



**SCHOOL OF POST GRADUATE PROGRAM**  
**CONSTRUCTION TECHNOLOGY AND MANAGEMENT**  
**DEPARTMENT**  
**PUBLIC-PRIVATE-PARTNERSHIP FOR HOUSING CONSTRUCTION**  
**AND PROVISION: A CASE OF ADDIS ABABA HOUSING**  
**DEVELOPMENT CORPORATION**

**By**

**GETANEH DEGEFU**

**Advisor**

**Mr. BIRUK TIBEBU (MSc)**

*A Thesis submitted to the Department of Construction Technology and Management impartial fulfillment of the requirement for the award of a Master of Science Degree in construction technology and management.*

**March, 2025**

**Addis Ababa, Ethiopia**

## **DECLARATION**

This is to certify that the thesis entitled “Factors Affecting the Implementation of Public private partnership Housing Construction Project: The case of Addis Ababa Housing Development corporation was undertaken by Getaneh Degefu Debu for the partial fulfillment of Master’s Degree of Construction technology and management is an original work and not submitted for any other University. Now, it is submitted with my approval as a thesis.

Full Name: - Getaneh Degefu Debu

Signature: -.....

Department: -.....

Date: -.....

# APPROVAL SHEET

## POSTGRADUATE PROGRAMME

### CONSTRUCTION MANAGEMENT DEPARTMENT

This is to certify that the thesis proposal entitled “**Factor Affecting the Implementation of PPP of Housing construction projects: A case of AAHDC**” has been carried out by Getaneh Degefu under my supervision. Therefore, I recommend that the student’s thesis can be presented for evaluation.

Name of advisor

Signature

Date

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### APPROVED BY BOARD OF EXAMINERS

#### Members of the Examining board:

1. \_\_\_\_\_

External Examiner

Signature

Date

2. \_\_\_\_\_

Internal Examiner

Signature

Date

3. \_\_\_\_\_

Chairperson

Signature

Date

4. \_\_\_\_\_

Dean, Post Graduate

Signature

Date

## **ACKNOWLEDGMENT**

First, I would like to sincerely thank Almighty God for providing so much knowledge, wisdom, inspiration and diligence to complete this article and fulfill my dream.

For all his help and advice in this research, I am grateful to all who served me in my stay in the college. And also, I would like to thank everyone who helped me achieve in my academic endeavors.

Finally, I want to express my heartfelt gratitude to my wonderful family for their unconditional love and support.

Thank you all!

Getaneh Degefu

# ABSTRACT

*This study determines private-public partnerships on the delivery of housing development in Addis Ababa. This research investigates the challenges encountered in the Public-Private Partnership housing construction project initiative undertaken by the Addis Ababa city government, specifically through the Addis Ababa Housing Development Corporation in collaboration with private real-estate developers. It aims to identify factors affecting the implementation of the Public private partnership, Determine the Benefits of housing construction Projects and to explore the opportunities associated with the implementation of Public private partnership in housing projects and analyze the key obstacles that hinder effective implementation, including regulatory, financial, socio-economic, and operational challenges. The study sought to provide actionable recommendations to enhance the efficacy of PPPs in addressing the housing deficit in Addis Ababa; thereby contributing to the broader discourse. Using a thorough analysis, purpose of the study is to offer practical suggestions to improve the effectiveness of PPPs in resolving Addis Ababa's housing shortage, thereby adding to the larger conversation on sustainable urban development and affordable housing options in Ethiopia. This study offers a thorough strategy for sustainable urban development and affordable housing solutions in Addis Ababa. This research provide a comprehensive plan to study PPP housing initiatives in Addis Ababa, drawing from a broad range of sources and methodologies to ensure robust and actionable findings.*

***Keywords: PPP procurement method, project Contract type, Housing construction, Addis Ababa.***

## Table of Contents

<b>DECLARATION .....</b>	<b>2</b>
<b>LIST OF TABLES.....</b>	<b>9</b>
<b>LIST OF ACRONYMS &amp; ABBREVIATION.....</b>	<b>1</b>

### **CHAPTER ONE**

<b>INTRODUCTION .....</b>	<b>2</b>
1.1. Background of the study .....	2
1.2. Statement of problem .....	5
1.3 Objective of the Study.....	6
1.3.1 General Objective of the Study .....	6
1.3.2 Specific objectives .....	7
1.4 Research Questions .....	7
1.5 Scope of the Study .....	7
1.6 Significance of the Study .....	8
1.7 Limitation of Study .....	8
1.8 Organization of the Document.....	9

### **CHAPTER TWO**

2.1. Theoretical Review .....	11
2.1.1. Public-Private Partnership Theory .....	12
2.1.2. Characteristics and Modalities of PPPs .....	16
2.1.3 Opportunities and Challenges of PPPs .....	18
2.1.3.1 Opportunities of Public-Private Partnerships.....	19
1. Increased Efficiency and Expertise.....	19
2. Cost-Sharing and Risk-Sharing.....	19
4. Accelerated Infrastructure Development .....	21

2.3.1.2 Challenges of Public-Private Partnerships .....	22
1. Potential for Higher Costs.....	22
3. Unequal Distribution of Benefits .....	23
2.1.4 Stakeholder engagement .....	24
2.2. Empirical Review.....	33
2.2.5. Benefits of the PPP housing project.....	42
2.6 Strategies of PPP Implementation.....	43
2.7. The Challenges of PPP Housing Construction Projects of AAHDC .....	44
2.3 Best International practices of PPP projects .....	48
2.4. Conceptual Framework .....	53
2.5. Research Gap .....	53
2.6 Conclusion .....	55

### **CHAPTER THREE**

<b>RESEARCH METHODOLOGY .....</b>	<b>56</b>
3.1 Description of the study area .....	56
3.2 Research Design.....	57
3.3 Research Approach .....	57
3.4 Sampling Design .....	57
3.5 Data Collection Methods. ....	60
3.6 Validation and Reliability .....	60
3.6.1 Validity.....	60
3.6.2 Reliability.....	61
3.7 Method Data Analysis and presentation .....	61
3.8 Ethical Considerations .....	62

### **CHAPTER FOUR**

<b>RESULTS AND PRESENTATION .....</b>	<b>63</b>
---------------------------------------	-----------

4.1. Introduction .....	<b>Error! Bookmark not defined.</b>
4.2. Presentation and Descriptive Analysis of Data (Demographic Data) .....	63
4.3. Factors Affecting the Implementation of PPP Housing Project in Addis Ababa .....	65
4.5. Challenges to implement public private partnership (PPP) housing projects .....	69
4.6. Implementation Strategies for PPP Housing Projects in Addis Ababa.....	70

**CHAPTER FIVE**

<b>CONCLUSION AND RECOMMENDATION .....</b>	<b>Error! Bookmark not defined.</b>
5.1 Introduction .....	73
5.2 Summary of Findings .....	73
5.3 Recommendations .....	75
<b>APPENDIX -1 .....</b>	<b>84</b>
<b>APPENDIX -2 PPP guide lines .....</b>	<b>92</b>

## LIST OF TABLES

Table 2:1 Active PPP Housing Construction Projects by AAHDC .....	47
Table 3.1 Population of the Study .....	64
Table3.2: Classifications of Relative Importance Index .....	72
Table 4.1: Demographic Distribution of the Respondents .....	74
Table 4.3 factors impeding the implementation of public private Partnership (PPP) housing projects .....	75
Table 4.4 Advantages of PPP.....	76
Table 4.5 Challenges of PPP housing project.....	70
Table 4.6 Disadvantage of PPP housing project .....	80
Table 4:7 Implementation Strategies .....	82

## LIST OF FIGURES

Figure 2:1 Forms Of PPP .....	17
Figure 2:2 Key stakeholders in PPP projects .....	26
Figure 2:3 types of stakeholders .....	27
Figure 2:4 Perspectives of stakeholder theory .....	28
Figure 2:5 Factors that determine PPP project success .....	32
Figure 2:6 PPP contracting eco-system .....	37
Figure 2:7 Conceptual Frame work .....	59
Figure 4:2 Gender of Respondents .....	74
Figure 4.3. Respondents work experience .....	75
Figure 4:4 Profession of Respondents .....	76

## LIST OF ACRONYMS & ABBREVIATION

<b>AA</b>	<b>Addis Ababa</b>
<b>AACG</b>	<b>Addis Ababa city government</b>
<b>AAHDC</b>	<b>Addis Ababa Housing Development Corporation</b>
<b>ADB</b>	<b>African Development Bank</b>
<b>ALSF</b>	<b>African Legal Support Facility</b>
<b>CMI</b>	<b>Construction Management Institute</b>
<b>FDRE</b>	<b>Federal Democratic Republic of Ethiopia</b>
<b>PPIAF</b>	<b>Public-Private Infrastructure Advisory Facility</b>
<b>PPIAF</b>	<b>Public-Private Infrastructure Advisory Facility</b>
<b>PPP(s)</b>	<b>Public-Private Partnership (s)</b>
<b>PPPDG</b>	<b>Public-Private Partnership Directorate General</b>
<b>UNCITRAL</b>	<b>United Nations Commission on International Trade Law</b>
<b>UNECE</b>	<b>United Nations Economic Commission for Europe</b>
<b>UNESCAP</b>	<b>United Nations Economic and Social Commission for Asia and Pacific</b>
<b>VfM</b>	<b>Value for Money</b>
<b>WB</b>	<b>The World Bank</b>
<b>WBG</b>	<b>the World Bank Group</b>

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Following World War II, most governments in both developed and developing nations assumed leadership roles in national development by launching massive infrastructure projects involving energy, water, roads, transportation, telecommunications, sanitary facilities, health care, and education (Grimsey and Lewis, 2002). These projects are frequently run by government agencies or monopolies owned by the state. Regrettably, the public sector frequently lacks the technical expertise and experience to effectively operate public-private partnerships (PPPs). Government representatives need to be instructed on how to utilize public-private partnerships (PPPs) in different economic sectors to manage PPPs effectively and guarantee that residents receive the best possible services. This is especially crucial because, when working with the government on development projects, the private sector usually has a lot of experience with PPPs (Savas, 2020).

In many countries, the government typically undertakes the construction or acquisition of physical assets, retains ownership, and utilizes public sector employees or private contractors to deliver the necessary services through traditional procurement methods for public building construction, infrastructure, and services. This approach, however, has faced numerous challenges, particularly in terms of efficiency and innovation. Recent studies highlight the persistence of these issues in Ethiopia. For instance, a study by Alemu (2018) reveals that traditional procurement in Ethiopian public building projects often leads to delays and cost overruns due to bureaucratic inefficiencies and lack of modern construction technology integration. Similarly, Tadesse and Abebe (2019) argue that the traditional approach limits the potential for leveraging advanced construction management practices, which could otherwise enhance project outcomes. Furthermore, Mekonnen and Gebre (2021) research emphasizes the need to adopt innovative construction management strategies and technologies to improve the efficiency of housing construction & development in Ethiopia. These findings underscore the importance of transitioning from conventional procurement methods to more dynamic and efficient models, such as Public-Private Partnerships, to address the evolving needs of housing project delivery in Ethiopia.

However, fiscal constraints have led countries to develop innovative approaches to financing public housing development projects. The traditional role of governments in providing housing and services is increasingly being supplemented with private sector expertise and financing. According to recent studies, there has been significant progress in the understanding and implementation of Public-Private Partnerships (PPP) within the public sector. International institutions such as the World Bank, European Union, and United Nations have played a pivotal role in offering solutions to these challenges, providing training, education, and advocacy services to governments globally (World Bank, 2020; European Union, 2019; United Nations, 2018). This has been echoed in Ethiopia, where research by Mekonnen and Gebre (2021) highlights the adoption of PPPs to overcome housing funding gaps and enhance project efficiency. Furthermore, a study by Tesfaye and Bekele (2022) shows that incorporating private sector expertise has led to better project outcomes in terms of cost, time, and quality in Ethiopian construction projects. This shift towards collaborative agreements between public and private entities aims to leverage each party's strengths to achieve common objectives effectively.

In 2004, the government of Ethiopia embarked on a mission to construct half a million condominium apartments over a twenty-year period in its capital of Addis Ababa, through Addis Ababa Integrated Housing Development Project (AAIHDP). The program has an integrated approach to solve the housing shortage through mass construction of low cost houses through low-cost housing program 20/80, 40/60 and 10/90 schemes for low and middle income groups , but it delivered only around 270,000 houses over 13 years – barely 20 percent of the target. At this pace, satisfying the total registered demand may take 50+ years (AACG, 2023). The Administration has registered over one million applicants waiting for housing, Facing this failure, the government turned to an alternative – public-private partnership scheme.

Ethiopia has enacted a new **proclamation No.1076/2018** facilitating public-private partnership recognizing that the private sector is essential to support the country's economic growth and improve the quality of public services, particularly housing and infrastructure construction projects. In Ethiopia, the implementation of PPPs in housing projects has shown promising results. Alemu (2018) found that PPPs in Addis Ababa have significantly contributed to reducing project costs and improving construction quality. Furthermore, a study by Tadesse and Abebe

(2019) demonstrated that involving private sector expertise has enhanced project timelines and resource management. Mekonnen and Gebre (2021) emphasized the role of PPPs in bringing innovative construction technologies and efficient project management practices to the Ethiopian housing sector. These findings suggest that PPPs are a viable solution to the housing challenges in Addis Ababa, offering a sustainable approach to infrastructure development and service provision.

Recent research in Ethiopia highlights the positive impact of PPPs on housing construction. Alemu and Tesfaye (2019) noted that PPPs have led to better resource allocation, reduced project delays, and improved construction quality. Furthermore, Mekonnen and Bekele (2021) found that the involvement of private sector partners has introduced innovative construction techniques and effective project management practices. This shift not only enhances the delivery of housing projects but also distributes costs, risks, and profits more equitably between public and private sectors. The successful application of PPPs in various housing projects globally provides a strong basis for their adoption in Ethiopia, aiming to address the critical housing shortage in Addis Ababa through collaborative and sustainable means. Studies by Tadesse and Abebe (2019) emphasize the positive impact of PPPs on the timely delivery and cost efficiency of housing projects in Addis Ababa. Alemu (2020) discusses how these partnerships have led to the incorporation of innovative construction technologies and better resource management. Moreover, Mekonnen and Gebre (2021) highlight the role of PPPs in addressing the housing shortage by enabling large-scale development projects that the public sector alone could not efficiently manage. This collaborative approach not only accelerates housing provision but also ensures sustainable development practices are followed.

This study focuses on the challenges and opportunities associated with Public-Private Partnerships in the housing construction sector in Addis Ababa, Ethiopia. It aims to identify key factors influencing the successful implementation of PPPs in housing projects, evaluate the performance of ongoing and completed projects, and provide recommendations for improving PPP frameworks to enhance housing development in the city. By analyzing case studies, policy documents, and stakeholder interviews, this research seeks to contribute to a better

understanding of PPP dynamics in the Addis Ababa context and offer practical insights for private developers, policymakers, and practitioners involved in housing construction.

## **1.2. Statement of problem**

The rapid urbanization in Addis Ababa has escalated the demand for housing, leading to a critical shortage that affects a significant portion of the city's population. The Addis Ababa Housing Development Corporation has been instrumental in addressing this issue through various initiatives, including the adoption of Public-Private Partnership models in housing construction. Despite the potential benefits of PPPs in alleviating the housing crisis, there are numerous challenges and inefficiencies observed in the implementation and management of these projects.

Addis Ababa's City Administration, through its 70/30 public-private partnership scheme, has approved the construction of what will be the largest private housing investment in the city's history – a 450-billion-birr housing project by Ovid Group. The land is slated to be allocated in the coming days to the contractor free of the lease payment.

The Administration has registered over one million applicants waiting for housing, but through its low-cost housing program 20/80 and 40/60 schemes, it delivered only around 270,000 houses over 13 years – barely 20 percent of the target. At this pace, satisfying the total registered demand may take 50+ years (AACG, 2023).

Facing this failure, officials turned to an alternative – public-private partnership scheme. Under this model, private developers fund and build 70 percent of housing units for sale while giving 30 percent to the government for low-income residents. The new project aims to address Addis Ababa's growing housing shortage and meet residents' demands (AACG, 2023).

Public-private partnerships have emerged as a viable alternative to these challenges. Studies underscore the potential of PPPs to address housing deficits, although their implementation has faced various obstacles (World Bank, 2020; African Development Bank, 2019). Financial issues in Ethiopia, such as budget constraints and limited access to long-term financing, have exacerbated the difficulties in meeting the housing demand, particularly in Addis Ababa, where

rapid urbanization has intensified the need for adequate housing (Gebrehiwot & Fekadu, 2020; Tesfaye, 2018).

In Ethiopia, the application of PPPs in housing construction has encountered challenges such as contractual disputes, financial constraints, and lack of clear regulatory frameworks. These issues are critical areas needing attention to improve the effectiveness of PPPs in delivering housing and infrastructure projects (Alemayehu & Tekle, 2021; Desta, 2019). These studies provide valuable insights into the complexities of PPPs and highlight the necessity for robust policy frameworks and stakeholder engagement to overcome these challenges.

The Government of Ethiopia is exploring new strategies to enhance the development of housing projects, given that the AAHDC currently cannot cover the necessary project costs (AAHDC, 2021) due to the bank debit rise to more than 50 billion birr by bank interest from the delay of projects. The difficulties in adopting the PPP model by AAHDC can be attributed to several impeding factors that require thorough exploration and resolution (AACG, 2020).

Successful PPP implementation in housing development projects involves clear agreements outlining responsibilities, risk-sharing, and revenue-sharing between public and private entities. Private developers typically handle design, construction, and sometimes maintenance, while the government facilitates land acquisition, provides regulatory approvals, and may offer financial incentives or subsidies.

Finally, this research investigates and find out the factors that impact the PPP implementation and related improvements needed for the sustainability of housing construction projects. Accordingly, it has responded to the questions raised and also forwarded commendable solutions to further work on the PPP contract method and creates a conducive enabling environment for PPP housing projects in Ethiopia.

### **1.3 Objective of the Study**

#### **1.3.1 General Objective of the Study**

The study aims to investigate the implementation of the Public Private Partnership on housing construction projects in Addis Ababa, focusing on AAHDC.

### **1.3.2 Specific objectives**

In achieving the above-stated objective, the following specific objectives were developed.

1. To identify the major factors affecting the implementation of the PPP housing construction Project.
2. To Determine the Benefits of PPP housing construction Projects
3. To evaluate the role of stakeholder engagement in the success of PPP housing projects in Addis Ababa.
4. To explore the opportunities associated with the implementation of PPP in housing projects by AAHDC
5. To develop Strategies to improve the implementation of the PPP housing construction Project.

### **1.4 Research Questions**

This research paper will be done to answer the following questions

1. What are the major factors in the implementation of PPP in housing construction projects?
2. What are the benefits of PPP in housing construction projects?
3. What role does stakeholder engagement play in the success of PPP housing projects in Addis Ababa?
4. What are the opportunities associated with the implementation of PPP in housing projects by AAHDC?
5. What are the strategies required to improve PPP housing construction projects?

### **1.5 Scope of the Study**

Geographically the scope of this study will be limited to Addis Ababa. The targeted respondents for the study will be from the public organization AAHDC and private real estate developers now participating in housing development projects.

The study specifically involves the Contract Managers, Project Managers, Civil Engineers, and Quantity Surveyors of these organizations as well as housing construction Contractors. It is hoped that data obtained from the study will give a true reflection of the assessment of the factors challenging the implementation of PPP housing projects in Ethiopia. The housing construction sector was chosen because of the huge capital investment needed to improve the 1.2 million housing demand which the government alone cannot provide due to the current global financial crises and challenges.

### **1.6 Significance of the Study**

The study will be significant for city administration of Addis Ababa, local community of the city, various real-estate developers under the AAHDC and also, stakeholders in the housing construction industry in developing alternative models of financing and procuring housing projects. The research will address issues on factors delaying the implementation of the Public Private Partnership (PPP) housing project in Addis Ababa focusing on the AAHDC and also enhancing other PPPs in the construction sector. The findings of this study will be very crucial to policymakers as well as players in the industry on how to develop and find alternative means of addressing housing project financing in Ethiopia. The findings will also contribute to knowledge in academia and will stimulate further research into the constraints and opportunities of Public Private Partnerships in developing housing development projects in Ethiopia.

### **1.7 Limitation of Study**

This study did not seek to build an implementation plan or roadmap to success for PPP housing projects in Ethiopia. Time available for this research was not enough to adequately exhaust all issues available. For instance, the public perception of PPP housing projects was not adequately investigated even though the public is a major stake holder. The perception of the average Ethiopian on PPP projects could give a better understanding of how to marshal political and resource support for PPP.

The study is still constrained although lots of efforts have gone into planning. The responses obtained from respondents of the study could not yield concrete evidence on the difficulties with actual implementation. Concession provisions on public works contracts under the civil code,

which are impliedly repealed by the PPP law, and other public procurement laws that are denied applicability in PPPs are not given due consideration. The study is delimited to analyze the new PPP policy and laws (the proclamation and implementing directive), and operational guidelines as well.

Since the PPPs contract method was recently introduced, the government has not yet tested PPP in its full project life cycle. Most of the pipelined projects have not yet been outsourced and those which have already been awarded are at the stage of financial close. PPPs are a nascent mode of Infrastructure and housing construction investment and public service delivery in Ethiopia and since PPP implementation which is the subject of this research, aspects are only entertained in this research. Accordingly, PPP implementation has commenced project planning and preparation processes and certain PPP project development and appraisal activities have been unveiled. Still, due to confidentiality requirements and lack of access to project planning and preparation processes, a detailed analysis of the tendering processes and project agreements may not be made by developers. Therefore, the research will be limited to identifying factors that impact PPP implementation and related improvement strategies

Another limitation of the research, associated with the novelty of separate PPP contracts in the country is the lack of literature on Ethiopian PPP implementation. However, recognizing these limitations, the researcher strives to overcome them by adequate use of primary data through interviews with construction management experts who took part in the PPP implementation and contract-making processes, international PPP specialists from abroad, PPP leaders, and public sector officials in Ethiopia.

## **1.8 Organization of the Document**

The document is organized in five chapters. The first chapter is comprised of the information concerning the background of the study, statement of the problem, objectives of the study, significance of the study, scope, and limitation of the study, and organization of the study. The second Chapter focused on reviewing related literature. It includes a brief description of the literature review such as theoretical reviews and empirical findings, the conceptual framework of the study which served as subsequently related to the study. The third chapter is divided into

sub-sections such as research design and methods (data sources, target population, sampling techniques, data collection methods, reliability and validity, and ethical consideration, and analysis of the study. The fourth chapter presented Data Presentation, Analysis and Interpretation and the last chapter five presented conclusions, summary of major findings, and sets recommendations on how to enhance public private partnership in housing construction projects.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter deals about different literatures' which was conducted on the area of the concept of PPP, PPP implementation factors, benefits of PPP projects, PPP Contract management, importance of PPP, challenges and strategy to implement, and housing project management. Most of the literatures' discussed here under are conducted on different countries and situations to ascertain the fact that PPP implementation factors could be different in different countries and situations. The purpose of this chapter is to refer it and integrate with the finding of this study

#### 2.1. Theoretical Review

Reviews of earlier research on the subject are included in this chapter to provide the current researcher with background knowledge on the subject. Every study should include a literature review since it aids in reviewing and discussing the topic being studied. This is consistent with the assertion that "Knowledge does not exist in a vacuum and your work only has value about other people" (Jankowicz, 2005 as referenced by Anon, 2009, p. 48). Additionally, the value of an individual's effort and discoveries will only be determined by how closely they resemble or differ from those of another individual. It is important to remember that there is no single, definitive definition or definition for the term "public-private partnership" (PPP). It is important to remember that the term "public-private partnership" (PPP) is used extensively and applied in the field of public procurement, but it lacks a single definition and definition of clarity (Meidute & Paliulis, 2011). Furthermore, there has been a degree of ambiguity in both foreign experiences and academic literature on the distinction between a public-private partnership and a standard procurement arrangement. Owing to the concept's widespread adoption, many people mistakenly believe that public-private partnerships are a recent development, even though they are not.

Recent research suggests a growing fascination with the concept of public-private partnerships (PPPs), driven by the rapid evolution of our society and its evolving expectations from the public sector and government. Grimsey and Lewis (2004) have observed this trend. The contemporary landscape calls for not just enhanced housing construction but also more efficient execution of public projects and optimal utilization of tax revenues. Scholars like Meidute and Paliulis (2011) posit that PPPs could emerge as a strategic procurement tool to meet these evolving demands.

In light of this, this chapter aims to elucidate the essence of public-private partnerships, their diverse manifestations, the intricacies of the procurement process, and their origins. In doing so, it will also integrate insights from recent research in construction modern procurement methodologies.

### **2.1.1. Public-Private Partnership Theory**

PPP is a type of private-sector engagement where a private partner contributes its financial resources, expertise, and creative thinking to the provision of services that the government is initially in charge of delivering. Although there isn't a precise definition for the phrase that encompasses all the important facets of the diverse interactions these partnerships are made up of, this idea is widely acknowledged in the literature. It should be noted that the following definition only touches on a small piece of the expansive concept. According to Levy (2021), a public-private partnership is a means of granting concessions for an extended period that frequently involves the use of project corporations established by a group of private companies to plan, finance, construct, and manage certain infrastructure assets that were previously managed and funded by the government.

According to Weihe (2015) indicated that the concept of PPP “allows for great variance across parameters such as time, types of products/services, closeness of cooperation, complexity, costs, level of institutionalization as well as number of actors involved.” Therefore, almost any kind of PPP relationship that comprises the private and the public sector (whether a joint venture or a service contract) can be referred to as a public-private partnership (Coopers, 2015). To be able to make a distinction between the various definitions available, Weihe (2016) in his effort to classify the different partnerships into five categories, classified them as Infrastructure, Governance, Local regeneration, Development, and Policy approaches. Public-Private Partnership has been a vital policy used in facilitating public facilities and services in numerous countries. For this thesis, Rostiyanti and Tamin (2020) define Public-Private Partnership as a collaborative effort between public and private sector organizations in public service delivery in which there are rules, institutional obligations, roles, and responsibilities notwithstanding accountability to all involved parties. Thus, PPPs have been subjected to varying meanings as to the needs and contexts of different countries and international organizations.

- a) For the *African Legal Support Facility*, confirming that there are various other definitions of PPP according to the jurisdiction where the project is located,

provided the following a relatively holistic definition to PPP. Here below, the contractual nature of PPP, the assumption of risk and responsibility, financing, and other roles of the private party by which modalities of cooperation are determined, and the payment options have been inculcated in the definition.

—PPP can be defined as the establishment of a long-term contractual partnership between public and private sector bodies where the private sector provides a significant portion of the financing, bear's significant risks, and takes substantial responsibility for designing, building, financing, operating, and maintaining a major public infrastructure asset per an agreed output specification. This is usually in return for the right to recover some or all of the revenues derived from the asset or in return for a fee based on the continued availability of the asset (i.e. the performance and/or demand for the use of the public asset or service), or a combination of both (ALSSF,2019).

b) *The Canadian Council for P3s: “[a] cooperative venture between the public and private sector, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards (ACEC,2019).*

c) *UNCITRAL* ‘s definition also reads as follows:

d) Public-private partnership (PPP) ‘means an agreement between a contracting authority and a private entity for the implementation of a project, against payments by the contracting authority or the users of the facility, including both those projects that entail a transfer of the demand risk to the private partner (—concession PPPs<sup>11</sup>) and those other types of PPPs that do not entail risk transfer (—non-concession PPPs<sup>11</sup>) (UNCITRAL, 2020).

a) *UNCITRAL* has understood PPP as a project implementation agreement between the public and private sectors against payments: by the contracting authority or the users. In these two payment modes, if the parties agree to transfer demand risk to the private party, the contract will be *concession PPPs*, and when the agreement doesn’t entail risk transfer, it is called *non-*

*concession PPPs*. Hence, UNCITRAL doesn't take risk transfer as one of the key elements of PPPs, unlike many other Ethiopian PPP policies and law definitions.

b) Under the Ethiopian Public-Private Partnership Policy, PPPs are defined as:

c) ...long-term agreements between a contracting authority and a third party where:

d) The third party provides or contributes to the provision of a public service activity;

e) The third party receives a revenue stream for providing such service from end-user charges, government budget, or a combination of the two; and,

f) This revenue stream must be based on the availability and quality of the contracted service, thereby transferring significant risk associated with the provision of the public service to the third party.

e) The Ethiopian Public-Private Partnership, or PPP Proclamation No. 1076/2018, in the same tone as the policy, has also defined PPPs as follows:

„Public-Private Partnership“ or „PPP“ means a long-term agreement between a Contracting Authority and a Private Party under which a Private Party:

Undertakes to perform a Public Service Activity that would otherwise be carried out by the Contracting Authority;

A) Receives a benefit by way of:

i Compensation by or on behalf of the Contracting Authority;

ii Tariffs or fees collected by the Private Party from users or consumers of service; and

iii A combination of such compensation and such charges or fees.

B) Is generally liable for risks arising from the performance of the activity or use of the state property per the terms of the Project Agreements.

C) The Federal Government Procurement and Property Administration Proclamation No. 649/2009: PPP is defined as a *“Public-Private Partnership» which means investment through private sector participation by a contractual arrangement between a public body and a private sector enterprise, as the concessionaire, in which the concessionaire:”*

- a) Undertakes to perform or undertake any construction project or service or lease concession;
- b) Assumes substantial financial, technical, and operational risks in connection with the performance of a public function or use of government property; and
- c) Receives consideration for performing a public function or utilizing government property, by way of fees from any public funds, user levies collected by the concessionaire from users or customers for a service provided by it, or a combination of such considerations.

Except for the rules governing the formation and mode of implementation which was left to the Minister of Finance, to be prescribed through a dedicated directive, for the first time in the Ethiopian legal or policy regime, proclamation No. 649/2009 provided an up-to-date definition to the concept of a public-private partnership and its modalities (Tecele Hagos,2013).

As in the case of the ALSF's approach, the Ethiopian PPP policy has provided an up-to-date definition explicating that PPPs are long-term contractual arrangements in which the third party or the private party has a different degree of participation in the provision of public service activity. The different degree of participation is a determining factor for PPPs to have various modalities. And, the private party, in return, receives payments through end-user charges (user-pays PPPs), government budget (government-pays PPPs), and a combination of both mechanisms. Moreover, the payments are dependent on the fact that the private party makes sure the public service is available and in quality. This means the private party is required to assume significant risks associated with the provision of the public service. (Tecele Hagos,2013).

*In PPPs*, the element of *significant or adequate risk transfer* to the private sector over a significant part of the project life cycle is decisive. This is due to the long-term nature of these contracts, and this is made besides the transfer of construction risks. *Significance* is due to the fact that the bulk of the risk has to be transferred since risk transfer is the main driver for PPP efficiency. But there is no need to transfer all risks or events and their consequences. This is because there may be significant inefficiencies by transferring certain risks that can be lessened through the public partner taking back or sharing the risk (APMG, 2018). This kind of definition appears to be a common denominator across the PPP concepts of the WBG, IMF, OECD, etc. and translates into a well-defined spectrum of contractual arrangements. These arrangements,

with private capital at stake, have in common that they are long-term, usually bundling design, construction, maintenance, and possibly operation, and contain performance-based elements (WORLD BANK, 2021; OECD, 2008; WBG, 2012).

### **2.1.2. Characteristics and Modalities of PPPs**

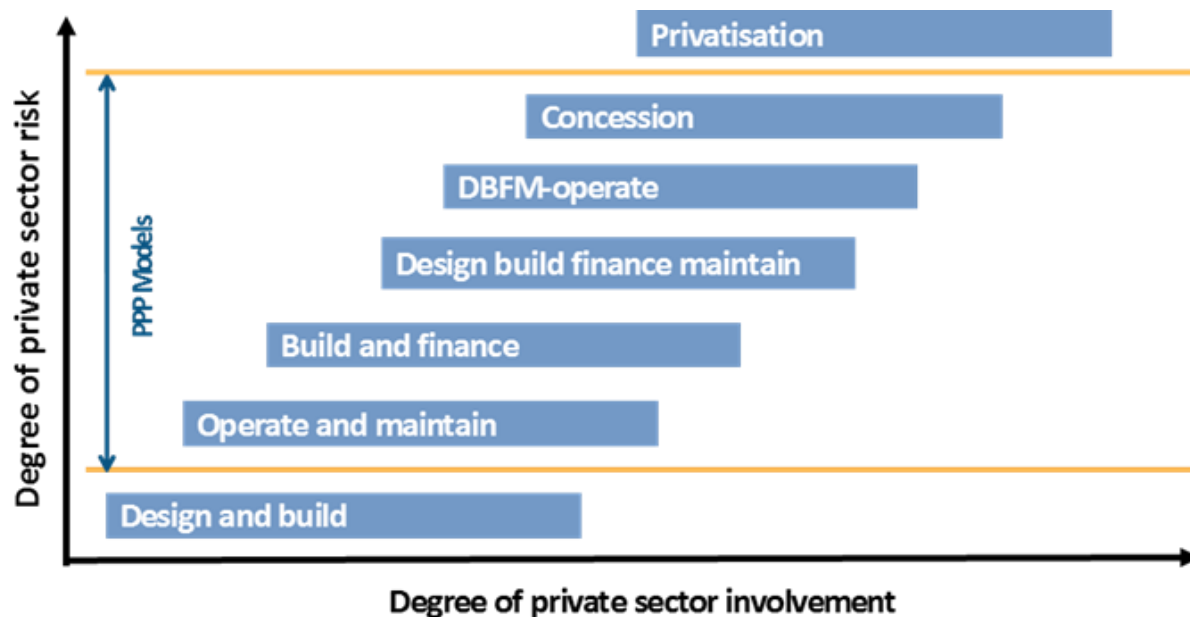
There is no consensus on what does/doesn't constitute PPPs. But surely it represents the transfer of investment projects to the private sector that conventionally has been carried out by the public sector (IMF, 2014). The main account of using PPPs is the perceived efficiency of the private sector and the inefficiency of the public sector. PPPs, bring allocative efficiency (the use of resources to maximize profit and utility); technical efficiency (technology, and better entrepreneurial or innovative skills); and x-efficiency (the prevention of wasteful use of inputs) (IMF, 2014).

(Wiley Blackwell, (2019). Also, PPPs fundamentally have two essential characteristics: one, there is an on-service provision and investment by the private sector; and two, significant risk is transferred from the public to the private sector (WBG, 2014). However, PPP is not a panacea for all the public sector's financing and infrastructure problems. And, PPPs are not always the most appropriate procurement option. As the procurement process can be lengthy and involve high transaction costs, PPPs can be complex (PPPDG, MoF, 2019). Besides, access to private sector finance is carried out through borrowing from banks and other investors on a project finance basis emphasis added ']' where money is secured on the project itself, not the parties involved. Moreover, since the projects are taken for the long term, it is difficult to predict the outcome in the long term; hence, enforcing contracts over time becomes difficult and bears renegotiations (Nikolai Mouraviev & Nada Kakabadse, 2016). There are 3 kinds of approaches, and in this research, we focus on A PPP as an organizational and financial arrangement in construction procurement and delivery method.

- 1) Partnerships as a policy tool;
- 2) A PPP as an organizational and financial arrangement; and
- 3) PPP performance, risk allocation, and critical success factors the other characteristic of PPPs is it has some commonalities with privatization, joint venture, franchising, contracting out concessions, and contract leasing. The PPP concept is often confused with privatization proper and it shares a commonality with it since PPPs also result in the introduction of private sector

management and/or ownership [in some models] of what traditionally has been the sole domain of government. However, PPPs differ from privatization in three things: ownership, contract structure, and risk. In privatization, ownership and risk are fully transferred from the public to the private sector; the government only retains its regulatory role. In the case of PPPs, ownership is retained by the public sector, and risk is shared. By contract structure, in the case of privatization, contract methods result in private ownership whereas, in PPPs, contract methods result in varying levels of private participation. ( PPP Guidelines, 2023)

The above characteristics are not always true; for instance, some PPP models confer ownership also to the private sector, like privatization. The varying models and practices of PPPs make it difficult to define and conceptualize succinctly. Some countries' policy frameworks like Botswana have also deliberately made PPPs a tool for implementing its privatization policy. Botswana's PPPs policy has defined privatization as all measures and policies directed at underpinning the role of the private sector in the economy. Botswana's PPPs policy didn't give a definite meaning. It would rather take PPP as one of the tools effectuating the privatization policy of the country. This kind of PPP policy is a misnomer; it probably does not have definite and independent objectives for a longer period as many countries' PPP frameworks e.g. infrastructure investment, public service delivery, etc. Such a kind of PPP is not properly the one widely agreed upon and practiced globally. Here below, the diagram depicts the different degrees of private sector participation (models) with different levels of risk vis-à-vis privatization. (PPP Guidelines, 2023)



**Figure 1: Forms of PPPs**  
*Source :( PPP Guidelines, 2023)*

When we come to the modalities, there is a range of PPP models/types that allocate responsibilities and risks between the public and private partners in different ways. According to Jeffery D. (2019), to classify the models proposed the following five parameters which may or may not be relevant to any given PPP project:

- a) whether the PPP is a new or existing business or asset;
- b) the responsibility of the private party for construction;
- c) the level of private finance involved;
- d) the nature of the project company's service delivery obligations (bulk supply or retail level); and
- e) The source of revenue stream.

### **2.1.3 Opportunities and Challenges of PPPs**

According to World Bank group (2023) the surveyed literature shows that while housing PPPs offer many advantages, they also present challenges.

### 2.1.3.1 Opportunities of Public-Private Partnerships

#### 1. Increased Efficiency and Expertise

The public sector gains access to the latest innovations, cutting-edge technologies, and industry best practices by partnering with private entities. **Private companies often have a strong focus on research and development.** This allows them to bring forward new ideas, processes, and technologies. These characteristics can significantly enhance the efficiency and effectiveness of public projects and services. Therefore, the infusion of private sector innovation can lead to the development of advanced infrastructure systems, streamlined processes, and novel solutions to complex challenges. It ultimately benefits the public and enhances overall project outcomes.

Public-private partnerships enable the utilization of specialized skills and knowledge that may not be readily available within the public sector. Private companies bring a wealth of expertise and experience in their respective domains. This allows them to contribute valuable insights, technical know-how, and efficient management practices. Whether it's designing and constructing large-scale infrastructure projects or delivering complex services, the private sector's specialized skills complement the public sector's capabilities, leading to more effective project implementation. The collaborative nature of **public-private partnerships facilitates knowledge transfer between the public and private sectors.** This, in turn, fosters a learning environment where both parties can benefit from each other's expertise.

#### 2. Cost-Sharing and Risk-Sharing

PPPs enable the distribution of financial burdens between the public and private sectors. **Public projects and services often require substantial investments,** and by engaging private partners, the financial responsibility can be shared. The private sector brings in capital resources, including funding from banks, investors, or consortiums. This reduces the burden on public budgets and taxpayers. Such a cost-sharing arrangement allows governments to pursue critical projects that may have otherwise been financially unfeasible. Additionally, the private sector's financial expertise and access to diverse funding sources can optimize project financing and potentially lower costs.

Public projects often entail various risks like construction delays, cost overruns, or performance uncertainties. In public-private partnerships, **risks are shared** between the public and private entities. It allows for effective risk management. The private sector brings expertise in project management, risk assessment, and mitigation strategies. They have a vested interest in successful project completion, as their profitability is often tied to performance indicators and achieving predetermined milestones. This incentivizes the private partner to proactively manage and mitigate risks. This, in turn, ensures that projects are delivered on time, within budget, and to the required quality standards. Risk-sharing mechanisms in PPPs can reduce the financial and operational risks borne solely by the public sector. It provides a more robust and resilient approach to project implementation. Wojewnik-Filipkowska & Wêgrzyn, (2019),

### **3. Improved Service Delivery**

PPPs often result in enhanced quality and timeliness of services compared to solely public-led initiatives. Private sector partners bring **efficiency-driven approaches and a focus on customer satisfaction**. This can lead to improved service delivery. With their expertise, streamlined processes, and performance-driven mindset, private entities can optimize service provision, reduce inefficiencies, and enhance overall service quality. Additionally, the private sector's emphasis on meeting contractual obligations and performance targets can result in faster delivery of services. This, in turn, ensures that public needs are met more effectively and efficiently.

Public-private partnerships introduce a **higher level of accountability and performance measurement** compared to traditional public-sector operations. These partnerships are often built on clear contractual agreements that outline specific performance indicators, benchmarks, and service level expectations. Private partners are held accountable for meeting these targets. The primary reason for this is that their contractual obligations and financial rewards are directly tied to their performance. This emphasis on accountability fosters a culture of continuous improvement as private partners strive to meet or exceed the agreed-upon standards. Moreover, public-private partnerships often involve robust monitoring and evaluation mechanisms that enable regular assessment of performance. It ensures that service quality remains consistent and any necessary corrective actions are taken promptly.

#### **4. Accelerated Infrastructure Development**

PPPs often lead to **faster project completion timelines** compared to solely public-led initiatives. Private sector partners bring efficiency and expertise in project management, construction, and implementation. Their focus on meeting project milestones and delivering results within predetermined timelines can expedite infrastructure development. The private sector's ability to streamline processes, allocate resources efficiently, and employ innovative construction methods can contribute to quicker project completion. This accelerated timeline enables communities to benefit from improved infrastructure sooner, whether it's a transportation network, utility systems, or public facilities.

Public-private partnerships can stimulate **increased investment opportunities and foster economic growth**. By attracting private sector participation, governments can leverage additional financial resources beyond their budgetary limitations. The private sector brings in capital investment, often seeking a return on their investment through long-term partnerships. This injection of private funds into infrastructure development can unlock new opportunities for economic growth, job creation, and business expansion.

Moreover, PPPs can catalyze a positive ripple effect. They can create a conducive environment for attracting further investments, both domestic and foreign. The resulting infrastructure improvements can enhance productivity, connectivity, and the overall competitiveness of a region. These traits can lead to sustained economic growth and development.

#### **5. Flexibility and Adaptability**

PPPs offer a higher degree of flexibility and agility in responding to changing circumstances and evolving needs. The collaboration between the public and private sectors allows for dynamic adjustments throughout the project lifecycle. As societal needs, technologies, or economic conditions evolve, PPPs can adapt to accommodate these changes more efficiently than traditional public sector approaches. The private sector's **market-driven mindset and ability to quickly mobilize resources** enable it to respond promptly to emerging challenges or opportunities. This adaptability ensures that projects remain relevant, responsive to community needs, and aligned with evolving goals and priorities.

Public-private partnerships provide flexibility in terms of financing and project management approaches. Unlike traditional public funding models, **PPPs offer diverse financing options**. These options include public and private capital, loans, bonds, and revenue-sharing arrangements. This flexibility allows for innovative financial structures that can optimize funding and reduce the burden on public budgets.

Moreover, PPPs introduce **greater flexibility in project management** as private partners bring expertise in areas like procurement, construction, and operations. They often implement efficient management practices, leveraging their experience and knowledge to streamline processes and maximize project outcomes. This flexibility in financing and project management enables better resource allocation, risk management, and ultimately the successful delivery of projects that meet both public needs and private sector goals.

### **2.3.1.2 Challenges of Public-Private Partnerships**

#### **1. Potential for Higher Costs**

In public-private partnerships, **private sector entities aim to generate profits and ensure a return on their investment**. While profit motives can drive efficiency and innovation, they can also lead to higher costs. Private partners may prioritize financial gains. This can result in increased expenses for the public sector. Additionally, contractual obligations between the public and private sectors may involve fixed payments, performance guarantees, or profit-sharing arrangements. These obligations can further impact project costs. It is crucial to carefully negotiate and monitor these agreements to ensure a fair balance between private sector profitability and value for public funds.

PPPs carry inherent risks of cost overruns and project delays. This also can contribute to higher costs. **Complex infrastructure projects often face uncertainties and unforeseen challenges** like changes in regulations, market conditions, or environmental factors. The private sector's profit-driven approach can create incentives for **cost-cutting measures or adjustments to project scopes**. This approach can potentially compromise quality or lead to additional expenses. Moreover, disagreements between the public and private partners, delays in decision-making, or difficulties in aligning interests can result in project delays and associated costs. These risks emphasize the importance of robust risk management strategies, thorough due diligence, and comprehensive project oversight to mitigate potential cost escalations and delays.

## **2. Lack of Public Control and Transparency**

In public-private partnerships, the public sector often shares decision-making authority with private entities. This results in **reduced government oversight**. While this delegation of responsibilities can bring efficiency and specialized expertise, it can also limit the level of control the public sector has over the project or service. The private partner may have a significant influence on project management, operations, and decision-making processes. Such influence may potentially marginalize the public sector's role. This reduced government oversight can raise concerns about the alignment of project objectives with public interests and priorities. Hence, it is crucial to establish clear mechanisms for monitoring and accountability. This accountability must ensure that the public sector retains a meaningful level of control throughout the partnership. (Alfen et al., 2009)

The lack of public control and transparency in PPPs can give rise to concerns about the protection of the public interest. With reduced government oversight, there is a **potential for conflicts of interest or the prioritization of private sector goals over public needs**. The private partner's profit-driven motives may lead to decisions that prioritize financial gains at the expense of public welfare. Hence, they must establish robust mechanisms for accountability. This includes clear contractual agreements, performance indicators, and reporting requirements. Additionally, transparent processes for public engagement, feedback, and dispute resolution can safeguard the public interest. They can ensure that the outcomes of PPPs align with broader societal goals.

## **3. Unequal Distribution of Benefits**

In public-private partnerships, the private sector's profit motives can potentially lead to the **prioritization of financial gains over addressing public needs**. Private partners may seek to maximize their profits by focusing on commercially viable aspects of a project or service. These approaches may potentially leave certain segments of the population underserved or marginalized. This profit-driven approach can result in an unequal distribution of benefits because the private sector's interests may not fully align with broader social and public welfare goals. Hence, PPPs must establish strong regulatory frameworks, clear performance indicators, and monitoring mechanisms to ensure that public needs and equitable outcomes are prioritized in PPPs.

Public-private partnerships can **create disparities in access to and affordability of services**, particularly when user fees or charges are involved. The private sector's profit motive may lead to

cost recovery mechanisms like user fees, tolls, or charges. These can make services less accessible or affordable for certain segments of society. This can result in inequalities where essential services may become inaccessible to economically disadvantaged communities or marginalized groups. Therefore, governments must carefully consider and address affordability concerns, and establish mechanisms to protect vulnerable populations. They must also ensure that the provision of public services through PPPs does not exacerbate existing socioeconomic disparities.

#### **4. Political and Legal Risks**

**Public-private partnerships are subject to political risks** associated with changes in government policies and regulations. When a new government comes into power or shifts in political priorities occur, there is a possibility of changes to the legal and regulatory frameworks that govern PPPs. These changes can impact the terms of existing agreements, introduce new requirements or restrictions, and potentially affect the viability or profitability of the partnership. Uncertainty surrounding government policies and regulations can create challenges for both the public and private partners. Such challenges can be delays, renegotiations, or even project cancellations. Careful consideration of the political landscape and potential policy changes is crucial to managing this risk effectively.

PPPs involve **complex contractual arrangements between public and private entities**. This complexity can give rise to legal disputes and conflicts of interest. Disagreements may arise over issues like project scope, performance obligations, financial matters, or changes in circumstances. Resolving these disputes can be time-consuming, and costly, and may require legal intervention. Additionally, conflicts of interest can emerge when private entities involved in public-private partnerships have close ties to government officials or decision-makers. This, in turn, may lead to concerns of favoritism, corruption, or a lack of transparency. Therefore, implementing robust conflict of interest safeguards, transparent procurement processes, and clear dispute resolution mechanisms is essential to managing these legal and ethical risks (Christopher H. Bovis, JSTOR).

##### **2.1.4 Stakeholder engagement**

Stakeholders are those groups who can affect or are affected by organizations activities (Freeman, 1984). The Project Management Institute (PMI) defines a stakeholder as personnel, groups, or establishments which can impact or be impacted by a resolution, action of an organization or project outcome. Stakeholders could be within the interior or exterior of the organization and may be entirely engaged or entirely unengaged in the project or have interests that can progress or harm the project outcome (Project Management Institute, 2017). They are

regarded as those groups which willingly consent to partake in an arrangement that can be mutually beneficial to all partakers in a business or project and necessitates sacrifice or contribution on the part of partakers (Donaldson, Werhane and Van Zandt, 2008). To be a stakeholder, one must have an interest or stake in the establishment or business (Orts and Strudler, 2002). Views stakeholders as persons who have a stake that is at risk willingly or unwillingly in an establishment, project, or business. These stakes could be in the form of assets that could be tangible, intangible, or monetary. A typical PPP project involves many stakeholders and shareholders (Alfen et al., 2009; Wojewnik-Filipkowska & Wêgrzyn, 2019), however, Wojewnik-Filipkowska and Wêgrzyn (2019) singled out the key stakeholders in PPP projects as have been highlighted in Figure below

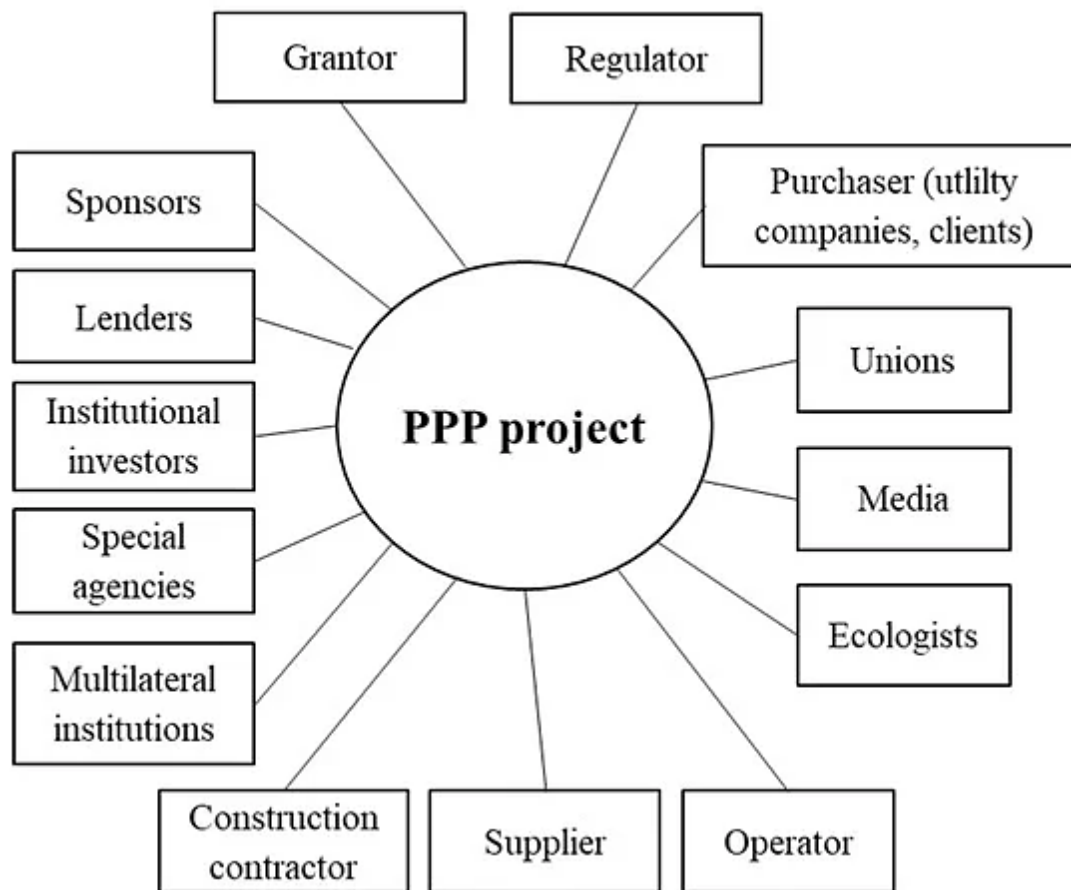


Figure 2: key stakeholders in PPP projects (wojewnik-filipkowska & wêgrzyn, 2019).

### 2.1.4.1 Stakeholder Theory

The idea of stakeholder theory (ST) was ushered by Freeman (Freeman, 2010). However, the initial idea of ST was conceived in 1963 by the Stanford Research Institute in the United States as a generalization of entities of whom a company owes responsibility. The theory has been utilized by numerous scholars to address various forms of business–society relations from various points of view (Miles & Ringham, 2018; Bosse et al., 2019). ST is concerned with how businesses and society interact and deal with each other. Numerous intellectuals have defined the idea differently but to a certain degree, the predominant view is that corporations ought to pay attention to the desires, interests, and influence of persons that the organization’s activities and policies affect (Andriof & Waddock, 2017; Shams, Vrontis, Weber, Tsoukatos, & Galati, 2019). However, others criticize the concept. For example, it is argued that ST hinders business risk taking and makes the governance of organizations difficult (Sundaram & Inkpen, 2004). Similarly, ST provokes conflicting views over the traditional ideals of corporate establishments (Margolis and Walsh, 2003). However, despite these opposing views, it is vital as a theory for the reason that it helps to solve the often ignored sociological interrogation on how organizations affect the society (Bonnafous-Boucher & Rendtorff, 2016).

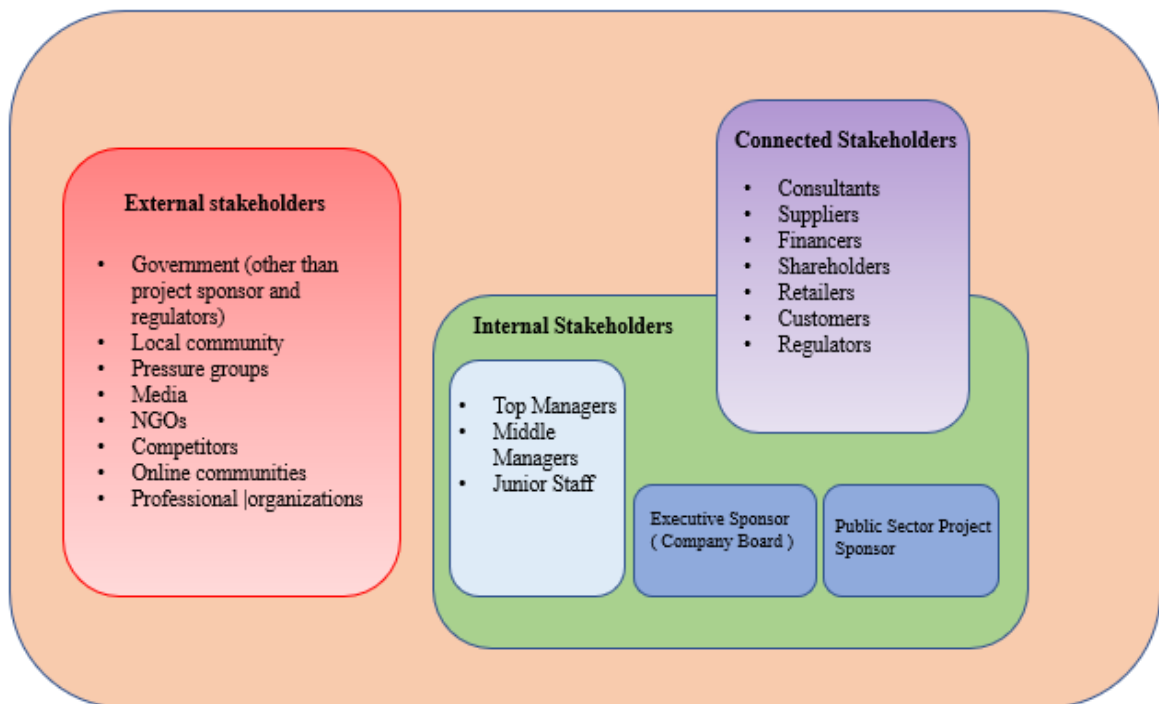


Figure 3: types of stakeholder (Usman Bello Nagogo, 2022)

Stockholder increasingly considered a benchmark for organizations to follow as a guideline for making decisions in their business processes (Wicks & Harrison, 2017; Scherer & Voegtlin, 2018). This has informed how the organization relates to its stakeholders. Freeman and Moutchnik (2013) argue that organizations relate with stakeholders from three viewpoints of stakeholder classification, namely, internal stakeholders such as the employees and managers, external stakeholders which include government, media, pressure groups society, professionals and local communities and the connected stakeholders who could be financiers, shareholders and distributors. However, in the context of this study, the view of the researcher based on reviewed literature is that within the internal stakeholder landscape, there exists the executive sponsor in the form of the board and the public sector project sponsor (see Figure 3). Additionally, the regulators form part of the connected stakeholder group.

The application of ST to understand business society relationships have been applied from the normative, descriptive, and instrumental perspective see figure 4. The normative perspective considers the functions of the business regarding the wider community. While the descriptive perspective considers corporate attributes and conducts concerning stakeholders, and the instrumental perspective analyses the link between business and community relations and traditional business ideals (Usman Bello Nagogo, 2022). The following aspect of the research will elaborate on the three perspectives of ST.

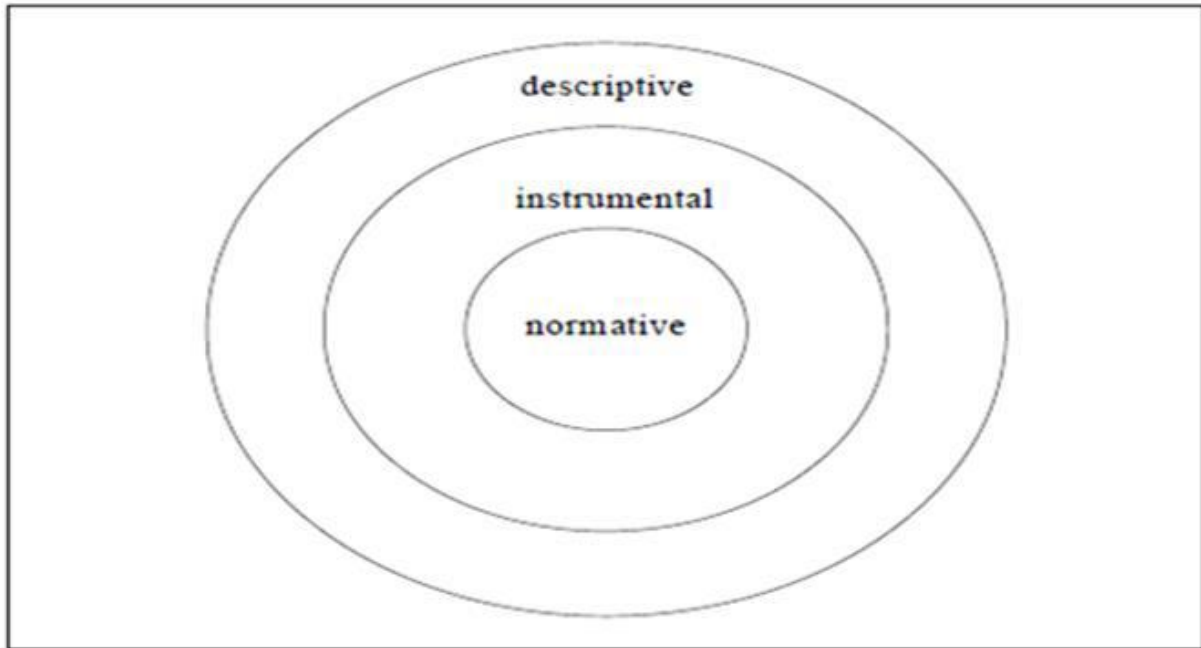


Figure 4: perspectives of stakeholder theory (Usman Bello Nagogo, 2022).

#### **2.1.4.1.1 Instrumental Perspective of Stakeholder Theory**

From the Instrumental ST, organizations that deal with stakeholders based on high ethical principles will get more corporation and trust from their stakeholders as opposed to other organizations that do not (Jones, Harrison, & Felps, 2018). An organization's existence and enduring accomplishments depend upon the capacity of its management to generate adequate financial gains or value for its primary stakeholders without favoring one group over another. Correspondingly, Jones, and Wicks (1999), Contend that the legitimate interest of all stakeholders is of essential value and no other stakeholder groups' interests should be considered more important. Jones et al. (2018) argue that a 'Communal Sharing Relational Ethics (CSRE) strategy', based on an intent to rely on interactive pacts, cooperative wealth generation, reciprocated trust and cooperation and communal sharing of property, can lead to what they termed a 'close relationship capability'. A close relationship capability helps a firm to co-create more economic value with stakeholders. However, Mason and Mitroff (1981) found out that managers face a requirement to undertake complex levels of analysis of problems when confronting environmental issues especially in infrastructure projects: how to translate individual-level knowledge into organizational level outcomes. Hence, it is important to put in

place systemic methods of monitoring business environmental change in such a way that someone in the organisation can notice any issues when they arise. But, Heugens, Van Den Bosch and Van Riel (2002) have asserted that once firms acquire these capabilities, they will be able to address environmental issues and will be placed in vantage positions than their competitors (Heugens et al., 2002).

#### **2.1.4.1.2 Normative Perspective of Stakeholder Theory**

The normative perspective of ST considers the function of the businesses regarding the wider community which the focal point of ST (Freeman, 1994). This view was also reinforced by Donaldson and Preston (1995) demonstrating how the justifications for favoring the normative facet over other facets of the ST ultimately rely upon normative arguments. In another view of ST from the Normative perspective, corporate social performance and responsibility become the center stage of business conduct. An organization is driven not just by the notion of it being an instrument for survival but rather as a moral obligation. Corporate social performance and responsibility where morality (Carroll & Näsi, 1997; Solomon, 1992). The proponents of the Normative ST argue that an ethical organization takes into account how its decisions can affect other stakeholders concerned with his business. However, this differs from the assertion of Freeman (1994) who said that the main objectives of organizations are to create wealth for its owners. Hence managers who are agents of such organizations are guided by the sole objective of creating wealth for its owners.

Lähdesmäki, Siltaoja and Spence (2019) add that as a way to “persuade managers of an organization the benefits of ethical stake holding”, managers must be made aware that ethical management of stakeholder relations can lead to better business outcomes especially if a balance is created between the enduring interests of “stakeholders and shareholders” (Lähdesmäki et al., 2019). This can be achieved through the establishment of corporative relations which is fostered by ethical actions by the organization that can lead to improved trust by its stakeholders. Following this view, business and social objectives converge and become one (Nielsen & Andersen, 2018). This improves cost savings in the project execution leading to more efficient transactions, granting the organization a competitive advantage in its operations (Kumar & Pansari, 2016). Though the complexity of PPP urban infrastructure contracts may reduce the increasing level of goodwill trust, the existence of mechanisms stipulated in the partnership

contracts which improve corporation can foster these positive outcomes (Boxall, Hutchison, & Wright, 2017).

#### **2.1.4.1.3 Descriptive Stakeholder Perspective**

The descriptive perspective considers corporate characteristics and behaviors regarding stakeholders (Huse & Rindova, 2001). To proclaim the extent of the importance of stakeholders to an organization, several interrelated criteria have been developed by proponents of the descriptive stakeholder theory. Mitchell et al. used the relative power criteria to group stakeholders (Mitchell, Agle & Wood, 1997). Clarkson (1995) argues that the criteria for characterizing stakeholders involve the primary or secondary stakeholder standpoint. The primary stakeholders are considered those that are pivotal to the existence of the organization while the secondary stakeholders are relevant to the organizations activities but are not pivotal to its existence.

Mitchell et al. (1997) have added that it is pertinent to methodically appraise the relationship between the organization and its potential and definite stakeholders, with respect to their attributes such as power, legitimacy, and/or urgency.

Conventional stakeholder viewpoints on commercial organizations priorities the interests and benefits of its stockholders. In contrast, the proponents of the descriptive stakeholder perspective are tilted towards a relationship that is of benefit to both the companies and its stakeholders. This can occur to the extent that there is “no prima facie priority of one set of interests and benefits over another” (Donaldson & Preston, 1995).

After unifying the three perspectives of Agency Theory, ethical values translate into human relationships. Most organizations are driven by different value sets which will inform their relationships with external stakeholders. Organizational value sets are mostly inclined to the traditional viewpoint of satisfying only shareholder needs, as against the shifting paradigm of incorporating external stakeholder needs in operations. The traditional viewpoint pits external stakeholders against the corporations, especially in PPP project settings. Again, PPP project execution in Nigeria has been challenged by a lot of external stakeholder related issues which requires an in-depth analysis. The following aspect of the research will discuss external stakeholder engagement and its theoretical underpinnings.

#### **2.1.4.2 External Stakeholder Engagement in PPP Projects**

External stakeholder engagement as an organizational competence is enclosed within the foundation of an organization's resources (Rodríguez and Ricart, 2006). It is the view of Plaza-Beda et al. (2010) that SE is a strategic competence that is interrelated with stakeholder management. It is also the view of Bryne (2001) that SE is an on-going process that seeks to meet project and stakeholder objectives through the lifecycle of the project or contract. Engagement can also be an evolution from relating with one another to a mental state of feeling part of a business process or project and then becoming actively spreading the benefits realized from the engagement process (Smith and Gallicano, 2015). Engagement is a “mentally driven current state that stimulates participants to act in more positive ways that are beneficial to the business or project (Kang, 2014). Stakeholder engagement is also known as stakeholder management. It includes the tactics and strategies that an organization adopts to include stakeholders in its business process (Friedman & Miles, 2006). It consists of the following mechanisms (1) “Stakeholder issue identification techniques, (2) Coordination mechanisms and, (3) Prioritization principles” (Driessen and Hillebrand, 2013). External stakeholder engagement refers to the softer emphasis on supporting, influencing, and guiding rather than managing external stakeholders of an organization (Dalcher, 2016).

#### **2.1.4.3 The Importance of External Stakeholder Engagement in PPP Procurement**

Numerous studies have emphasized engagement of external stakeholders as essential to the success of construction projects (Fewings, 2013). It is also a critical factor that determines the success of a PPP project in offering value for money (VA) (Chou, 2015; Onyemaechi, 2015 & Osei-Kyei, 2015). As detailed in Figure 5, Value for money in PPP projects is defined not just by time, quality and cost but also by the level of user satisfaction of the completed and on-going services rendered (Robertson et al., 2014). Henard and Dacin (2010) argue that external SE can enhance a firm's reputation and impact a variety of outcomes through discussion, communication, concession, and creation of social connections. External SE is an important instrument of accountability that must have a “clear purpose” and be aimed at achieving “agreed outcomes” (Accountability, 2018).



Figure 5: factors that determine ppp project success (adapted from robertson et al., 2014)

However, an overall observation of PPP projects may suggest that most of the partnerships are wrongly governed using the traditional procurement governance approach. Consequently, the third category of actors (in addition to the public champion and private investor) is the group of external factors that are also crucial to achieving the overall goal of the project who are often summarily engaged in the project delivery process (Kivleniece and Quelin, 2012). These stakeholders include user public, impacted public, and professional politicians. As a result of the negligence of these external stakeholders, the interests of the multiple stakeholders involved in PPP might not properly align, resulting in contradicting purposes. In such circumstances, a wholistic SE that considers all stakeholders including the external stakeholders has both strategic and operational significance of averting disagreements and improving positive project outcomes. Jayasuriya, Zhang, and Yang, (2016) add that effective SE can serve as a decision-making guideline for project team leaders (Jayasuriya, Zhang and Yang, 2016). SE can serve as a cost-effective and efficient way of creating a better working atmosphere for a project by reducing conflicts, risks and increasing the likelihood of realizing the project objectives (International Finance Corporation, 2007; PPP Knowledge Lab, 2017).

#### **2.1.4.4 Corporate Objectives of External Stakeholder Engagement**

The engagement of stakeholders by organizations in the cause of carrying out their business or project delivery, such as PPP infrastructure projects, are driven by different corporate objectives (Garard and Kowarsch, 2017). According to the Institutional Theory, ‘a society is made up of several types of organizations such as commercial, public, households, and faith organizations, the institutions are motivated by different objectives to engage stakeholders. (Robertson et al., 2014; Accountability, 2015; Reed et al., 2018).

### **2.2. Empirical Review**

#### **2.2.1. Procurement process**

When looking forward to undertaking any Public Private Partnership project, there are three stages involved project, and these are Planning, Procurement, and Contract Management (Li.et.al 2004).

These processes are very important when considering and PPP project.

##### **2.2.1.1. Planning**

According to Li.et.al (2004), the first stage of the procurement process and it begins with developing a business case. It’s when a business identifies a need for goods or services either internal or external. Internal goods and services are materials required to run the business whilst external goods and services are the materials that the business will sell. This stage of the procurement process also includes setting a budget. Not only budget allocation, the responsibilities that come along with the project. In this, the need to determine the cost of the materials needed to undertake the projects, the time the materials have to arrive why they need to arrive on time, and approximately how much the material should cost.

##### **2.1.1.2. Procurement Stage**

After the planning stage, the next stage involves the creation of tenders. It begins with the advertisement in the papers inviting potential bidders to submit bids for the project (Li.et.al 2004). Selected bidders are given an invitation to negotiate and this includes instructions to bidders, specification, contractual terms, risk list, and Evaluation criteria. Meeting are held with each bidder to assess their submitted bids and also to determine their suitability for the job. After

these meetings, it required each bidder to submit a best and final offer, based on which the most qualified bidder would be selected (Li.et.al.2004).

### **2.2.1.3. Evaluation**

The next stage of the procurement is the evaluation stage. After considering, the above aspects in the procurement stage, there are four major criteria in the evaluation of Bids under PPP projects. These are Financial, Technical, Health Safety, Environmental, and Managerial (Kwak.et.al.2009). Proposals are tested against risk transfer mechanisms, value for money, and most importantly affordability (Li.et.al.2004). There is the need to determine evaluation criteria, the weighting of the criteria, the need to create a grid or scheme, and lastly the need to nominate an evaluation team to evaluate the best and final offers submitted by the short-listed bidders.

### **2.2.1.4 Award of Contract**

According to Li.et.al (2004) this is the final stage of the procurement process, where all negotiation and details of the project are agreed upon after the selection of the most responsive evaluated bid. The contract or concession is then packaged and awarded to the selected bidder the terms of the agreement.

### **2.2.1.5. Records of Procurement Process**

When the tendering and awarding processes are completed, and a selected bidder is chosen. The results of the procurement process are made known to all bidders for fairness and transparency purposes and also serve as evidence of the process. Such transparency of the procurement of the procurement process allows all bidders to have information concerning the intent to award the contract or concession to the winning bid, this allows all bidders to contest the decision of the award if they have any disagreement (Grimsey and Lewis, 2007).

## **2.2.2. The Contractual Structure of PPPs**

### **2.2.2.1. Government Support**

When we question what government support, in clear terms, means and how it is provided, the PPP Directive has defined as economic support and guarantees, provided upon the proper justification and requirements of VfM, to ensure sustainability, implementation, and/or financial viability of the project. The economic support may take different forms, including but not limited to:

- a) Direct payments to the Private Party as a substitute for, or in addition to, tariffs or fees for the use of the facility or its services. These may include availability payments, cash subsidies, capital grants, minimum trafficking or revenue guarantees, and minimum off take or capacity payments and purchase guarantees;
- b) Contributions in-kind, including asset transfers and land usage rights;
- c) Payment guarantees, securities, undertaking or binding letters of comfort;
- d) Guarantees for the performance of obligations of the Contracting Authority under the Project Agreement. (David Hall, 2015).

As shown above, government support is wider and requires the government's serious long-term commitments to PPP projects. While the government provides long-term state guarantees for profits to private companies, private sector corporations can maximize profits but it amounts to a concealed borrowing to the public emphasis added. When we see the change of legislation guarantee provision from the PPP proclamation, it makes the Ethiopian government duty-bound to compensate a private party for costs it incurred as a result of changes in legislation or regulations specifically applicable to the infrastructure facility or service it provides. This is burdensome to implement and above all negates the sovereign power of a state. Guaranteeing change of legislation may also contravene financial administration law. Thus, in practice, provisions guaranteeing a change of law cannot easily be implemented.

#### **2.2.2.2. The Contractual Agreement of PPP**

The contractual structure of PPPs is a combination of the PPP agreement and project agreements. PPP agreement refers to a contract concluded between the contracting authority and a private party setting forth the terms and conditions of the PPP. Whereas project agreement refers to the PPP agreement and other agreements concluded between the contracting authority or another public entity, and the private party for the project. From the definition, it can be understood that the project agreement is broader and includes the PPP agreement (PPPs Proclamation, 2018).

The PPP Agreement comprises clauses that are standard to many commercial agreements and others on a PPP Project. While preparing the PPP agreement, legally binding commercial terms are presented by the Project Management Team. In the agreement, for each risk assignment,

responsibility, and compensation mechanisms are inserted with clear accountability and measurement metrics and associated penalty mechanisms or other recourse for non-performance. The PPP agreement structure gives space for specific sections for standard clauses, specific clauses, schedules, annexes, and forms extracted from the bidder's proposal submissions. On some PPPs, it may also be necessary to inculcate third-party agreements and instruments, for example, a guarantee agreement with the government, as part of the suite of PPP agreements. By allocating risks, responsibilities, and roles on a PPP project, the PPP agreement is found to be a legally binding agreement that helps to ensure all parties to the partnership, including the contracting authority, private investor and their lenders, end-users, and other stakeholders have a clear and enforceable understanding of the risks and responsibilities on the project.

Though their application in PPP is varied with the increasing sophistication of and variation of PPP schemes; a standard PPP agreement, among other things, has to include clauses of governing law, reciprocal obligations of parties, liabilities and indemnities, insurance, renegotiation, force majeure, change in law, etc., as it is enunciated in the PPPDG Guidelines (PPDG guidelines,2017).

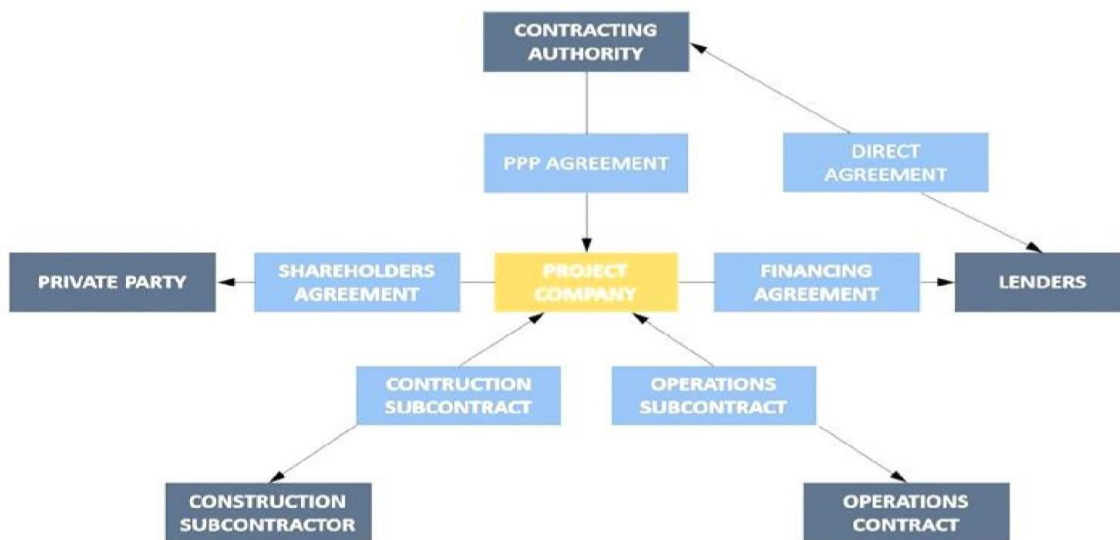
Last, after the private party concludes a PPP agreement with the contracting authority, a project company is formed or incorporated under the laws of Ethiopia, to execute and implement the obligations in the PPP agreement, and as applicable, any other project agreements. The forthcoming paragraphs are destined for the discussion on the Project Company. (PPPs Proclamation, 2018).

### **2.2.2.3. Project Company**

In PPPs, unlike the case of traditional procurement, a successful bidder establishes a project company, also commonly known as a special purpose vehicle, incorporated under the laws of Ethiopia, whose sole purpose shall be to execute and implement the PPP agreement and other project agreements. If the award winner is a consortium, the preferred bidder (lead consortium member) shall establish the project company, and a public entity may be a minority shareholder, and confirm its formation and membership, according to the tender and all documentation submitted [emphasis added]. The project company, incorporated under the laws of Ethiopia, is a

legal entity with no activity other than those connected with its borrowing and whose sole purpose is to implement the PPP agreement.

The PPP agreement, to form the project company, establishes requirements around the share capital of the project company; requires the approval of changes to by-laws and shareholders' agreement and other related agreements of the project company; and imposes restrictions on the transfer of ownership interests, such as shares. During the project company establishment process, the preferred bidder's bond must be valid, and once established, the project company signs a PPP agreement with the contracting authority. After the PPP agreement is signed, the PPPDG will publish the result of the tender on the MoF website and in a national newspaper and disclose the purpose of the contract; its duration; the name of the parties; the fee structure, and the main characteristics of the contract. In the project company, except as otherwise stipulated in the project agreement, share transfer resulting in a change of control of the project company requires the consent of the contracting authority and the PPPDG. The transfer of assets also requires the consent of the contracting authority and the PPPDG, and this will be included in the project agreement. The project company, aside from the PPP agreement may also enter into several other ancillary agreements. Here below, the diagram depicts the typical contractual ecosystem between a contracting authority and a private party or a project company. (PPPDGs guidelines, 2018).



**Figure 2: PPP Contracting Eco-System** Source: The PPP guidelines, 2023

When we come to the financing structure, a project company raises finance through equity (project company's shareholders), and debt (banks, or through bonds or other financial instruments). Thus, the finance structure is the combination of equity and debt, and contractual relationships created between equity holders and lenders. Typically, the government's primary contractual relationship is established with the project company, complemented by a direct agreement between the contracting authority and lenders (PPDG, 2018).

### **2.2.3. PPP Procurement (Party Selection) Methods**

Once the AACG's PPPDG has the approval to proceed to tender from the PPP Board and the approval for government support from the PPP Board or the relevant Ministry, it can implement the PPP tender process. The procedure followed at the tendering phase will vary according to the type of procurement method that has been recommended in the feasibility study and approved by the PPP Board. The PPP framework identifies five procedures by which private parties may be selected for the implementation of PPP projects. These are the following:

- a) **Single-Stage Bidding:** If the contracting authority finds it feasible and desirable to formulate performance indicators or project specifications to the necessary degree of precision or finality, the award process may be structured as a single-stage procedure. Single-stage bidding is preferred for relatively simple, small-scale projects where the contracting authority possesses sufficient technical knowledge and does not expect the private sector to come forward with alternative solutions, technology, or know-how (CITRAL, 2021).
- b) **Two-Stage Bidding:** The procedures followed in two-stage bidding are similar to the single stage except for the Request for Proposal (RFP) stage where there is a requirement for the issuance of round two RFP. In a two-stage process, the AACG's PPP office will issue RFPs in two rounds. The AACG's PPPDG shall prepare round one RFP and accompanying evaluation criteria. Two stage bidding is adopted in situations where the AACG's PPP office does not have sufficient information about the project specifications, even after the delivery of the project feasibility, to allow prospective bidders to submit.
- c) **Competitive Dialogue:** The PPP framework allows the AACG's PPP office to use competitive dialogue in the selection process when the AACG's PPP office finds that the

single-stage or the two-stage bidding process is not appropriate. The AACG's PPP office shall use the competitive dialogue in place of the single-stage bidding or two-stage bidding process in situations when:

- ✦ There are several potential PPP solutions for service, each confirmed by the feasibility study as potentially offering VfM.
- ✦ A bid Process will require multiple rounds between the AACG's PPP office and prospective bidders to arrive at an optimal outcome
- ✦ Two or more prospective PPP solutions may offer the same VfM but require different risk allocations. Comprehensive proposals (PPP Proclamation, 2018).

The PPPDG can use the competitive dialogue process to identify a PPP project structure that offers VfM; presents a bankable project for the private party, and assigns to the contracting authority the risk it is best able to manage. In a competitive dialogue process, the PPPDG intends to maximize the value to the public sector and this means maximizing VfM while minimizing risks assigned to the contracting authority.

- d) **Direct Negotiation:** direct negotiations, also known as sole sourcing, directly sourced, non-computed contracts, single-invited, etc., usually do not undergo a competitive process. Similar to other bidding procedures, direct negotiations also follow lengthy and complex procedures

Direct negotiation, being a non-competitive method may drive up costs. If the private party is known by the contracting authority or the PPPDG and if these parties have worked together previously, there may be advantages that lead to a fast procurement. However, if direct negotiation is being undertaken for any other reason, the process will involve detailed work and may take a lengthy process.

- e) **Unsolicited Proposals (USPs):** The PPP Proclamation allows for USP to be submitted by the private party. USP is a solicitation from a private party to implement a certain project as PPPs on specific public service activities that have not been previously identified as candidate PPP projects. Potentially, the USP should:

- ✦ benefit the government from the knowledge and innovative solutions of the private sector to address infrastructure gaps;
- ✦ provide information on where market interest exists, and
- ✦ Reduce financial and technical bottlenecks at an early stage of the PPP process by providing preliminary feasibility studies.

However, on the contrary, USPs might not always be aligned with Ethiopia's national strategy, achieve public interest, and may divert government attention from a planned and structured way to infrastructure development. Upon receipt of USP, PPPDG carries out a review together with a relevant public entity responsible for delivering the public service. Thus, PPPDG shall make reasonable efforts to inform the proponent, if the project is considered for further evaluation.

Before this procedure, first, it has to be ensured whether the USP is:

- ✦ aligned with Ethiopia's national strategy;
- ✦ provides a public service activity in a priority sector;
- ✦ Potentially provides innovative solutions to infrastructure gaps; and
- ✦ Considered to be potentially in the public interest.

In sum, despite some procedural differences in their usage, the single-stage, two-stage, and direct negotiation party selection methods have also been in use in the Procurement and Property Administration Proclamation No. 649/2009. However, competitive dialogue and USPs are new methods of procurement unique to PPPs in general and in Ethiopian PPP frameworks. These two new methods are also used as PPP procurement methods in other jurisdictions. However, especially competitive dialogue and direct negotiation USPs may lead to subjectivity. So, they may entail risks and maximum caution is required while the AACG PPP office applies them.

#### **2.2.4. Source of Finance**

Infrastructure is essential to the growth of the economy, most especially in low-to-middle-income countries where a funding gap exists for building and maintenance of the infrastructure. Generally, public-private partnership projects are funded using the available financial resources.

The private sector together with the development finance institutions (DFI), which include both bilateral and multilateral development banks can help in bridging this gap often alongside public sector financing (PPP-investment, 2015).

#### **2.2.4.1. Public source financing**

Public Private Partnership financing may come from public, private, or DFI sources. Public source financing includes (a) state-owned enterprises (SOE) investing equity, (b) state-owned banks extending loans and (c) governments providing part of a project's upfront capital costs through grants or viability gap funding thus government subsidies. Kuala (2015) indicated that any time there is a public-private partnership project, there are two sources of financing: public support and private finance. With public support, two main sources of finance contribute towards it. Thus, the Guarantees and the Capital Grant (Viability Gap Funding).

In addition, private source financing includes equity (including equity financed by corporate debt through the project's developer or project finance debt through private lenders, which can be either commercial banks or institutional financiers. Specifically, for low-to-middle countries, a development finance institution (DFI) provides diverse support forms.

#### **2.2.4.2. Private source financing**

Similarly, private finance also has two sources which are Project finance and corporate finance. With project finance, financing only relies on the projected cash flows of the project in focus while with corporate finance, financing relies on the quality of the sponsor and thus its balance sheet. The source of private finance is mainly through the banking sector which includes domestic banks, international banks, multilateral and bilateral development banks, Export credit Agencies, and the like.

Stockholders depend on the cash flow created from the project to reimburse their arrears from the venture and, in return, make gains from their investment. A consistent financial plan is vital to the implementation of any public-private partnership development. The financial plan serves as a standard against the financial market with the financial plan prospective stockholders can determine whether or not the project is at least as desirable as what is available on the financial market. (Ross. et.al, 2003). This idea serves as a means of influencing financial criteria to assess

Public Private Partnership proposals. For example, the government of Hong Kong has adopted three sets of criteria and thus engineering, planning, and financial to evaluate tender documents for their Build Operate Transfer (BOT) developmental projects. The rating percentages assigned to these three benchmarks are approximately 65%, 20%, and 15% respectively.

### **2.2.5. Benefits of the PPP housing project**

With Public Private Partnership, there are some advantages and demerits that should be considered before undertaking any kind of joint venture. In recent years, a public-private partnership is increasingly popular in different countries. PPP is common in different areas including transportation as well as gas and oil exploitation ventures. Nowadays the public needs a lot of infrastructure but many governments are faced with budgetary constraints.

Nonetheless, PPP is circumspect in ensuring the development of the country's economy. Duffour (2011) indicated that the overall aim is to have well-planned terms of a wide range of quality and timely public infrastructure and timely services which could be achieved as a result of utmost leveraging of public funds, faster project execution, proper responsibility and a swing of whole life cycle cost and infrastructure supervision by the private sector.

PPP increases value for money by providing a more efficient and affordable public infrastructure. It also reduces lifecycle costs and project delivery times. It promotes innovation in infrastructure delivery and also promotes economic growth. (kwak. et.al.2009)

Also, there is a reduction in the cost of completing a particular project due to public-private partnership this is because both the government and the private company provide the required capital for the completion of development projects.

Although PPP is mostly beneficial, it also comes with some disadvantages. As PPP is a relatively new concept it is saddled with a lack of experience and appropriate skills on the part of both public and private partners (Morledge and Owen 1998; Ezulike. et.al 1997).

Due to the high cost involved in tendering for PPP projects competition is limited to a few bidders (Li.et.al.2005) PPP projects are likely to be negatively affected by public opposition and political interference (Kwak. et.al. 2009)

## **2.6 Strategies of PPP Implementation**

There are a lot of developmental projects that are not well managed. Some of the projects are abandoned as the resources that are allotted for such projects are not properly exploited for their sustenance. It has been noted that PPP is trying to implement some of the principles of the private sector to curb economic problems in the government sector. Therefore, Ahmad, et.al (2016) indicated that in Iran, more than half of the funds of the health sector of the country are allotted to hospitals; however, the low hospital bed occupancy rate as compared with the developed countries shows that the resources available are not properly exploited. In addition, several studies have revealed some factors or strategies that ensure the implementation and success of PPP projects. Therefore, to ensure the successful implementation of PPP projects and their promotion and development, these factors should be considered to avoid any failure in the implementation and operation of these PPP projects (Ahmad. et.al 2016).

### **2.6.1 Changes in policies and laws**

One of the strategies that can set the context for the development and promotion of PPP is changes in current policies and laws. In this light, the stability of government policies could lead to the development of the PPP and its projects implemented. This is in agreement with many interviewees that “Governments must have stable policies”. For example, a certain President might say that I will reduce the bank interest to 5%, and another might come and abandon it: then, another President will even promise to reduce it to zero. This situation makes any investor lose interest. This is the situation in Ghana which is not helping PPP in realizing its goals and objectives.

Therefore, the attitude of ever-changing policies and laws of developmental projects in the country should be changed. This will ensure the development and promotion of PPP to ensure proper management of its projects (Barati. et.al, 2016).

### **2.6.2 Socio-cultural changes**

Another factor that has been identified to ensure the promotion of PPP is the Socio-cultural changes. For proper maintenance and promotion of the PPP in the country, there should be a change in the mindset and belief of individuals regarding the usage of the various projects implemented by PPP. There is a belief that all people involved in government are very good and

those who are involved in the private sector are bad, this paradigm mentality should change if we want to promote PPP (Ahmad. et.al.2016.)

### **2.6.3. Improvements in current mechanisms and processes**

Another necessary strategy for promoting PPP is the improvement of the current mechanisms and processes. One of these mechanisms according to research is the need to create a strong and single entity for managing relationships within the economy's private sector. Ahmad. et.al.2016) there is a need for a committee to be set up to issue qualifications to private partners. It is therefore significant that in all countries, there should be a very strong consortium that sets up the contracts, approves the qualifications of the private sector, and monitors every activity. We need such a framework that will still function with any changes in the government. This will ensure that PPP functions at its best.

### **2.6.4 Financial and Capital Capacity Building**

The provision of necessary conditions and ways of attracting investment in the country is another strategy for promoting PPP. In this respect, there must be government guarantees for return on capital and earnings to the investors. This is because everyone is willing to invest in a country where there will be returns on the investment made. In this light, the government should provide incentives and awards to attract investors. To attract investors in the various projects we would like to undertake in the country, the number of facilities that the government has can be given to the private sector to keep the cost low which will in turn increase the earnings (Ahmad. et.al.2016). The government should ensure that there is a market and that there is a guarantee about the existing risks and take the domestic and exchange rate risks from the investors (Ahmed.et.al.2016).

## **2.7. The Challenges of PPP Housing Construction Projects of AAHDC**

Currently, the Addis Ababa City Government PPP Bureau through AADC is witnessing a significant Public-Private Partnership (PPP) housing project initiative to address its residents' pressing housing demand. This initiative reflects the city's proactive approach to tackling its urban housing challenges. However, it's essential to compare this ongoing PPP project with the older housing schemes of 20/80 and 40/60 to deliver housing units.

The 20/80 and 40/60 schemes were traditional approaches wherein the government subsidized a portion of the housing cost (20% or 40%), while the homeowner covered the remaining percentage. These schemes aimed to make homeownership more accessible to a wider demographic, particularly low and middle-income families. However, despite their noble intentions, these schemes faced challenges such as slow implementation, limited funding, and bureaucratic hurdles, which hindered their effectiveness in meeting the housing demand adequately.

In contrast, the current PPP housing project in Addis Ababa represents a shift towards involving private developers in partnership with the government to expedite housing construction and meet the growing demand. However, recent data indicates that PPP initiatives in public housing construction face challenges, including:

1. **Regulatory Framework:** Unclear or restrictive regulations regarding PPPs in the housing sector can deter private developers from participating.
2. **Land Acquisition:** Difficulty in acquiring suitable land for housing development at affordable prices can pose a significant barrier.
3. **Financing:** Limited access to financing for both developers and homebuyers can impede the progress of PPP housing projects.
4. **Infrastructure Development:** Insufficient infrastructure such as roads, water, and electricity in designated housing areas can delay project timelines and increase costs.

To improve the implementation of PPPs in housing construction and overcome these challenges, several strategies can be considered:

1. **Streamlining Regulations:** Clear and favorable regulatory frameworks that incentivize private sector involvement and provide guidelines for PPP housing projects.
2. **Right of Way (ROW):** Even though there are top management commitments on the government side there is an execution challenge on the side of residents administrator to

fully accomplish the PPP projects due to this most private developers cannot start the construction work

3. **Land Policy Reforms:** Implementing policies to facilitate land acquisition processes, including identifying and allocating land for housing development at reasonable prices.
4. **Financial Incentives:** Providing financial incentives such as tax breaks, subsidies, or low interest loans to developers and homebuyers participating in PPP housing projects.
5. **Infrastructure Investment:** Prioritizing infrastructure development in housing areas to ensure basic amenities are in place before construction begins, reducing delays and costs.
6. **Capacity Building:** Enhancing the capacity of government agencies and private developers through training and knowledge sharing to effectively plan, implement, and manage PPP housing projects.

By addressing these challenges and adopting appropriate strategies, Addis Ababa can enhance the success of its PPP housing initiatives and better meet the housing needs of its residents. In addition to the strategies outlined, it's beneficial to draw insights from recent approaches adopted in both developed and developing countries to address urban housing demand:

Recent research indicates that to enhance the Addis Abeba Housing Development Corporation (AAHDC) organization's performance in accelerating housing delivery. According to (Abebe et al., 2023) emphasize the importance of mixed-use development and innovative financing models, such as community land trusts and rent-to-own schemes, in addressing urban housing demand efficiently. Additionally, global research (Smith & Jones, 2022; Zhang et al., 2021) highlights the effectiveness of inclusionary zoning policies and public-private partnerships (PPPs) in expediting housing construction. These studies underscore the benefits of prefabricated and modular construction techniques (Chen et al., 2020) and the integration of technology (Lee & Kim, 2021) to improve housing delivery speed while maintaining quality and sustainability standards. Moreover, insights from affordable housing trust funds (Johnson & Patel, 2020) can inform strategies for securing dedicated funding for housing initiatives. By incorporating these research findings into its operations, AAHDC can optimize its performance and contribute to meeting the housing needs of Addis Ababa residents more effectively.

By incorporating lessons learned from these diverse strategies and tailoring them to the specific context of Addis Ababa, the city can develop a comprehensive approach to meet its growing housing demand sustainably and inclusively.

AAHDC have completed the PPP contract agreement with eighteen private real-estate developers at the time the research was done. However due to different challenges related to the right –of way (ROW), the master plan agreement and permission, own problems all are not active by now. Here below, the tables show the Seven PPP housing construction projects selected in the housing development sector and now active take the contract agreement with AAAHDC.

Table 2.1. Active PPP Housing Construction Projects by AAHDC

No.	Private Developer name	Projects Location	Project type and No of Blocks	Approximate Cost	Housing Capacity
1	OVID Group	Gelan Gure City site (Akaki Kalti S/C)	B+G+25 Mixed-use Building (20 blocks)	1.4 billion	60,000
2	Gift Real –estate	Le Gare site (Kirkose S/C)	B+G+30 Mixed-use building (10 blocks)	960 million	44000
3	Africa Holdings PLC	Teklehymanot site (Lideta S/C)	B+G+25 mixeduse building (8 blocks)	854 million	24000
4	Yirgalem Construction G/Trading	Teklehymanot site (Lideta S/C)	B+G+25 mixed-use building (6 Blocks)	650 million	18000
5	Oromia construction corporation	Jemo site Nifas silk Lafto s/c	B+G+25 Mixed use building ( 4 Blocks)	554 Million	12000
6	Property 2000 PLC	Adisu Gebeya site (Gullele s/c)	B+G+30 Mixed use building (8Blocks)	1.7 billion	40000
7	Devita Real state PLC	Teklehymanot site (Lideta S/C)	B+G+30 Mixed use building (7Blocks)	1.5 Billion	21000

## **2.3 Best International practices of PPP projects**

### **2.3.1 Namibia: New Goreangab Water Treatment Plant**

Project description and historical background (project company, location, historical process, outline, total amount)

The New Goreangab Water Treatment Plant was constructed in 2002. It was constructed after the first Goreangab Water Treatment Plant, built in 1968, became out of date. The City of Windhoek signed a Performance Management Agreement (PMA) with WINGOC (Windhoek Goreangab Operating Company), a consortium made up of Veolia (34%), Berlinwasser International (33%) and WABAG (33%), to improve water treatment processes and increase Goreangab's production capacity. WABAG is an Austrian water technology company, Veolia is a French resource management company and Berlinwasser International is a German wastewater management company. The PPP is an Operation & Maintenance model. The plant now satisfies 35% of the drinking water needs of Windhoek and its suburbs, supplying nearly 300,000 people with 21,000 m<sup>3</sup> per day, by converting sewage to drinking water. It is the only Direct Potable Recycling (DPR) plant in the world.

- Relationship with National Development Plan and government/development stakeholders The sustainable use of natural resources is protected in Article 95 (i) of the Constitution, which calls for: "Maintenance of ecosystems, essential ecological processes and biological diversity of Namibia and utilization of living natural resources on a sustainable basis for the benefit of all Namibians, both present and future; in particular, the Government shall provide measures against the dumping or recycling of foreign nuclear and toxic waste on Namibian territory." Namibia's National Development Policy 5 (2015-2025) recognizes that water demand for economic use and consumption will rise from 416.1 million m<sup>3</sup> in 2015 to 572.5 million m<sup>3</sup> in 2025. It advocates for increased water infrastructure development by PPP to improve management efficiency. Water strategies for 2017-2022 include the use of innovative technologies to recycle wastewater, with a focus on Windhoek, Swakopmund and Walvis Bay. The Policy outlines specific targets for rural and urban access to water for each year. Overall, by 2022, the Policy sets a target for every rural constituency to have access to water above 50%. The Water Resources Management Act, 2013 (Act No. 11 of 2013) governs the management, development, protection and conservation of

water resources. It outlines the license processes for wastewater management and also allows the Minister to set standards and regulations for wastewater use.

Namibia's Water Supply and Sanitation Policy (2008) guides the tariff structure for wastewater treatment, states that wastewater should be used in an environmentally sound manner, and advocates for an education campaign on wastewater treatment/usage.

- Project terms – funding, preparation and implementation Funders included the European Investment Bank (55%), the City of Windhoek (COW-5%) and the German Development Bank, KfW (40%). Consultants included GFJ (South Africa), Multi Consult (Namibia) and Fichtner (Germany). The construction contractor consisted of a consortium of DB Thermal (at that stage representing WABAG Technology in Southern Africa) and Stocks Structures.

- **Status quo of project**

The plant has been successful in achieving the water quality standards set out in the project design. Given it is the only DPR plant in the world, it is seen as a model for other countries, and receives many international visits.

- Crucial success and challenge factors one of the biggest challenges to DPR implementation is public acceptance. The concept of recycling wastewater for drinking purposes is inherently alarming and there is a need to understand the intensive quality control processes in order to provide assurance. In both South Africa and Australia, similar plants were not followed through due to public resistance. In part, the urgency and public awareness of Namibia's water crisis allowed for public acceptance of the plant and DPR technology. However, Goreangab plant has instituted an extensive public education/awareness program. This includes class tours in school, and the country's curriculum also includes environmental education classes. Sources also point to the structure of the PMA which incentivizes the private consortium to meet the highest quality standards, which are essential from a public interest perspective for the plant to continue its operation.

### **2.3.2 Tanzania: Dar es Salaam Port container terminal**

- Project description and historical background (Project Company, location, historical process, outline, total amount)

The Dar es Salaam Port is managed by the state-owned enterprise (SOE) Tanzania Ports Authority (TPA). It is the principal port of Tanzania, handling 90% of the country's cargo traffic and is divided into two parts, the Tanzania International Container Services (TICTS) and TPA. The Port also provides a vital transit point for cargo from multiple neighboring landlocked countries. The TPA was created by the Ports Act of 2004 in order to facilitate the transformation of port operations to a landlord port model. It also manages vessel traffic in the port while ensuring safety and security. TPA operates a system of ports serving the Tanzania hinterland and the landlocked countries of Malawi, Zimbabwe, Zambia, Democratic Republic of Congo (DRC), Burundi, Rwanda and Uganda. The container terminals (berths 8–11) were leased in a concession to Tanzania International Container Services (TICTS) in 2000. Until recently TICTS also ran the two inland container depots. TICTS is a joint venture with 70% ownership by Hutchison Port Holdings (HPH, a private holding company operating from the British Virgin Islands) and 30% ownership by Tanzania's Harbour Investment Ltd. HPH operates 48 ports across 25 countries. Under the landlord port model, TICTS is responsible for operating the terminal and upgrading the equipment, while the TPA maintains overall authority. The initial project investment was \$27.69 million, according to the World Bank Private Participation in Infrastructure database.

- Relationship with National Development Plan and government/development stakeholders

Tanzania's national development plan is the Tanzania Development Vision (TDV) 2025, developed in the late 1990s to guide the transition to a market-based economy. In 2011, the Long-Term Perspective Plan (LTTP) was developed to implement the TDF, with three Five-Year Development Plans (FYDPs). Infrastructure is one of the five core priorities of the first FYDP (2011/2012–2015/2016). The FYDP highlights that weak transport infrastructure is a bottleneck to leveraging Tanzania's potential in regional and global trade. It includes PPPs as an innovative source of finance which should be used to bridge the infrastructure gap. Tanzania's National Transport Policy (2011-2015) aims to expand Tanzanian ports' handling capacity to 20 million tons by 2020 (from 10 million tons in 2010), strengthening the capacity of institutions that implement PPPs, and providing efficient transport corridors for international trade. The Transport

Sector Implementation Plans (TSIPs) (first phase from 2007/2008–2011/2012 and second phase from 2012/2013–2016/2017) outline a 10- year plan for investment in the transport sector in Tanzania. The Big Results Now Initiative is aimed at better service delivery, modeled off Malaysia’s Big Fast Results Initiative, with an incremental approach to implementation. Transport infrastructure is one of its six National Key Results Areas. One of the key targets is the current Dar es Salaam Port upgrade.

- Project terms – funding, preparation, implementation, etc. The initial agreement between TICTS and the government was a 10-year lease that allowed TICTS the operation of handling services at the Port’s container terminal and its four berths. In 2005, the lease was extended from 10 to 25 years, and granted TICTS operation of an additional berth and an inland container depot (ICD). This effectively gave TICTS a monopoly over container handling. Concerns over public interest led the Ministry of Transport to engage TPA and TICTS in talks for a contract renegotiation. In 2017, TICTS and the Tanzanian government negotiated a new agreement which doubles TICTS’ rental fee and institutes a 4% yearly increase. It also returns the ICD operation to the government. Companies are now beginning to bid for the newly available container terminal contracts. It is reported TICTS has a desire to remain on good terms with the government given their significant investment and was satisfied with the agreement. Given the project was a rehabilitate, operate and transfer PPP, there was no initial investment as a part of the agreement. However, TICTS has made several investments throughout the lifespan of the concession. These included:

- 2000-2008: investment in 11 RTG (rubber-tyre gantry) cranes, four reach stackers, two mobile harbour cranes, 17 terminal tractors and two empty handlers (\$21 million) o 2012: Investment in a new terminal operating system, rehabilitation of a container terminal (\$6.5 million) o 2014: Investment in six cranes o 2016: investment in two cranes (\$ 10 million each) o 2017: introduction of a new shipping line, new data center, new e-payment system in partnership with Eco bank, upgrade of the terminal operating system, investment in new cargo handling equipment. Traffic at the Port is projected to increase from a throughput of 13.5 million tons in 2013 to 28 million tons in 2028, with container throughput increasing from 577 047 Twenty-Foot Equivalent Units (TEUs) handled in 2013 increasing to 1 138 000 TEUs in 2018 and 3 226 000 TEUs in 2028.

- **Status quo of project**

The TICTS concession is largely considered a success story: TICTS has helped to target some of the port’s bottlenecks and greatly increased the efficiency of the container terminal. Some of

TICTS investments have focused on improving efficiency through the implementation of automated processes at their container terminal (i.e. electronic gates, scanners). Since the TICTS concession, throughput has increased by 20%, to 500,000 20-foot equivalent units (from 120,000 when it began operation in 2000), and transit time has been reduced by approximately five days. Presently at the Dar es Salaam Port, the average dwell time is still 9 days, compared to 5 days at the Mombasa port (which has more berths). In 2017, the port handled 15 million tons, with total capacity to handle 18 million. Space is a major constraint in further reducing congestion and dwell times. In 2017 the port introduced 24 hour operation times to help target this challenge. Planned developments for next year include removing old quay cranes; identifying additional space outside the Port; improving the gate process, and further streamlining the landside operations. The project is currently under construction

Crucial success and challenge factors the extension of the TICTS contract in 2004 based on good performance does indicate the overall success of the PPP, especially compared to many concessions on the continent which are ultimately cancelled. However, many challenges with this project and other PPPs in Tanzania are in part caused by a general distrust prevailing between the government and private sector, with both viewing the other as engaging in corrupt/anticompetitive practices. Political interests often interfere with concession agreements and the project was on the drawing board for five years. Designs for the port also had to be started from scratch, because the old contractors did not leave any documents behind. One interview likened the initial TICTS/TPA agreement to a forced marriage, without significant effort devoted to creating mutual understanding among both parties, which has led to some of the current challenges. Primary concerns gathered from interviews and media reports include the management of the port SOE (TPA), political involvement in the TICTS, and the efficiency of port operations. Recently, concerns regarding TICTS management of the port have surfaced among government and industry bodies, leading to the aforementioned renegotiation of the contract in 2017. Specific issues included inefficient handling of cargo, failing to implement the 24/7 port operation arrangement, delays in verification process by the revenue authorities, and unavailability of payment facilities.

## 2.4. Conceptual Framework

The implementation of Public-Private Partnerships (PPPs) in housing construction projects, particularly in Addis Ababa, involves several critical factors. Here are some key points based on recent studies and reports:

Contract Agreement, procurement method, source of finance (private, public, bank loan), and government support are critical factors in PPP housing projects in the case of AAHDC

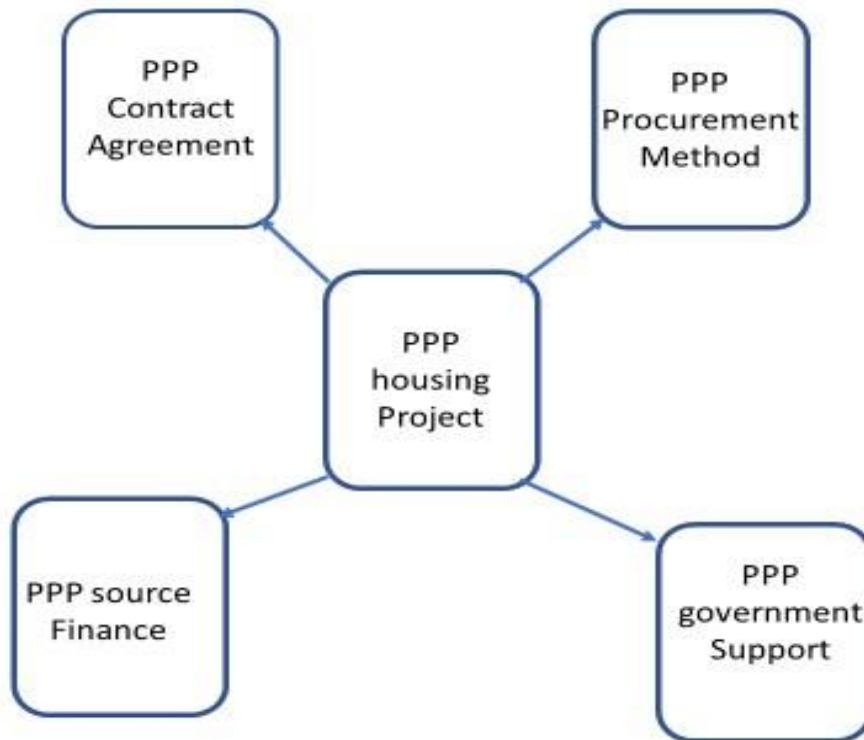


Figure 2:7 Conceptual Frame work. (Source: researcher)

## 2.5. Research Gap

PPP is an institutionalized form of cooperation of public and private actors, which, on the basis of their own objectives, work together towards a joint target. While PPP was originally treated as part of the privatization movement, there is a growing consensus among professionals that PPP does not simply mean the introduction of market mechanisms or the privatization of public services. Rather, it is a sort of collaboration to pursue common goals, while leveraging joint resources and capitalizing on the respective competences and strengths of the public and private

partners. According to Akintoye,(2019) and OECD,(2023) the multiple objectives of PPP is by promoting housing development, developing the local economy, reducing costs, increasing construction and operation efficiencies, and improving service quality by incorporating the private sector's knowledge, expertise and capital. The argument therefore is that it would be beneficial if government could partner with the private sector rather than provide for its people using the meager taxpayers' money, while at the same time creating business opportunities for the private partners who are also part of the public at large. The major attractions of PPP for the government are the potential of accruing efficiency, value and monetary gains from the projects. Thus by implementing PPP it is possible to promote private sector innovation, improve the dynamic efficiency as well as the quality of service]. There are different factors attracting potential partners to engage in PPP. These include: to solve the problem of public sector restraint, to provide integrated solutions, to reduce public money tied up in capital investment, to facilitate creative and innovative approaches, to reduce the total project cost, to save time in delivering the project, to transfer risks to the private sector, to reduce public sector administrative costs, to benefit local economic development, and to accelerate project development. Though the salience varies, almost all factors happen to attract partners to come together in the form of PPP arrangements to resolve the problems or make use of the opportunity. The Ph.D. dissertation study of (Teshome T. Beyene, 2014) more specifically identified the privileges or attractions for the private sector to engage in PPP. These may include: government sponsorship, government financing, government guarantee, tax exemption and reduction and incentive of new market penetration.

In general, there are different gaps in related to PPP implementations relative to housing delivery there is a scarcity of empirical research specifically focused on the implementation of PPPs in housing construction within the context of Addis Ababa. Most existing studies tend to focus on general infrastructure projects or other sectors. There is a need for more in-depth analysis of the perspectives and experiences of various stakeholders involved in PPP housing projects, including government agencies, private sector partners, and the local community. Comparative Analysis: Comparative studies between PPP housing projects in Addis Ababa and those in other cities or countries could provide valuable insights into best practices and lessons learned.

Addressing these gaps can contribute to a more comprehensive understanding of the factors affecting the implementation of PPPs in housing construction projects in Addis Ababa and help in formulating strategies to enhance their effectiveness.

## **2.6 Conclusion**

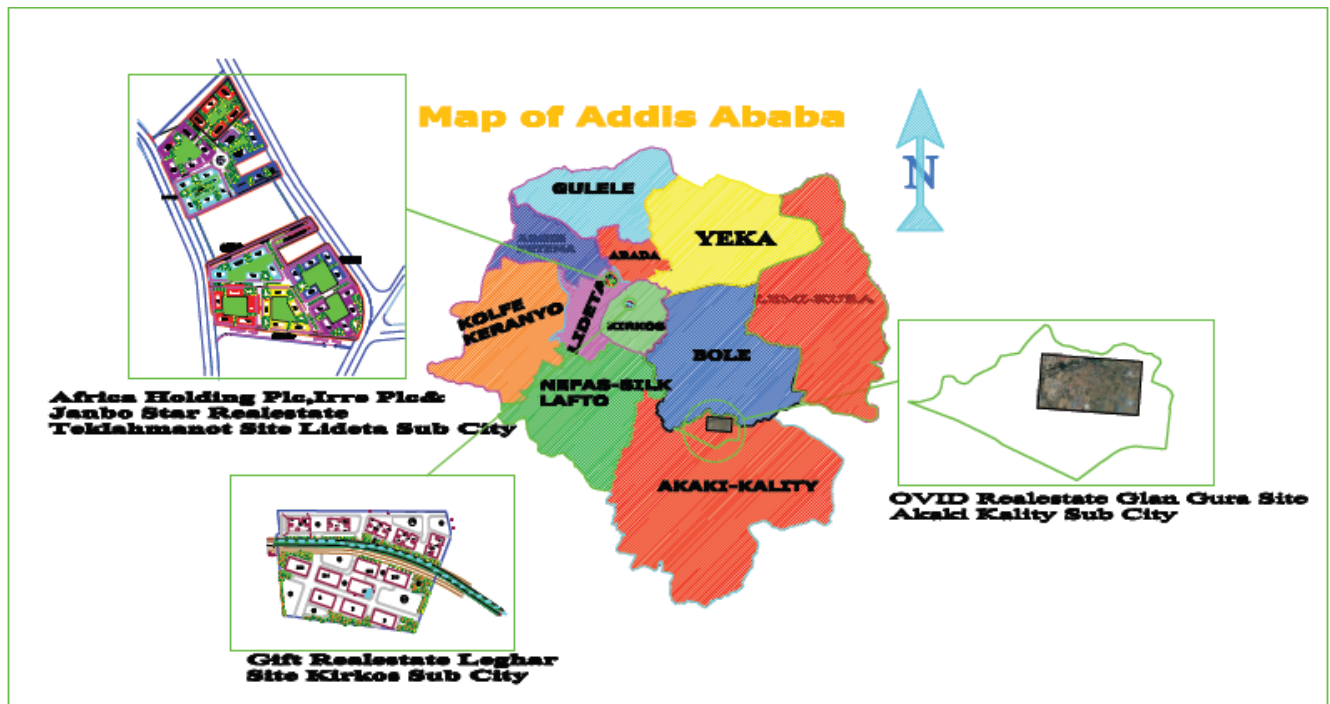
This section of the study provides the theoretical and empirical literature review related to the objective of the study. The theoretical literature review section presents an overview on the factors affecting the implementation of public private partnership housing construction projects. The empirical literature review presents the experiences of factors that affect the implementation of public private partnership in different projects and project management practices on PPP projects in other countries specifically in Africa countries. The next section points out the research methodologies employed throughout the study.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.1 Description of the study area

Addis Ababa is one of the fastest-growing cities in Africa, with a high annual growth rate of population and it holds 527 square kilometers of area in Ethiopia. It is also the largest primate city in the country by population, according to world population review a population is estimated to have around 5.9 million and is facing a significant housing shortage, with many residents living in substandard conditions. Much of the existing housing is substandard, informally built and government-owned rentals known as "kebele" houses. Over 60% of residents rent their homes, and kebele housing units' account for a significant portion of the rental market. A number of interventions attempts have been carried out by the city government since then. The most significant one is the Integrated Housing Development Program IHDP. Since its launching in 2005, the IHDP has delivered 270,000 apartment units in Addis Ababa until august 2022. Now there is an estimated 1.2 million housing backlog in Addis Ababa, with a projected demand of 655,800 housing units during 2015-2025 to address this backlog and new crated demeaned the government launch new modality called public private partnership for housing construction project, now this modality is operated in three sub cities of the city to construct above 300,000 housing units for coming three years.



*Figure 3:1 Map of study area, Source: researcher studio work 2025*

### **3.2 Research Design**

Research design is made up of exploratory, explanatory, and descriptive research designs (Saunders et al, 2009). The study which required identifying the factors challenging the implementation of public-private partnership housing projects in Ethiopia adopted the explanatory research design in the quest to understand the factors through the distribution of questionnaires and collecting data from professionals for the study.

### **3.3 Research Approach**

According to Kothari (2004) the two basic approaches to research are quantitative approach and qualitative approach. Quantitative approach contains the group of data in quantitative form which can be subjected to difficult quantitative analysis in a formal and informal manner. Qualitative approach on the other hand is concerned with subjective assessment of attitudes, opinions and behavior. For this study quantitative research approach were followed to investigate factors affecting the implementation of public private partnership in housing construction in the study area, as quantitative technique helps to explore, present, describe and examine relationships and trends within data and as it also supports to collect results in numerical and standardized data (Saunders, Lewis and Thorhill, 2009).

### **3.4 Sampling Design**

#### **3.4.1 Target population**

Population is the total collection objects, people and even events to be studied (Walliman, 2011). The target populations for this study was comprised AAHDC as the public organization of PPP project delivery mechanism and private developers who take contract agreement and active by during this research as the case study in Addis Ababa. The study targeted respondents from the AAHDC and its private developers who took the 70/30 housing scheme PPP contract method and created a “Project Company”. The study specifically involved the Contract Managers, Project Managers, Civil Engineers, and Quantity Surveyors of these organizations as well as Private real-estate developers. Target population from both the public organization AAHDC and private developers were 150 professionals.

	ORGANIZATION	TARGET POPULATION
Client	ADDIS ABABA HOUSING DEVELOPMENT CORPORATION (AAHDC)	20
Real-estate Developers	OVID REAL-ESTATE	20
	GIFT REAL-ESTATE	20
	AFRICA HOLDING PLC REAL-ESTATE	20
	PROPERTY 2000	20
	OROMIA CONSTRUCTION CORPORATION	20
	DEVITA REAL_ESTATE PLC	15
	YIRGALEM CONSTRUCTION PLC	15
	TOTAL	150

Table 3.1 population of the Study from each company

*Source: Field Survey, 2024.*

### 3.4.2 Sample Size

The process of choosing the research units from a target population is known as sampling. According to Fellows and Liu (2008), sampling is the group of units you select as part of your study unit. The sample size required for this particular study is influenced by several factors. These factors include the population size, the purpose of the study, the level of precision, the level of confidence or risk, and the degree of variability in the attributes measured (Miaoulis and

Michensner, (1976). sample size can be determined using (i) sample size of similar studies (ii) figures in published tables and (iii) A consensus for small populations. A sample of Twenty respondents were used. The number was obtained by first arriving at the number appropriate to cover the largest group. A commensurate number was then be obtained for the other respondent groups based on relative size.

According to Yamane (1996) the sample size: -

$$n = \frac{N}{1 + n(e)^2}$$

$$n = \frac{150}{1 + 150(0.05)^2}$$

**n=109** where:

n- sample size  
N- Population  
e-errors

### 3.4.3 Sampling Technique

The idea of the researcher introducing his judgment on who is the best person to give him the answers to this research is purposive sampling. Generally, the researcher establishes what should be added or what will be needed and goes on to gather data from individuals who have the right experience on the subject matter (Bernard, 2002; Lewis and Sheppard, 2006). This study adopted purposive sampling under the non-probability sampling technique. It was established that professionals from the various institutions mentioned below had the qualifications the researcher needed to carry out the work. Respondents from the Head office of the AAHDC were engineers and quantity surveyors who are professionals registered with the relevant professional bodies. Similarly, respondents from the private developers were also selected based on the same criteria as that of the AAHDC. Both the AACG and the AAHDC had PPP units and all the respondents were selected from the Units. A total number of 150 respondents were issued to willingly qualified participants, the study aims to target all professionals involved in the PPP value chain, however, and only 150 were selected who are willing in the selection process. Out of the number that was demonstrate the willingness to participate actually will be given the questionnaire to respond.

### **3.5 Data Collection Methods.**

Data collection is one of the most important phases in research work. It helps gather data to address research questions, so this process should be tactfully planned out.

#### **3.5.1. Primary Data:**

**Surveys Questionnaire:** Distribute structured questionnaires to gather quantitative data on PPP housing projects. Primary data were collected through a structured closed-ended questionnaire from the representative of the total population. Information was solicited from the respondents through structured questionnaires. Self-administered questionnaires were used to gather primary data from the respondents. The use of a questionnaire is helps the researcher to quickly and/or easily get a lot of information from people in a non-threatening way (Fellows and Liu, 2008). Data were collected from the field by the administration of questionnaires. In designing the questionnaires attempts were made to ask relevant questions which would remove uncertainty to facilitate analytical interpretation and for reasonable conclusions to the study to be made. Regular follow-ups was made after the distribution of questionnaires to clarify any difficulties faced by the respondents, Calls and electronic mail reminders was also sent periodically.

On the other hand, the open-ended questions allowed the respondent to add up other issues that were not captured on the questionnaires but were relevant to the study. A copy of the questionnaires can be found in the Appendix.

#### **3.5.2. Secondary Data:**

Secondary data were collected from both published and unpublished materials includes reports, reviewed literature, research papers, circulars, and policy papers to provide additional information are appropriate.

### **3.6 Validation and Reliability**

#### **3.6.1 Validity**

The degree to which a test measures what it claims to measure is known as validity (Creswell, 2003). Validity is defined as the extent to which the instrument measures what it purports to measure (Miller 2000). To make sure the research's validity, the researcher were used reliable source such as published researches, books, and recent articles which are written on the factors affecting the implementation of public private partnership in housing construction. Based on the respondent's response addition, omission, and modification of questions were undertaken. To

further refine the accuracy of the instrument, a questionnaire were administered and prepared with standardized questions from different sources and the research advisor also provided valuable comments on the prepared questionnaire.

### **3.6.2 Reliability**

A measuring device is dependable, according to (Kothari, 2004), if it produces consistent results. Reliability tests were also performed to check the internal consistency and accuracy of the measurement scale. For testing the reliability of the data instrument, Cronbach's Alpha test coefficient using SPSS software. It is a popular measure of internal consistency or reliability test score for a group of examinees. The measures between 0.8 and 0.95 are considered to have very well reliability. Scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability and coefficient alpha between 0.6 and 0.7 indicates fair reliability (Kothari, 2004). Always a higher value indicates a higher level of internal consistency.

### **3.7 Method Data Analysis and presentation**

Data collected was analyzed using descriptive statistics and the Relative importance index (RII) to find the relative importance of the various variables in a particular group. Charts and Tables are used to present the results. The Relative Importance Index (RII) was determined using the formula as indicated (Fagbenle *et al.*, 2004).

The data that were obtained from the sample organization was analyzed according to the objective of the study. The questionnaires were collected and analyzed by using Statistical Package for Social Science (SPSS V.26) and Microsoft Excel. Analysis of data consists of calculating the Relative Importance Index (RII) and ranking factors in each category based on the Relative Importance Index (RII). Many researchers believe that the mean and standard deviation of each attribute are not suitable measures to assess overall rankings as they do not reflect any relationship between them hence Relative Importance Index (RII) is best suitable for the study. Furthermore, used RII in their analysis to rank the different causes and effects from different perspectives.

RII were used to rank the different challenges of PPP implementation from the perspective of clients, consultants, and real estate developers. The approach was also be used to evaluate the challenges of implementation of PPP, among different categories, the same methodology were used for this analysis. (i.e., Clients, consultants, and real-estate developers). The five-point scale

ranging from 1 (Very Low) to 5 (Very High) was adopted and transformed into a relative importance index (RII) for each factor. The relative important index is computed as;

$$RII = \frac{\sum W}{A*N} , \text{ or } RII = \frac{1n1+2n2+3n3+4n4+5n5}{A*N}$$

Where:

RII = Relative Important Index

W = Weight given to each factor

A = Highest Wight (i.e., 5 in this case)

N = Total Number of Respondents For the second formula, n1, n2, n3, n4, n5 = Number of respondents answer each factor 1, 2, 3, 4, 5 = weight given for each factor (ranging from 1 to 5).

*Table 3.2: Classifications of Relative Importance Index*

Scale	Level of Contribution	RII
1	Very Low	$0.0 \leq RII \leq 0.2$
2	Low	$0.2 < RII \leq 0.4$
2	Average	$0.4 < RII \leq 0.6$
4	High	$0.6 < RII \leq 0.8$
5	Very High	$0.8 < RII \leq 1.0$

*Source: (Rhamni, 2023)*

### **3.8 Ethical Considerations**

First of all, prior consent of the respondents was solicited and the brain behind the study explained to them explicitly. This ensured that the respondents answer the question with all frankness. Also, the confidentiality of the information provided by the respondents will be ensured. Documents used for the study was referenced to avoid plagiarism.

## CHAPTER FOUR

### RESULTS AND PRESENTATION

#### 4.1. Demographic Profile and Response rate of Respondnts

##### 4.1.1. Demographic Profile

In this segment of the survey consist of question demanding personal information to provide detailed respondent's characteristics. Data in this section included: the gender of respondents, work experience of respondents in construction sector, respondents 'professional background and the education level of construction respondents managed.

The gender the respondents have been with their organization tells the proportion of male and female of the respondents hence affecting the quality of response. Figure4:1. Below show the respondents, 66% indicated they have been male, 34% have been females respectively.

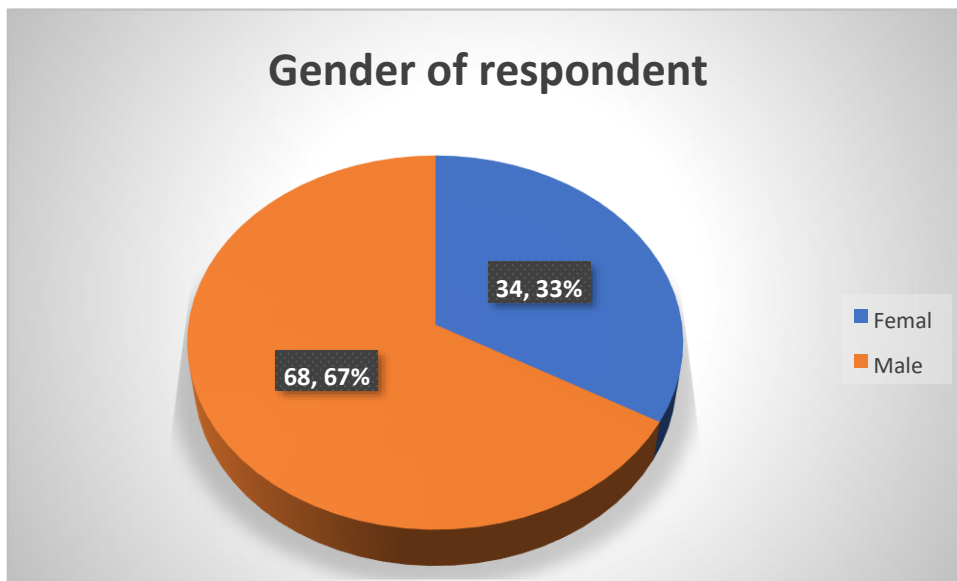


Figure 4:1 Gender of Respondents, Source: survey result, 2024

#### 4.1.2 Work Experience of Respondents

The number of years the respondents have been with their various organizations tells the level of experience of the respondents hence affecting the quality of response. Table 4.2 and Figure 4:3. below show the respondents have been practicing, 25.3% indicated they have been in service less than five (5) years, 58% and 17% have been in their organization for 5-10years and 11-15years respectively, with 1.9% been in the service for more than 15 years. Due to the number of years in service, respondents can give extensively give response to the need for using PPP in housing sector, Factors that impact the Implementation and the assessment of PPP.

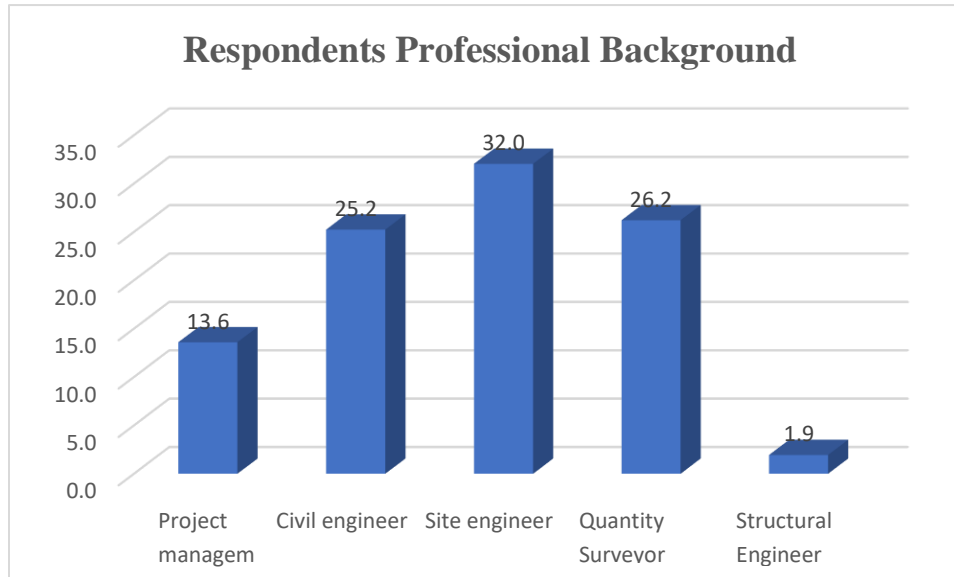
Table 4.2 Respondents Work Experience

Work experience in construction sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5 years	36	25.3	25.5	25.5
	Between 5 and 10 years	80	56.3	56.9	81.4
	Between 11 and 15 years	23	16.5	16.7	98.0
	Greater than 15 years	3	1.9	2.0	100.0
	Total	142	100.0	100.0	
Total		142	100.0		

Source: survey result, 2024

#### 4.1.3. Respondents Professional Background

Respondents were asked to indicate their professional background, from Fig 4.3. below, the results below show that 46(32%) of the respondents were site Engineers, this shows the level of knowledge in the Construction of housing construction. 37(26.09%) of the respondents were Quantity Surveyors, 36(25.2%) of respondents were Civil engineers, 20(13.6%) respondents were Project managers and 3 representing (1.9%) were structural engineers with knowledge in housing construction.



Professional background

Figure 4:3 Profession of Respondents, *Source: survey result, 2024*

#### 4.2. Factors Affecting the Implementation of PPP Housing Project in Addis Ababa

	OPINION	1	2	3	4	5	N	ΣW	Mean	RII	Ranking
1	Political Will of Government in Procuring of PPP Projects	0	0	32	49	61	142	433	4.25	0.89	1st
2	Cost of Relocating Services	0	3	28	51	60	142	428	4.41	0.88	2nd
3	Complex Procurement Models	0	17	33	51	41	142	244	4.39	0.88	2nd
4	Public Acceptance of PPP	0	4	26	50	62	142	190	4.13	0.83	3rd
5	High Financial Cost in Procuring of PPP	7	4	24	48	59	142	190	4.13	0.83	3rd
6	Local Banks inability to Provide long	10	14	11	67	40	142	181	3.93	0.79	4th

7	Risk of the Private Investor not able to	0	7	33	54	48	142	179	3.89	0.78	5th
8	Concession Period	6	8	52	43	33	142	177	3.85	0.77	6th
9	Non - existent of Pricing Mechanism	0	3	31	61	44	142	177	3.85	0.77	6th
10	Lack of legal Framework Backing the	7	10	36	53	36	142	178	3.87	0.77	6th
12	Current economic situation	4	10	18	72	38	142	152	3.3	0.66	8th

Table 4.3 factors affecting the implementation of public private Partnership (PPP) housing projects

Factors impeding the implementation of Public Private Partnership Housing Project in Ethiopia, sector have been presented in Table 4.3 beneath, together with the mean scores of all (142) participants as well as the their RII scores and ranks, these factors associated with impeding the implementation of PPP housing Project in Addis Ababa. High cost of Relocating Services along the Corridors, Political Will of Government in Procuring of PPP Projects, Complex Procurement Models, Public Acceptance of PPP, High financial cost in Procuring PPP Projects, Local Banks inability to provide long terms loans for PPP housing projects, Toll adjustment Mechanism, Non - existent of pricing Mechanism for PPP Concession housing Project, Lack of legal framework backing the Procurement of PPP Projects, Budgetary restriction by the IMF and ADB, Current Economic Challenges (Inflation Rates, High Cost of Doing Business and Interest Rates, Lack of Understanding of Concession Project, Viability and Profitability in implementing PPP model Projects.

From Table 4.3, political will of the government preceded as the highly Important factor with a mean score of 4.43 and RII score of 0.89, this shows the importance of high cost of relocating service, The relocating services has a high rating because it determines the amount of pricing space that the contractor pay. This is especially important because of the levels of inflation and

currency depreciation that is characteristic of developing countries like Ethiopia. Both the current Economic Challenges (Inflation Rates, High Cost of Doing Business and Interest Rates, and Political Will of Government in Procuring of PPP projects with a mean score 4.41 & 4.39 and with an RII score of 0.88 respectively, High Financial Cost of Procuring PPP projects and public acceptance of PPP along the Corridor had a mean score of 4.13 each and an RII score of 0.83 respectively, lack of legal Frame work Backing the Procurement of PPP Projects with a mean score of 3.93 and an RII score of 0.79, Both Lack of Understanding of Concession Projects and Local Banks inability to provide long term loans of PPP Road projects had a mean score of 3.89 and an RII score of 0.78 respectively, Non-existent of Pricing Mechanism for PPP Concession Road Projects, Budgetary Restriction by the IMF and other Donor Agencies and Risk of the Private Investor not able to Recoup their investment with the Concession Period had a mean score of 3.85, 3.85 and 3.87 respectively and an RII of 0.77, Public Acceptance of PPP had a mean score of 3.48 and an RII of 0.70, Lack of Performance Evaluation of Road Project had a mean score of 3.30 and an RII of 0.66, Complex Procurement Models had a mean score of 3.24 and an RII of 0.65, Viability and Profitability in Implementing PPP Models Project had a mean score of 3.04 and an RII of 0.61 were deemed averagely important by the respondents in respect to their organization.

From the above discussion of closed ended questioner response and from group discussion interview main factors that affects the implementation of public private partnership housing construction projects are relocation cost, finance source, political will of the government and public acceptance for the project are main and acting on these factors is mandatory.

#### 4.3. Opportunities of public private partnership (PPP) housing project in Addis Ababa

	<b>OPINION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>N</b>	<b>ΣW</b>	<b>Mean</b>	<b>RII</b>	<b>Ranking</b>
1	Risks are fully appraised early on to determine project Feasibility. In this sense, the private partner can offer a break on unrealistic government promises or expectations	0	0	13	46	83	142	207	4.50	0.90	1st

2	Ensure Higher quality and Timely Provision of Public Services	0	0	24	49	69	142	203	4.41	0.88	2nd
3	Mostly Investment projects are implemented in due terms and do not impose public sectors extra expenditures		3	33	15	61	142	195	4.24	0.85	3rd
4	High quality standards are better obtained and maintained throughout the life cycle of the project	0	0	28	55	59	142	194	4.22	0.84	4th
5	Ensure Higher quality and Timely Provision of Public Services	0	0	26	53	59	142	192	4.17	0.83	5th

Table 4.4 Opportunities of PPP

Advantages of PPP in its implementation in housing development projects have been identify in Table 4.4 together with the mean scores of all (142) respondents as well as their RII scores and rank the advantages of PPP, Risk are Fully appraised early on to determine Project feasibility. In this sense, the private partner can offer a break on unrealistic government promises or expectations, Ensure Higher quality and Timely Provision of Public Services, Mostly Investment Project are implemented in due terms and do not impose public sectors extra expenditures, High quality standards are better obtained and maintained throughout the life cycle of the project, Ensure Higher quality and Timely Provision of Public Services.

From Table 4.4 Risk are fully appraised early on to determine Project feasibility. In this sense, the private partner can offer a break on unrealistic government promises or expectations was identified as the most advantage of PPP with a mean score of 4.50 and a RII score of 0.90; Ensure Higher quality and Timely Provision of Public Services with a mean score of 4.41 and a RII score of 0.88, Mostly Investment Project are implemented in due terms and do not impose public sectors extra expenditures with a mean score of 4.24 and a RII score of 0.85, High quality standards are better obtained and maintained throughout the life cycle of the project with a mean score of 4.22 and a RII score 0.84; Ensure Higher quality and Timely Provision of Public

Services with a mean score of 4.17 and a RII score of 0.83 were deemed average advantage by the respondents in respect to their organization.

From the data obtained from questioner and focused group discussion the main opportunities of public private partnership projects are risk sharing between the developer and the public body which is the client, high quality standard works, minimizing extra expenditure for the government and timely provision of the projects.

#### **4.4. Challenges to implement public private partnership (PPP) housing projects**

Disadvantages of PPP in it Implementation of housing project in Ethiopia have been acknowledged in Table 4.5 Beneath together with the mean score of all (142) participants as well as their RII scores and rank these disadvantages associated with the implementation of PPP road project in Ghana, High Risk of Contract Renegotiation, Difficulty in demonstrating value for money in advance, Infrastructure or Service Delivered Could be more Expensive, PPP service Procurement Procedure is longer and Costlier in Comparison with the traditional method of Procurement, Complex Procurement Process with associated High cost Transaction Cost.

From Table 4.5 High Risk of Contract Renegotiation was identified as a major disadvantage for the smooth implementation of PPP Road Project with a mean score of 4.35 and a RII score of 0.87; Difficulty in Demonstrating Value for Money in advance with a mean score of 4.28 and a RII score of 0.86; Infrastructure or Service Delivered Could be More Expensive with a mean score of 4.24 and a RII score of 0.85; Both PPP Service Procurement Procedure in longer and Costlier in comparison with the traditional method of Procurement and Complex Procurement Process with Associated High Transaction Cost with a mean score of 4.11 and 4.09 and a RII score of 0.82 respectively were deemed to be minor disadvantages by the respondents in respondents in respect to their organization.

From the above discussion and interview, Main challenges to implement public private partnership housing projects are budget restriction which is based on the lending international institutions like IMF and Africa development Bank (ADB), infrastructure provision for development sites which is governments duty, also the procurement process to select developers and compensation and relocation of residents and services which were settled in project area.

Table 4.5 Challenges of PPP housing project

	OPINION	1	2	3	4	5	N	ΣW	Mean	RII	Ranking
1	Source of finance, Budget Restriction by the IMF and other lending institutions	0	0	18	55	69	142	200	4.35	0.87	1st
2	Difficulty in demonstrating value for money in advance	0	0	25	52	65	142	197	4.28	0.86	2nd
3	Infrastructure or Service Delivered Could be more Expensive	0	0	28	52	62	142	195	4.24	0.85	3rd
4	Procurement PPP service no longer procedure is and Costlier in comparison with the traditional method of Procurement.	0	3	31	55	53	142	189	4.11	0.82	4th
5	Complex Procurement Process with associated high transaction cost	0	9	25	52	56	142	188	4.09	0.82	4th

Source: Field Survey, 2024

#### 4.5. Implementation Strategies for PPP Housing Projects in Addis Ababa

Respondents were asked to rank on a 5-point Likert scale the level of importance of thirteen (13) strategies identified from literature where, 1=Not important;2= least Important; 3= Averagely Important, 4= averagely important; 5=Highly Important. Data collected under this section was analyzed and findings presented using the RII scores of the respective variables.

As seen from the table, Low cost of doing Business with a RII score of 0.88 ranked first. Tang et.al (2013) stated that a stable macro -economic condition are suitable investment environment

of doing Business. Good Political will of Government in Procuring of PPP models and Realistic Toll Charges with RII score of 0.87 came second. Stable Political Environment and Easy Access to Credit Facility came fourth with a similar RII score of 0.85. According to Dulaimi et.al (2010), good governance and strong political support is key in the procuring of PPP projects. Also, Hwang et.al (2013) reports that available financial market helps in the implementation of PPP project. Use of Current Trend of Contract Management Practice which appeared last but displayed a significant RII score of 0.74. In the procuring of PPP models, an enabling Political environment is a useful tool as stated by Dulaimi et.al (2010). He asserts that an enabling political environment is very essential in procuring of PPP models. A Sound legal framework backing the procuring of PPP projects, Tang et.al ;( 2013) also provides a congenial business environment for the implementation of PPP projects. In particular, an appropriate means of disputes resolution it's important as would be investors will like to see dispute resolution as part of their concession contracts. Removal Budget Restriction by the IMF and other donor agencies, it's very important to the implementation of PPP road projects. Viability and Profitability of Intended PPP project must be based on sound financial modeling. Finally, Detailed and Proper Performance Evaluation Mechanism on projects is very necessary in the evaluating of project which would serve as benchmark to future projects.

From literature review and the responses on both quantitative and qualitative it was realized that all the strategies mapped up for the implementation of PPP housing project are significant, Several Strategies are available which would help in the smooth implementation of PPP housing projects. Flexible procurement models, low cost of doing, easy to access credit facility, and appropriate dispute resolution are mandatory.

Table 4:7 Implementation Strategies

<b>Implementation Strategies</b>	<b>Mean</b>	<b>RII</b>	<b>Ranking</b>
Low Cost of Doing Business	4.41	0.88	1st
Good Political Will of Government in Procuring of PPP Models	4.35	0.87	2nd

Realistic Toll Charges	4.35	0.87	2nd
Easy Access to Credit Facility	4.26	0.85	4th
Stable Political Environment	4.24	0.85	4th
Flexible Procurement Models	4.22	0.84	6th
Enabling Political Environment in Procuring of PPP models	4.22	0.84	6th
Sound legal framework backing the Procuring of PPP Projects	4.17	0.83	8th
Appropriate Means of Dispute Resolution	4.07	0.81	9th
Non- Budgetary Restriction by IMF and other Donor Agencies	4.00	0.80	10th
Viability and Profitability of Intended PPP Projects	3.91	0.78	11th
Detailed and Proper Performance Evaluation Mechanism on Project	3.8	0.76	12th
Use of Current Trend of Contract Management Practices	3.72	0.74	13th

Source: Field Survey, 2024

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

The objective of the study was to identify the factors challenging the implementation of PPP housing project in Ethiopia, a case study of the Addis Ababa housing Construction Corporation (AAHDC PPP projects) and also to assess the various strategies to help in the smooth implementation of PPP housing construction project in Ethiopia.

In total, 142 questionnaires were sent to a number of experts in the housing sector, all of which were answered. The fragment follows the following structures: A summary of how the main objective was content and discussion about the study's purpose is provided to highlight the contributions of the research. The chapter concludes with a recommendation for further research that can be conducted on the basis of the conclusion and the limitation of the study. Investors rely on the cash flow generated from the project to repay their backlogs from the project

#### 5.2 Summary of Findings

Factors impeding the implementation of **PPP's** were acknowledged from the literature and participants were requested to rank them on the source of it being not important or highly important. From the twelve (12) factors were identified to be very relevant to impede the **implementation of PPP's** the results. Indicates that, Political will of the government was identified as a key factor impeding the implementation of PPP housing project in Ethiopia, although Current Economic Challenges (Inflation Rates, High Cost of Doing Business and Interest Rates), Political Will of Government in Procuring of PPP project, High Financial Cost of Procuring PPP projects and High Cost of Relocating Services along the Corridor were deemed relevant.

To assess the various strategies that will help in the smooth implementation of PPP housing project in Ethiopia, a case study of the AAHDC PPP projects were identified from the literature and respondents were asked to rank them. Low Cost of Doing Business was identified as the key strategy to help in the implementation of PPP housing project in Ethiopia, Good Political Will of government in Procuring of PPP Models, Realistic Toll Charges, Stable Political Environment,

and Easy Access to Credit Facility were deemed to be relevant in the smooth implementation of PPP housing construction projects.

This research explored the factors challenging the implementation of PPP housing project in Ethiopia focusing on case of the AAHDC-PPP housing projects.

The factors that impede the implementation of PPP housing projects in Ethiopia are as numerous as they are varied. They range from economic issues through political as well as technical factors.

The most critical impacting factor is a technical issue which is the toll adjustment mechanism. Even though this is deeply rooted in the nature of the business environment, vis-à-vis interest rates, exchange rates, inflation etc. it is also important to establish a clear policy implementation plan to ensure that the benefits of PPP are maximized.

In conclusion the research sought to directly address the objective of the study which are as follows: To identify factors challenges the implementation of PPP housing project in Ethiopia, To evaluate the Benefits and Challenges of PPP housing projects, to identify factors that challenges the implementation of AAHDC PPP housing projects, To assess the various strategies that will help in the smooth implementation of PPP AAHDC housing projects in Ethiopia, and to highlights some recommendation to help promote PPP housing projects in Ethiopia.

The general economic environment is also very important for the successful implementation of PPP in housing projects in Ethiopia. The study results indicate a high relative significance for economic related factors like inflation, interest rates and cost of doing business. It is reasonable to conclude that better macro-economic fundamentals would enable local private sector players to be able to participate in PPPs.

The political factor is also very significant in PPP implementation in Ethiopia. This is more so because Ethiopia operates a federal form of government and hence have decentralized decision making systems. It takes Central government decisions to even establish the legal frameworks

that are so important to partnerships with the private sector. The position of government in source of debt also plays a role in PPP viability since some funding sources come with all sorts of restrictions on government expenditure.

The study also identified the strategies that will curb these factors impeding the implementation and to help in the smooth implementation of PPP housing project in Ethiopia. It has become clear that Low Cost of Doing Business was identified as the key strategy to help in the implementation of PPP housing project in Ethiopia. The government needs to implement economic policy that reduces the cost of doing business in Ethiopia. Taxes that make it difficult for business to operate efficiently should be avoided.

Good Political Will of Government in Procuring of PPP Models was also one of the favored strategies for curbing the factors that militate against PPP implementation. A demonstrated commitment by government to the development of PPP policy, guidelines and facilities will give confidence to private investors that their capital is safe once they invest in PPPs. Sovereign guarantee and tax rebates are some ways by which government can make this work.

### **5.3 Recommendations**

The following recommendation are projected from major findings of the research which goes to the government and housing developers on PPP scheme

- Create Sound business environment, with low cost of doing business,
- Easy access to loans with Lower interest rates.
- Create stable political environment, Political unrest which creates political constraints can be curbed
- Government should develop long term policies that will support PPP models to guide against incessant changes which usually occur anytime there is a change in leadership.
- Government and Private Institution involved in the usage of PPP models should ensure that procurement processes are fair, transparent and well managed.

- Educating the public about PPPs. Get public buy-in by speaking about the potential for improved future infrastructure creating public awareness on benefits of PPP project delivers to get public acceptance,
- Develop mutual understanding between private sector the government on PPP project deliveries
- Creating clear accountability processes. Each partner holds itself and each other responsible for its roles and responsibilities. Accountability also includes being transparent about planning, execution and maintenance steps.
- Establishing decision-making hierarchy. Both partners agree on the chain of decision-making as well as alternate avenues. This avoids frustration, confusion and delays.
- Loosened bureaucracy. There's room for some leverage between partners because they aren't facing restrictive external forces that can hamper project completion or unduly influence major decisions.
- Prepare a clear legal framework for the usage of PPP models; motivate private sectors who participates PPP housing construction projects.

## REFERENCES

- Abebe, G. (2016). "Evaluation of the Integrated Housing Development Program in Addis Ababa." *Ethiopian Journal of Development Research*. Addis Ababa City Administration (2017). Housing Development Report.
- African Development Bank. (2021). *Public-Private Partnerships in Africa: Best Practices and Key Challenges*. African Development Bank Publications.
- Alemu, M. (2018). Assessing the Impact of Traditional Procurement Methods on Public Building Projects in Ethiopia. *Ethiopian Journal of Construction Management*, 4(1), 23-37.
- Alemu, Z. (2022). "Financial Models for Sustainable Housing." *Journal of Ethiopian Financial Studies*.
- Assefa, H. (2022). "Social Consequences of Housing Policies in Addis Ababa." *Journal of Social Policy Studies*.
- Atkilit B. & Mekdes M., the Public-Private Partnership Proclamation (PPP Proclamation) N<sup>o</sup>.
- Avle, S. (2011). Global flows, media, and developing democracies: The Ghanaian case. *Journal of African Media Studies*, 3(1), 7-23.
- Awortwi, N. (2011). An unbreakable path? A comparative study of decentralization and local Government development trajectories in Ghana and Uganda. *International Review of Administrative Sciences*, 77(2), 347-377.
- Baiden, B.K., (2006), "Framework for the integration of the project delivery team", unpublished Doctoral Thesis submitted in partial fulfilment of the requirement for the award of Doctor of Philosophy at Loughborough University, Loughborough United Kingdom.
- Baxter David & Nemec Linda, *How PPPs Fill in Infrastructure and Service Gaps*, PARTNER4GROWTH, <https://partner4growth.net/blog/how-ppps-fill-in-infrastructure-and-service-gaps/> (last visited Apr 20, 2020).

Bekele, M., & Worku, A. (2016). Housing Development in Addis Ababa: Policy and Implications. Ethiopian Journal of Social Sciences.

Bernard, H.R., (2002), "Research Methods in Anthropology: Qualitative and quantitative methods", 3rd Ed. California: Altamira Press, Walnut Creek.

Birhanu, F. (2023). "Inclusive Housing Policies for Addis Ababa." Ethiopian Policy Journal.

Bohrnsteadt G. W., & Knoke, D. (1994). Statistics for Social Data Analysis. Chen, Qing, Shen, Geoffrey, Xue, Fan, & Xia, Bo (2017) Real options model of toll-adjustment mechanism in concession contracts of toll road projects. Journal of Management in Engineering, 34(1), Article number: 04017040.

Coopers, P. W. (2005). Delivering the PPP Promise: A Review of PPP Issues and Activity." PwC, available at [www.pwc.com](http://www.pwc.com) (accessed 21 January 2018).

Creswell, J. W. (2006). Understanding mixed method research. JW Creswell, & VP Clark, Designing and Conducting Mixed Methods Research, 1-19.

Davies, P., & Eustice, K. (2005). Delivering the PPP promise: A review of PPP issues and activity. London: PWC.

Deep Rajkarnikar (2018). Public-Private Partnerships: No Panacea, Addis Fortune,

Desta, S. (2020). "Slum Upgrading in Addis Ababa: Successes and Challenges." Ethiopian Journal of Social Sciences.

Duffour, K. (2011) National Policy on Public-Private Partnerships (PPPs).

Dulaimi, M. F., Alhashemi, M., Ling, F. Y. Y., & Kumaraswamy, M. (2010). The execution of public-private partnership projects in the UAE. Construction management and economics, 28(4), 393-402. Ed, London: Pearson Education Limited.

ETHIOPIA, PPP KNOWLEDGE LAB (2015), <https://pppknowledgelab.org/countries/ethiopia> (last visited Jun 12, 2020).

Ethiopian Construction Project Management Institute (2022). Contract Management and Procurement Innovations in Ethiopian Construction Projects.

European Union. (2019). Guidelines for Successful PPP Implementation. European Union Publications.

Federal Democratic Republic of Ethiopia. (2020). National Public-Private Partnership Policy and Guidelines. Addis Ababa: Ministry of Finance.

Grimsey, D., & Lewis, M. K. (2002). Evaluating the risks of public-private partnerships for Infrastructure projects. *International Journal of Project Management*, 20(2), 107-118.

Hodge, G. A., & Greve, C. (2017). On Public-Private Partnership Performance: A Contemporary Review. *Public Works Management & Policy*.

Kebede, M. (2021). "Economic Impacts of Public Housing Programs in Ethiopia." *African Economic Review*.

Koppenjan, J. F. M., & Enserink, B. (2009). Public-Private Partnerships in Urban Infrastructures. *Public Administration Review*.

Kumaraswamy, M. M., & Zhang, X. Q. (2020). Innovations in Construction Procurement Systems. *Journal of Construction Engineering and Management*.

Maseke, B. F. (2023). A contrast of the benefits and challenges of public-private partnerships in land delivery and low-income housing initiatives for the City of Windhoek.

Mekonnen, B. (2018). "Public Housing Policies in Ethiopia: A Critical Analysis." *Journal of Ethiopian Public Policy*.

Mekonnen, D., & Gebre, T. (2021). Innovative Project Management Strategies for Efficient Infrastructure Development in Ethiopia. *Ethiopian Construction Research Journal*, 6(3), 89-105.

Mengesha, A. A., & Kebede, T. A. (2023). The Role of Public-Private Partnerships in Addressing Housing Shortages in Urban Ethiopia. *Ethiopian Journal of Economics*, 31(2), 89-112.

Mengistu, S. (2020). "Integrating Infrastructure in Housing Projects." *Urban Infrastructure Review*.

Mutisya, D., & Yarime, M. (2018). Enhancing the Role of Public-Private Partnerships in Sustainable Urban Development in Kenya. *Journal of Urban Planning and Development*. Preparation of General and Sector-Specific Implementation Guidelines for Public-Private Partnerships, Appendix, Appendix A: PPP Glossary and Key Concepts, PPPDG, MoF, (2019).

Public-Private Partnership Policy and Implementation Framework, Ministry of Finance and Economic Development Planning, Republic of Botswana, (2009).

Sanni, A. O., & Hashim, M. (2015). Public-Private Partnership in Housing Provision in Nigeria. *Mediterranean Journal of Social Sciences*.

Sapte, W. (1997). *The Guide to Financing Build-Operate-Transfer Project Uses in PPP*.

Saunders, M., Lewis, P., & Thornhill, A., (2009), "Research Methods for Business Students", 2nd Savas, E. S. (2000). *Privatization and Public-Private Partnerships*. Chatham House Publishers.

Solomon, A. (2023). "Monitoring and Evaluation of Public Housing Programs." *Journal of Ethiopian Public Administration*.

Stokes, J., & Schmidt, G. (2012). Child protection decision making: A factorial analysis using case vignettes. *Social Work*, 57(1), 83-90.

Tadesse, H., & Abebe, S. (2019). Limitations of Traditional Public Procurement in Leveraging Advanced Construction Management Practices. *Journal of Ethiopian Urban Development*, 5(2), 112-128.

Tadesse, L. (2021). "Community Participation in Housing Projects." *Ethiopian Journal of Community Development*.

Tang, L., Shen, Q., Skitmore, M. and Cheng, E. W.L., 2013. Ranked Critical Factors in PPP Briefings. *Journal of Management in Engineering*, 29(2), pp.164-71.

Teclé Hagos, Conflicting Legal Regimes Vying for Application: The Old Administrative Contracts Law, or the Modern Public Procurement Law for Ethiopia, *AFRICAN PUBLIC PROCUREMENT LAW JOURNAL*, Vol. 4, (2018).

Tegegne, M. (2017). "Housing Challenges and Policy Responses in Addis Ababa." *Urban Studies Review*.

Tesfaye, M., & Bekele, A. (2022). The Impact of Private Sector Participation on Public Construction Projects in Ethiopia. *Journal of Ethiopian Construction Technology and Management*, 7(1), 45-60.

Teshome Tafesse, Policy, Legal, and Institutional Frameworks for PPP Implementation in Development Process: Stakeholders Perspective, *China-USA Business Review*, Vol. 14, No. 3, (2015).

Teshome, E. (2022). Challenges and Prospects of Implementing Public-Private Partnerships in Housing Projects in Addis Ababa. *Journal of Ethiopian Studies*, 58(1), 45-62.

Tewodros, G. (2019). "Green Building Practices in Ethiopia." *Journal of Environmental Sustainability*.

The Ethiopian Public-Private Partnership Policy, the Federal Democratic Republic of Ethiopia, Ministry of Finance, (2017).

The Federal Government Procurement and Property Administration Proclamation No. 649/2009, Federal Negarit Gazeta No. 60, (9<sup>th</sup> September 2009).

The PPP Proclamation No. 1076/2018, Federal Negarit Gazette No. 28, (22<sup>nd</sup> February 2018).

UNCITRAL, *Legislative Guide on Public-Private Partnerships*, Vienna, (2020).

UNCITRAL, *Model Legislative Provisions on Public-Private Partnerships*, Vienna, (2020).

*Understandings Public-Private Partnerships in Canada*, Association of Consulting Engineering Companies (ACEC) & Strategies 4Impact, (2009).

UNECE, *Governance in Public-Private Partnerships for Infrastructure Development*, Geneva, (2004).

UNECE, *Guidebook on Promoting Good Governance in Public-Private Partnerships*, New York & Geneva, (2008).

UNESCAP, *Public-Private Partnerships in Infrastructure Development: A Primer*, Transport and Tourism Division, (2008).

UN-Habitat (2016). *The Role of PPPs in Addressing Urban Housing Challenges*.

United Nations Economic Commission for Africa (2019). *Public-Private Partnerships for Sustainable Development in Africa*.

United Nations Economic Commission for Europe, *Governance in Public-Private Partnerships for Infrastructure Development*, (2004).

United Nations Human Settlements Programme (UN-Habitat). (2019). *Housing Policies and Urban Economics in Developing Countries: The Case of Addis Ababa*. UN-Habitat.

United Nations, *Addis Ababa Action Agenda (AAAA)*, Third International Conference on Financing for Development, Addis Ababa, (13-16 July 2015).

United Nations. (2018). *Strengthening PPPs for Sustainable Development*. United Nations Publications.

Vivien Foster & Elvira Morella, *Ethiopia's Infrastructure: A Continental Perspective*, in *Africa's Infrastructure: A Time for Transformation*, (2010).

WBG, *PPP Reference Guide*, PPP Knowledge Lab, Version 3, (2017).

WBG, *Procuring Infrastructure Public-Private Partnerships Report: Assessing Government Capability to Prepare, Procure, and Manage PPPs*, (2018).

WBG, Public-Private Infrastructure Advisory Facility (PPIAF) & International Cooperative Alliance (ICA), *Attracting Investors to African Public-Private Partnerships*, a Project Preparation Guide, (2009).

WBG, *Support to Public-Private Partnerships: Lessons from Experience in Client Countries*, Independent Evaluation Group (IEG), (2012).

Weihe, G. (2005). Public-private partnerships. Addressing a Nebulous Concept.

Woldeyes, A. (2019). "Affordable Housing Initiatives in Addis Ababa." *Journal of Urban and Regional Development*.

World Bank (2020). *PPPs in Housing: Global Perspectives and Best Practices*. World Bank Publications.

World Bank Institute and Public-Private Infrastructure Advisory Facility, *Public-Private Partnerships Reference Guide, Version 1.0*, Washington, DC, (2012).

World Bank. (2018). *Public-Private Partnerships in Sub-Saharan Africa: Case Studies for Policymakers*. World Bank Publications.

Yared, K. (2024). "Promoting Environmental Sustainability in Urban Planning." *Ethiopian Journal of Urban Studies*.

Yilma, T. (2024). "Urban Sprawl and Public Housing in Addis Ababa." *Journal of Sustainable Urban Development*.

Zerfu, D., & Hassen, E. (2021). *Challenges of Affordable Housing in Addis Ababa: PPP Approach*. *Ethiopian Journal of Economics*.

## APPENDIX -1



### DEPARTMENT OF CONSTRUCTION TECHNOLOGY AND MANAGEMENT

#### **FACTORS IMPACTING THE IMPLEMENTATION OF PUBLIC-PRIVATE PARTNERSHIP (PPP) HOUSING PROJECT IN ADDIS ABEBA: IN THE CASE OF AAHDC (QUESTIONNAIRE)**

This questionnaire will be used by the researcher to solicit data aimed at exploring the factors impeding the implementation of the Public Private Partnership (PPP) housing construction Project in Addis Ababa. The essence of this questionnaire is to allow the researcher to quickly and realistically identify the factors and also establish the need for PPPs in the Housing construction sector. The Research is strictly for academic purposes and information given will be kept confidential.

Sincerely,

Getaneh Degfu

Address:

Mobile: +251911900529

e-mail:

[getanehdegfu832@gmail](mailto:getanehdegfu832@gmail.com)

**INSTRUCTIONS:**

*You are please required  
to tick (✓) the appropriate  
options*

**SECTION (A): Background Information**

**1. Gender**

Male

Female

**2. Age**

18 – 30

31 – 40

41 – 50

51 – 60

Over 60

**3. Level of Education**

Certificate

Diploma

Degree

Master Degree

**4. Which of the following sectors do you belong?**

Private-real-estate  developers  AAHDC  AACG  contractor  consultant

Others, please specify .....

**2.How long have you been with the organization?**

Less than 5 years

6 – 10 years

11-15 years

above 15 years

**3.What is your professional background?**

Civil Engineer

Structural Engineer

Quantity Surveyor

Project Manager

Contract Manager

**Others, please specify.....**

**SECTION (2):**

**FACTORS IMPACTING THE IMPLEMENTATION OF PUBLIC PRIVATE PARTNERSHIP (PPP) HOUSING PROJECT IN ADDIS ABEBA, A CASE STUDY OF THE AAHDC.**

- 1. How often do these factors impact the implementation of PPP? Please rank from 1 – 5, where: 1 – Very Rarely, 2- Not Rare, 3- Normally, 4 – Often, 5 – Very Often.**

Please use the space below the table to add any other factors.

Implementation Factors	1	2	3	4	5
High Cost of Relocating Services along the Corridor.					
Political Will of Government in Procuring of PPP Projects					
Complex Procurement Models					
Public acceptance of PPP					
High financial cost in Procuring of PPP projects.					
Local Banks inability to provide long-term loans for PPP housing projects.					
Toll Adjustment Mechanism					
Risk of the Private Investor not being able to recoup their investment with the					
Concession period.					
Non-existent Pricing Mechanism for the PPP Concession Road Project.					
Lack of legal framework backing the procurement of PPP projects					
Budgetary Restrictions by the IMF and other Donor Agencies					

Current Economic Challenges (Inflation rates, High Cost of Doing Business and Interest rates					
Lack of Understanding of Concession projects					
Lack of Performance Evaluation of Housing Projects					
Viability and Profitability in Implementing PPP Model Project.					

**2. How would you rank the following Advantages of PPP? Please rank from 1 – 5, where: 1 – Not Important, 2- least Important, 3- Averagely Important, 4 – Very Important, and 5 – Highly Important.**

Please use the space below the table to add any Advantages.

<b>Advantages of PPP</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Ensures the necessary investment into public sector and more effective public resource management					
Ensures Higher quality and Timely provision of public services					
Mostly Investment projects are implemented in due terms and do not imposes public sectors extra expenditures					
Risks are fully appraised early on to Determine project feasibility. In this sense, the private partner can offer a break on unrealistic governments promises or expectations					

High-quality standards are better obtained and maintained throughout the life cycle of the project					
Others please Specify					

<b>Disadvantages of PPP</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Houses and infrastructure delivered could be more expensive.					
The PPP Contract Procurement procedure is longer and costlier in comparison with the traditional method of Procurement					
Complex Procurement Process with associated high transaction cost					
High Risk of Contract Renegotiation					
Difficulty in demonstrating value for money in advance					
Others, please Specify					

**(SECTION 3) STRATEGIES TO HELP IN THE SMOOTH**

**IMPLEMENTATION OF PUBLIC-PRIVATE PARTNERSHIP HOUSING**

**PROJECT IN ADDIS ABEBA**

**3. How would you rank the following in terms of strategies to help in the smooth? implementation of the Public Private Partnership Housing Project in Addis Abeba, please rank from 1- 5, where: 1 – Not Important, 2 – least Important, 3 – Averagely Important, 4 – Very Important, 5 Highly Important.**

Please use the spaces below the table to add other strategies.

strategies	1	2	3	4	5
Sound legal framework backing the procuring of PPP projects					
Appropriate means of Dispute Resolution					
Low Cost of Doing Business					
Non-Budgetary Restriction by the IMF and other Donor agencies					
Easy Access to Credit facility					
Enabling Political Environment in procuring of PPP models.					
Stable Political Environment					
Good Political Will of Government in Procuring of PPP models					
Viability and Profitability of intended PPP Projects					
Detailed and Proper Performance Evaluation Mechanism on Project					
Realistic Toll Charges.					
Flexible Procurement Models.					

Use of Current Trend of Contract Management practices.					
Lack of Understanding of Concession projects					
Lack of Performance Evaluation of Housing Projects					
Viability and Profitability in Implementing PPP Model Project.					

## **SECTION (4): INTERVIEW**

**Instruction:** herein below are open and closed-ended and mixed questions. Interviewees are kindly asking them to answer from their expertise, perspective, and experience gained on PPPs in General and on the Ethiopian PPP frameworks in particular.

1. What are main factors that impact the implementation of public private partnership projects?
2. What challenges do you faced in implementation of public private partnership housing construction projects?
3. How risks are allocated between AAHDC and private project companies in the PPP contract?
4. Does the PPP contract explicitly define risk-sharing responsibilities? (Yes/No)
5. How are financial resources allocated for design-build housing projects?

**THANK YOU!!!**

**APPENDIX -2 PPP guide lines**

**Prepared by Ministry of Finance (Ethiopia)**

2023 G.C.