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## Ethiopia zooming on PPP to fill infrastructure gap **Featured**

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BY ROBEL YOHANNES

While Ethiopia is zooming on Public Private Partnership (PPP) to fill its infrastructure gap by enacting a comprehensive PPP Proclamation, many are seeing it as a springboard to fully harness the potential of PPP in Ethiopia.

Ethiopia is pursuing an ambitious transformational change involving huge public investment to address infrastructural deficit and public services delivery gaps. While the government is committing significant budget resources to infrastructure needs and social services, like most developing countries, it nonetheless faces significant budget constraints. And PPPs have emerged as one of the ways to overcome these constraints.

Pointing out how PPP enables cooperation to best meet clearly defined public needs through the appropriate allocation of resources, risks and rewards and long-term contractual cooperation, Dr. Costantinos Berhuetesfa, Public Policy Expert, says PPP in Ethiopia is in its infancy mainly due to its recent introduction, newness of the concept, and emphasis on public sector performance in economic development.

In almost all of the country's developmental strategy, the contribution of the private sector is considered as a key policy instrument for the achievement of the national plan of the country, he adds. "The Growth and Transformation Plan of the country has also considered the private sector participation as one of the developmental strategy."

The developmental strategies and national plan of the country has mentioned clearly PPP as one of the instrument in some selected infrastructure development strategies of the country, he continued, however, private sector participation and engagement has been vague in the policy documents for long years.

To address this, and to put in place a legal and institutional framework to foster the establishment of PPPs in Ethiopia, the government has now enacted a PPP Proclamation.

Also, to fully harness the potential of PPP, the Proclamation has setup a PPP administration board with seven cabinet ministers and two members representing the private sector. The members of the board hail from ministries that mainly oversee infrastructural development, with Ministry of Finance and Economic Development (MoFED) as chairman of the board. A PPP Unit (Director-General) has been created within MoFED.

Abebe Tadesse, PPP Project Coordinator at MoFED, believes that the proclamation will play a role in not only improving infrastructure and enhancing public service delivery by involving the private sector, but also the fact that PPP will play a role in amassing finance.

He says "close collaboration between the private and public sector is needed to deal with the huge amount of investment needed for the infrastructures and public service." He explains that the trend in the world right now, which shows declining government borrowing, and also given that (public) debt brings microeconomic instability, it is important to draw in finance and knowledge/skill from the private sector to undertake public infrastructures and deliver public services.

Moreover, Financing for Development, or more precisely, the Addis Ababa Action Agenda, emphasizes PPP as one financing modality and instrument for resource mobilization. "For instance if we are talking about the Growth and Transformation Plan of the country, it will take 500 USD to undertake it, which is a hefty sum. So, probing into various financial options and resource mobilization mechanism like PPP is vital, and the government is expecting it to fill some financing gaps."

And to that regard, he claims that although it is hard to articulate for now, it will definitely help reduce financial gap and play a supporting role.

While there are almost no sectors off-limit to PPP venture, except for the mining sector, the policy recommend starting with sectors like energy, transport, and then widen the scope to include sectors like education, health, and others once enough experience has been gained. “So far there are no projects done as part of PPP, but the 500 MW Corbetti geothermal project is one, and other solar and wind projects are in the pipeline.”

Abebe also stated that the PPP Proclamation gives confidence to the private sector as it makes the government more predictable. He added that not only that but it also shows the commitment of the government, and this will help develop its reputation/credibility. “Already we are seeing many financiers and members of the private sector having interest in entering into PPP, especially in the energy, transport and other sectors.”

According to him, there is a plan in the policy to strengthen the local private companies and the local PPP market. As PPP tend to focus on big (infrastructural) projects that demonstrate value for money, and also as the projects involve foreign currency and technological component, he opined, “we do not expect for local companies to afford them (the technology and experience)”. So, the plan is to involve them as sub-contractor by establishing consortium with foreign companies, where they can gain the experience and know how, and through time develop the local PPP market.

For Abebe, the success factor for PPP in Ethiopia will depend on its implementation capacity. As PPP is new, and requires complex negotiation with multibillion dollar companies, it demands same kind of capacity on the side of the government. And that capacity is not there for now.

“So, these things might affect the performance. Nevertheless, many projects will enter into PPP in the next 3, 4 years.”

Ethiopia has good prospects for the development of PPPs in the infrastructure sector particularly roads, railways, energy, telecommunications and transport to mention a few.

Kwame A. Asubonteng, a Consultant in Capacity Building and Public Private Partnership Planning and Implementation, who undertook a study under the title ‘The Potential for Public Private Partnership In Ethiopia’, identified some potential PPPs. “Toll road and road maintenance, agro-processing, low-income urban housing, small-scale irrigation farming and pre-paid metering, and in the service delivery sector, potential PPPs include parks and recreational facilities, ICT centers, solid waste management and recycling, exhibition centers and unified billing.”

The Study also recommended, among other things, the need on creating awareness citing ample evidences. “In view of this, there is the need to use the Public Private Dialogue (PPD) forum to sensitize policy and decision makers about the PPP investment concept and its applications to help build consensus on the potential projects identified in this study report.”

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