

ISSN 3135-2251

PPPs in Ethiopia: The New Frontier

NETSANET GEBREMICHAEL WELDESENBET
September, 2020

DAWN Discussion Paper #28

DRAFT for discussion

©2020 by DAWN under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International license. (CC BY-NC-ND 4.0)

This paper is part of an international research effort by feminist authors from the Global South.

The DAWN Discussion Papers are intended to generate wide-ranging debate and discussion of ongoing analysis under different themes on which DAWN works. The papers are made available prior to finalisation as part of our mission to inform, network and mobilise.

Feedback and comments are welcome and may be sent to info@dawnnet.org

This paper may be used freely without modification and with clear referencing to the author and DAWN.

Netsanet Gebremichael Weldesenbet. 2020. PPPs in Ethiopia: The New Frontier. DAWN. Suva (Fiji).

PPPs in Ethiopia: The Next Frontier

Executive Summary

This chapter describes and analyzes Ethiopia's engagement with the introduction and interpretation of PPPs model of development financing in the context of politics of transition from the ideological orientation of the Developmental State to an exercise of Market-led liberalization between April 2018 and mid May 2020. This chapter particularly highlights the necessity to account for a gendered political- economic dynamics of ideology-structure nexus that led to the normalization of PPPs as a development finance model. The chapter illustrates how the Ethiopian PPP model of development financing shifted the role of the state so that it plays a regulatory function. Thus it created space for international multinational corporations, foreign and local private sector to play central role for financing national infrastructural development. The chapter illuminates that one of the ways in which the policy significance of this shift is exhibited in the Ethiopian context through total and partial privatization of Public Enterprises in form of the PPPs model. Such shift in political economy neglects the political significance of displacing the public ownership of Public enterprises. The shift from public ownership of Public enterprises to Public-Private actors needs to account for the substantive political change of what constitutes the public in the Public enterprises model where the state had a hegemonic role in the economy, to the nature of the public in PPPs. This chapter particularly accounts for the ways in which PPPs are discussed in relation to the Energy Sector from April 2018 to May 2020. The paper utilized newspaper coverage of the PPPs in Ethiopian Newspapers, expert's public debates and dialogues, and official archives of PPPs in the Energy Sector using a feminist political-economy lens. In so doing media narratives and other sources are utilized to show how PPPs are being promoted merely as economic vehicle for growth without necessarily accounting for the political significance of this shift in terms of public accountability. This chapter examines the shifting political dynamics by looking into the politics of PPPs drawing from media narratives, expert opinions, and historical analysis.

Key Terms: PPP, Ethiopia, Energy Sector, the public

Introduction

This paper examines how Public private Partnerships (hereafter PPPs) are unfolding in the Ethiopian contemporary political landscape. It explores how narratives on PPPs are shaped in Ethiopian print media as an alternative finance model for development infrastructure between 2018 and 2020. The years prior to 2018 the period exhibited massive antigovernment protest all over the country against the Ethiopian People's Revolutionary Democratic Front's (EPRDF) ruling party at the time. Protests advocated for the demise of the ruling party in light of its human rights violations, and economic strife linked to large-scale land dispossessions from farmers to investors and economic strife related to corruption. The protests, which attempted to articulate the exclusion of the citizens from the economic growth achieved by the developmental state, were spearheaded by youth in the Oromia and Amhara region. The state responded to these protests in two ways. The primary response was a massive crackdown, including massive imprisonment and killings of protesters during frequent government-mandated states of emergency. The other kind of response was a rhetorical promise of radical reform and anti-corruption culture within the state. However the popular protests continued in spite of these promises and eventually led to a leadership change in the Ethiopian People's Revolutionary Democratic Front (EPRDF) (Ethiopia's ruling party) in April 2018. Ex-Prime Minister Hailemariam Dessalegn resigned and Abiy Ahmed became the new prime minister of Ethiopia.

In the occasion of leadership transition, Abiy gave a speech where he offered his promise of hope and change, and a plan for reform.¹ In it Abiy Ahmed recognized and celebrated the contributions made by his mother and his wife as women who played a crucial role in his public and private achievements.² Using their support as an example, Abiy framed all Ethiopian women as hard-working and resilient, responsible for carrying the nation on their backs, deserving of being celebrated, acknowledged and respected. I argue that in this context women are framed something along the line of moral-economic subjects of the nation. They are presented as "good citizens" obedient and not politicized subjects, in direct contrast to protesters. This framing of women de-historicizes and depoliticizes women's political subjectivities.

¹ <https://www.theguardian.com/world/2018/jul/08/abiy-ahmed-upending-ethiopian-politics>

² Full English Transcript of Ethiopian Prime Minister Abiy Ahmed's Inaugural Address Available at: <https://www.opride.com/2018/04/03/englishpartial-transcript-of-ethiopian-prime-ministerabiy-ahmeds-inaugural-address/>

Therefore, the progressive aspects of Abiy's speech in recognizing the invisible contributions of women to national politics and his own individual ascension needs to be contextualized, by pointing to the gendered aspects of both the nation's and his individual success story. The reactionary elements of approaching women as passive "good citizens" need to be challenged and warrant feminist empirical and theoretical intervention. The former could re-politicize women and women's issues. This chapter offers an empirical and theoretical intervention by illustrating the omissions of women in the promotion and introduction of PPPs in Ethiopia.

The chapter will examine how women and popular demands are included in macroeconomic policies in the context of development-state politics in the context of the introduction of PPPs for infrastructure in Ethiopia. This chapter is comprised of four sections. In the first section, it provides a context and historicizes the shift towards PPPs, placing Ethiopia's Development-State (DS) model in the context of DS debate within the continent. The second section of the paper examines the ways in which PPPs are narrated in print media and some cable news. This media analysis helps illuminate who is the "public" in the discussion about PPPs in Ethiopia and with this I contextualize in how are PPPs presented in Ethiopia? Who narrates what they are and to what end? I answer these A dominant critique to the previous Political Economy of the country targeted the Developmental State model in Ethiopia prior to 2018 questions by analyzing primary (21) and secondary (8) sources. Some of the primary sources include Newspaper articles, online sources, and public debates and dialogues. All consulted and analyzed sources are within the time span of April 2018 – May 2020. Efforts are also made to substantively and thoroughly analyze each type of sources separately to illuminate content input of each type. Contemporary Ethiopian media and official narratives promote a dominant critique to the DS in Ethiopia prior to 2018 where this model became a culprit, which left the country with huge amount of debt and paying capacity. Hence, the solution proposed now is liberalizing the economy and enabling both foreign and local private sector to play leading role in the economic life of the country. In that context, media outlets present PPPs in the context of the liberalization of the economy, which includes the privatization of state-owned enterprises (SOEs).

I. Ethiopia: from DS to the PPPs

The concept of development has served as a permanent ideology and source of legitimacy of modern Ethiopian state. The state hitherto has been framed as a hegemonic actor and monopolizing development management and excluding the public. Despite mass organizations for women, peasant, urban dwellers and youth have been established in different regimes, the state remained dominant

when it comes to management of development.³ State developmentalism therefore is more the norm rather than an exception in Ethiopia. The form of DS in place since the 1990s is a relatively recent addition that displaced socialist developmentalism.

In Ethiopia, state developmentalism implies subsidizing and protecting the public, mainly the poor, against the heavy invisible hands of the global market. Even though there has been contestation to control by international financial institutions and discipline the state, there is little resistance against what is perceived as the state's historical mission to foster/ social transformation in Ethiopia. The DS of Ethiopia is a new articulation of this enduring trend of state-society relations.

There is an ample literature on the DS and the contestations between scholars and policy practitioners. Conceptually there is agreement on what differentiates the DS from other state forms (mainly the liberal and neoliberal oriented states). Among others, the *ideology-structure nexus* differentiates DS from other types of state. In this case, ideology informs the state's mission to enforce development, which is defined as accumulation and industrialization. Structure denotes the capacity to implement the state's mission to keep development independent of social forces.⁴ The Ethiopian developmental state, similar to many other states, was born out of a clear understanding on the "role of an activist state in the process of catching up, a role further necessitated by the strong determination and vision to develop Ethiopia."⁵

Theories on DS describe that it has a leviathan featuring that it stands above society. Without indulging into this wide debate, there are five elements that define DS according to Jostein Hauge and Ha-Joon Chang.⁶ Most literature point to Japan and the Asian Tigers as the origin of the model. However, as argued by Thandika Mkandawire, other regions such as Africa had DS projects before

³ Planel, S., 2010. Dessalegn Rahmato, 2009, The peasant and the State, studies in agrarian change in Ethiopia 1950s-2000s. In *Annales d'Éthiopie* (Vol. 25, No. 1, pp. 318-321). Persée-Portail des revues scientifiques en SHS.

⁴ Mkandawire, T., 2001. Thinking about developmental states in Africa. *Cambridge journal of economics*, 25(3), pp.289-314.

⁵ Oqubay, A., 2015. *Made in Africa: industrial policy in Ethiopia*. Oxford University Press, USA.

⁶ Hauge, J. and Chang, H.J., 2019. The Concept of a 'Developmental State' in Ethiopia. *The Oxford Handbook of the Ethiopian Economy*, pp.824-841.

the era of structural adjustments.⁷ Second, the DS is not a monopoly over development management by the state. Rather it is a project that involves “private ownership with heavy state intervention”.⁸ This partnership is not based on symmetrical power relation between the private sector and the state. According to Mulegata, in Ethiopia the state is “at the center of rent collecting and using it to guide the private sector while being independent from it”. This means that “the state should control ‘the commanding heights of the economy (banks, utilities and some key production sectors including the public ownership of land) and be able to lead the private sector’”.⁹

Third, the DS’s ideological apparatus and its emphasis on industrialization makes it different from other different forms of state. Fourth, the DS uses development gains as source of legitimacy. Fifth, it operates using professional bureaucracy.¹⁰ Most analyses about DS are drawn from Japan and East Asian contexts, but are often used as universal blueprint, imposing this theory developed in Asia on historical experiences in Africa and elsewhere.¹¹ There are however few studies which explore DS as evolving in a certain historical place and context. For example in understanding the Ethiopian DS one must take into account “Ethiopia’s rich history of independence and civilization and its mimetic interest in finding East Asian role models... as sources of inspiration.”¹² An insightful example in considering Ethiopia’s peculiar historical conditions in building DS is cited in Hauge K and Chang¹³, whose studies show how Ethiopia builds its own DS based on inspiration from the East Asian model. Hauge K and Chang briefly put the structural deviation of the Ethiopian model as follows:

Another deviation from the East Asian DS model is the lack of power and independence of the bureaucracy and the small size of the domestic private section in manufacturing industry. Most ‘industrial policy power’ in Ethiopia lies in the hands of the ruling party, the EPRDF. The dominant

⁷ Mkandawire, T., 2001. Thinking about developmental states in Africa. *Cambridge journal of economics*, 25(3), pp.289-314.

⁸

⁹Gebrehiwot, M.B., 2019. Laying the Past to Rest: The EPRDF and the Challenges of Ethiopian State-Building.

¹⁰ Hauge, J. and Chang, H.J., 2019. The Concept of a ‘Developmental State’ in Ethiopia. *The Oxford Handbook of the Ethiopian Economy*, pp.824-841.

¹¹ Yonas, A. D. (2018). *When Theory Misses History a review of a book entitled State and Economic Development in Africa: The Case of Ethiopia* by Aaron Tesfaye the African Review of Books under CODESRIA.

¹² Oqubay, A., 2015. *Made in Africa: industrial policy in Ethiopia*. Oxford University Press, USA.75

¹³ Hauge, J. and Chang, H.J., 2019. The Concept of a ‘Developmental State’ in Ethiopia. *The Oxford Handbook of the Ethiopian Economy*, pp.824-841.

actors in Ethiopia economy are State-owned enterprises (SOEs) [Metals and Engineering Corporations (METEC) exemplifies] and foreign firms. There is therefore not much of a basis for the existence of an ‘alliance’ or a ‘symbiotic’ relationship between the bureaucracy and the ‘productive’ domestic private sector, which characterized the East Asian DS model.

SOEs became the exceptional feature of the Ethiopian DS during the eras of socialist development and of modernizing emperors. Through them the state took a hegemonic and active role in the management of development. However this is not the case in the current iteration of the Ethiopian DS model. Rather, what is at stake since the leadership change and beginning of political transition in 2018 is what the fate of the Ethiopian DS is? What would be the implication of the popular protests against domineering authoritarian state that excluded the masses from development management? What forms of politics will unfold?

Critical works on politics of transition in Ethiopia exposed the irony of “anti-privatization protests” becoming “the primary vehicle for an unprecedented program of economic liberalization.”¹⁴ This unprecedented liberalization process is best exemplified by the newly introduced program of privatization of the SOEs. Using METEC as a culprit, the new leadership introduced an unprecedented process of liberalization and full and or partial privatization of SOEs. This process also included privatizing the most successful SOEs including the Ethiopia airline, Ethiopian telecom and electric power production and distribution. These sectors were strategic and historically controlled by the state. State control over these sectors has defined the ethos and praxis of the Ethiopian state.

The Great Renaissance Dam is a good example of the political nature of development in Ethiopia. The dam is seen both by the state and general public in Ethiopia as “a reflection of and contributor of strong transformative economic growth under tight macro-economic constraints and a symbol of the government’s recognition of the political imperative of transformation.”¹⁵ Such mega projects where the state plays an active and hegemonic role depict a top down nation-building project.

PPPs are the model and the language of the liberalization process ongoing in Ethiopia. What is new in this transition is not the invitation of the private actor to participate but the process of eroding the presence of the state by privatizing the SOEs that define DS of Ethiopia. The autonomy of the DS is

¹⁴ Ellecni C. Z. (1964-2016). *Ethiopia in Theory: Revolution and Knowledge production*, Leiden: Brill Historical Materialism 201: 179

¹⁵ Oqubay, A. (2015) *Made in Africa: Industrial Policy in Ethiopia*. Oxford: Oxford University Press, 4

explained by the asymmetry of power between the private sector and the state, where the state historically had the upper hand. Will that asymmetry persist in the new political economy of PPP? In the current government's official discourse a new notion of public is also introduced replacing the "relative autonomy" of the state as a central explanatory factor of the DS. In the past, the ideological social base of the DS of Ethiopia was a peasantry "mobilized for development and social transformation".¹⁶ What would be the new social base of the political economy of PPPs? And who is the "Public" in PPP model? Development in Ethiopia has been and is seen primarily as a political process what would be or is the new politics in PPP constituted Ethiopia? The next section critically explores media narratives of PPP as a new language and ideology mediating state society relation in Ethiopia.

In this chapter the notion of the "public" is approached in two intertwined ways. 1) The public refers to wider populations- citizens whose resources are negotiated to be developed under the PPPs framework. In this context the public is targeted as end users of development projects whose intersectional interests are supposedly represented by the government. 2) The chapter sheds light on the omissions on the constitution of that public. Whose interests are accounted for and whose interests are omitted in the way PPPs are being introduced in Ethiopia. This highlights the political significance of PPPs

II. PPPs in Ethiopia: Media Narratives 2018-2020s

Media discussions on the PPPs in Ethiopia in most of local Amharic and English newspapers report about the ongoing economic reforms and the support it is generating from international financial organizations (IFIs) such as the World Bank (WB) and the International Monetary Fund (IMF). These discussions are intertwined with describing the shift in government in the country since April 2018. The reports in the newspapers discussing the emergence of PPPs as form of public investment highlight the beginning of change within the Ethiopian DS model. Hence the new ruling elite is presented by both local and international media outlets as bearers of change. In that narrative change comes in the way of transitioning from state-lead macroeconomic policies to the opening of development finance to local and foreign private actors. Media outlets praise this transition without examining its impact. PPPs are thus framed as part of the process of enhancing the role of the private sector in public development finance, in ways that present Ethiopia as the private

¹⁶ Gebrehiwot, M.B., 2019. forthcoming. Laying the Past to Rest: The EPRDF and the Challenges of Ethiopian State-Building.

international market's next frontier. In concrete terms, adopting the PPPs model of development financing in Ethiopia entails liberalization of the economy and the privatization of SOEs both for local and foreign private actors.

In the reviewed newspaper reports¹⁷, the government is reported to have been pushed to make macroeconomic schemes to halt the absence of foreign currency and reduce internal and external debt, accumulated by unprofitable, inefficient Public Enterprises. These reports do not say much on how the government plans to host public deliberation and debates on the needed reform. The public is often presented as a mere demographic promise for an expanding market, without any discussion about how to protect it. Rather, reports on the new economic reform measures signal that the private sector is consulted as the primary stakeholder of liberalizing the economy. Some of these consultations were held with members of the private sector- behind closed doors.¹⁸

A number of policy recommendations from International and non-governmental organizations¹⁹ emphasize that Ethiopia needs to undergo a political, legal and macroeconomic policy reform for PPPs to take place. This means lesser state intervention and open up the economy for the private sector to play a key role. What is lacking in the promotional description of PPPs in Ethiopia is the historical macro- economic and political significance of SOEs beyond its merely economic logic. Media coverage omits how this transition affects the relations of power between the state and the private sector that characterized the ethos of the Ethiopian DS which historically ascribed the state to control 'the commanding heights of the economy (banks, utilities and some key production sectors including the public ownership of land) and be able to lead the private sector.'²⁰

¹⁷ <https://addisfortune.news/bill-to-liberalise-investment-laws-reaches-council-of-ministers/>. Addis Fortune, Vol. 20, No. 1021, Sunday November 24, 2019.

¹⁸ "...A series of closed-door meetings were also held for the government, private players and development partners." Ibid.,

¹⁹ The state of infrastructure in many developing countries tends to be poor and inadequate to meet the rising demand. This reveals the constraints that governments in developing countries and especially in sub-Saharan Africa (SSA), face in terms of scarcity of funds, corruption, poor planning and project formulation, as well as inefficient capacities. Public Private Partnerships (PPPs) have emerged as one of the ways to overcome these constraints. By tapping into private sector finance and ingenuity, governments are able to finance critical infrastructure, improve project preparation, execution and management and deliver efficient services to the citizens. (UNDP, 2015, p.1)

²⁰ Gebrehiwot, M.B., 2019. forthcoming. Laying the Past to Rest: The EPRDF and the Challenges of Ethiopian State-Building.

The WB and IMF recognize the economic achievement of the DS model in Ethiopia.²¹ However, both institutions are simultaneously pushing for liberalizing the economy and privatizing SOEs in Ethiopia under the PPPs model of development financing.²² PPPs are defined by Ethiopian media through highlighting two intertwined processes: liberalization and privatization of SOEs. To do so media narratives point out to processes of macroeconomic and legislative reforms that the country is undergoing as the necessary step of transiting to PPPs.²³ In particular media is calling for the reform of the Investment Law. In its November 24, 2019²⁴ issue, Addis Fortune -one of the foremost business newspapers in the country refer to this reform as is top headline, which read: “Bill to liberalize Investment laws reaches Councils of Ministers.” In its content the newspaper explains that a special committee set to revise investment law comprised of 17 experts had revised the investment law. According to this report the current revision “will allow public private partnerships in the areas of manufacturing of military weapons, international airport transport service, import and export, power distribution through the integrated national grid system.”²⁵

According to the Addis Fortune report the new revision is going to “open” the doors for foreign involvement in the financial sector. The report states that since 1974 “the year known as the Ethiopian revolution”,²⁶ opening the economy to foreign capital by law has not been done. While these new beginnings are reported as a new chapter of macroeconomic move by the country, the ideological, structural and political significance of the state leaden macroeconomic policy and its political rationalization of development and developmentalism as the leading state ideology and source of legitimacy is rarely discussed, but rather it appears to be taken for granted. The stakes in the political significance of the constitution of the new “public” in PPPs is rarely discussed. Rather, this transition is presented as purely technical reforms carrying out decades-long macroeconomic legislative reforms recommended by national and international experts cited as driving forces for the new reform.²⁷

²¹ Seyoum, A. (2018) 'Departure from developmental state', <https://www.thereporterethiopia.com/article>, 17 November, p.89

²² Prospects of Public Private Partnership (PPP) in Ethiopia (2015) UNDP No.1.

²³ <https://addisfortune.news/bill-to-liberalise-investment-laws-reaches-council-of-ministers/>. Addis Fortune, Vol. 20, No. 1021, Sunday November24, 2019.

²⁴ Ibid.,

²⁵ Ibid.,

²⁶ Ibid.,

²⁷ Although the sector was finally opened to local private players in 1994, the government continued to insist that the regulatory capacity of the National Bank of Ethiopia (NBE) was not developed enough to regulate foreign financial firms. In the event of legislation, opening up of the financial sector will signal one of the first significant economic reforms in line with the recommendations of financial institutions such as the World Bank. Seyoum, A. (2018) 'Departure from developmental state', <https://www.thereporterethiopia.com/article>, 17 November, 89

One of the ways in which PPPs are discussed in media narratives in post 2018 Ethiopia is as a necessary shift. This shift is at times narrated as a taken for granted, inevitable transition leaving out ideological contradictions and shifts from one to the other. UNDP's report (UNDP, 2015).on PPPs in Ethiopia for example characterizes Ethiopia's economy under the DS model as a success, and the necessary and enabling factor to transiting to PPPs model,

Success of Ethiopia's Development Policy which has resulted in consistent economic growth created a good opportunities for private investment...There are ample opportunities for PPP in a number of economic and infrastructure sectors. This is a right time for interested investors or partners to invest and involve in one of the fast developing economies of the globe, characterized by, among others, clear vision with committed political leadership, fast growing green economy, demographic advantage, expanding infrastructure, for ppps, abundant natural resources and suitable strategic location. (Seyoum 2018, p.89)

What is intriguing about the above review of the DS model is it conceptualizes the DS both as a success and a precondition for the adoption of PPPs. It derives from this logic that state-driven economic infrastructure development has to be laid-out for private actors to intervene afterwards. This transition is described ahistorically, devoid of the country-wide protests that centered people's exclusion from economic growth. The silencing of the historical significance of mass protest waged against the DS mainly by youth omits the complexity of the shift from DS to PPPs imposing PPPs as the only policy option available.

the model (DS) had been undeniably successful in delivering development outcomes for the country in the past, the Bank believes, it is approaching its inevitable limit as a prudent economic strategy for Ethiopia. According to Mathew Verghis, macroeconomic expert with WBG, as successful as the state-led economic model has been, thus far, the time has come for a major rebalancing through an extensive participation of the private sector. (Seyoum, 2018).

Media coverage has not addressed the political nature of the role of these national and international experts who are spearheading Ethiopia's shift towards PPP's model of development finance. The political aspect of this macroeconomic transition and its significance in constituting who is assumed to be the new "public" in PPPs remains omitted in the mainstream discussion.

The use of macro-economic rationalization for the shift from state-lead infrastructure development to PPPs model fails to account for the impact of such shift on government's accountability to its citizens. It also fails to recognize the socioeconomic impact of adding of new profit-seeking actors in a central position to carry out macro-economic reforms. The political

significance of the increasing preeminence of the private sector, foreign private actors and international monetary institutions reflects changes in the ethos of Ethiopia's modern state. The growing presence of these actors takes away legitimacy from the masses and it is closely linked to the introduction of PPPs in Ethiopia entails the privatization of SOEs, a policy supported by IFIs (international financial institutions) A case in point, for example, is Nataliya Mylenko's (task team leader for the Growth and Competitiveness Operation) public support for diverse reforms for the introduction of PPPs in the country. In The Reporter Ethiopia, Mylenko who at the time was working for the World Bank is quoted advocating for [IFI's] support for Ethiopia as a response to the country's reform of the energy and telecom sectors, in business licensing regulations, expected reforms in the business competition law and investment proclamation, impending reform in the civil society proclamation, as well as significant reforms in the regulation of State owned Enterprise.²⁸

These numerous reforms facilitate the current government's access to technical and financial aid in form of long-term loans and technical support from the WB, as well as from the French government. As reported by The Reporter Ethiopia, this was the first support from the WB to Ethiopia after 15 years, which emphasized the financial sector, business climate and, unsurprisingly: development finance.²⁹

The macroeconomic reforms enable the government of Ethiopia to acquire financial aid and loans, as well as boosters the political legitimacy of the current government among IFIs such as the WB. How does this affect the government's accountability to the masses whose protests were one of the reasons for regime change in April 2018? This significant national political economic aspect is not being considered while international organizations such as UNDP, IMF and WB keep pushing towards to the shift towards to PPPs model of financing for development. This in turn illustrates the ways in which such international organizations and their proposed economic reforms lack to account for local - political significance of macroeconomic reform. The fact that external- non- state actors are heralding the need for macro-economic changes of the state can be seen as elements of state capture by international business organizations, and the economic logic of international monetary organizations.

²⁸ Seyoum, A. (2018) 'Departure from developmental state', <https://www.thereporterethiopia.com/article>, 17 November, 89

²⁹ Ibid.,

State capture can further be observed in the way in which international business organizations and funding organizations are presented at the foreground of media coverage about PPPs in Ethiopian media outlets. In that context, international corporations are a main target audience as well as a central actor, and PPPs are mentioned in relation to loans received or promised by IFIs. In so doing the media plays a significant role in carrying out an unofficial public relations campaign in favour of PPPs. For example, media coverage gives promotes the profiles of international private actors as potential or actual private investors interested in investing in Ethiopia.³⁰ Profiling corporations in this way, media contributes to a shift in the role of the DS, which used to mobilize news of development projects to gain its local social base. Instead, this new form of state appears to be sending out invitations to mainly international business organizations by promoting their profile in national media.

When addressing the reasons for the shift toward PPPs, media narratives point out three prominent reason to shift to PPPs model of public financing: 1) to expand public development, 2) To increase efficiency and reduce project delays 3) to reduce existing national debt.³¹ However, there are critical literatures on PPPs that conceptually and empirically argue that PPPs are more beneficial to the private sector than to citizens and their respective governments. For example, Eurodad's Romero writes that "private finance only provides about 15–20 per cent of total infrastructure investment." In the same report, she suggests that infrastructure PPPs can actually more expensive for developing nations.³²

The Ethiopian DS model is illustrative of the hegemonic role the nation-state plays in planning and implementing the macroeconomic life of the country. The development project unfolds from which the state derives legitimacy and excludes the participation of the masses. It is worth asking, how the transition into PPPs envisions to grant meaningful political participation of the instrumentalized and demobilized citizens of the DS. How are citizens part of this change in the role of the state and liberalization of the economy? How are the citizens' interest, of infrastructural development needs represented? How is the public in PPPs protected from possible extractive relations with local and international private sector? What is the political role and accountability of local and international

³⁰ Teshome, M. (2019) 'Workshop advances food fortification ', *Capital Ethiopia Newspaper*, 25 November,

³¹ Astatike, D. (2019) 'The aim of the PPP is to expand public services, reduce project delays, and increase resource utilization and minimize debt stress,' , (Public-private partnership in store for Addis rail line"), 10 June, p2/2.

³² Romero, M. J. (2015) *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. Brussels: Eurodad. Pp4-5.

experts who take part in translating and recommending shift to PPPs in Ethiopia? All of these questions require a political dialogue that analyzes the shift toward PPPs not as a merely “economic” one but rather, demands an analysis of the political significance of this transition both at the national and global levels.

Although peripherally such a debate has been taking place by individual bloggers such as the views of Kibur Gena and Prof Alemayehu Geda who have different views of the opponents of the full and partial privatization of some of Ethiopia’s SOEs. This debate also played out in a Public Dialogue Forum organized by civil society organization called Forum for Social Studies (FSS) in April 2019.

III. Debating Privatization of State Owned Enterprises: Two views from Intellectuals.

FSS is an independent non-profit organization known to host Public Policy Dialogues and Debates on contemporary issues. On September 19, 2019 FSS held a public dialogue event in form of debate representing opposing views on Privatizing SOEs in Ethiopia as macroeconomic reforms of contemporary state.³³ National privatization scheme of SOEs or Public enterprises. Dr Brook Taye’s who is currently serving as a Senior Advisor to Ethiopian Ministry of Finance presented the views in favour of PPP. Ato Kebour Ghenna an entrepreneur and a public intellectual presented a critical view.

The PPPs Promise: To Minimize debt, increase efficiency and generate capital

The adoption of the PPPs in Ethiopia aims to reduce Ethiopia’s increased external debt, increase efficiency of various sectors and expand public service. According to Dr Brook, PPPs promise to bring about “efficiency” and to reduce debt.

Problems related to project delay and debt stress are the driving factors of the shift towards fully and partial privatization as reform measures targeting SOEs in Ethiopia. Biruk Taye (Phd)³⁴ points out three main driving reasons that have shaped the Ethiopian state to carry out macroeconomic reform of privatizing SOEs.

1. Most SOEs have accumulated debt and are not profitable and hence become fiscal burden to the government. For example, Brook notes that PEs hold 48 percent of foreign loan the central government acquired between 2014 and 2019. The Energy sector (EEP) and Sugar Corporations have 400, billion ETB in debt in commercial loans.

³³ <https://www.fssethiopia.org/index.php/2019/09/23/public-dialogue-on-privatization/>

³⁴ <https://www.youtube.com/watch?v=-SVC9amFVrw>

2. SOEs project completion delays and poor performance have led to delay in debt repayments and over indebtedness.
3. Most SOEs have suffered from lack of capital to carry out further infrastructural development in their respective sectors.

Regardless of these challenges the government has not decided to terminate the services offered by SOEs. Rather, Brook points out that the government continues to subsidize SOEs due to the social relevance of their services. For example, the government will not cut power by noting that EPP has not paid its both international and national debt. Rather the government subsidizing it temporarily. In that context Taye asks how is Ethiopia to continue to accumulate debt and remain unprofitable? According to him PPPs offer a potential alternative to finance most SOEs that can even cover their past debts.

Brook argues that current assessments by the Ethiopian ministry of Finance show that most of SOEs are not profitable to both the public and government. The PPPs model is part of the reform agenda that is being considered. In an interview he gave to the Reporter News Paper in December 19, 2019 Brook Taye described Ethiopia's current economic model as "pragmatist". In that interview, journalist Birhanu Fekade asked Brook Taye "What exactly is the core agenda of behind privatization in the first place?" Brook responded that he did "not think there is a privatization agenda. There is a misunderstanding, there. The agenda I know is the reform process on the SoEs. That is the agenda."

I don't see it as a privatization agenda that the government is working on, rather it is more of a SoE reform agenda. But, in the discussion panels that I have attended and the argument I heard from some people completely misses the mark. When you talk about the sugar sector privatization, the attempt made so far to make sure that Ethiopia is both self-sufficient and hard currency generating country from export of sugar has not been successful... ***government, as a regulator, work with private players in a very transparent way and generate revenues from those properties to utilize that finance on other infrastructure.*** (Fikade, 2019).

For Brook a pragmatic economic model means redefining the role of the state by limiting it to act as a regulator who partners with the private sector. However, the terms and goals of this partnership are vague. In another similar interview when asked about the life-span of the new homegrown economic reform he explained further: "... most of the SOEs were created during the time of His Majesty Haile Selassie in the 1940s. They need to be recalibrated and we need to know what they have at their

warehouses. “*I think this all relies on what individuals could do. If we really work hard and dedicate ourselves to make sure that it is a reality, three years is a lifetime.*”³⁵

A fundamental assumption behind the new economic reform agenda is that there is a need for a dedicated individual to make it a reality. But a reality for whom and to what end? PPPs are the economic reform that has been pushed by IFIs through incentives given and promised by international monetary institutions and foreign private companies. I am curious about whether the existing macroeconomic challenges of the country listed as increased debt, inefficiency and lack of capital for investing in infrastructure, are to be fulfilled by involving profit-seeking PPPs SOEs.

Defining the state as a regulator that operates with private actors and dedicated individuals to transform macroeconomic ills of the country implies a passive public. Therefore the public is almost absent analytically and politically while carrying out a macroeconomic shift of such magnitude.³⁶ However, critical literature on PPP urges government bodies to pay attention to adverse history of PPPs model of development financing as its adverse operational and financial impact may affect generations to come.³⁷ Since with the failure of the PPPs there is a probability that the public sector is to carry the debt burden. Brook’s promise of PPPs’ positive impact seems to be a common feature in the introduction of PPPs in other developing contexts. As argued by Romero, “all too often PPPs suffer from an ‘optimism bias.’” She explains this as a consequence of “weaker incentives for rigorous analysis on both the private and the public sector sides.”³⁸

Cautionary voices can initiate further public debates and dialogue on PPPs and the possible positive and adverse impacts to the economy and politics in Ethiopia. Ato Kebede Ghenna is one of them.³⁹ He has been a constant critic of the economic reform agenda in Ethiopia. Contending Dr Brook’s view in FSS’ public debate, he was critical of the proposal to privatize Ethio-telecom, one of the country’s SOEs. He pointed out that the institution was monopolized by the Ethiopian state for over four decades and that for developing countries like Ethiopia, strengthening PEs was matter of national sovereignty. De-nationalizing SOEs such as Ethio-Telecom needs to be considered as issue of national sovereignty. According to Kebede Ghenna, when we allow most of PEs to be controlled

³⁵ <https://www.thereporterethiopia.com/article/economic-pragmatist>

³⁶ <https://www.thereporterethiopia.com/article/economic-pragmatist>

³⁷ Romero, M. J. (2015) *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. Brussels: Eurodad. PP7.

³⁸ Romero, M. J. (2015) *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. Brussels: Eurodad. PP7.

³⁹ <https://www.youtube.com/watch?v=-SVC9amFVrw>

by foreign forces we will lose our independence. Ghenna points out that for most of developed nations; privatization of SOEs was a matter of local-national policy options. However, for developing nations SOEs privatizing has always been pushed by IFIs to open national – public enterprises as solo sites of profit-making for foreign and local investors.

According to Kebour, it is a mistake on the part of the current government to views the solo role of PEs to be profitable. SOEs not only profit making enterprises but also are also a site a site where the public gets accesses to services from those SOEs which are subsidized by the state for their service. Once they are privatized there is no way that the public could claim for subsidized amount of estimation of cost for the service they consume leaving the public to enter profit making driven market relations within SOEs. Kebour Ghenna argues that beyond trading with national- sovereignty, privatizing SOEs will affect the right of the public to get services from these institutions and hold them accountable. He noted that turning SOEs into Private entities (be it fully or partially) transforms the nature of the social relations these organizations and the public. This change, transforms the historical role of the state, while assigning a hegemonic role to the private sector and imposing a profit-making ethos. For Ato Kebour Ghenna, once we are privatized there is no going back, hence all other alternative options to tackle the debt issues needs to be exhausted before privatization.

Kebour Ghenna goes on to suggest alternatives ways to solve internal and external debt, lack of foreign currencies and poor performance. For example, using remittances to gain more given that Ethiopia receives up to 3-billion dollars in remittances annually.⁴⁰ In his conclusion he asked if this government's mandate to privatize SOEs was a unanimous decision. For him, the issue of public accountability is crucial. Even though there is a special advisory council for the privatization process, such council has not produced any public study or report. For Kebour Ghenna, the talk of accountability is more rhetorical than any substantial practice of transparency, he concluded.

IV. Energy for Sale:

According to Brook Taye, the energy sector is among the most indebted. He raised the case of Ethiopian Electric Power (EEP) as the most indebted SOEs while discussing PPP model of financing as the new re-structuring measures of SOEs. The re-structuring of the EEP is being driven by two intertwined expectations. First that it will enable EEP to reduce its debt. Second that it will allow EEP to expand electricity to sections of the society who do not access have electricity yet. EEP is

⁴⁰ <https://www.fssethiopia.org/index.php/2019/09/23/public-dialogue-on-privatization/>

adopting PPP model as an alternative financing in order to expand.⁴¹ According to the government narrative, EEP's past debts and future investments are up for sale. The sales of various energy typologies are expected to both ease EEP's past national and foreign debts and build EEP's capacity to invest more on its future expansion projects.

Noting this shift merely as macroeconomic policy shift is the shortcoming of the current reform process. Taking all of these measures, inviting foreign private actors in to sectors like Energy to what end? How is the general public which eventually will be affected positively or adversely by these macroeconomic shifts consulted? Have their needs been analyzed? In this sense then there is a striking similarity with the previous DS model, which gained 6-digit economic growth and where the state had a hegemonic role both over the private sector and the general population(Arkebe Oqubay :2017). Yet this growth was not for the masses, it was rather achieved by peripheralizing the masses through massive land eviction programs for investment, which culminated with waves of protests in the country for human rights abuses and economic benefits. These protests evidently resisted the logic of economic growth without benefiting the general public, hence protests since 2015 lead to change for government the leadership in 2018.

What lesson did the current macroeconomic reform took from recent history? Short-term gains of economic growth or even debt relief may not sustain the already existing structural contradictions that may make growth a possibility in the short term. This contradiction lays at the heart of a classical question of who decides about the use of what resource and for what end. The kind of pragmatism is not considering the general public.

A brief analysis of media narratives on PPPs in the Energy sector illustrates the ways in which Energy sector is being promoted for sell through PPPs. Media coverage is directed at the private sector, seeking potential buyers. Multinationals, international advisors and government officials appear as key actors. This sheds light on the absence of the public, and public interests in media coverage.

The Table below is composed as a summary of how PPPs in the Energy sector are presented in newspaper and social media outlets in a manner that foregrounds, the main actors included in the media. The main actors are the government institutions, IFIs and foreign investors who have expressed interest to buy and sell different types of energy to some specific regions. Energy users are a category that lays in the background whose interest are assumed to be represented by the

⁴¹<https://www.capitalethiopia.com/capital/investors-ask-to-shed-light-on-solar-project/> 2/2

government. Moreover, the potential significance of these energy projects is rarely framed in terms that refer to ordinary citizens who are to consume the energy services.

DRAFT for discussion

Table 1: Promoting the Energy Sector under PPPs: Review of Promotional PPPs

Energy Type	Aggregate amount , the sum total of all energy projects related to one type of energy	Location of the project	Public institutions Involved	All IFI promoting the given energy type and foreign national states	End users
Wind Power	11	Afar and Somali region	Minister of Finance	Denmark, Ministry of Foreign Affairs of Denmark	Not mentioned
Solar Energy	24	Afar and Somali Region , Debire Birhan and Dire Dawa	Minister of Finance	1.The state of Saudi Arabia 2.International Finance Corporation 3 World Bank Group (WBG)	Not mentioned
Geothermal	Not mentioned	Afar and Somali Region , Debire Birhan and Dire Dawa	Minister of Finance	-Denmark, Ministry of Foreign Affairs of Denmark -CORBETTI Geothermal	Not Mentioned
Hydro power	1		Ethiopian Minister of Water and Irrigation	-World Bank Group and World Bank Energy Specialist,	Not mentioned

without the public in print media in Ethiopia.

In the predominant media narrative, accountability is not linked to communities or energy users but to governments and profit-making corporations. It is in this sense that it is necessary to highlight the invisibility of the public, and its potential substitution by few government offices as sellers. Most Energy sector PPPs are in the promissory stage illuminating what is up for sale, which projects have gained the attention of international private companies, and the kind of External support the sector is gaining from international monetary organization such as WB and International Finance Corporations.

For undergoing this policy shift- opening the sectors for private sector, the table also illustrates that public institutions that are involved in developing regulatory frameworks and handling initial negotiation with foreign investors in contrast consumers and end users of a particular goods and services are rarely mentioned in the reviewed media outlets.

Among local actors only officials at the MoF and EEPs are cited in almost all media outlets. It is this peripheralization of the general public from consultation, debate, negotiation of the public for societal equity issues in an ongoing process of policy transformation, rather deciding on behalf of the “public” under the guise for economic growth that is a similarity and continuity between DS and PPPs in Ethiopia. Taking the public part of the PPPs for granted is very evident in the ways in which PPPs are represented in media narratives where the two important actors are government officials and the private sector, as the key actor to transform the macroeconomic problem of debt and future investment. The only place the local aspect of the economy is mentioned is when discussing potential sites of operation or when describing potential consumers as market niches. For example in *The Reporter Ethiopia* (Birhanu Fekade, 2019) mentions Afar and Somali Regions as mere site of project location for two solar energy projects under IPP agreement. Why these two locations for these specifics types of energy and who is to consume the energy to what end isn’t discussed.

V. Concluding remarks: Uncertainties as generative sites for PPPs in Ethiopia

Although the discussion on PPPs in Ethiopia currently denotes moving away from the DS model, the transition is not devoid of the hangover of the previous model. Such trend is particularly evident in constituencies of PPPs board members.⁴² Populating the Advisory Council on PPPs by government assigned personnel shows that there is a less substantive shift from the DS model to PPPs. The politics of representation of the public has not shifted despite the powerful protests prior to 2018.

⁴²<https://www.thereporterethiopia.com/article/major-power-highway-projects-valued-usd-65-bln-approved-ppp>
[2/15](#)

The protests expressed a growing economic and political marginalization marked by gendered, ethnic and regional inequalities that were fueled by the economic growth for the “masses of peasants” model of the Ethiopian DS. Although PPPs are seen as an opportunity to minimize Ethiopia’s external debt, the public interest is not yet adequately considered to work towards to a systemic and democratic inclusion needs protecting the public from extraction by foreign and local private actors whose interest profit-making. Without sufficient public engagement the implementation of PPPs may lead to a phenomenon of state capture by the private sector and IFIs.

There needs to be a thorough debate about the implementation of PPPs. It is necessary to really discuss whether PPPs are the only model of financing of public sector current spending, past debt and future investment. The current government of Ethiopia is wholeheartedly embracing the push from WB and IMF to open up, privatize SOEs and reduce national debt. At the same time it needs to account for the way this new model will change the political and social fabric of the country.

There is also a need to further scrutinize reports by IFIs and comments by high-ranking IFI officials which simultaneously praise Ethiopia’s “un-orthodox”⁴³ DS model and push for liberalizing the economy. Perhaps adopting a critical perspective and slowing down the process of the economic reform to investigate what could be the best option to re-think public service and infrastructural development options between these two models which are not so dissimilar in the politics of marginalizing the public.

The uncertainties towards PPPs in Ethiopia emerge from the lack of public accountability whereby current government continues to take measures while the public is not fully engaged.⁴⁴ The macroeconomic shift has a top- down approach and hence disguises the possible impact of these shifts on the daily lives of people. Are citizen’s interests being considered in this process of reform?

⁴³ https://www.youtube.com/watch?v=tPKMUd_3nnk

⁴⁴ ABIYE, Y. (2019) “Saudi Energy firm awarded to set Solar Project under PPP”, Retrieved from *The Reporter*, 14, September, p1\2.

<https://www.youtube.com/watch?v=o5TVk48Z194>

<https://www.thereporterethiopia.com/article/major-power-highway-projects-valued-usd-65-bln-approved-ppp/2/15>

https://www.youtube.com/watch?v=tPKMUd_3nnk

Their perspectives are not analysed beyond few critical local experts whose voices are marginal both in the private media outlets and government media houses.

End Notes:

DRAFT for discussion

References

Newspaper and Blog Articles

ABIYE, Y. (2019) “Saudi Energy firm awarded to set Solar Project under PPP”, Retrieved from *The Reporter*, 14, September, p1\2.

Astatike, D. (2019) ‘*The aim of the PPP is to expand public services, reduce project delays, and increase resource utilization and minimize debt stress,*’, (Public-private partnership in store for Addis rail line”), 10 June, p2/2.

Ethiopian Energy & Power Business Portal, (2020) “Ethiopian Council of Ministers Approved the Power Purchase Agreement with CORBETTI Geothermal”, Written by eepB, Published: 15 June

Ethiopian Energy & Power Business Portal (2018) “Denmark and Ethiopia Expand Cooperation on Wind Energy”, eepB, Published: 28 October

Ethiopian Energy & Power Business Portal, (2020) “Ethiopian Ministry of Finance Approves Five Wind Farm Projects for PPP Investment”, Published, 23 April

Ethiopian News Agency (2019) ' Gov't Speeding up Procurement of 17 PPP Projects ', Retrieved from *The Reporter*, 18 June,

Fikade, B. (2019) ppp-approves-six-solar-projects-worthusd-800-mil
<https://www.thereporterethiopia.com/article>, 19 January.

<https://addisfortune.news/bill-to-liberalise-investment-laws-reaches-council-of-ministers/>. Addis Fortune, Vol. 20, No. 1021, Sunday November 24, 2019.

<https://www.capitalethiopia.com/capital/investors-ask-to-shed-light-on-solar-project/> 2/2

<https://www.codesria.org/spip.php?article2915&lang=en>

<https://www.opride.com/2018/04/03/englishpartial-transcript-of-ethiopian-prime-ministerabiy-ahmeds-inaugural-address/>

<https://www.theguardian.com/world/2018/jul/08/abiy-ahmed-upending-ethiopian-politics>

<https://www.thereporterethiopia.com/article/economic-pragmatist>

<https://www.thereporterethiopia.com/article/saudi-energy-firm-awarded-first-solar-project-under-ppp>

Seyoum, A. (2018) ' Departure from developmental state', <https://www.thereporterethiopia.com/article>, 17 November, 89

Teshome, M. (2019) 'Workshop advances food fortification ', *Capital Ethiopia Newspaper*, 25 November,

Books and Journal Articles

Dessalegn, R. (2009). *The Peasant and the state: Studies in Agrarian Change in Ethiopia 1950s-2000s*. Addis Ababa University: Addis Ababa University Press.

Ellecn C. Z. (1964-2016). *Ethiopia in Theory: Revolution and Knowledge production*, Leiden: Birll Historical Materialism 201: 179

Hauge, J. and Chang, H-J. (2019). "The Concept of a 'Developmental State' in Ethiopia." In F. Cheru, C. Cramer and A. Oqubay (eds.), *The Oxford Handbook of the Ethiopian Economy*. Oxford: Oxford University Press.

Mkandawire, T. (2001). *Thinking about developmental states in Africa*. Cambridge Journal of Economics, 25(3), 289-313. www.jstor.org/stable/23600389

Mulegeta G. B. (2020). *Laying the Past to Rest: The EPRDF and the challenges oEthiopian State-building*. London: Hurst& Company 2020, 230.

Oqubay, A. (2015) *Made in Africa: Industrial Policy in Ethiopia*. Oxford: Oxford University Press, 4

Romero, M. J. (2015) *What lies beneath? A critical assessment of PPPs and their impact on sustainable development*. Brussels: Eurodad.

Yonas, A. D. (2018). *When Theory Misses History a review of a book entitled State and Economic Development in Africa: The Case of Ethiopia* by Aaron Tesfaye the African Review of Books under CODESRIA.

ONLINE SOURCE

<https://www.fssethiopia.org/index.php/2019/09/23/public-dialogue-on-privatization/>

Oqubay, A. (2017) , <https://www.youtube.com/watch?v=o5TVk48Z194>

DAWN Discussion Paper #28

©2020 by DAWN under a Creative Commons
Attribution-NonCommercial-NoDerivatives 4.0
International license. (CC BY-NC-ND 4.0)



www.dawnnet.org