatization of the country's mills in 1990, many facilities were purchased using leverage buyouts, with the mill serving as the collateral. When the financial crises hit the Mexican market and interest rates rose dramatically, the highly indebted mills were unable to raise working capital. In September 1995 a debt-restructuring package worth 8.2 billion pesos was offered through FinancieraNacionalAzucarera (FINASA), a Mexican development bank a move that meant FINASA's entire portfolio would be tied up in sugar-related assets.[32]

Now in Ethiopia the water of using irrigation canals administered by ministry of Water resources development. Any user of such natural resource and water supposed to pay its payment for the referred ministry. Regarding mill ownership and production of sugar cane shall suppose to follow the procedure for any kind of licensing requirement in Ethiopia due to the absence of special law for sugar regime.

[32] *In some instances smallholder debt can burden local or even national banking systems as well. Reddy and Yanagida (1998) point out that Fijian banks depend heavily on sugar.*

3.4. Legal and Institutional Perspectives of Sugar Market Reforms

Policy interventions are pervasive in sugar markets, affecting global and domestic prices, incomes and investment decisions. Sugar markets were largely exempted from the trade reforms negotiated during the Uruguay Round of the GATT. However, a number of countries began the process of freeing domestic markets in the 1990s. As with other commodity markets, external events forced changes in some countries. Often sugar reforms come as part of a broader agenda of economy-wide reforms, sometimes a consequence of changing regimes and sometimes with the encouragement of multilateral lenders.

Governments that collectively and individually intervened to manage commodity prices and price volatility began dismantling those instruments and looking to private markets and market instruments to manage risk during the 1990s.

3.4.1 Australia: Freeing Markets

Before Australia reformed its sugar policies, it maintained stringent production and marketing controls. These were first implemented in the 1930s to comply with the first International Sugar Agreement. Imports were restricted and regulations established a two-tier pricing worked to the disadvantage of domestic consumers. In Queensland, where most of the country's sugar is grown, the Queensland Sugar Board set annual limits on the amount of sugar each mill could provide to the higher-priced "number 1 pool." Amounts above quota were sold into the lower-priced export market. Farmers and processors discovered that they could profitably compete, even at international prices and production expanded. Despite the implicit transfer from consumers to producers via the "number 1 pool", marginal investment decisions were based on international prices. The industry, especially in Queensland, grew less dependent on domestic markets. Gains in milling efficiency flowed to millers, and farmers captured increases in field productivity because of well-structured cane pricing rules.

Reforms began in 1989-90, when an import tariff replaced the import ban. The Australian and Queensland Governments reviewed the country's sugar policy in 1996. The review process itself was considered integral to the reforms because it established a broadly accepted factual basis for discussion.[33]

As a result of the review, the government eliminated that import tariff in July 1997 and converted the sugar board to the Queensland Sugar Corporation. The new corporation retains its monopoly on sugar marketing but sells to local refiners at export-parity prices. In general the industry received the changes well. The reforms attracted new investments, and both production and milling capacity expanded. Nevertheless adjustment difficulties occurred in the smaller New South Wales industry, which was more dependent on domestic markets. In response, the Australian government initiated a study examining ways the government can assist the industry during transition.

When we see the Australian experience in light of Ethiopian context we are in the reform time and the government should take in to consideration to attract the private investor to invest in the sugar sector and allow others to import sugar from abroad by establishing the legal and regulatory framework which shall have detail policy and legal contents in order to treat investors and improve the industry with having some special benefit package(tax exemption and avail land with grace period for lease payments , loan opportunity)including the necessary supervision methods .

3.4.2 Brazil: Unwinding Cross-Subsidies

In the 1990s Brazilian policymakers began reforming long-standing policies that originated during the oil shocks of the 1970s. Brazil is one of the largest and most efficient sugar producers in the world, but for two decades up to two- thirds of its output was devoted to producing ethanol for the country's subsidized alternative fuel program, PROALCOOL. The government managed domestic supplies, allocating quotas allocated to each of the more than 370 sugar mills and distilleries. The quotas were earmarked for the domestic sugar and ethanol markets, and above-quota production was eligible for export and subject to export taxes). However, quotas were reallocated annually, and production above quota was frequently rewarded with a larger quota the following year.

Domestic prices for sugar and ethanol were set to encourage the use of sugar for ethanol and, for most years, the world price of sugar exceeded the domestic price. Further, regional producers faced differential tax rates on sugar and on ethanol purchase prices. Beginning in

[33] *Prior to October 1997 the government taxed producers in high-cost production areas at lower rates.*

1995 steep export taxes replaced licensing as the primary instrument for managing sugar trade, ushering in the first of many reforms.

Part of the reform process involves disentangling the interrelated controls on Brazil's sugar and ethanol markets. In 1996 the government took several important steps in this direction by reducing and then eliminating the export tax on sugar and deregulating the market for anhydrous alcohol (a sugar cane–based alcohol blended with domestic gasoline).

In addition the government transferred the alcohol subsidy from fuel distributors to alcohol producers and moved toward establishing a uniform tax on sugar production. The reforms aim in part to limit subsidies to a fixed quota per mill, so that additional alcohol production will be sold at market prices. The government also began looking at alternative ways to finance the program, including a "green-tax" on gasoline. [34]

By 1999, the deregulated sugar industry remained dependent on policies toward domestic alcohol and fuel policies. Related is the composition of Brazil's vehicle fleet. Cars produced in Brazil are of two types: cars that run on alcohol alone and others that run on a blend of alcohol and gasoline. During the 1980s most new Brazilian cars were alcohol powered (96% in 1986). This level dropped sharply in the 1990s and by 2000 99% of new Brazilian cars ran on blended fuel.

The changing composition of the vehicle fleet translates into lower demand levels for alcohol. To stimulate demand, the government mandated government purchases of cars powered by renewable energy sources and offered incentives to taxi drivers to buy alcohol powered cars. In addition, the government uses alcohol inventories to manage alcohol prices, affecting the decision by sugar mills on whether to produce alcohol or sugar from cane. In 1999, the government also temporarily boosted the required alcohol content of blended fuel (from 20 to 24%) in order to boost demand.

[34] *Brazil's reforms to its sugar-ethanol market began at a time when markets in "green energy"—usually wind or hydro-based—were developing in Australia, Canada, and the United States. Further, the Clean DevelopmentMechanism established under the Kyoto Protocol should have facilitated this process. See Jacoby, Prinn and Schmalensee (1998.)*

3.4.3 Thailand: Limiting the Distortions from Preferential Prices

Although costly to consumers, Thai sugar policies are designed so that marginal production decisions are based on world prices.[35] Under the Thai program imports are banned in order to raise domestic consumer prices. Sugar is produced under three categories: A quota (for domestic consumption), B quota (for export under long-term contracts), and C quota (for export at world prices). Around 60 percent of Thailand's sugar is produced as C-quota sugar. The A and B quotas are fixed each year, so the industry knows any additional production will command only world prices. Thus, while the program transfers income from consumers to producers and millers, the transfers do not affect marginal production decisions.

Net revenue from the three types of sugar sales is split 70:30 between producers and millers, based on the average recoverable sugar content as determined by sampling. Averaging the sugar content discourages individuals from improving cane quality, but millers benefit by improving extraction rates and are penalized if extraction rates fall below 70 percent. Consequently, the system encourages millers to maintain their facilities. Thailand's approach can be useful for countries receiving preferential access to either EU or U.S. markets. The Thai system contrasts sharply with the approach taken in the Philippines, where preferential access to the U.S. market distorts marginal incentives.

When we see the Ethiopian system there is no codified policy But in practice only sugar corporation is allowed to import sugar from abroad and due to the non existence of sugar act there is no quota obligation by producers for local consumption and export purpose

3.4.4 Pricing Cane: Cooperative Strategies from Jamaica and Mexico

Well conceived cane pricing systems reward farmers for delivering high quality cane to mills in an orderly fashion without penalizing farmers for the inefficiencies of the mills themselves. Jamaica, which has many smallholder producers, developed a sophisticated set of incentives by continually improving its can pricing system. The country had a tradition of paying cane growers that dated back to 1943. The system based on individual measures of quality was modified over the years. Factory efficiency entered the payment formula in 1972, and

[35] *Borrell et al. (1994) provide a useful contrast between the incentives established by the Thai and Philippine sugar policies.*

reforms in 1991 reforms put in place a revenue-sharing scheme based on relative performance.

In the Jamaican system, revenues are shared according to a 62:38 ratio when growers produce cane of average quality and millers achieve average efficiency. But growers receive higher prices for higher-quality cane, and millers earn more when efficiency improves, so the revenue shares differ from mill to mill. Sampling techniques and incentives to monitor can are also more sophisticated. The system ensures that, at the margin, increased revenues from improvements in cane quality accrue to the grower, while millers capture any gains from milling efficiency.

Developments in Mexico show how improvements in incentives can be introduced even in a constrained environment. As part of a set of economy-wide reforms, the Mexican government began the process of reforming the sugar industry. Two important legislative changes affected land ownership and cane pricing. In 1992 changes to the Mexican constitution allowed mills to enter into leasing arrangements with smallholders, although in practice large-tract leasing by sugar mills is rare. More significant in the short run, a presidential decree introduced a new cane payment system beginning with the 1991–92 season. The decree established a revenue-sharing system that divides the proceeds of sugar sales between cane growers and millers. Cane from many smallholders is assembled at the mill in group loads. Mill officials and growers' representatives monitor the cane deliveries.

Penalties established by a committee of mill owners and growers are applied based on debris content and on delays in delivering the cut cane. Growers are paid based on average quality levels and a set amount based on the efficiency of the mill", which provides a theoretical rate of recovery for the mill. When the system was first introduced, mills were assigned individual EBFs, but by the 1994–95 season all mills had been assigned a common EBF of about 82 percent. On average mill efficiency in Mexico is closer to 80 percent. The system encourages mills to make efficiency gains, since any improvements accrue to the mills—and indeed several mills have exceeded the official. Once the sugar content has been established, an average price for standard sugar is used to value it, and this calculated value is split according to annual government directives. In 1996–97, the growers received 57 percent.

The Mexican example also shows how initial conditions and practical limits shape changes in pricing schemes. Because of the traditional government practice of setting pan-Mexican sugar prices, wholesale markets for domestic sugar are not well established and setting an average price for standard sugar is difficult. Consequently the price is negotiated rather than established by market indicators. In addition, the system still prices sugar based on average cane purity and fiber content, penalizing growers who delay deliveries following cutting and growers that deliver debris. The system encourages some easy-to-measure improvements in quality but not a more sophisticated arrangement that also provides incentives for growers to deliver cane at off-peak times. However the presidential decree allows mills and growers to negotiate alternative systems that are mutually beneficial. At San Cristobal, the largest sugar mill in Mexico, growers agreed to temporarily price their cane according to actual factory efficiency rates when the mill owners promised to invest $50 million dollars to improve the plant's efficiency.

3.5 Legal and Institutional Perspectives of Privatizing Sugar Mills

Privatization is a common component of domestic sugar reforms. Most countries have concluded that the state is ill suited to running sugar mills. The process of privatization often reveals conflicting policy objectives, however. One goal of liberalization is to bring the benefits of a more efficient sugar industry to sugar consumers. But the need to generate treasury revenues, or quickly eliminate drains on treasury resources can also encourage governments to seek quick privatization solutions. Moreover, governments often face considerable pressure to ensure that privatization does not result in mill closures.

As a result, government's often boost protection in order to improve the value of the mill and speed privatization. Governments also face a number of other issues during privatization, including how to cope with often large accumulations of debt and how to provide potential investors with the information they need to make wise investment decisions.

3.5.1 Using trade protection

In practice most countries provide high levels of protection to newly privatized sugar mills, at least temporarily. In providing this protection governments implicitly tax future consumption to finance the current government budget. Alternatively governments can fix low rates of protection that are reflected in the value of the mills and in the prices bid during privatization. In some cases, however, state-owned mills deemed viable in the long run are so poorly maintained that they fail to cover variable costs at low rates of protection.

For political and budgetary reasons, governments are reluctant to subsidize the purchasing firms directly and instead choose to tax future consumption in order to protect producers and workers In Poland, for example, one purpose of the 1994 Sugar Industry Act was to provide a stable and profitable environment for the sugar industry (albeit at the expense of Polish consumers) during the privatization of the industry.[36] High protection rates and even export subsidies were used to boost the attractiveness of the mills to potential buyers. Nonetheless, the government still owns most of the industry.[37]

In Côte d'Ivoire the government, although bound by its GATT pledge to limit sugar tariffs to 33.3 percent, chose to provide added protection while privatizing its industry. The government provided this added protection by basing its 33.3 percent tariff on a reference price that included prices from protected EU and U.S. markets. In effect the system provided a tariff in excess of 100 percent for sugar imported from world markets. The government of Burkina Faso chose lower average rates of protection but established safeguard mechanisms based on a moving average of world prices to protect the newly privatized industry from sharp price declines.

3.5.2 Writing off debt

Resolving debt issues is often a key component of the privatization process. The question of how to resolve large accumulations of debt can slow the privatization process, as it has for Muhoroni, a sugar parastatal in Kenya. Firms that would otherwise find the company attractive are unwilling to bid after considering the on-going cost of servicing the debt that was accumulated during government management.

In Brazil, sugar mills borrowed heavily from the Sugar and Alcohol Institute Sugar Export Fund during the creation of Brazil's alcohol-fuel program. By 1996 the Bank of Brazil had been forced to renegotiate the debt, then valued at $4.5 billion. Several Brazilian firms remained burdened by the earlier program to provide ready access to credit. Some governments are more willing than others to write off debt early in the privatization process.

[36] *The sugar industry was privatized as part of the economywide privatization begun in 1989.*
[37] *Of the 76 sugar refineries in Poland, 13 are completely privatized, and all but 2 have issued shares. Foreign companies have significant investments in 10 of the mills and controlling interest in at least 4.*

This approach provides a direct incentive for private investment and may leave newly privatized firms in a better position to raise working capital. And, as the earlier example from Mexico shows, failure to resolve debt during the privatization process may result in new interventions later.

The handling of debt was central to the Peruvian privatization process.[38]In 1969 the military government launched a sweeping agrarian reform program that began with the expropriation of the sugar plantations. Cooperatives were established and charged with running the mills, but in 1975 conflicts developed between the management of the cooperatives and sugar cane growers. The government experimented with several different kinds of controls as the financial integrity of the sugar mills crumbled. In the early 1990s legislation freed cooperatives to dismantle or reorganize their structure, and four of the smallest sugar cooperatives chose to do so. By 1995 the eight largest sugar mills had amassed $538 million in debt to three government agencies and an undisclosed amount to other creditors, traders, and workers. In 1996 the newly elected government issued a legislative decree, the Extraordinary Program of Tax Regularization (PERTA), offering cooperatives three options for repaying their debt to government agencies:

a) Cash payment of 40 percent of the debt (the other 60 percent would be forgiven;
b) Capitalization of 30 percent of the debt, which would be converted to shares, with the balance forgiven; and
c) Installments of 20 percent up front, with payments extended over six years following a two-year grace period.

At the government's urging, almost all cooperatives voted to choose the second option. Private capital was, in general, available; however early on it became clear that the poor management that often prompts privatization is also reflected in the firm's financial information management systems. We take up this topic next.

3.5.2 The role of information in privatization

During the initial stages of the privatization process in Peru, the procedures for making and responding to private investor offers were unclear. As investors sought to line up majority stakes, one company, the Kimberley Group, took to the street offering to purchase shares of

[38]*The government of Uganda took a similar approach when privatizing its cotton industry. See Baffes (1998).[Not in reference list]*

the medium-size sugar company Paramonga from workers and to pay social benefits to retired workers. The ploy worked, and the firm bought about 55 percent of the workers' shares for approximately $20 million. But the process raised concerns about whether workers knew the value of their shares and were aware of alternative offers.

The National Supervisory Commission on Companies and Securities (Conasev) then intervened and issued a month-long suspension of share trading at Paramonga. Investors faced difficulties of their own as well. First, a lack of financial and business information, symptomatic of poor management practices, slowed decision-making. Firms interested in purchasing shares found it difficult to value the firm because of poor record keeping.[39] Cooperative members faced similar difficulties in evaluating offers. Early on, Conasev took an active role in getting information to the marketplace by requiring the sugar companies to file audited financial reports. In addition the government established transition committees at each estate to facilitate the privatization process. The interventions slowed the privatization process, but by 1998 shares in all 12 of the sugar estates had been distributed. Two of the estates were fully privatized in 1997.

3.5.3 Reforms, Research and Public Services

Pricing systems, as we have seen, create the incentives needed to improve the quality of cane. The improvements generally come from enhanced management and the application of existing technologies. The development, adaptation, and testing of new technologies are common goods that can benefit all members of the industry, a fact that has long been recognized.

Most sugar-producing countries have an established history of research for example Taiwan, which established the Sugar Cane Nursery and Trial Farm at Ta-mu-jiang (Hsinhwa) in 1900. Similarly Egypt's sugar research institute dates back to the 1930s.

In many countries where the government owns the sugar industry, the role of research becomes bundled with market activities. In some cases governments and industry participants fail to find a way to jointly fund research during the privatization process. Before privatization in Mexico a single organization managed the research agenda for the sugar industry. With privatization research became much more dispersed. Some is conducted at El

[39] *Inadequate record keeping is a common problem when sugar mills and estates are being privatized. For example in Kenya the government was unable to establish clear title for several of the sugar parastatals.*

InstitutoNacional de InvestigacionesForestales, Agrícolas y Pecuarias (INIFAP), some at universities such as the Unidad de Inversiones, and some at a research station in Chiapas. In addition almost every mill in the country conducts some research.

While the benefits of research are a common good, the government does not necessarily need to finance it. Since the industry benefits directly from new research, industry members are often willing to provide financing themselves—for example through a consumption or export levy—if they also have a voice in setting research priorities.

The Mauritius Sugar Industry Research Institute is organized along these lines.[40] Following recommendations made by the Mauritius Economic Commission in 1947, the sugar industry decided to conduct its own research. It founded the Mauritius Sugar Industry Research Institute in 1953. The institute is financed by access on sugar production and is governed by a Board of Directors with 10 members: seven representing millers, growers, and the Chamber of Agriculture, and three representing the government.

Nationalized sugar mills sometimes provide services to local communities. During privatization governments must be careful to ensure that appropriate institutions take on these tasks. Before privatization the sugar estates in Peru had provided electricity, education, and health care and other social services to the community. And while the estates employed around 35,000 workers, up to 215,00 family members and retirees were also directly dependent on the services the estates provided. Although the process was slow and expensive, in Peru the government managed to transfer responsibilities to other organizations and agencies. For example by 1996 Paramonga had transferred nine schools valued at $US 2.1 million to the Ministry of Education.

3.5.4. Lessons for Ethiopia from Other Jurisdictions

Unlike trade policies for coffee or cocoa, sugar policies are generally designed to subsidize producers at the expense of consumers. Often the benefits are dissipated through inefficient public ownership, captured by competing sweetener producers, or lost to rents on land. Yet the accumulated effects of such policies also give rise to well-defined groups that are dependent on continued interventions. Often these groups include entire communities that depend on the continuation of existing policies in general and on the continuation of the local

[40]*Visit http://www.cgiar.org/isnar/hosted/msiri/msiri.htm to learn more about the Mauritius Sugar Industry Research Institute.*

mills in particular. Since reform usually means structural changes, including at least some mill closings, the political and socials costs of reform are high. Consequently even though the economic benefits of reform are significant, especially relative to costs, governments have been reluctant to pursue reforms in sugar markets as readily as reforms in other commodity markets, such as coffee and cocoa.

In general the benefits of domestic reforms accrue primarily to consumers and the economy at large through productivity increases that result when resources flow to optimal uses. Recent experience suggest that sugar reforms are more likely when governments include them in a package of overall market reforms designed to spur lagging economies (as occurred, for instance, in Brazil, Mexico and Peru). Moreover governments will pursue true trade liberalization when the costs of reform are relatively low for the industry and the benefits more apparent, as was the case in Australia and Brazil. Because sugar policies generally tax consumers to subsidize producers, the policies do not directly affect the government budget. In fact import taxes often raise revenue.

As a result budgetary crises do not necessarily trigger reforms of sugar policy (grain subsidies, however, are sensitive to budget constraints). However public ownership of sugar mills also places the burden of new investment in the plants on the public ledger, and public funds are generally limited and their availability unpredictable. As machinery depreciates and the efficiency of such mills to decline, a crisis emerges. Soon the need to raise capital spurs privatization. This has been seen from the experience of Africa and Latin America, including Chad and Kenya, Mexico and Peru.

Trade regimes and preferential trade agreements give rise to their own distortions, as they did in Fiji, Mauritius, the Philippines, and St. Kitts. And reliance on the policies of other countries can prove risky in the end. When governments join or prepare to join regional trade agreements, new distortions are often introduced, as happened in Mexico and Poland. In contrast, the potential gains from multilateral trade liberalization are significant, and they would accrue primarily to developing countries. Because the consequences of reform differ from country to country, and because of differences in initial conditions, no single blueprint exists for sugar market reforms. But research overwhelmingly suggests that developing countries would benefit not only from multilateral reform but also from unilateral reform.

Realizing the potential gains from reform requires establishing a framework that puts in place the proper incentives for both domestic industries and international trade. Finding the political support for sugar reform requires lowering the cost of the transition for those countries and groups most likely to bear a disproportionate share of those costs, especially the loss of income and wealth.

Generally, lessons from experience of other jurisdiction suggest that a successful reform strategy has several components which include:

For multilateral reforms to sugar markets to succeed , developing countries will need to push large sugar-producing and –consuming countries to change their domestic sugar regimes. During the Uruguay Round negotiations, neither the EU nor the United States was prepared to make significant changes to its domestic regime. In the end the round had a limited effect on the global market.

The handful of countries that depend on special access to protected sugar markets will require assistance during the reform process. When protected markets are lost, the governments of these countries will not have the resources to soften the impact on the industry, as Cuba's experience illustrates.

Even when subsidies exist—either to protect consumers or because of preferential trade agreements, countries must take unilateral action to limit the distortionary effects, as Thailand's experience shows.

Sugar market reforms may entail reforms in other markets as well. The mix of Brazil's sugar and energy policies is one example. Clear analysis that identifies and quantifies the direct and indirect economic and welfare impacts of policy changes can provide a consistent and objective framework for negotiating change. Australia's experience supports this notion.

Mills slated for privatization are often burdened with debt, or require large initial capital improvements. Governments provide added trade protection in order to improve the profitability of domestic sugar firms, hoping to entice private investors and speed privatization. This approach taxes consumers and may support competing industries such as corn sweeteners.

Information about asset values must be available during privatization. Investors need accurate and timely information in order to make wise investment choices. As we saw the Peruvian government addressed this issue by putting in place uniform reporting rules that provide information to both buyers and sellers during privatization.

Services provided by large estates before privatization must be transferred to another provider. Sometimes large government-owned estates provide workers common goods such as education and health care.. Peru’s experience shows that careful planning will minimize disruptions in public services. In Mauritius the government also plays an organizing role in privately financed research.

Governments must play a constructive role in resolving conflicts between producers and mill owners. The physical characteristics of sugar production can lead to conflicts that often prompt poorly devised government interventions. To avoid such problems, governments can follow Jamaica’s example in setting cane-pricing rules, which create the proper economic incentives.

CHAPTER FOUR

CONCLUSION AND RECOMMENDATION

4.1. Conclusion

The sugar industry is an extremely important sector of the world economy providing valuable foreign exchange, export opportunities, employment and income generating opportunities via a strong dynamic value chain to all economies regardless of their status in development terms. As the industry develops through new investors in ethanol and sugar production, and diversifies into electricity production and the development of downstream products, the importance of a flexible and dynamic regulatory and monitoring framework increases.

. Many countries use Sugar Authorities or Sugar Boards as governing regulating bodies, some of which are parastatal and others are more participatory with stakeholder representatives. Legal controls and regulations are generally prescribed through a Sugar Act and/or Sugar Industry Agreement, a legal document which details the conditions of operation within the country.

Whilst Sugar Acts are useful for establishing regulations and standards, and guiding industry development, they can also be cumbersome − being slow to change and react to industry development. If not cautious, the number of regulatory bodies that are established can become a burden to the efficient operation and development of an industry. Interestingly, the major growth in the Brazilian industry has occurred since deregulation, supported by industry self-regulation and strong national laws, yet in Africa, many countries not yet regulated are driving towards it.

The need for industry regulation can depend heavily on the general legal environment of a company. That means if there exists a strong national environmental department and framework that is monitored and enforced effectively, there is less need for an industry specific regulation and guideline, as the rule will be simply to meet national legal standards. However, where capacity is lacking in key areas of national government to enforce legal standards, there is more of a need to regulate in an industry specific manner. It is important that the framework adopted must be dynamic and support innovation, thus allowing industry to adapt efficiently to changes in innovation and market demand.

A regulatory framework can establish a 'level playing field' for all stakeholders within the industry, setting basic standards on which good management practices can be developed. Different stakeholders have different views on the value, roles and responsibilities of a regulatory framework, and these ideas differ according to the role of the stakeholder and the perceived power of the organization. Some stakeholders believe that regulating an industry is necessary to control income flows to the Government and to ensure that operations are undertaken within the legal requirements of the country. Others see a regulatory framework as a way to build harmony between the stakeholders, develop operating standards and strengthen business relationships, resulting in a more efficient industry beneficial to all stakeholder groups. It is important to understand that there is no single framework, Act, Bill or regulatory body for the sugar industry that suits all environments, and each is governed by the laws of the country in which the industry operates.

Unlike other jurisdiction, the findings on the Ethiopian sugar Industry Legal and Regulatory framework indicate that, the absence of specialized legal and regulatory framework for the regulation of Cane development, Sugar production and Marketing in the way to attract private investors in the industry. Similarly, there is no specialized regulatory body in the Ethiopian sugar industry as seen in other jurisdictions.[41] As a result the industry development is very stagnant and not exposed for technology and knowledge transfer, despite huge capital investment and job opportunities in the sector. Besides, there is no detail regulation and directives for the implementation sugar industry fund proclamation and the sugar products subject to excise tax that would increase the price of sugar in the local market.

In general, though the industry has been operating more than half of a century there is no specific legal and policy framework in Ethiopian sugar Industry unlike other countries that have sugar act or assigned board of directors and institute .

4.2. Recommendation

On the basis of the findings of the research in general and the conclusions drawn above, the writer like to remark the following as recommendation, which will contribute in gearing up towards better institutional and legal framework in the eve of deepening

[41]. Ethipoian sugar policy proposal document

economic reforms and privatization of sugar industry of the country.

1. The writer suggests for amendment or for complete change of regulations and legislations regarding the sugar industry in Ethiopia. Thus, the new regulation should come up by clearly defining the roles and responsibilities and how they are governed and the scope of activities of industry stakeholders and supporting institutions such as Sugar Boards or regulating bodies, sugar research institutions, sugar training institutions and sugar industry funding institutions due to the sector need special attention in order to improve it and the coming privatization [43.]

   Based on this the law shall contain

   1.1. Due to the fact that the members of sugar board are from different stakeholder in the industry and to replace the current practice of ministry of Trade and Industry it is reasonable to have the following power and duties for the success of the industry goal.Establishing the sugar board from different stake holders with having the power of

   - To determine the price of sugar
   - To regulate the sugar industry;
   - To license and register millers;
   - To promote the development and expansion of sugarcane cultivation, production and marketing of sugar and the use of by-products;
   - To regulate and recommend measures for prescription and enforcement for the control of sugarcane pests and diseases;
   - To prescribe, at all times, the minimum and maximum industrial price at which sugar industry product may be sold. This price may vary in respect of different grades, kinds, quantities and qualities of the product concerned, and in respect of different places.
   - To participate in the formulation and implementation of overall policies, plans and programs of work for the development of the industry; [44]

43. sugar act of Kenya

44 .sugar act of Tanzania

- To act as an intermediary between the industry and the Government;
- To monitor the domestic market with a view to identifying and advising the Government and interested parties on any distortions in the sugar market;
- To coordinate the activities of individuals and organizations in the sugar industry;
- To review, on regular basis, the problems and prospects of the sugar industry;
- To facilitate equitable access to the benefits and resources of the sugar industry by all interested parties;
- To determine local quotas and export quotas not to create surplus..

1.2 Establishing sugar institute.

- To give training,
- To make research
- To carry out skill and technology transfer from other countries etc.

1.3 To establish Arbitration tribunal under the board in order to resolve dispute in the industry.

2. In relation to the cultivation of sugarcane, the writer suggests to put in place specific legal framework for importation, breeding and penalties for the use of non-approved cultivars; regulations limiting the use of certain chemicals and providing guidelines and legal limitations for certain practices to improve performance; and guidelines for controlling pest and disease, legal limitations to chemical use, restricted growing areas, penalties for non-compliance with control measures, and allocation of responsibilities for control.

3. The writer suggests the importance of legal framework for registration of cane suppliers incorporating details of growers and land areas.

4. The writer suggests the importance of legal framework for provision of licenses to process sugarcane supplemented by processing guidelines and regulations.

5. The writer suggests the importance of legal framework for provision of import and export licenses for sugar.[45]

45 Kenyan sugar acts

6. Finally, the writer suggests, regulation regarding sugar industry arbitration tribunal routes to manage industry disputes in order to settle the out grower , labor and expropriation including contractors cases as much as possible .

7. The current proclamation of sugar industry fund should be amended and updated by taking in to consideration the coming reform and should having detailed regulation and manual.

8. The sugar product shall be exempted from the Excise tax as of the fact that the product is became basic food in the Ethiopian life .[46]

[46] Ethiopian Excise tax proclamation no 307/2002

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Annex -Survey Questions

My name is Fasil G/Mariam and I am LLM student at Jimma University. This is a research questionnaire for my LLM thesis project. The topic of the research project is legal and institutional framework governing sugar industry in Ethiopia: a comparative study. Please take a few moments to read over the questions and try to answer the questions. Your results will remain confidential, and you will be anonymous upon the completion of this survey. I would just like to thank you very much for your participation in this study.

Section 1: Background

1. What is your gender?
   a) Male
   b) Female
2. Employment status?
   a) Full Time
   b) Part Time
3. Total experience in the current organization (write in number in years)? __________
4. What is your current title? Please Specify ___________________________
5. Experience in the current position (write in number in years)? __________
6. Maximum educational level attained?
   a) Diploma
   b) BA
   c) Master
   d) PhD
   e) Other Please Specify ___________________________

Section 2: The roles and responsibilities of industry stakeholders and supporting institutions:

7. How the sugar industry sub-sector is governed and the scope of activities and responsibilities?

   ____

   ____

8. How the sugar research institutions are governed and operated, research areas, information dissemination and commercial activities?

____
____

9. How the training institutions are governed and operated, who they cater for, thematic subject areas, funding and commercial activities?

____
____

10. How funds will be sourced from industry funding institutions, dispersed and managed?

____
____

Section 3: Cultivation of sugarcane:

11. What are the regulations or current practice regarding importation, breeding and penalties for the use of non-approved cultivars?

____
____

12. What are the regulations or current practice regarding limiting the use of certain chemicals and providing guidelines and legal limitations for certain practices to improve performance?

____
____

13. What are the regulations or current practice regarding pest and disease management? (guidelines for controlling P&D, legal limitations to chemical use, restricted growing areas, penalties for non-compliance with control measures, and allocation of responsibilities for control)

Section 4: Licensing and registration:

14. What are the regulations or current practice regarding registration of cane suppliers incorporating details of growers and land areas?

15. What are the regulations or current practice regarding provision of licences to process sugarcane? (supplemented by processing guidelines and regulations)

16. What are the regulations or current practice regarding provision of import and export licenses for sugar.

Section 4: The administration and financial management of the industry bodies:

17. What physical assets the industry can own?

18. How the regulating bodies are managed and supported?

19. How the industry disputes are managed? (Arbitration routes)