

# Outline

- 1. Public Private Partnership , Ethiopia's Experience**
- 2. Challenges**
- 3. Conclusions**

# Map of Ethiopia ---Regional States



## Background

Surface area.....	1,104,300 square km
Population.....	84 million
Rate of Urbanization.....	17 per cent
GDP (Nominal).....	Birr 705.397billion / USD 38.864 billion
GDP per capita (nominal) .....	USD 392
GDP real growth rate 2010/11.....	11.4 per cent
Agriculture.....	9.0
Industry.....	15.0
Services.....	12.5

# 1. Public Private Partnership

## 1.1 projects

- Ethio-telecom, which ends outsourced management contract with France telecom's (Orange...key brand of France telecom)
- According to new investment proclamation (769/2012 article 6/2) investors shall be allowed to invest with the government in areas of
  - telecommunication services,
  - Rural electricity, e.g. diesel owned by genset company in Bonnosha town,
    - works evening hours only
    - consumers complain about high tariff

## 1. PPP...

- **GTZ, an international service enterprise for development cooperation**
- **Ethiopia's construction sector are at the low level of workmanship skills and lacking organizational capabilities and technological knowledge of contractors,**
- **The private companies and the community benefited from the network of GTZ projects in Ethiopia. GTZ's "Low Cost Housing Project"**
- **technology transfer has taken place; the institutional capacity of the Ethiopian Construction sector,**

## **1. PPP...**

- **Aurecon ... which provides global engineering management and technical service**
- **has been particularly active in the transport sector in Ethiopia for more than 10 years,**
- **Projects included environmental impact assessments of a major link road Kombolcha - Gundowein and seven other main roads;**
- **feasibility study of the Addis-Nazareth road and implementation as a PPP project, will be the first toll road,**
- **condition assessment and asset management evaluation of the 780km Djibouti - Ethiopia railway line; and**
- **upgrading of 140km of Gedo – Fincha – Lemlem Bereha Road.**

# 1. PPP...

## 1.2 Structure of Institutionalizing Fora

- Recent moves to **strengthen public-private consultation,**
- An Ethiopian Public-Private Consultative Forum (EPPF), **jointly chaired** by the government and the Ethiopian Chamber of Commerce has been established,
- This helps to **facilitate dialogue between the government and the private sector,**
- It has been **mandated via a Memorandum of Understanding (MoU)** to be the main vehicle for public private consultation,

# 1. PPP...

## 1.3 Memorandum of Understanding (MoU)

Signed between the government and the private sector; established Public Private consultative fora and the types of fora include:

- The national business consultative conference,
- The federal public private consultation forum,
- The federal sectoral public private consultative fora,
- **Regional** public private consultative fora may be conducted based up on the objective realities of each region,



# 1. PPP...

## 1.4 Memorandum of Understanding (MoU)...

**The conferences at various levels have the following objectives;**

- create conducive **doing business environment** that enables private sector entrepreneurs discuss with the government representatives,
- Find lasting **solutions for problems** in areas of policy, legal frameworks and implementation,
- **Enhance sustained eco development** by removing constraints and solving problems encountered by the private sector,
- **Develop a system of consultations** between government and private sector on new initiatives of development policies, strategies and laws prior to their adoptions,
- **Ensure the government support and incentives** to the private sector are appropriately utilized and find joint solutions to problems,
- **Increase a common understanding of the nation's vision**, policies and strategies,

# 1. PPP...

## 1.5 Memorandum of Understanding (MoU)...

- (i) The national business consultative conference (**once a year**) , chaired by the **PM** can deal with different issues raised at discussions by Public Private consultative fora; **provide solutions to problems related to trade, industry, investment as well as matters related to policies and strategies,**
- (ii). Federal Public Private consultative forum (**twice a year**) , **co-chaired by Ministry of Trade (MoT) and the president of ECC and SA;** discuss problems, suggest **workable solutions,** develop a system of consultations, evaluate the proper **utilization of support and incentives extended to entrepreneurs,**
- (iii) **Federal Sectoral public-private, Consultation Fora (4 times a year)** : shall discuss on problems of their sectors impacting on the development of trade , industry and investment, suggest workable solutions as well as on policies and strategies of the country,
- (iv) Regional sectoral public private consultative fora (twice a year) based on **prevailing objective realities** discuss on issues...to date their activity is limited,
- (v) MoT and regional beauros; the ministry's public private coordinating unit and the public private consultation fora secretariat at the chamber,

## 2. Challenges

### 2.1 Inflation

- The current high inflation adversely affected the general well being of the society, global food price crisis and low productivity,
- Because of the high price of inputs at local markets the private sector complain as a challenge to produce and be competitive at the international market,

### 2.2 Policy and implementation gaps

- Due to absence of exhaustive consultation during policy formulation,
- Limited advocacy and **communication of policies and strategies**,
- With reference to implementation gaps; **little interaction and experience sharing on the basis of the established policies appears to exist between the private sector; there by leading to lack of coordination**, which can be considered as a **missing link**,

### 2.3. Tax

- The impact of tax reform; **tax burden on some formal companies**,
- **Tax base remains narrow**,
- Abuse of tax free privileges (diversion of goods intended for investment into other markets and this disfavors existing business)

## 2. Challenges...

### 2.4 Shortage of construction materials

- Investing heavily in the construction of roads, public housing projects, hydroelectric dams etc. price fluctuation of building materials has been a major challenge,
- Demand growth of construction materials outpaced supply, for instance according to a study by International Growth Center (Enterprise Map of Ethiopia, 2011, page 139) the estimated cement consumption in Ethiopia had risen by an average of 30 percent, which is four times the growth in the global cement consumption,
- This was due to the boom in the construction sector all over the country,

## 2. Challenges...

### 2.5 Poor coordination and delays leading to high transaction cost

Institutions such as customs, NBE, MoT, MoA, etc; which conduct control work of import and export goods

**World Bank study...doing business**, because of elongated customs formality

- To import....44 days
- To export ...42 days

Reasons...distance from the border and not yet developed transport sector

- Import technical inspection and control takes 5 days and up to birr 5100
- Challenges related to customs tariff classification (importers claim low)

**Solution:** already established single window processing, which saves time and money

## 2. Challenges...

### 2.6 Business registration and licensing

- During the latest Public Private Consultation Forum, in October 2012 discussion was held focusing on Ease of Doing Business; **commercial registration and business licensing proclamation-enacted two years ago,**
- One of the complaints raised by the private sector was with reference to yearly renewal of trading registration, raised as a hindrance and requested to suspend/eliminate this procedure,
- But the government has its reasons, that it is necessary to track whether the business is functioning or not,

**2.7 Institutional constraint: weak capacity to design and analyse PPP options, lack of high technical skills to perform economic and financial analysis for PPPs**

**2.8 Operational level: Poor contract negotiation skills; mind set constraints**

## **3. Conclusions**

**3.1 Collaborative efforts between the government and the private sector is crucial, Without support from the private sector the government cannot deliver its primary obligations,**

**3.2 Review policies , regulatory frameworks that would negatively impact on PPP investments and look for potential sources of funding,**

**3.4 Equalize the tax burden and broaden tax base through a combination of tax revenue measures...(closing loope holes for tax avoidance) by finding ways to levy taxes appropriately on informal sectors so as to improve the tax burden on large businesses,**

**3.5 Improve contract administration**

**Thank you for your Attention !!!**