



ADDIS ABABA UNIVERSITY
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PUBLIC-PRIVATE PARTNERSHIP: AN INNOVATIVE FINANCING STRATEGY
FOR AFFORDABLE HOUSING IN ADDIS ABABA CITY ADMINISTRATION

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MAY, 2025

ADDIS ABABA, ETHIOPIA

DECLARATION

I, the undersigned, declare that this is my original work, has never been presented at this or any other university, and that all the resources and materials used for the dissertation have been dully acknowledged.

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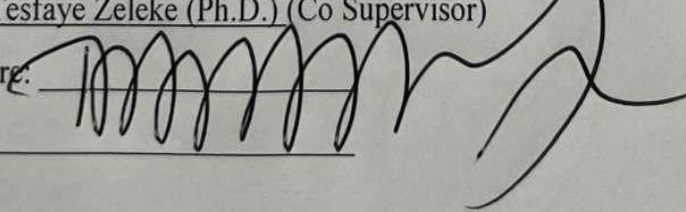
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DEDICATION

I dedicate this work to my grandmother, Ife Daadhi.

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I have followed all ethical principles of research in all processing of this study. I affirm that this dissertation is my original work with my signature below. I have never given a presentation at this or any other university, and the dissertation tools and materials were an inspiring.

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LIST OF ORIGINAL PAPERS

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ACRONYMS

AAGHP	Addis Ababa Grand Housing Program
BOT	Build Operate Transfer
BOOT	Build Operate Own Transfer
CBO	Community Based Organizations
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CSA	Central Statistical Agency
DBOT	Design Build Operate Transfer
DFBO	Design Finance Build Operate
FEDRE	Federal Democratic Republic of Ethiopia
GDP	Growth Domestic Product
GLSH	Government- Land Based Subsidized
HSB	Housing and Savings Bank
IHDP	Integrated Housing Development Program
IMF	International Monetary Fund
MDCH	Mixed Development cross-subsidized Housing
NGO	NON-Governmental Organization
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PFI	Private Finance Initiative
PPP	Public-Private Partnership
RII	Relative Importance Index
SPV	Special Purpose Vehicle
TLI	Turker Lewis Index

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ABSTRACT

The challenges associated with providing housing in urban centers have turned in to an overwhelming burden due to the lack of financing capacity of local governments. Nowadays, countries have considered the private sector's involvement to finance housing provision through Public-Private Partnership arrangement. In Ethiopia the efforts of affordable housing provision exacerbated by the financing shortage and the soaring inflation which requires policy attention. Whereas, the increasing demand for housing due to rapid urbanization and population growth made the efforts of housing provision a difficult task. Although, Addis Ababa City Administration has been trying to tackle housing shortage over the past twenty years through Integrated Housing Development Program the achievement was far behind the target set by the city. Recognizing this drawback, the city has decided to engage the private sector in the efforts of housing provision through the Public-Private Partnership arrangement. The study adopted a pragmatic philosophical approach. Moreover, sequential mixed explanatory approach was utilized to get into the insights from the large number of respondents through surveys, allowing for a comprehensive understanding of the theme through qualitative data. The findings of the study shown the project initiation, resource allocation, and signing of the contract document were areas of good performance. However, lack of participatory risk identification, failure in clearly identifying the deliverables, and the delay in starting the construction were weakness observed. Moreover, private partner's engagement shown lack of transparent competitive procurement which fails to reflect the true offering of the market. On the other hand, the partnership effort faced challenges like funding constraints, lack of targeted incentives, weak institutional capacity, and the private sector's inability to raise the initial 30% of the project cost. Likewise, with regards to finance and risk sharing Public-Private Partnership appears a feasible financing option. Finally, the research recommended the implementation of Transparent Land Based Housing Financing Model. To achieve efficiency in the public-Private Partnership implementation ensuing competitive procurement, enhancing institutional capacity and participatory risk sharing strategy are emphasized.

Keywords: Challenges, Financing, Housing, Opportunity, Public-Private Partnership, Risk, Transparency, Addis Ababa, Ethiopia.

CHAPTER 1: GENERAL INTRODUCTION

1.1 Background and Justification

Housing provision in urban centers became a serious challenge because of increasing housing demand due to rapid urbanization, population growth, and backlogs (Gizachew et al., 2022). Besides, funding constraints, high interest rates, high land acquisition cost, and collateral issues deterred individuals' self-support efforts (Ofori, 2024). This situation is exacerbated by the government's inability to finance housing programs (Owotemu et al., 2022). As a result, governments are increasingly interested towards private sectors engagement in the housing provision in the public sector through Public-Private Partnership (PPP) (Catala et al., 2025). Globally more than half of world population were living in urban centers and this figure projected to shift from 56% in 2021 to 68% in 2050 (UN-Habitat, 2021). This significant shift in urban population will be doubled in Africa by increasing from 700 million in 2020 to 1.4 billion in 2050 (UN-Habitat, 2024). Therefore, rapid population growth is adding up a new demand on the already scarce housing supply (Fikir, 2024).

PPP has a long history in the Western Countries mainly the UK, Netherlands, and US dating back to the Middle Ages (Adamou et al., 2021). Although, it has a long history it regained its prominence in the 1980's and 1990's in the United Kingdom and United States of America (Kang & and Vedlitz, 2025). Countries from the developing nations are increasingly engaging in to PPP which indicates public sector's intention to increase the role private sector in infrastructure provision (Calugareanu & Bulat, 2022; Pianezzi et al., 2023). However, PPP success depends on the capacity of the public institutions in effectively implementing it (Calugareanu & Bulat, 2022). As a result, implementation of PPP witnessed a mix of success and failure depending on the execution capacity at the project level, economic and political circumstances (Nelischer, 2024).

Despite the attempts made by governments to reconcile the disparity between housing demand and supply the efforts fell short of meeting the demand (Mansilla & Vassallo, 2020). Moreover, in 2024 50.5 million people in Africa left without affordable housing options, and globally this pressure will leave an estimated 3 billion middle-income residents without affordable housing options by 2050 (ADB, 2022 and UNHabitat, 2020). Therefore, to cope with this situation governments opted to PPP as a housing financing option (Castelblanco et al., 2025). Though, degree of engagement in to PPP and success varies across the spectrum countries like UK, Uruguay, and Ghana PPP has implemented it (Sheppard & Beck, 2025, Koppelman, 2025 and, Osei-Asibey et al., 2025).

Similarly, Ethiopia is facing a significant demand and supply disparity experiencing high demand and supply gap due to population growth and rapid urbanization at a rate of 5.4% annually. This situation is worsened by the limited government's financing capacity to support the housing development (Teklay & Genovese, 2024). In urban Ethiopia lack of access to affordable housing has become a serious challenge affecting the lives of million's people (Asnakew & Amogne, 2022 and Ayenachew & Abebe, 2024). According to the Center for Affordable Housing Finance in Africa, urban centers in Ethiopia requires the construction of 471,000 houses per year to address this issue. However, this has not been achieved so far (CAHF, 2022a). To mitigate this problem IHDP were launched in 2005 and delivered 350,000 condominium houses in Addis Ababa (Keller & Mukudi-Omwami, 2017, and Zhang et al., 2019). However, this achievement was far behind the demand forcing government to look for other housing financing option (Matsumoto & Crook, 2021). Therefore, to overcome this finance shortage the city administration implemented PPP (Getachew, 2022).

The study focused on the critical housing deficit of the Addis Ababa City Administration. While PPP is utilized as a housing finance alternative, its theoretical foundations are rooted in the context of the Western Countries, where a well-established institutions, stable and predictable governance serve as essential prerequisites (Liu et al., 2022 ;

Gaievska et al., 2023). However, in the case of developing countries these elements are lacking and the study assesses how PPP become successful in this context (Ogunsola et al., 2024). Further, in Ethiopian context there is no scholarly studies conducted on the implementation of PPP for housing development. Therefore, the study addressed the implementation of 70/30 PPP model, the challenges and factors that affects its success in the housing sector (Firmino, 2018).

Therefore, this study focused on the application of PPP legal and institutional framework in the housing development in Addis Ababa context as an innovative financing approach. In addition, the challenges, and opportunities in implementing PPP housing was assessed, Factors of private sector engagement analyzed, and the effect institutional capacity on PPP implementation were addressed. Finally, the implementation of PPP model was analyzed and Transparent Land Based PPP Housing Model was suggested.

1.2. Literature Review

PPP is a collaborative between the public and the private sector for financing, risk sharing and achieving efficiency in the public sector (ADB, 2022). In this section the concept of PPP will be defined, conceptual frameworks and empirical literature addressed.

1.2.1. Definition of concepts

The study incorporated conceptual definitions from multiple scholars in order to investigate the theme pertinent to the research. Consequently, for the purpose of this study the concepts have been elucidated as follows.

Affordability is to increase access to medium-quality housing for average-income earners of society and that their income can support repayment over a long period of time without jeopardizing other necessities of life (Kalu et al., 2021).

Housing finance is a method in which Public-Private Partnership arrangements, banks, and finance institutions provide finance through lending, or covers the project's cost so that to recoup the investment return from the sale of the part of the constructed building units or from rent.

Innovative financing is financing the housing development from non-tax financing means for instance Public-Private Partnership (ADB, 2022).

Market maturity refers to the development level of the investment willingness of the financial market, the feasibility of financing and the profitability of the project (Song et al., 2023).

Model is a framework which helps to guide the implementation of Public-Private Partnership.

Partnership is a collaboration between parties willing to work together by putting resources together for achieving a common goal (World Bank, 2022).

The private sectors are those who run their own business and serves as a source of capital, tax revenue, and technical innovation, and it is one of the key economic drivers (Liu et al., 2022).

Public-Private Partnership (PPP) is long-term contractual agreements between the public agencies and private enterprises aiming at financing the housing construction, risk sharing and achieve efficiency (Simamora, 2023 and Cassady et al., 2020).

Public Sectors are government institutions which directly or indirectly involved in the affordable housing provision (World Bank, 2022).

Value for Money is the strategic allocation of public resource in collaboration with the private sector, aiming to enhance efficiency while minimizing costs and ultimately attaining the desired results (Wibowo & Hartiati, 2023).

The concept PPP implementation is widely used to refer to the processes of financing public sector projects through engaging the private partners (Amedanou, 2023). The significance of PPP grew during the 1990s when the United Kingdom implemented it to

fund public sector investments and minimize borrowing under the leadership of Margaret Thatcher, alongside the attention given to PPP in the United States by President Reagan (Kirby, 2020). In this regard, PPP has shown a potential for achieving a sustainable development in the affordable housing provision through ensuring the participation of the private sector, the society, NGO and the public sector (Fell & Mattsson, 2021). This effort can sustainably be realized in the housing provision of Addis Ababa City Administration if transparent procurement ensured, and trust built with the private partner (Ismail et al., 2019). The challenge of establishing trust must be improved through the development of an enabling legal and institutional framework and ensuring that investments from the private sector are protected (Nelischer, 2024). Therefore, PPP implementation requires more commitment than rhetoric actions because failure to meet these issues deter the private sector engagement (Ilgenstein, 2022).

1.2.2 Theoretical framework

In order to evaluate the efficacy of Public-Private Partnerships (PPP) in the housing provision, this study employed Institutional Theory, Principal-Agent Theory, Incomplete Contract Theory, and Transaction Cost Theory.

Institutional Theory- the study is grounded in neo-institutional theory, a subset of institutional theory that provides a comprehensive framework for analyzing the characteristics of project-based organizations and the managerial behaviors that emerge within them (Qiu & Chen, 2023:1). Neo-institutional theory emphasizes the importance of legitimacy, positing that organizations must prioritize compliance with established norms alongside operational efficiency. This theoretical perspective allows us to assess how economic conditions, public policy frameworks, governance structures, legal, and political situation affect organizational behavior and practices affecting institutional performance in PPP implementation (Sahin & Mert, 2023:1959).

Principal-Agent Theory centers on the contractual relationship between companies and contracting bodies, highlighting the separation of ownership and execution duties (Huang,

2025). Founded in the 1970s, this theory addresses the misalignment of interests where agents may not act in an optimal way leading to risks (Zogning, 2022; Mitnick, 2011). Jensen and Meckling (1976) expanded on this by highlighting the costs associated with agency relationships, emphasizing the need for principals to oversee agents' responsibilities. This theory is instrumental in supervising agreements between public institutions (principals) and private enterprises (agents) (Musawir, 2025). The core thesis of both theories was found to be instrumental for analyzing the dynamics between public institutions and private partners while engaging in contractual activities for the delivery of housing.

Incomplete Contract Theory - this theory was founded on the idea that the future cannot be fully predicted due to various economic and political influences (Nwangwu, 2022). As a result, long-term contracts are prone to being renegotiated and modified. Consequently, the parties involved in these contracts are unable to accurately anticipate what lies ahead, resulting in the incompleteness of these long-term agreements (Qing, 2023). While having detailed contracts enhances trust among stakeholders, inefficiencies in the contracting parties' ability to anticipate unforeseen risks potential conflicts may arise (Mwesigwa et al., 2020). PPP projects are typically of a long-term nature and are susceptible to changes and renegotiations due to evolving circumstances (Feng et al., 2022).

Transaction Cost Theory- TCT helps to predict and manage contracting parties efforts to maximize their gains from the transaction cost of the adaptive capacities and associated costs in a discriminating way (Cuypers et al., 2021). This assumption of bounded rationality states accessing and processing information has costs. Besides, information asymmetry creates difference among parties leading one party to take advantage over the other (Rindfleisch, 2020). The other assumption TCT raises is private partners looks for opportunity which is natural but actors may goes beyond this and might commit or make omissions that tilt payoffs in their favor (Chen et al., 2022). Therefore, TCT applied in this study to explain the cost of weak contract agreement and to develop mechanism to mitigate these issues.

Overall, these theories were employed to clarify themes corresponding to the five specific objectives. The Institutional Theory was instrumental in illustrating how the institutional capacity of PPP enhanced the effectiveness of public-private partnerships in the housing provision. Furthermore, Principal-Agent Theory was utilized to analyze the dynamics between the public and private sectors. In addition, Transaction Cost Theory played a crucial role in assessing the challenges associated with PPP procurement. Lastly, Incomplete Contract Theory was used to explore how PPP institutions addressed uncertainties and risks related to the implementation of PPP.

1.2.3 Empirical literature

Selection and implementation of the right PPP model for the project under consideration is critical which in turn depends on having capable public institution (Risi et al., 2023). In many countries where PPP successfully implemented the role of having an institution which can initiate PPP projects by participating the stakeholders, undertake proper feasibility study, and select PPP approach that fits the project under consideration is critical (Permatasari et al., 2020). In situations where public institutions capable of preparing proper feasibility study, ensure transparency, and participatory risk allocation PPP success can be achieved (Saad et al., 2021).

However, weak institutional capacity leads to project failure (Casady & Peci, 2021). In situations where public institutions possess the capability preparing proper feasibility study, the assurance of transparency and the allocation of risks in a participatory manner among partners fosters success (Hammond et al., 2022). Moreover, regulatory framework plays a critical role in creating the basic guidelines, and providing guarantee mechanisms of reimbursement to the private partner in situation where the contracting public agency failed to fulfill its duty (Akomea-Frimpong et al., 2024). In fact, legal framework serves as a means of establishing trust between the private and the public sector to guarantee the

effectiveness of the partnership agreement regardless of any change happened on the side of the government (Ghorbany et al., 2024).

Before proceeding to the decision of PPP implementation it is advisable to conduct public sector comparator in which value for money checked by considering the cost of similar completed projects. So that it will be compared to the cost of the proposed PPP project in addition to the risk transfer advantages, and decision will be made if the benefits outweigh the cost of its implementation (Al Saadi et al., 2024). On the other hand, making a comparison between running an investment through public finance and the value for money that can be achieved by financing investments through PPP gives clue whether or not the proposed partnership arrangement profitable or not (Bayliss & Van Waeyenberge, 2018). Therefore, after conducting the public sector comparator and if it appears feasible it is advisable to proceed with PPP (Mehkri, 2024).

Therefore, the major financing options of housing development are PPP, mass housing project, real-estate, individual self-help programs, and associations contribute in mitigating the challenges of housing provision addressed (Chen, 2025, and Hassoon et al., 2025). Based on the goal of this housing supply modalities those which serve the low- and middle-income groups are the mass housing and PPP housing program. The remaining modalities serves those who can pay. Therefore, the ultimate goal of real-estate developers is making profit by selling houses to the market which lacks the aspect of affordability (Kesito, 2021). On the other hand, mass housing serves the purpose of constructing large number of houses, it faced challenges of limited finance, and inefficiency (Usman & Bawa, 2025). As a result, the feasible option in addressing the affordability issue while settling the finance limitation of the public sector and lack of expertise on the government side is PPP (Kang & Vedlitz, 2025).

To maximize the benefits of PPP conducting a detailed feasibility study becomes crucial (Wang et al., 2023). In this regard, the cost of investment compared to the expected return from such partnership engagement have to be assessed before applying it (J. Zhao et al.,

2023). This approach helps to minimize unnecessary risks at the pre-investment stage and to ensure the protection of the public interest prior entering into a binding contract agreement (Mehkri, 2024). In addition, effective management, stakeholders involvement, anti-corruption measures, effective resource allocation, and top management support determines the success of PPP (Alghuried, 2023). Further, trust is a pivotal factor, since the private sector will not invest its resources in public sector projects with longer payback periods unless it has faith in the system (Kang & Vedlitz, 2025).

However, lack of political support from the political body or unnecessary interference hinders PPP success (Mwakabole, 2019). Although PPP serves as a means of financing in the public sector, challenges emanating from the inefficiencies of the public sector itself, the market fluctuations, and corruptions leads to delays, cost overruns, and project failure harming the public interests in the end (Osei-Asibey et al., 2025). In addition, extended bureaucracy, lengthy approval processes, and lack of equal participation in risk sharing debate among partners are factors contributing to the failure of PPP (Maseke, 2023).

Furthermore, the implementation of PPP has issues of hidden costs, lack of accountability, and perceived high profit of the private partners which compromises its success (Liebe & Howarth, 2020). Added to this, the issue of inaccurate prediction of demand and failure to estimate the end user's capacity to pay leads to miscalculation of the financial return which raise the cost and ultimately affecting the viability of the project (Chilala, 2019). The other challenge of PPP is the incompleteness of its contract nature because of the fact that it runs over a longer period of time exposing it to changes in price as a result of macroeconomic, social, and political changes which forces parties to enter into renegotiation and in turn leads it to failure (Park, 2022).

Table 1. 1: Types of Public-Private Partnership

Category	Contract type	Ownership of capital assets	Responsibility of investment	Assumption of risk	Contract length
Service and management contract	Outsourcing	Public	Public	Public	1-3
	Maintenance management	Public	Public/Private	Private/Public	3-5
	Operational management	Public	Public	Public	3-5
Turnkey / BOT/DBF	Private sector design, finance and build. Public sector operates and maintain	Public	Public	Public	10 years +
Affermage/Lease	More risk transferred to the private sector	Public	Public	Private/Public	5-20
Concessions	Concession gives the private sector a concessionaire and the long-term right to	Public/Private	Private/Public	Private/Public	30-35
Private ownership of assets and PFI type	BOO/DBFO - build operates & until agreed profit secured	Private	Private	Private	10 years +
	PFI- Private sector take the initiative and develop a public infrastructure	Private/Public	Private	Private/Public	10-20
	Divestiture /privatization	Private	Private	Private	Indefinite

Source: Method Selection (Zhao & Ying, 2019).

The effectiveness of PPP can be enhanced by the selection, and implementation proper PPP models like the Build, Operate, Own (BOO), Build, Operate, and Transfer (BOT), Lease, (Soni & Das, 2023). As indicate in Table 1:1 above, types of PPP models having different purpose depending on the financing responsibility, risk sharing, and ownership which ranges from short periods ranging from 1 to 3 years to 30 years or privatization (Zhao et al., 2023). In the case of BOO, the private partner assumes the responsibility for the design, financing, construction, and maintenance of the new infrastructure and owns it until the private partner recovers its profit (World Bank Group, 2017). Similarly, in BOT the building, operation and transfer until the cost recovered is handled by the private partners and in the end the public sector will take over the asset (Alqahtani et al., 2024). The difference lies on who covers the finance for instance in BOO the private sector covers the finance whereas in the case of BOT the public sector covers the investment cost.

Successful development in the public sector can't be achieved by the resources from the public sector alone, rather it requires working in collaboration with private sector (Batra, 2022a). PPP has blended forms and these financing options are the collaboration between the NGOs, CBOs and the public sector for addressing certain issues, as well as tax base widening, using trust funds, pension funds, and land value captures are among the few. Whereas, PPP different from the other financing options it serves the purpose of risk sharing (Anbumozhi et al., 2023).

Successful implementation of these PPP models helped countries to finance public projects. In this regard, Kuala Lumpur City Hall (KLCH) in Malaysia is the first city council to adopt PPP and constructed 800, 000 houses in three years (Muhammad & Johar, 2019). These achievements indicates PPP implementation led city governments to deliver affordable housing provision through PPP successfully (Almeile et al., 2024). In the same way, Ghana have been able to attract \$9.9 billion from 1990 to 2020 from the private sector through PPP arrangement for infrastructure provision in the public sector (Akomea-Frimpong, et al., 2023). Similarly, Kenya financed twelve housing projected from PPP arrangements from 2014 to 2023 and so far the construction of 8,000 houses were completed (Mutwii & Wachira-Towey, 2024).

Countries are facing budget gap in financing public infrastructure. For instance, in 2018 African countries required 130 to 170 billion USD for infrastructure development whereas only 100.8 billion USD was invested. This indicated the continent faced 30% to 41% financial gap in 2018 (ADB, 2020). Moreover, in Nigeria there is a housing backlog of 16 to 17 million houses which requires \$140 billion dollar to fill this gap (Akande et al., 2024). Therefore, the governments are looking for housing financing options to mitigate this challenge (Ahmed et al., 2020).

Although, PPP is serving as a financial option its implementation is complex for it involves securing public interest on the one hand and the profit motive of the private partners on the other hand (Stafford & Stapleton, 2022). Therefore, to ensure the

effectiveness of PPP housing the partners should take the most caution regarding risk allocation process (Arijeloye et al., 2024). This can be ensured through participatory risk sharing to the party which can better bears this risks (Ojiako et al., 2025). In addition, clearly identifying the deliverables in terms of quality and quantity in the contract document prevents potential disputes (Lopez & Marakas, 2023). In this regard, having a clearly set target makes the efforts addressing housing supply challenge and protecting the public interest can successfully achieved (Kavishe & Chileshe, 2022).

On the contrary, failing to meet these requirements leads to cost and time overruns leaving the public to pay the cost of the failure (Du et al., 2018). In this regard, countries forced to shoulder the burden of paying the cost of failed PPP projects from the public budget (Liu et al., 2025a). The types of the risks that lead to failure are corruption, bribery, regime change, lack of competition, and lack of commitment from the government side which significantly affecting PPP success (Adabre et al., 2021). Therefore, political interference brings a major damage to PPP project. This indicates to have a successful PPP implementation unnecessary political interference has to be avoided and transparent procurement has to be ensured (Palcic et al., 2022). Besides, having an enabling legal framework is essential to meet these requirements.

1.2.4 Conceptual framework

Effective implementation of PPP requires harmonizing the competing interests of protecting public interest as well as profit motive of the private sector to achieve the goal of housing provision thorough partnership arrangement (Sule et al., 2024). The conceptual framework in Figure 1 indicates the relationship between the dependent and independent variables affecting PPP success. In addition, how these challenges could be managed in the housing provision of Addis Ababa City Administration. These challenges are mainly weak institutional capacity, non-transparent PPP procurement, and inadequate risk management hampering the effectiveness of PPP (Zulu et al., 2023a).

Therefore, this conceptual framework emphasizes the importance of having an enabling legal framework. This serves as a base for ensuring accountability in the PPP institutions. Equally, it demands to establish an empowered, technically capable, and having an institution committed towards principles of PPP. Moreover, before delving into PPP procurement it is imperative to see what other options are there in the market to finance the housing provision has to be checked by conducting public sector comparator. Therefore, finding of the public sector comparator serves as a base to proceed with or not to go with PPP implementation.

As stated in the Figure 1.1. below to ensure public interest at its best fair, transparent and competitive procurement is a prerequisite. This idea is about allowing the market to decide the equilibrium price in which the best offer can be obtained. Finally, after conducting transparent procurement ensuring participatory risk identification by jointly setting the mitigation strategies, and sharing risks to the partner capable of managing a specific risk helps to reduce future disputes. This principles of participatory risk identification and transparent procurement paves the way towards success (Nederhand & Klijn, 2019). Therefore, if public institutions provide all the necessary incentives, avoids information asymmetry, and clearly sets out the deliverables then the efforts of affordable housing provision through partnership becomes successful (Dao et al., 2020).

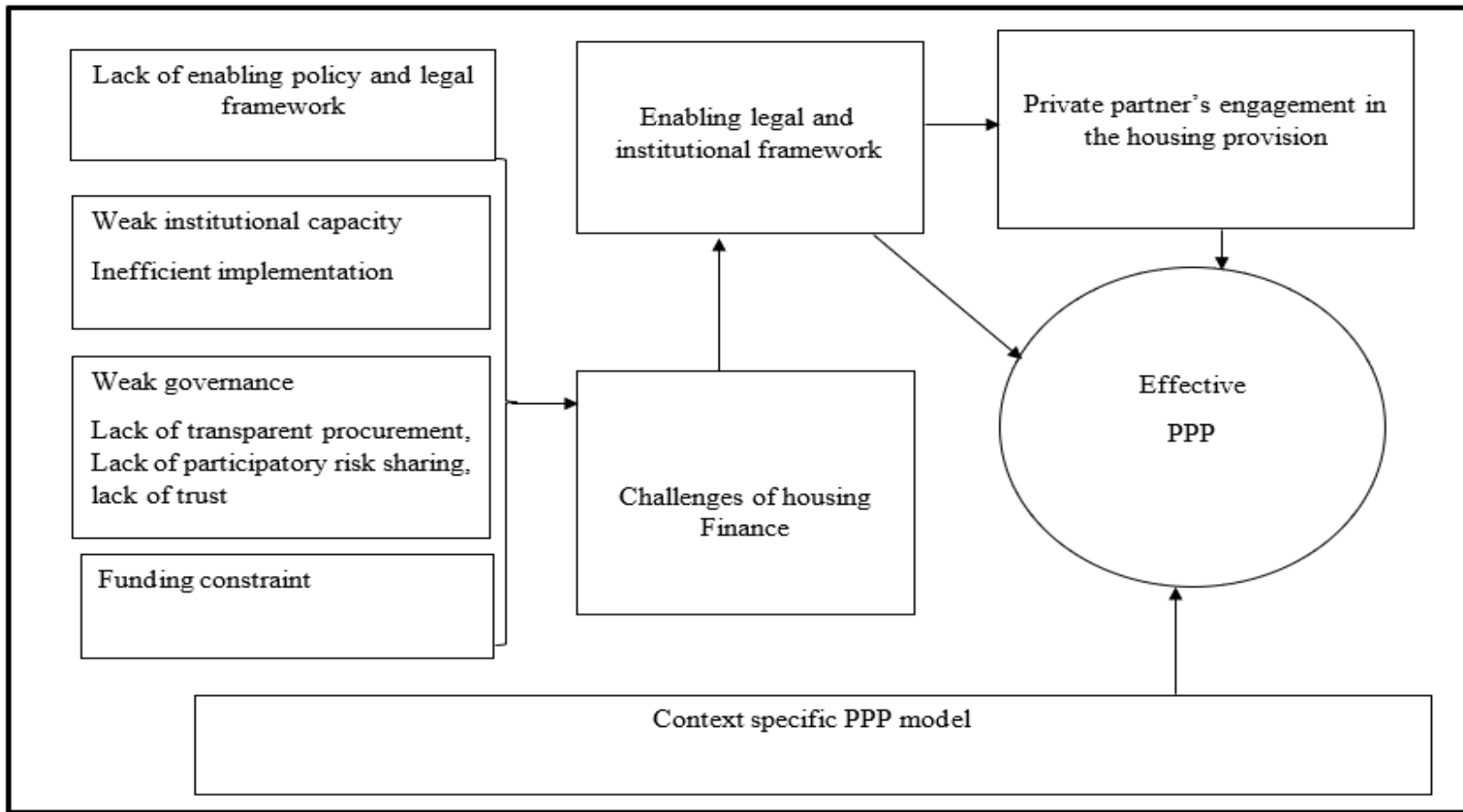


Figure 1.1 Conceptual framework

Source: Developed by the researchers (2024).

1.3 Statement of the Problem

Housing provision has become a critical issue in urban governance worldwide (Marutlulle, 2021). As reported by UN-Habitat (2022), almost 1.6 billion people globally lack access to safe, adequate, and affordable housing. Rapid urbanization, coupled with substandard housing, exacerbates challenges in urban centers. The ability to rent or purchase a house without sacrificing other living expenses for individuals has become unattainable which is affordability. Further, due to shortage of housing facilities more people live in a house leading to health issues and deprivation freedom (Lorenzen et al., 2022). Moreover, substandard houses having no toilets, access to water, and smaller size of less than 20m² to 30 m² per individual. For instance, in 2019, 47% of urban population in Africa resided in in substandard houses (Majale and Bamberger, 2021). The effort of governments to meet the ever-increasing demand for affordable housing hampered by the scantiness of finance. Therefore, many countries around the world considered private sector engagement in the housing provision through PPP arrangements.

In the effort of PPP implementation, European countries have benefited from partnering with the private sector through overcoming financial constraints in social housing provision. Ireland, for example, secured a substantial investment for social housing in 2020, while the UK has achieved economic and social objectives through PPP (O'Shea, 2024). The success stories in France, the Netherlands, and Belgium serve to underscore the promising potential of Public-Private Partnership in the realm of affordable housing development. Likewise, countries in Latin American faced challenges in providing adequate housing to the urban centers due to rapid urbanization, population growth, and limited resources. To address these challenges, Chile, and Argentine from Latin America, South Africa, Ghana, and Nigeria from Africa adopted PPP as an innovative financing approaches and engaged with the private partners for housing provision (Center for Affordable Housing Finance in Africa, 2023; Mansilla & Vassallo, 2020 ; Amoah, 2023).

Despite these advancements, lack of finance for affordable housing continues to pose a significant challenge in meeting the demand for affordable housing specially in the developing countries. In Ghana, for instance, the engagement of local private sectors and international financiers to construct 200,000 housing units with South Korean STX group, and Brazil, China, and Italy through the facilitation of the UN-Habitat to build 13,000 flats considered as a sign of success. However, the largest PPP deal with South Korean company known as STX group which would have been expected to construct 200,000 houses faced time overrun in which a project signed in 2009 and for more than a decade no significant progress was made indicating the risk associated to improper partner selection (Akomea-Frimpong et al., 2022).

Although there are limited studies on PPP legal and institutional framework in the housing sector of Ethiopia, research conducted in 19 Latin American countries has shown that PPP is strongly influenced by the rule of law, quality of regulation, and institutional factors (Casady, 2023). Furthermore, PPP frequently fails due to the public sector's execution capacity limitations, lack of political will, and trust issues. Consequently, it is essential to analyze the effectiveness of the institutional and legal framework in facilitating the goal of achieving finance from PPP. Successful PPP agreements require more than just a political, legal, and institutional framework. It also necessitates highly skilled human capital, robust enforcement mechanisms, commitment, and audits system (Gaievska et al., 2023).

The challenges of the housing provision in Ethiopia are exacerbated by rapid urbanization and population growth. The government has tried to address this issue by launching mass housing construction approach called IHDP. However, the efforts of the two decades fell short of the increasing demand for housing, then the government opted for utilizing potentials of PPP as a housing financing strategy in Addis Ababa City Administration. In Ethiopia, as a result of rapid urbanization there will be a housing backlog of 9.7 million as of 2037. To cope up with this difficulty the country needs to produce 471,000 new housing units annually, but only 165,000 housing units are constructed each year both in the urban and rural centers. As a result, currently the gap between the demand and supply is about

900,000 to 1,000,000 residential houses in Ethiopia (CAHF, 2022; Charitonidou, 2022; Kifle, 202; Mekonen, 2022; and JFI Social Wealth, 2023).

Despite the Ethiopian government's effort to construct houses through IHDP and self-help programs, there is a persistent shortage of affordable housing. Although the number varies in different documents in Addis Ababa the IHDP program delivered nearly 350,000 houses over the past 20 years. However, there is a backlog of nearly 800,000 houses leaving the new demands coming from population growth and urbanization. This situation highlights the presence of a substantial disparity between demand and supply caused by insufficient housing finance, bureaucratic inefficiency, and lack of technology appeared to be the major obstacles of addressing the issue (Mekonen, 2022; Kesito, 2021 and CAHF, 2024).

Given that, the construction and delivery of this much number of houses took 20 years and demanded 243.8 billion Birr (\$ 5.06 billion) which implying the current trend is slow making it difficult to address the issue. It is clear that meeting the housing demand of the registered inhabitants who are in the waiting lists poses significant financial challenges let alone addressing the increasing demand. In addition, accessing to mortgage finance is hindered by various challenge like collateral requirement and high interest rates imposed on mortgage loans further exacerbating the issue, and deterring potential borrowers. Moreover, the limited capacity of the banks adds another layer of hindrance, as it restricts the number of individuals who can avail themselves of mortgage loans (Asnakew & Amogne, 2022). Even though there is a potential for PPP to tackle this problem. The achievement differs among countries. This is because of the ability of urban centers to establish a supportive legal framework, maintain robust institutions, prevent political interference, and ensure an efficient bureaucracy has enabled them to take advantage of PPP opportunities.

Given these bottlenecks, there is an urgent need to explore alternative financing options for housing provision. This alternative finance can be obtained from the non-tax sources by innovatively participating private actors. The innovativeness of PPP as a funding source

stem from the fundamental nature of the capital for housing provision being sourced from the private sector. PPP offers a promising solution by harnessing the resources, expertise, and efficiencies of the private sector to the public sector. Therefore, to overcome these challenges it is crucial to examine innovative financing options as the progress made thus far using traditional financing sources falls significantly behind the housing demand. Consequently, the Addis Ababa City Administration had opted to introduce innovative financing approaches for its housing scheme through PPP as of 2022. The municipality has recently started the implementation of Public-Private Partnership framework in accordance with the country's legal framework (Ayeniyo, 2020; Pianezzi et al., 2023; Gaievska et al., 2023 and Regulation number 128/2022).

Therefore, the scarcity of financial resources exacerbated the affordable housing crisis. Moreover, implementing transparent procurement procedures and facilitating participatory risk sharing are further hampered by the weak institutional capability. Besides, PPP assumes a well-established institutions, trust, transparency, and accountability which is mostly the bureaucratic culture of the West from which PPP gets its birth. So, it is important studying how PPP is operates in Africa specifically in Addis Ababa, Ethiopia context. Further, lack of scholarly studies in PPP housing in Ethiopia particularly in Addis Ababa makes it worth of studying. The outcome of this study contributes to the academic world by identifying theoretical gaps, suggesting way outs and, recommended areas for future studies. Despite the valuable contributions of studies to the existing knowledge regarding PPP, there are still areas that lacks comprehensive understanding. The study focused on these issues due to the fact that PPP contracts are usually long-term and susceptible to changes over time and requires flexible, and transparent and approach (Boyer, 2016; Cui et al., 2018).

Therefore, to address the above-mentioned research gaps, policy and practical reasons, the study thoroughly examined PPP frameworks in Addis Ababa City Administration. The study also examined whether the policy, legal, and institutional frameworks foster a conducive environment for private partners engagement. It was also assessed whether these

partnerships achieved the goals of efficiency, and risk management (Giti et al., 2021). So that, the study conducted an in-depth analysis of the effectiveness of the Addis Ababa PPP housing implementation and based on the findings and international best practices the study recommends a PPP model that fit the Addis Ababa, and developing nations context.

1.4 Objectives

1.4.1 General objective

To critically examine the status, effectiveness, and key challenges of the Public-Private Partnership framework as a financing strategy for housing development in Addis Ababa.

1.4.2 Specific objectives

To assess the planning process and implementation practices of the PPP framework in Addis Ababa's housing sector.

To analyze alternative financing options for housing development in Addis Ababa, with a focus on the comparative role of PPP arrangements.

To investigate the factors influencing private sector engagement in PPP-based housing development initiative in Addis Ababa.

To analyze the key institutional and operational bottlenecks hindering the planning and implementation of PPP projects in Addis Ababa's housing sector.

To examine existing PPP models for housing development in Addis Ababa, incorporating insights from stakeholder perspectives and international best practices.

1.5 Research Questions

1. What are the key features of the existing PPP framework in the housing sector of Ababa?
2. What financing options are available for addressing housing provision challenges in Addis Ababa, and how does PPP framework fit within these options?
3. How is the implementation of PPP in Addis Ababa housing sector influenced by key economic, institutional, and policy-related factors?
4. What are the major bottlenecks hindering the implementation PPP for the housing development in Addis Ababa?
5. How can global best practices and stakeholder's insights be applied to improve PPP models for housing development in Addis Ababa?

1.6 Methodology

1.6.1 Study area description

The research was conducted in Addis Ababa the capital city of Ethiopia. Addis Ababa City Administration is situated in Ethiopia, Africa. It is located geographically between 9°0' 019.4436" North and 38°44' 24" East (CSA, 2013). Covering a total area of 540 square kilometers, the city is predominantly mountainous in its northern region (EiABC, 2017).

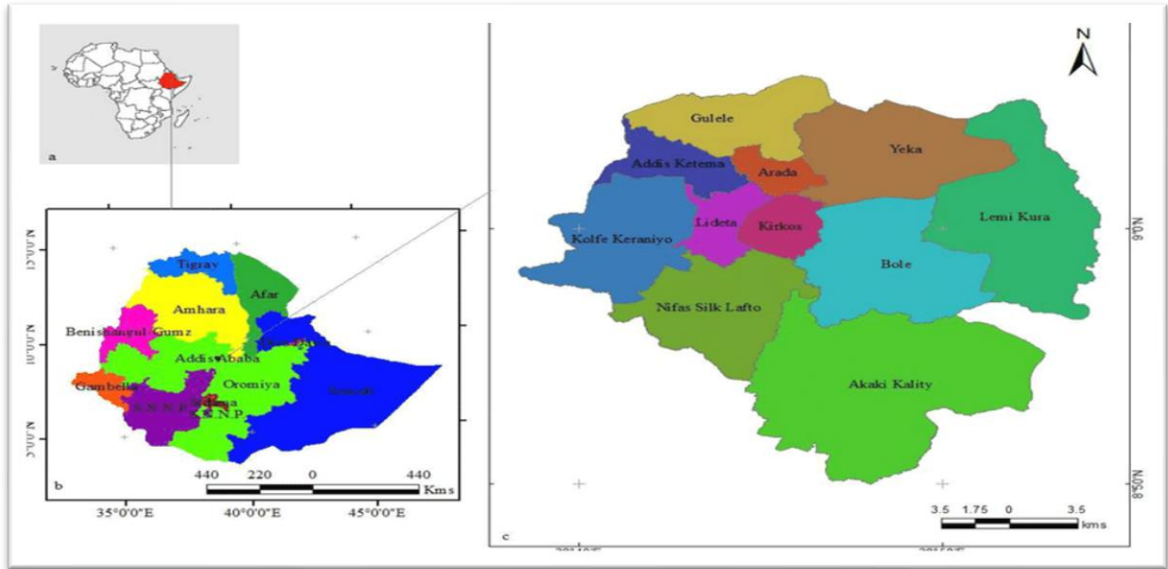


Figure 1.2: Map of the study area

Addis Ababa is home for international agencies like the African Union, United Nations Economic Commission for Africa, European Union, and numerous more regional offices are located in this diplomatic hub city. Addis Ababa, the capital city of Ethiopia, holds the distinction of being the largest urban center in the country. The climate of Addis Ababa is characterized as highland with moderate temperatures ranging from 11°C to 23°C on average. The winter season spans from June to early September, during which the city receives the majority of its precipitation, with an annual rainfall of 1200mm (CSA, 2013). With a population that surpasses the second-largest city by a staggering 11-fold, Addis Ababa serves as the hub for a significant portion of Ethiopia's economic activity.

1.6.2 Study design and methods

The study was guided by pragmatist research philosophy as it addressed practical implementation of PPP in the housing provision. Therefore, this study employed a sequential mixed explanatory design, incorporating Confirmatory Factor Analysis to analyze the relationship between the dependent and independent variables. Besides, the study draws on a mixed research method to obtain the advantage of obtaining large data by applying survey data and to get an in-depth insight about PPP-based housing interview

guide was employed (Brown et al., 2021). Moreover, case study design served to examine casual factors to explain a particular phenomenon (Priya, 2021). According to Maqbool and Sridhar (2024), survey helped to collect large number of data which strengthens the understanding of PPP implementation in the Addis Ababa City Administration. So that result of the quantitative and qualitative data analyzed to capture how PPP model would operate in addressing the challenges of housing provision in Addis Ababa City Administration.

Sampling Design The sample size was determined using Yamane’s sample size determination formula: To select officials from the government offices and private enterprises purposive sampling employed. In addition, simple random sampling technique utilized in selecting individual respondents. The sample size was determined using Yamane’s sample size determination formula:

Where: $n = \frac{N}{1+Ne^2}$, n= sample size, N= population = 412, e = precision level of precision=0.05,

$$\text{Sample size } (n) = \left(\frac{412}{1+412*(0.05)^2} \right)$$

n=203, (Uakarn et al., 2021).

In addition, to ensure robustness and account for potential non-response, 6% of the calculated sample size i.e., 203, equivalent to 13 sample heads, was added, making it 216.

1.6.3 Method of data collection

The population was government offices involved in PPP initiatives were also included, such as the Addis Ababa PPP Office, the PPP Contracting Administration Team of the Addis Ababa Housing Development Bureau, and the PPP Directorate General of the Ministry of Finance. The eight selected private partners elected because they commenced the construction process were OVID Real Estate, Gift Real Estate, Africa Holdings, Irre General Trading, Jambo Star Trading, KH Engineering Group, Oromiya Construction Corporation, and East African Real Estate Development Plc. The data collection methods

were self-administered survey, semi-structured interview, and secondary data collection. Hence, 216 questionnaires were administered to the respondents and out of which 203 questionnaires were returned making the response rate 94%. Hence, this high response rate was achieved by applying continuous follow up and assigning data administrators during the data collection. Quantitative data was collected from 203 participants, while qualitative data was gathered from five (5) interviewees and strengthened by a review of legal and official documents. Reliability of the data tested for Cronbach alpha and the result was 0.9617 making it reliable.

Moreover, the anonymity of the respondents in both survey and interview guide-maintained confidentiality ensured and consent of the respondents secured. The respondents and key informants are individuals working in the PPP offices and experts from private partners. In addition, the secondary data was collected from the official sources and all the data were recent enough to explain the theme.

Unit of analysis- the unit of analysis of the study are individuals working as experts and officials in the public and the private sectors.

Table 1. 2: Respondent's information

Participants	Survey	Interview	Secondary data
Addis Ababa PPP experts	39	2	Reports, regulation, directive
Federal PPP Directorate General	4	1	PPP proclamation, directive, guideline
Private partners	160	2	Signed Contracts
Total	203	5	

Source: Researchers own computation, (2024).

1.6.4 Analytical method

Confirmatory Factor Analysis (CFA) – the study utilized CFA for quantitative data and analyzed using R-Version 4.4.2 software and thematic analysis applied for qualitative data. Exploratory Factor Analysis is utilized to investigate lesser-known domains. In contrast, Confirmatory Factor Analysis is employed to evaluate a predetermined factor (Lesia et al., 2024). As PPP housing was studied in various countries, and as PPP implementation in Addis Ababa City was assessed based on the factors such as risk sharing, transparent procurement, enabling legal framework, and have implementation identified for testing, with CFA being favored over EFA. Therefore, ten key performance indicators were identified to examine PPP institutions within the Addis Ababa City Administration, focusing on the initiation, planning, and execution of PPP projects. The model emphasized examining the planning phases, particularly in terms of institutional capacity. The data analysis utilized descriptive and inferential statistical techniques, including path coefficients, factor loadings, and R-square values. Confirmatory Factor Analysis (CFA) was conducted using R version 4.4.2; R Core Team, 2021), a statistical technique to test relationships between measured constructs (observed variables) and institutional capacity (latent variables) (Yamani et al., 2024; Goretzko et al., 2024).

General Equation: $EFF = 0.99 \text{ Procurement} + 0.54 \text{ Integration} + 0.6 \text{ Time} + 0.39 \text{ Cost} + 0.65 \text{ Resource} + 0.66 \text{ Planning} + 0.58 \text{ Risk}$

The fitness of the model for measuring the variables was approved by Comparative Fit Index (CFI) = 0.971, and for Tucker-Lewis Index (TLI) = 0.91 indicating the model was good fit. The TLI result was 0.91 and 0.8, which fell short of the 0.95 threshold; however, this outcome was deemed acceptable. To address this limitation, additional statistical analysis methods were employed, including the mean comparison test and the relative importance index, alongside the application of thematic analysis techniques.

One Sample Proportion Test used to determine if the sample proportion significantly different from the hypothesized population proportion. In this study to analyze data collected to address the second specific objective was the sample proportion for the three

measured variables PPP, IHDP and real-estate was 0.333 and the result of the analysis for the population proportion was analyzed by comparing it with the null hypothesis. The t-test and the mean proportion tests were conducted by employing a Stata 14.0 statistical software.

Mean Comparison Test- t-test (mean comparison test) applied to analyze if there were a significant difference in the response of the sample mean from the hypothesized population mean. In this case the null-hypothesis was the sample mean has no significant difference from 3 which was a neutral response. Fifteen indicators for proportion test and 10 indicators for mean comparison t-test were implemented to assess the awareness level of as well as to examine the financing options for housing development in Addis Ababa City Administration. In addition, thematic analysis was employed for analyzing qualitative data to substantiate the findings derived from the primary data through triangulation. Mean proportion test for assessing the viability of the PPP, IHDP, and real-estate as a financing option for housing development in Addis Ababa was conducted.

One sample proportion test

$$Z = \frac{p - p^0}{\sqrt{p^0 q^0}}, \quad P^0 = \text{Hypothesized proportion}$$

P^{\wedge} = Observed proportion, $q^0 = 1 - p^0$, n = sample size

Mean comparison test or the t-test utilized for analyzing the awareness level of real estate developers, Addis Ababa Housing Corporation, and Addis Ababa Housing Development Bureau.

One sample t test, $t = (M - \mu) / (S / \sqrt{n})$

Where t = t-test

M = Calculated mean, μ = Hypothetical mean, S = Standard deviation

n = Number of observations in the sample, Two tailed sample t test =

$$t = (M_d - o) / (S_d - \sqrt{n})$$

Where Md= Mean difference between the samples.

o = Null hypothesis

SD = Standard deviation of the difference, n = Number of differences

Relative Importance Index (RII)- it is a statistical tool used to analyze the importance of independent variables based on its relative effect on the dependent variable (Tholibon et al., 2021).

Relative importance index

$$RII = \frac{\sum_{a_i=1-5} a_i n_i}{AN}$$

$n_5 - n_1$ = number of respondents for strongly agree to strongly disagree

a = weight of each response i ranges from 1 to 5

A = Highest weight having weight of 5

N = total number of respondents

Thematic analysis - the effects of the independent variables were assessed using Thematic Analysis method using NVivo15 analysis software. As a result, the key words identified, coded in to groups, themes Transparent Land based PPP Housing Model was developed and suggested. The analysis was performed using NVivo 15 a free robust software which simplifies the analysis process and visualized the display of the result.

Variable of the study- the dependent variable was effectiveness of PPP. This dependent variable measured to assess how it is affected by the independent variable so that effectiveness of PPP as a financing option in the housing provision in the Addis Ababa City Administration. The independent variables included transparency, risk sharing, participatory resource allocation, planning, implementation, institutional capacity, finance, housing transfer price, efficiency, and producing large number at a time. The independent variable procurement process thereby indicating the extent to which the city administration was dedicated to ensuring a transparent selection of private partners. In the same way the

variable risk sharing measures whether the process of identifying, sharing and allocation of risks associated to housing provision through partnership arrangement was participatory or not. Therefore, the study had 7 latent variables and 84 measured variables which were discussed analyzed in the coming chapters.

1.7. Significance of the Study

This study would contribute to the body of knowledge by examining the application institutional, Transaction Cost, Principal-Agent, and Incomplete Contract theories in analyzing the effectiveness of PPP in the Addis Ababa housing sector. It would also focus on suggesting PPP model which would help in ensuring transparent procurement, protect public interest, and help for fostering partnership based on the mutual benefit.

The study holds policy relevance by addressing the challenge of balancing public interest with private sector's profit motive in PPP arrangement. By analyzing current bottlenecks, it offers actionable policy recommendations for more equitable and effective PPP frameworks in Ethiopia's housing sector.

Practically, the study explores the complex dynamics of managing PPP in housing, where the public sector's goal of affordability often clashes with the private sector's need for profitability. It provides context-specific recommendations to improve PPP implementation and suggests a revised model suited to the needs of Addis Ababa City Administration.

Academically, the study interrogates the assumption -common in PPP literature- that such partnerships function within environments characterized by institutional maturity, transparency and trust, as seen in Western contexts. By examining, how PPP operate in the more fragile institutional setting of Ethiopia, the research contributes to the adapting and contextualization of development theory.

1.8 Scope of the Study

Thematically, the study explored PPP as a financing option in the housing sector. It addressed how the planning process managed, risk shared, and PPP procurement was conducted. Therefore, study addressed the following themes: policy, legal, and institutional frameworks that govern PPP as an innovative financing mechanism for affordable housing. It also assessed factors affecting PPP success, the challenges and opportunities of PPP in the housing sector.

Spatially, the study was the City Administration of Addis Ababa. The selected study area was chosen because it is the only area where in Ethiopia the PPP in the housing sector is presently being implemented.

Unit of analysis comprised individual experts and officials from the Addis Ababa Administration and professionals from private sector enterprises involved in PPP housing initiatives.

The temporal scope of this study extends from 2018 to 2025, concentrating on the PPP housing development initiatives within the City Administration of Addis Ababa. This timeframe has been chosen due to the enactment of the PPP policy and proclamation in 2018, followed by its implementation. This allows for an evaluation of the effectiveness of the institutional and legal framework within the housing sector.

Methodologically this study was grounded on pragmatist philosophical approach for it helps to assess practical applications. It also serves to combine qualitative and quantitative methods. In addition, sequential mixed research design approach used so that quantitative data collected and analyzed first and followed by the analysis of the qualitative data to support the findings of the survey result. This followed by triangulation to enhance the credibility of the findings. The research employed a case study which served to elaborate the quantitative findings. Further, survey instrument was employed to collect quantitative

data and interview guide was used for the qualitative data from Addis Ababa PPP office and private enterprises. The quantitative data analyzed using statistical techniques like Confirmatory factor Analysis, Mean Proportion and T-tests while R-Version 4.4.2, and Stata 14.0. The qualitative data were subjected to thematic analysis techniques of word cloud, word frequency, and tree map using NVivo 15. Ultimately, the findings from both qualitative and quantitative data were triangulated to enhance the overall result of the study.

1.9 Limitation of the Study

Despite the study's contributions to academia and empirical research in enhancing private sector finance, efficiency, and risk sharing, it is not without its limitations.

It has these limitations in this regard:

The generalizability of this case study, which was conducted within the Addis Ababa City Administration, may pose challenges when attempting to apply its findings to different contexts. However, it can provide a basis for comparison with similar situations in the implementation of Public-Private Partnerships

Respondent's bias: Participants may be hesitant to express their views regarding the matters of transparent procurement and participatory risk identification. To address this concern and ensure confidentiality, a self-administered survey was conducted under the principle of anonymity. Additionally, the results from the survey data were corroborated with qualitative data gathered from key informants.

1.10 Structure of the Dissertation

The dissertation was compiled according to the guidelines for dissertation write-ups of Addis Ababa University, adhering to the article-based dissertation compilation framework. It consists of seven chapters, with the first article published and the fourth article accepted by a reputable journal. The other three articles, which are suitable for publication, have been submitted to esteemed journals and are currently undergoing review. The dissertation

has been structured to improve coherence and minimize redundancy. Therefore, chapter one offers a broad introduction, a succinct literature review, a description of the study area, the methodology, and relevant theories, all of which contribute to minimizing redundancy in the subsequent chapters. In addition, the second chapter deals with the first objective of the study and presents the planning process and implementation practices of the PPP framework in Addis Ababa's housing sector emphasizing on the planning process and implementation stages.

Hence, after assessing the institutional capability of PPP offices the issue of how PPP selected as financing option was assessed in the third chapter. The third chapter presents the second objective on the analysis of alternative financing options for housing development in Addis Ababa, with a focus on the comparative role of PPP arrangements. After analyzing the financing option, the enabling factors highlighted in the fourth chapter are addressed. The fourth chapter presents the result of the third objective on investigating the factors influencing private sector engagement in PPP-based housing development initiative in Addis Ababa. The fifth chapter deals with the fourth objective dealing with key institutional and operational bottlenecks hindering the planning and implementation of PPP projects in Addis Ababa's housing sector.

Furthermore, following a critical analysis of the institutional capacity, legal framework, and challenges associated with the implementation of PPP, a context-specific model has been proposed, which is detailed in Chapter Six. Finally, the seventh and the concluding chapter presents the overall synthesis of the general discussion, the conclusion and Recommendations of the study. It also provides the contributions of the study and limitations as well as suggestion for future studies.

CHAPTER 2: PUBLIC-PRIVATE PARTNERSHIP FINANCING FRAMEWORK FOR HOUSING DEVELOPMENT IN ADDIS ABABA: EVIDENCE FROM PLANNING AND IMPLEMENTATION PHASE

Lack of access to affordable housing has had a detrimental effect on the lives of millions of people living in urban centers. In contrast, the initiatives launched by governments to address this challenge have been hampered by a severe shortage of financial resources. Likewise, housing development financing faces significant challenges in Addis Ababa City Administration. The objective of the study was assessing the planning process and implementation of PPP-based housing. Moreover, inadequate planning, insufficient risk management, and lack of transparency in procurement are the gaps exacerbating the issue. As a result, these challenges undermine the effective implementation of Public-Private Partnership as a viable financing approach. This study employed a mixed methods design to investigate the planning phases of Public-Private Partnership-based housing development initiatives in Addis Ababa. Furthermore, Confirmatory Factor Analysis was employed for the analysis purpose. Results indicated that planning dimensions such as integration of various components, defining the scope, and resource allocation demonstrated remarkable successes so far. However, inadequacy of institutional capacity, limited stakeholder engagement, and imbalanced risk identification and allocation comprise dimensions that seek further attention. The values for the path coefficients of procurement and resource allocation were found to be 0.99 and 0.66, respectively, highlighting the presence strong positive correlation between procurement and effectiveness as well as moderate positive relationship between resource allocation and success. Therefore, the findings suggested that incentives allocated to the private sector must be balanced to the benefits received by the public sector

Keywords: Public-Private Partnership, Housing Development, Procurement, Planning Phase, Addis Ababa, Ethiopia.

2.1 Background of the Study

Rapid urbanization and population growth are intensifying the housing crisis in urban centers globally, resulting in a critical imbalance between housing demand and supply (Turok et al., 2023). This disparity often surpasses the financial capacities of the public sector, particularly the government to address gaps between demands and supply (Akomea-Frimpong et al., 2023). In response, the PPP framework has emerged as a financing strategy, leveraging the resources and the expertise from the private sector to complement the efforts by the government in the housing development initiatives (Ugonabo, 2023). Global projections estimated that nearly 3 billion middle-class residents would lack access to affordable housing by 2050 (UN-Habitat, 2020). In Africa, a significant demand-supply gap of approximately 50.5 million housing units was reported in 2018 (ADB, 2022). Similarly, Ethiopia mirrors this trend, with a 5.4% annual urbanization rate causing substantial challenges to housing supply and development (World Bank Group, 2015). The Ethiopian Economic Association (EEA) projects that rapid urbanization and population growth would necessitate 471,000 housing units annually until 2035 (EEA, 2021). Despite government efforts since 2005 in providing affordable housing through the Integrated Housing Development Program (IHDP), a persistent shortage remains in Addis Ababa City Administration, where over 700,000 residents have been still on waiting lists for condominiums (Charitonidou, 2022). Only 400,000 units were constructed over thirteen years, exhibiting a significant disparity between demand and supply attributed to insufficient housing finance and drawbacks in institutional capacity (Kesito, 2021).

Consequently, the Ethiopian government has been increasingly seeking alternative financing options from the private sector to address housing shortages and gaps (Getachew, 2021). This shift has led to the implementation of PPP, with successful initiatives observed in countries such as the UK, Ireland, Argentina, Nigeria, and South Africa (Batra, 2022 and Arimoro, 2020). These nations demonstrate the importance of collaborative efforts to create sustainable housing solutions to their citizens (Mansilla & Vassallo, 2020). The planning and implementation schemes such as PPP in the housing sector facilitate the mobilization of private capital, promote efficient resource allocation, enhances project

management capabilities, and encourage innovation in housing design and construction (Rahman et al., 2025). This study aimed to assess the implementation of the planning phase of PPP in the housing development of Addis Ababa City Administration. The study covered examining the initiation, procurement processes, and risk identification during the planning phases of implementation (Batjargal & Zhang, 2021).

2.2 Literature Review

The literature review provides the conceptualization of PPP and discusses relevant theories that guide in comprehending the framework and how it applies into the context of the study. The arguments of Principal-Agent and Institutional Theories were found to be relevant to analyze the planning phases the PPP framework in the housing development of Addis Ababa City Administration.

There are different PPP models or approach among which the most common one is the BOT in which the private partner build an infrastructure, operates, and transfer it back to the public institution recover its costs from the payment of the public sector (Bertelli, 2019). The other most common approach of PPP is DBFM in which the private partner design, finance, build, and manage the project and up on cost recovery return back the infrastructure to the public sector. In most cases a special purpose company is established known as Special Purpose Vehicle (SPV) serves the purpose of establishing the investment, sign the contract, and borrow money from banks and takes the overall management of the project on behalf of the private partner (Koppenjan et al., 2022a). Hence, PPP contract mainly about addressing specific projects in a specified time frame for instance housing development and the selection of the approach of the PPP depends on the purposes intended to achieve (Verweij et al., 2022).

2.2.1 Theoretical framework

The investigation into the planning process and the implementation phase of PPP-based housing in Addis Ababa is detailed with reference to Institutional Theory and Principal-Agent Theory.

Institutional Theory suggests that business decisions are significantly influenced by institutional norms, values, and practices, which are crucial for achieving legal body and mobilizing resources (Franco & Franco, 2021). This theory emphasizes both technical prerequisites and the significance of building institutional elements (Coates et al., 2023; Risi et al., 2023). Therefore, this theory served to analyze how the legal and institutional frameworks of Addis Ababa institutions affected PPP-based housing success.

Moreover, Principal-Agent Theory is instrumental in supervising agreements between public institutions (principals) and private enterprises (agents) (Musawir, 2025). Therefore, the study employed this theory to analyze how Addis Ababa PPP institutions interacted with the private partners involved in to PPP. Further, how this interaction helped in attaining finance to construct affordable housing. Unless the collaboration between the agent (private partner) and the public sector (principal) is directed by the PPP-legal framework to guarantee transparent procurement and inclusive risk identification, the public interest could potentially be compromised. Therefore, given the study's focus on planning process and governance, Institutional theory provides the most appropriate analytical lens.

2.2.2 Conceptual framework

One of the major challenges in the housing sector of Ethiopia is the insufficient availability of mortgage financing, exacerbated by the limited lending capacity of commercial banks in Ethiopia (Misrak & Kaur, 2023). These deficiencies constrict the endeavors by the government to provide mass housing. Similarly, real estate developers have also been challenged due to lack of schemes and land supplies (Mekuria, 2022). Moreover, stringent collateral requirements and high-interest rates have escalated the cost of housing finance

and discouraged private sector participation (Asnakew & Amogne, 2022). Given the inadequacy of customary financing techniques in addressing housing finance requirements, opting PPP becomes essential (Ugonabo, 2023). The involvement of private sector in public housing provisions remains crucial in meeting the housing demands driven by rapid urbanization (Adedeji, 2023). Consequently, policymakers are increasingly occupied with creating an enabling environment for private sector partnerships engagement in to PPP (Wang & Ma, 2021a).

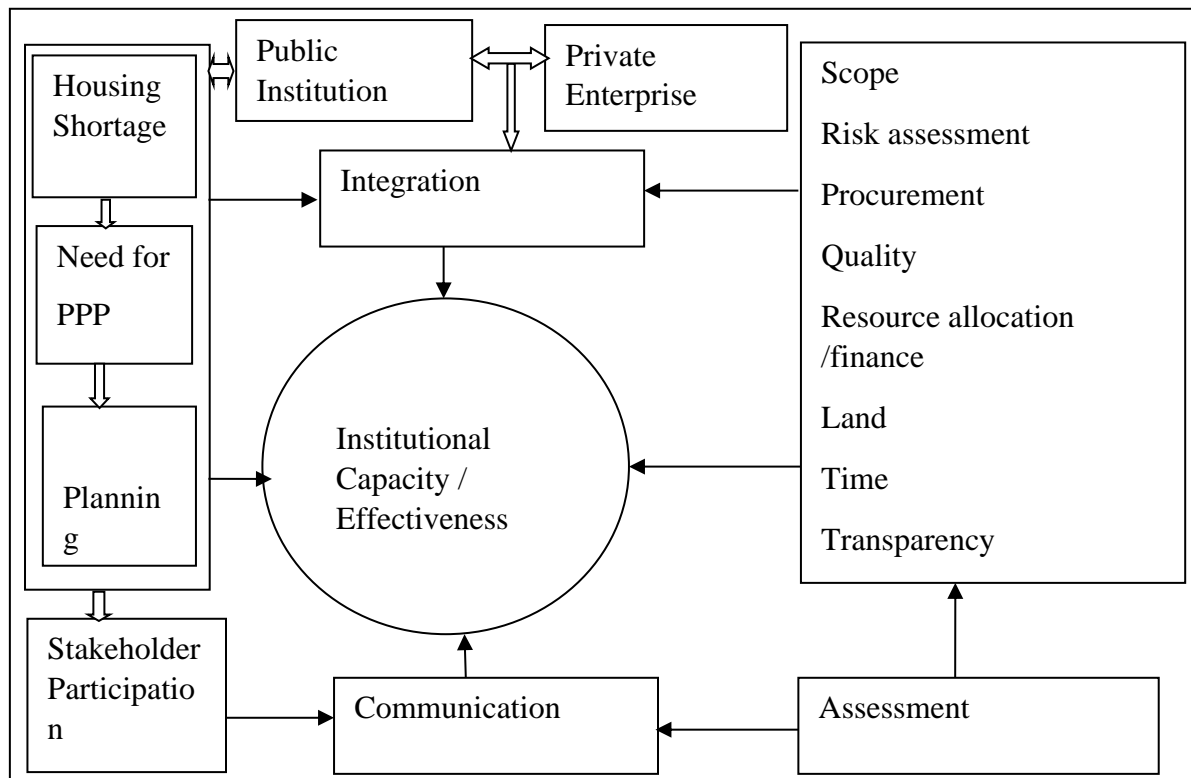


Figure 2.1: Conceptual Framework

Source: Adapted from Kavishe (2019).

Therefore, as depicted in figure 2.1: above private sector engagement in housing provision through PPP requires strong institutional capacity to ensure integration, a supportive legal framework, transparency, and accountability (Alshahrani et al., 2023, Anbumozhi et al., 2023 and Fell & Mattsson, 2021). Hence, the successful initiation of PPP projects in Addis

Ababa City Administration requires proper implementation of these principles (Chileshe et al., 2022). Inadequate procurement procedures would create inefficiencies among participating parties, undermining project outcomes and quality as well (Ahmad et al., 2022; Lam & Yang, 2020). The private partners selected in Addis Ababa PPP-based housing were 22 out of which only 8 started the construction and one of them withdraw from, which is a clear indication of the result of the non-transparent competitive procurement. Furthermore, insufficient planning, particularly when combined with limited stakeholder engagement during the planning and implementation stages significantly undermines the ambitions of innovative financing through PPP (Miranda-Poggys & Morena, 2023). Such deficiencies not only threaten project success but also lead to substantial financial losses and increased public debt, eventually harming the beneficiaries of housing development who actually suffers from the failures of the projects (Boiarko et al., 2021; Godt, 2023).

2.3 Data Analysis

Since 2023, as indicated in the signed PPP contracts, the Addis Ababa City Administration has collaborated with the private sector to provide affordable housing under a 70/30 agreement. In this partnership, the private sector covered the financial costs of the housing development, while the public sector allocated land for construction. Upon completion of the agreed number of houses, the private sector delivers 30% of the houses to the Addis Ababa Housing Corporation and retains 70% to recover costs by selling them at market value, as revealed by interviews. To address the challenges stated in the foregone arguments, the city administration enacted PPP Regulation 128/2022 and accompanying directives. This regulation invites private partners to participate in the housing development through the 70/30 PPP model, as outlined in section 6 of the contractual agreement see Appendix D. Under this model, private partners design, finance, and build houses and transfer 30% of the constructed houses to the public sector in exchange for land provided by the city government.

Demographic analysis revealed that 37.44% of participants were female, representing various levels of expertise in the construction sector. Furthermore, 67.98% of participants were under the age of 39, with the same percentage holding at least a bachelor's degree. Occupational distribution shown 29.56% of respondents were from government offices, 48.28% from private partners, 16.75% as consultants, and 5% from other departments. The diversity in respondents' age, education, and experience levels is helped to enrich the analysis with diverse professional perspectives.

2.4 Results and Discussion

In this section, the survey data analyzed using the Confirmatory Factor Analysis using R-Version 4.4.2 statistical analysis tool and a qualitative data obtained through interview guide from experts and PPP officials presented and discussed.

2.4.1 Integration of the planning phases

Quantitative finding

The analysis revealed a strong positive correlation between integrated planning and the effectiveness of PPP institutions, with a path coefficient of 0.693. This finding underscores the importance of proper plan initiation, participatory planning and the detailed contract document helps in enhancing the outcomes of PPP implementation. Regarding the PPP framework, secondary data indicated that contracts were meticulously prepared, signed, and documented to ensure clarity and accountability (the 2023 signed contract). Private partners played a pivotal role by providing financial and technical resources, while the Addis Ababa City Administration took responsibility for land preparation. According to the agreements, private partners were tasked with constructing housing units and delivering 30% of these completed housing units to the city administration. However, the mean response to the question on adherence to the agreed implementation plan yielded a standardized factor loading score of 0.227. This CFA result indicates the execution of contracts has not fully aligned with the stipulated agreements, pointing to a need for a thorough review and adjustment of the implementation process. Moreover, interview result with city administration officials revealed frequent delays in

land delivery due to unresolved land clearance issues, which occasionally escalated into legal disputes, further hindered the progress. This aligns with the findings of Casady and Peci (2021) in their study on “institutional challenges of PPP” conducted in Kosovo, highlighting similar challenges in PPP execution.

Figure 2.2: bellow illustrates the first-order latent variables derived from the data analysis conducted using R-version 4.4.2 software. It visualizes the relationships and path coefficients between different latent variables, which serve as indicators for assessing the effectiveness of PPP institutions in Addis Ababa City Administration. The latent variables are represented by Integration (INT), Stakeholder Participation (RSP and SPL), Procurement (PRO), Resource Allocation (RAL), Stakeholder Coordination (SCO), Time (TIM), and Cost (COS). These first order variables are the independent variables which directly measures effectiveness or integration. The diagram indicates the relationship between the variables and integration. Latent variables are variables which are measured indirectly based on the other variables called measured variables. In this case procurement is a latent variable measured based on the measured variables called transparency and competitiveness.

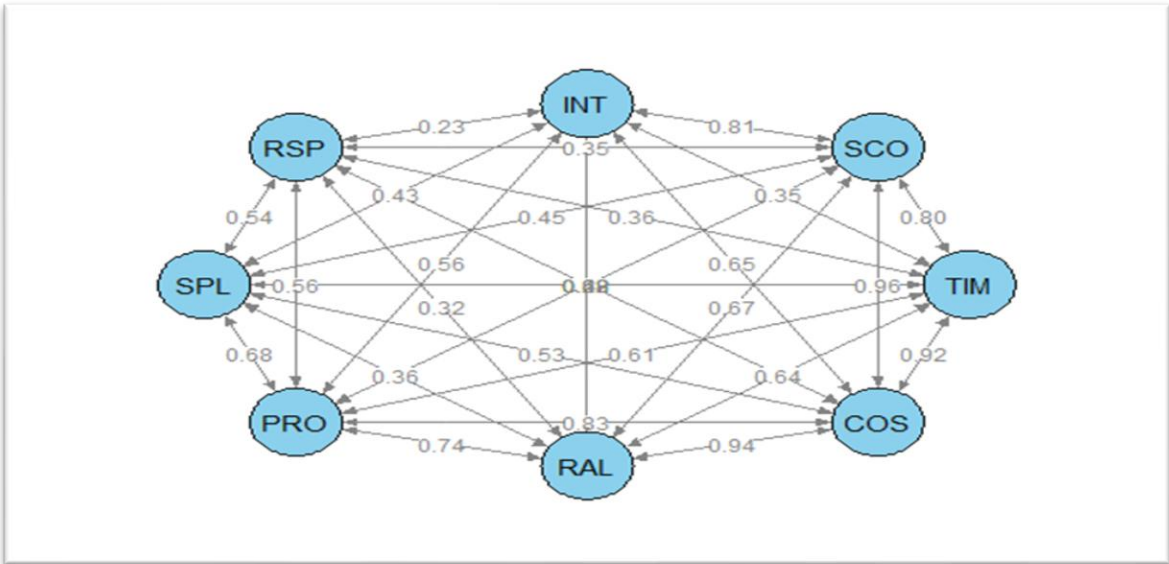


Figure 2.2: Effectiveness of the planning phase

Source: December (2024).

As shown in Figure 2.2, the connecting lines represent path coefficients, indicating the strength and direction of the relationships between the variables. The numerical values along the lines are standardized path coefficients, ranging from -1 to 1, with higher values denoting stronger relationships. The analysis of the first-order latent variables revealed positive correlations among dimensions such as procurement, resource allocation, cost, scope, risk identification and sharing, time, and integration. These robust positive correlations collectively demonstrate the steady progression of institutional capacity among the Addis Ababa City Administration PPP implementing offices. In addition, the outer loading result between risk and integration is 0.23 indicating the presence of weak positive correlation. In the same way, the outer loading result between procurement and integration was 0.56 a moderate positive correlation implying procurement and risk management was not effective. This aligns with the findings of Calugareanu and Bulat (2022) in their study titled “World practice in the evolution of PPP,” which states that PPP effectiveness is influenced by an efficient administrative structure, private sector development, and investment potential.

$$\text{Equation 1: INT} = \sim 0.71iwas + 0.61ikas + 0.23ikpia + 0.6ikpd + 0.58ihid$$

- Comparative Fit Index (CFI) 0.988

- Tucker-Lewis Index (TLI) 0.969 The result of the model fit was acceptable in which the model measures the dimension effectively.

Table 2.1 presents the standardized factor loadings for the latent variable "INT" (Integration) derived from a survey analysis. The Comparative Fit Index (CFI) of 0.988 and Tucker-Lewis Index (TLI) of 0.969 indicate an excellent model fit, exceeding the recommended threshold of 0.90. Factor loadings depicted in the Table 2.1 below validated these findings. For instance, the outer loading weight for the variable "signing of the partnership document" was 0.707, indicating its strong connection to the latent variable of integration. Conversely, outer loading for variables like "detailed plan preparation" were below 0.7, suggesting a weaker association between these indicator variables and the implementation of signed agreements.

Table 2.1: Integration of the Planning Processes

Measured variables	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
Planning Phase (CFI= 0.988, TLI= 0.96)								
Contract document preparation	1.000	1.000	1.000				0.842	0.707
Plan preparation	0.815	0.131	6.241	0.000	0.559	1.071	0.687	0.603
Plan implementation	0.348	0.133	2.623	0.009	0.088	0.607	0.293	0.227
Contract document signed	0.870	0.138	6.282	0.000	0.599	1.141	0.733	0.610
Supporting project documents	0.779	0.128	6.086	0.000	0.528	1.030	0.656	0.577

Source: Survey December, (2024).

The factor loadings range from 0.348 for participatory planning to 1.000 for signing of the contract document, reflecting varying degrees of association between the measured variables and the latent construct of Integration. The statistical significance of the outer loadings was confirmed through standard errors, z-values, and p-values. Most of the factor loadings were significant at the $p > 0.001$ level, underscoring a strong relationship between the measured variables and the latent construct.

The integration of the planning process emerges as a key indicator in examining the effectiveness of the Addis Ababa PPP Office in financing affordable housing projects. In

this framework, the Addis Ababa Housing Construction Corporation assumes responsibility for planning and monitoring the execution of action plans derived from PPP contracts. A dedicated team within the Housing Corporation is tasked with developing these plans, engaging in with the private partner's entity, known as the Special Purpose Vehicle (SPV), and conducting regular assessments of project progresses. This team is also responsible for addressing deviations from the agreed plans to ensure alignment with overarching objectives of the contracting parties.

Qualitative finding

As presented in table 2.2 below provides the description of the qualitative data on the themes of integration, planning, and preparation of contract documents. The interview data was collected from five key informants from PPP Directorate General of the Ministry of Finance, Addis Ababa PPP offices, and the private partners. Therefore, themes and qualitative descriptions of the data are provided to complement to cross-verify and quantitative findings. The qualitative data obtained through interviews with the Addis Ababa PPP Office, Addis Ababa PPP Contracting Office, Addis Ababa Housing Corporation, and the PPP Directorate General under the Ethiopian Ministry of Finance revealed that the integration of the planning process was effective in the initiation stage, resource allocation, and in terms of inviting private partners into the partnership arrangement.

However, as presented in Table 2.2 below challenges arose in establishing a Special Purpose Vehicle (SPV) Office. This office, designated to administer PPP contracts and act as the project owner on behalf of the private partner, plays a crucial role. Its absence and malfunctioning significantly deterred the overall effectiveness of the projects, as it hindered the timely commencement of construction activities. In this regard, data collection revealed that, out of the 22 private partners who signed PPP contracts, only eight had initiated construction. Additionally, some private partners had not finalized negotiations on the contractual agreements, despite the general contractual framework being already signed. This situation definitely hinders the success of the projects.

Table 2.2: Extraction of Qualitative Data on Planning and Integration

Theme	Description	Qualitative data
Integration	The capacity of the PPP institutions to integrate the initiation, planning, and implementation process	In the planning (initiation, resource allocation, and contract signing) phase are relatively well integrated. In the implementation phase there were delays in the transfer of land handing over, SPV establishment, commencement of construction (8 out of the 22 partners signed the contract and commenced the construction)
Initiation and planning	Initiating the idea, preparing feasibility study, preparing PPP plan document	The planning phase of this dimension were properly accomplished
Contract document preparation and signing	Preparing a contract document having clear goal, resource contribution, risk explicitly put, deliverables identified in terms of number, size, quality, and signing the contract	-The document clearly identified the capital of the private partners, design, and construction. It also identified transfer of land prepared by the city having access to water and electric - 30% of the constructed houses delivered to the public institutions -Room numbers, quality and size of the 30% of the houses not clearly stated in the contract agreement
Transparent procurement	Whether the process of private partners engagement in to PPP was on competition base so that best bidder obtained	Not competitive rather it is invitation based

Theme	Description	Qualitative data
Plan implementation	Implementing the plan as per the agreement in time	Delays observed commencing the construction out of the 22 partners signed the contract only 8 were started, few partners faced delay in land delivery, SPV establishment to longer time affecting the overall schedule

Source: Analysis of extracts from interviews, (2024).

Moreover, quantitative data demonstrated the effectiveness of the planning phase's dimensions such as initiation, resource contribution by each party, and contract signing. However, both quantitative and qualitative datasets demonstrated delays in establishing the SPV, finalizing detailed negotiations particularly regarding risks associated with macroeconomic conditions and clarifying how 70% of the constructed houses would be sold to end users. The triangulation of this findings revealed the partnership agreement documents was not clearly articulated, in which expectations and responsibilities of public and private partners insufficiently defined. The work of authors such as Akomea-Frempong et al. (2023) in Ghana also complemented the study findings. The authors reported delays alongside positive performance in the planning and implementation phases of PPP in the housing sector. Moreover, the lack of clear specification on the quality of the houses, room numbers, and room sizes, as stated in Batra (2022b), leads to corrupt practices harming public interest. Challenges such as third-party claims on land and resource mobilization resources had imposed hindrance to the anticipated progresses, with several private partners unable to initiate construction work due to these difficulties (Akomea-Frimpong et al., 2023).

2.4.2 Scope, time and cost of the Public-Private Partnership for housing development in Addis Ababa

The survey results analyzed the scope of assigning the partners' responsibilities, the timely implementation of the plan, and the redistribution of project implementation costs among the partners. These aspects were thoroughly discussed to assess their interventions on the overall effectiveness of the PPP initiatives. The equation below shall demonstrate the measurements of these dimensions.

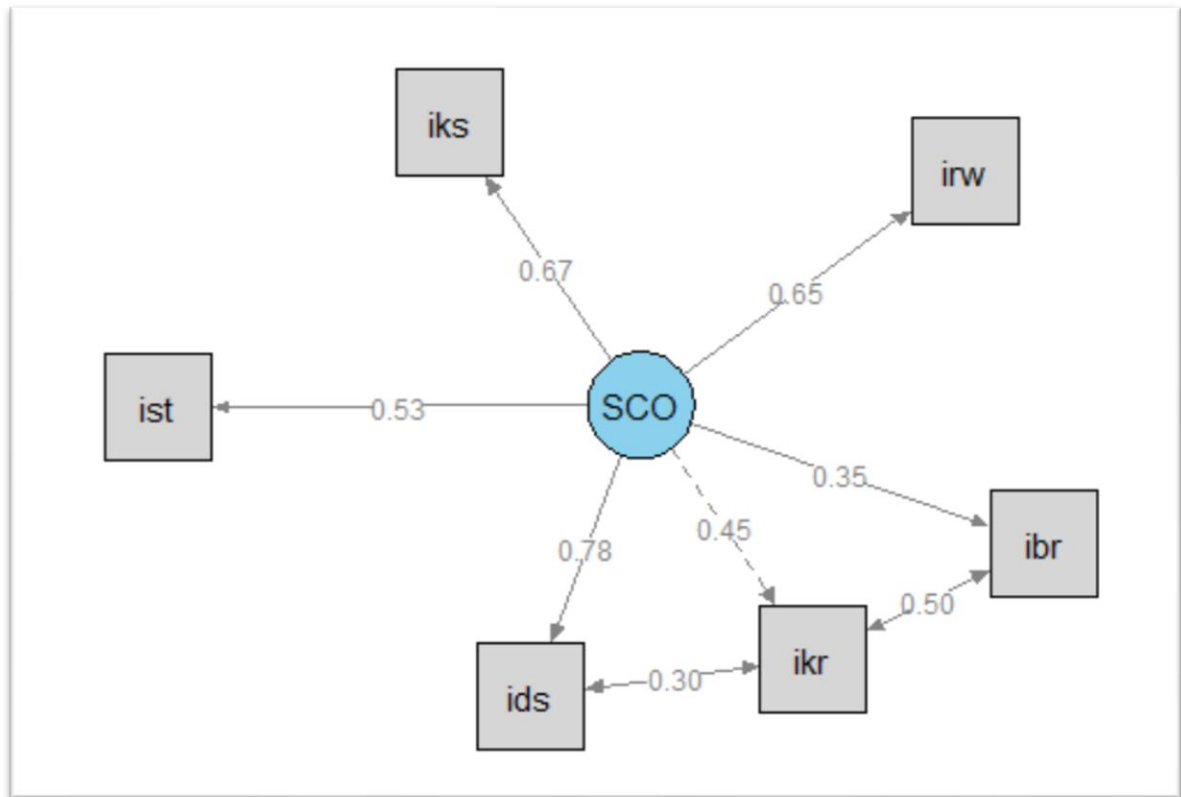


Figure 2.3: Scope of PPP implementation

Source: Survey, December (2024)

Whereas:

- iks= scope base line preparation
- ist= requirement traceability matrix

- irw= preparation of work breakdown
- ibr= require elements for implementation
- ikr= requirements for planning met
- ids=scope statement prepared.

Comparative Fit Index (CFI) 0.945, this result indicates the model was a good fit and the result is dependable. Tucker-Lewis Index (TLI) 0.881 is a result below a 0.9 for good fit model but literatures support as the sample size 200 and above can be considered as moderate (Ximénez et al., 2022). In addition, the quantitative finding will be supported by the qualitative finding.

$$\text{Equation 2: } SCO = \sim 0.78ids + 0.65irw + 0.67iks + 0.45ikr + 0.35ibr + 0.53ist$$

As stated in the equation two scope is affected strongly by clearly stating scope statement in the contract document which is an outer loading of 0.78, preparing a scope baseline is the second most important factor with an outer loading of 0.67 a positive strong relationship with integration, having a clear work break down a moderate positive relationship with integration and implementation an outer loading result of 0.35 a weak positive relationship with integration.

Figure 2.3 above illustrates the outer loading of the latent variable "SCO" (Scope), derived from the survey analysis conducted in 2024. The Comparative Fit Index (CFI) of 0.945 and the Tucker-Lewis Index (TLI) of 0.881 suggest that the overall model fits the data well, with the CFI value nearing the recommended threshold of 0.95. The highest loading factor, 0.67, corresponds to the measured variable "iks," indicating that the scope of the baseline preparation variable is strongly and positively associated with the latent construct of Scope. Meanwhile, preparation of the detailed action plan and work traceability matrix has lower loading factors, ranging from 0.30 to 0.65. These values signify relatively weaker relationships between these measured variables and the latent Scope construct. The table below provides a qualitative data that would complement the quantitative findings.

Table 2.3: Extraction of Qualitative Data on Scope, Time and Cost

Theme	Description	Qualitative data
Scope	Identified what is expected from both parties Private partner design, finance, and build, quality, number. Public institutions availing plots of land having water and electric access	The interviews helped to identify that the finance of private partners, design, and build clearly stipulated in the contract. Public institutions prepare plots of land with access to water and electric supplies. The quality and room sizes of 30% of the houses to be delivered were not clearly identified.
Time	Preparation of schedule for each activity, delivering as per the schedule	Schedule was prepared, but delays in land delivery due to third party claim, delay in SPV establishment in some partners, 14 out of the 22 private partners did not start construction on time
Cost	Clearly allocating budget for the project finance, and land	The allocation of cost was well done but, staggered to timely transfer land and some of the private partners took longer time to show 30% of the cost in time and lagged the commencement of the construction
Stakeholders' engagement	Involving the private partners, consulting end users	Private partners participated in the consultative activities and decisions Private partners not engaged in risk identification; and the beneficiaries of the housing units have not been consulted

Source: Analysis of extracts from interviews, 2024

As indicated in Table 2.3: above, qualitative data revealed that the PPP contract clearly defined the responsibilities of the private partners. In a PPP contract agreement, the

contracting authority is tasked with providing land to the private partner. Additionally, it is crucial to ensure the signed contract includes detailed specifications such as the number of rooms, room sizes, material quality, and finishing standards for the houses to be constructed by the private partner.

Moreover, secondary data analysis supported these findings, demonstrating that the signed PPP contracts outlined the scope of the project, including private developers' roles in design, financing, construction, and delivering the agreed-upon buildings, green areas, and playgrounds. Qualitative and quantitative data consistently demonstrated that the scope was clearly delimited and that both parties fulfilled their respective responsibilities. However, delays were noted, primarily due to some private partners taking longer time to allocate the 30% share and commence construction. This finding clearly proved the shallow nature of PPP market maturity (Casady, 2023:17; Song et al., 2023).

2.4.3 Institutional capacity of Addis Ababa Public-Private Partnership offices

Discussion of the quantitative data

This section addresses the institutional capacity of the Addis Ababa PPP Office and the Addis Ababa Housing Corporation, particularly regarding the operation of systems, rules, regulations, and trained experts capable of managing the complexities of PPP contracts and cases.

Equation 3: $EFF = 0.99 PRO + 0.54 INT + 0.6 TIM + 0.39 COS + 0.65 RAL + 0.66 PL + 0.58 RSP.$

With the underlying aspirations to undertake the institutional capacity, both the survey data and qualitative data have been reported in the forthcoming paragraphs. Figure 2.4 below presents result of a Confirmatory Factor Analysis (CFA) diagram prepared using R-Version 4.4.2, which depicts the institutional capacity of the PPP institution. The equation at the bottom of the Figure defines the relationship between the latent variable "Institutional Capacity" (EFF).

This equation indicates that the Institutional Capacity (EFF) of the PPP institution is positively influenced by several factors: including Procurement (PRO), Integration (INT), Time (TIM), Cost (COS), Resource Allocation (RAL), Planning (PL), and Stakeholder Participation (RSP). The diagram visualizes relationships between first-order latent variables and their corresponding second-order latent variables, with "EFF" as the central latent variable representing Institutional Capacity.

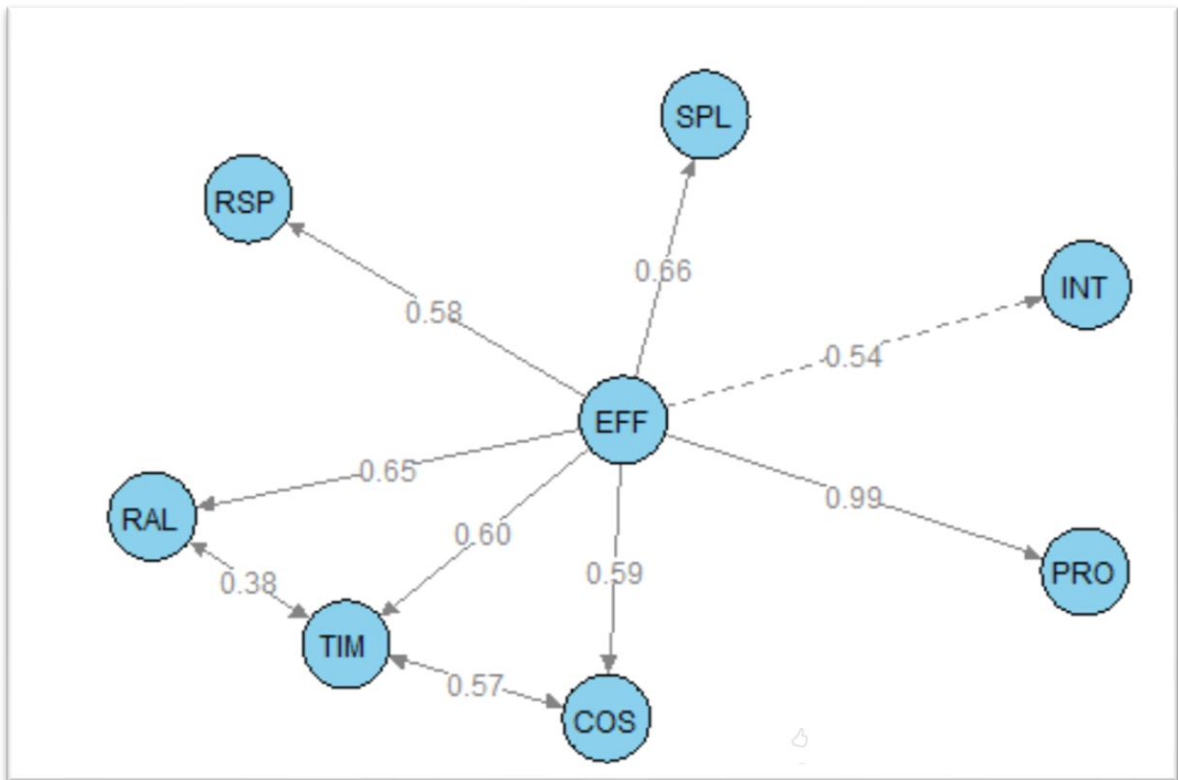


Figure 2.4: Institutional Capacity of Addis Ababa PPP Offices

Source: Survey, December (2024).

Path coefficients in the analysis result shown that institutional capacity was directly influenced by outer latent variables such as integration, risk identification, and transparency in bidding. The institutional capacity of the PPP institutions of Addis Ababa City was assessed based on seven latent variables, with a statistically significant P-value

of 0.000 for all variables. This underscores the presence of gap in execution capacity in the institutions.

Planning phase

The analysis result shown that the outer loading result for integration was 0.54 which indicated a positive moderate relationship with effectiveness. In addition, the outer loading result for stakeholders planning was 0.66 indicating a moderate positive relationship with effectiveness. The result indicated the planning initiation participated partners only and not the end users. Further, the plan was prepared, schedules and milestones were set which served to initiate the planning phase. However, it lacks incorporating the end users in the process which compromises its sustainability and effectiveness.

Implementation phase-

As shown in Figure 2.4 above the path coefficient between procurement (PRO) and institutional capacity (EFF) was 0.99, indicating a strong positive relationship between the two factors. This result was supported by qualitative data, particularly it was successful in attracting financing from the eight private partners. Additionally, the outer loading result for resource allocation was 0.65 a moderate positive correlation with effectiveness. In this aspect resource allocated in which land to be contributed from the city administration and the financing and construction was handled by the private partners. As a result, the private partners expected to deliver 30% of the constructed houses up on accomplishing the construction. However, the allocation of resource and the houses to be delivered to city was not determined by the market on a competitive base. This doesn't indicate what the market provides and can't guarantee the public interest was protected. The city administration determined the price under the 70/30 modality, where private partners acted as price takers, and this is a deviation from international practices. Finally, the outer loading result for risk sharing was 0.65 indicating a moderate positive correlation with success. In this situation, risk associated to financing and construction was transferred to the private partners but it is not on a participatory negotiation. This PPP institution fails to identify exhaustively the risks and the capacity of managing those risks by participating the private partners.

Discussion of the qualitative data

Table 2.4: Extracts of Qualitative Data on Institutional Capacity

Theme	Description	Qualitative data
Capacity	Institutional capacity to coordinate, responsiveness	- Encouraging practices in planning, contract document preparation, contract administration experience, -There is gap in timely engaging all private partners to the construction process, detailed follow up plans not prepared, contract
Expertise	Expertise of managing the complex nature partnership,	-Have project coordinating and supporting staffs -the contracting office Addis Ababa Housing Corporation have engineers, and management staffs
Knowledge	Training on contract administration, project management, PPP knowhow	Trained staff in engineering and management related lacks training on Public-Private Partnership
System	Established system which handles PPP process of engaging private partners, responsiveness, rules,	-PPP office is responsible for document preparation to the partner selection; the housing corporation is a contracting office and responsible for the contract administration
Laws	Presence of directives, regulations	Have PPP directive, procurement directive specially designed for PPP, Have regulation 128/22

Source: Analysis of extracts from interviews, 2024

The interviews revealed that, as stated in Table 2.4 above, as of data collection, only seven out of 22 private partners had initiated construction activities. Though, delays were

attributed to both parties: some private partners lacked experience, financial resources, and technical capacity to meet contractual requirements within the agreed timeline. The empirical findings align with a study conducted in Kenya, which indicates that failing to adhere to timelines and inabilities in handling institutional capacities negatively affect the effectiveness of PPP implementation (Giti, 2023). Additionally, factor loading results indicated that specific timelines defined in contracts, such as the three-month period for depositing 30% of the total project cost, had a moderate relationship with institutional effectiveness, with a path coefficient of 0.6.

The interview data revealed that the Addis Ababa PPP system is well-established, beginning with board committees that provide strategic direction. A PPP Office, directly accountable to the Mayor's Office and the board, oversees the preparation of PPP documents, the selection of private partners, and overall supervision. In terms of regulatory frameworks, the city has a PPP regulation aligned with Federal PPP Proclamation 1076/2018, supplemented by a procurement directive tailored to the unique nature of PPP projects. Despite these established systems and frameworks, challenges remain in effectively integrating and coordinating PPP projects. This is evidenced by the fact that 63.6% of private partners failed to commence construction on time, largely due to gaps in private partner selection stemming from institutional capacity deficiencies. Additionally, issues such as insufficient detail on room size and quality in contract documents further highlight weaknesses in institutional capacity.

These findings are consistent with Sue Godt's assertion that inefficiency within public institutions and states inevitably leads to poor delivery of services (Godt, 2023). Addressing these gaps in institutional capacity, especially in project coordination and partner selection, is critical to ensuring the successful implementation of PPP initiatives and planning.

2.4.4. Resource allocation, risk sharing and quality

This section examined the agreements outlined in the contractual document regarding resource allocation, risk sharing and quality assurance addressed in PPP-based housing contract. The PPP-based housing contract of Addis Ababa achieved success in engaging 8 private partners in the housing construction at the time this data was gathered. However, the resource allocation was not determined by the market rather it is a predetermined in which the city provides land and the private partner finance, construct and deliver 30% of the houses to the city. But the result would be changed if the amount of the contribution of the private partner and the houses to delivered could be changed based on location of the landed. Moreover, by increasing the building height of the construction the houses to be constructed could be increased had the 30% would be negotiable. On the other hand, quality, room number and room size of the 30% houses not sated in the contract document. Therefore, as stated in the work of Batra (2022b) clearly stating quality of the deliverables is critical for safeguarding public interest and ensuring compliance with minimum housing standards. In a nutshell, the analysis highlights gaps in practice and the need for improvements to better integrate quality assurance into the agreements and planning processes.

On the other hand, the contract document stated these unresolved issues were anticipated to be addressed during subsequent renegotiations. However, as the literature suggests, the private sector cannot be held accountable for matters that were not clearly stated in the signed contract document. This falls in tandem with the findings of Oksana et al. (2020), which emphasize that for PPP to be effective and successful, risks, responsibilities, and obligations must be allocated among the partners through institutional mechanisms and based on binding frameworks.

$$\text{Equation 4: RAL} \approx 0.7 \text{ wrmpp} + 0.5 \text{ iirmp} + 0.74 \text{ iktca} + 0.49 \text{ ikrbsc}$$

This equation was developed based on the analysis result of CFA in which it helps to measure the relationship between the latent variable resource allocation and the measured variables. The result of the outer loading ranges from -1 to 1 indicating a strong negative

correlation when it gets closer to 1, no relationship when it gets closer to 0 and strong correlation when the result approaches to 1.

Therefore, wrmpp = I participated in resource management plan that was prepared, iirmp = I have information that resource management plan prepared, iktca= team charter was prepared, ikrbsc = resource breakdown structure prepared. The outer loading for the resource management plan was 0.7, and for the signing of the team charter between contracting parties were 0.74. Both measured variables demonstrated a strong positive relationship with resource allocation. However, qualitative findings revealed that delays in signing the team charter and preparing the resource breakdown significantly delayed project schedules. Consequently, only 8 out of the 22 private partners had started the construction work and one out of the 8 leaved the agreement, representing a 42% engagement rate in the construction process at a time when the data fieldwork was conducted.

Table 2.5: Extracts of Interview on Resource allocation, Risk and Incentive

Theme	Description	Qualitative data
Finance	The budget required for the design and construction	<p>- Private partner expected to cover 30% of the finance from own source, and 70% through the bank loan</p> <p>-The capacity of the private partner to raise the 30% of the finance at the required time often raises serious concern</p>
Land	Plots of land having electric and water access	The city allocated most of the land in time, but in some cases due to third party claim. Location changes in some case happened.

Theme	Description	Qualitative data
Incentives	Tax exemption, customs clearance issues, priority to locally manufactured and local materials	No incentives have been allocated, only support letter produced to whom it may concern
Risk	Risk identification involved both parties, are there chance of allocating risk based on negotiation to the best capable party	One party assigned and the other took it hoping to maintain good relationship for future opportunities
Quality	Standard, room number, and size	-The contract overlooked these issues and focused on the number “30%”

Source: Analysis of extracts from interviews, 2024

The analysis of the interview result in Table 2.5, underscores the importance of specifying the room size and material type in the contractual documents and closely monitoring resource allocation and project scheduling to improve the effectiveness of PPP implementation for affordable housing development in Addis Ababa. These findings align with the study on the applicability of PPP in Kenya for housing development, which emphasized the need to strengthen government institutional capabilities, provide robust political support for PPP initiatives, and focus on comprehensive risk assessments (Giti, 2023).

2.4.5 Risk identification and sharing

$$\text{Equation 5: } RSP \sim 0.92icipr + 0.85ikrpda + 0.76ikqram + 0.72ikquram$$

When we see the model fitness the result of Comparative Fit Index is 0.995 and Tucker-Lewis Index 0.970 indicating the model fitted very well. This equation indicates that the

latent variable "Risk Sharing and Participation" (RSP) is influenced by various measured variables, including icpr (risk identification), ikrpda (risk planning), ikqram (qualitative risk assessment), and ikuram (quantitative risk assessment), with the corresponding path coefficients. The central latent variable in the diagram is "RSP", which represents the "Risk identification and sharing" construct.

In the PPP arrangement risk minimization strategy attained by jointly identifying risk between the public institution and the private enterprise (Bagenda & Ndevu, 2023). The survey data analysis result shown risk was transferred to the private partner. However, the result of the qualitative data indicated though risk shared to the private sector the process of identification of the risk and its sharing was not participatory. This means risk not shared based on negotiation rather assigned which might compromise the effectiveness of the mitigation strategy.

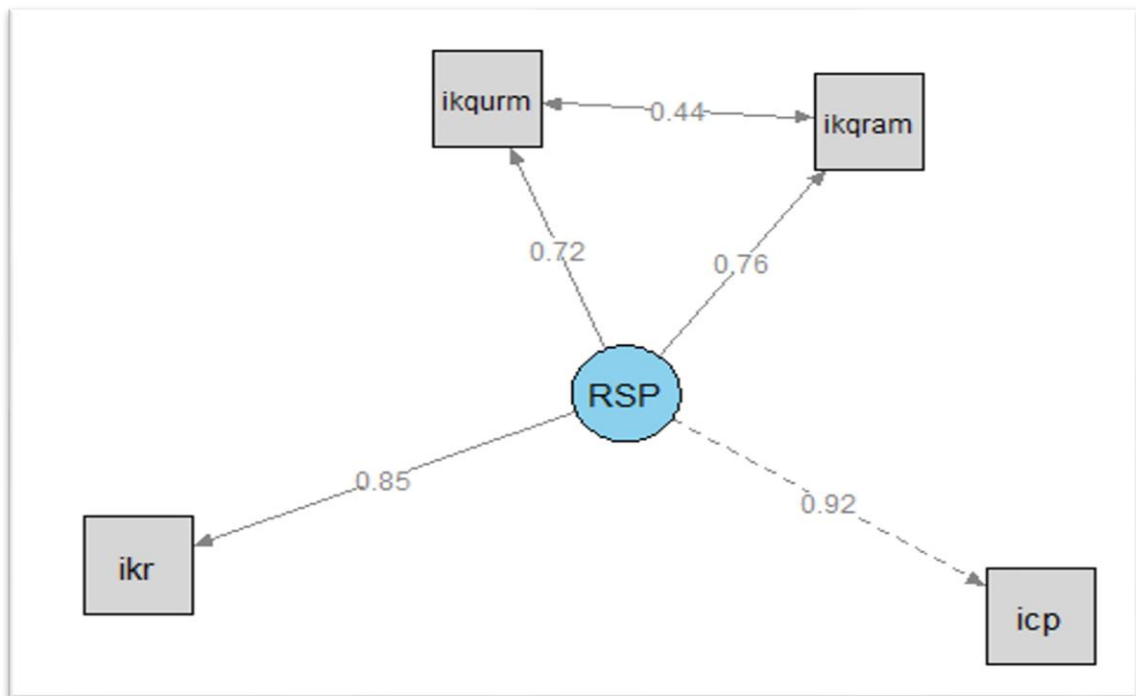


Figure 2.5: Risk Identification and Sharing

Source: Survey December (2024).

Figure 2.5 above presents the results of a Confirmatory Factor Analysis (CFA) diagram illustrating the "Risk Identification and Sharing" model, based on the survey analysis conducted in 2024. The risk sharing and identification dimension have been influenced by all measured variables, as indicated by the path coefficient results, which were consistently above 0.7. These results signify strong positive relationships.

The city administration has taken the responsibility for risks associated with the provision of land and utilities, while private partners were responsible for risks related to design, financing, and construction management. However, these responsibilities were not often negotiated to the greater extent. Without clear, negotiated risk-sharing agreements, it becomes unlikely and unprofessional to decide which party would be better equipped to bear specific risks. This lack of clarity continues to undermine the overall successes of project goals.

Interview excerpts, as presented in Table 2.5 above, along with signed contract documents, confirmed that risk responsibilities were predefined rather than negotiated. The public sector was tasked with managing risks related to land and utilities, while the private sector has dealt with risks associated with financing, design, and construction. As shown in Figure 2.5 above the path coefficient for the "Risk Identification and Sharing" variable was 0.58, indicating that this aspect was insufficiently treated in the partnership agreement. This underscores the importance of negotiated risk-sharing mechanisms to ensure the success of PPP initiatives. Further, the weak institutional capability was unable to enforce the legal framework so that risk identification in PPP-based housing in Addis Ababa failed to achieve participatory and negotiated risk sharing that would have been contribute to success. However, the analysis result of CFA for implementation of the risk sharing was 0.58, and result for qualitative and quantitative risk assessment (planning) was 0.76 and 0.72 respectively. On the other hand, the interview result indicated the risk sharing was weak and not participatory. Consequently, the findings suggest that while the strategy or framework for risk sharing was effective, its execution was notably deficient, presenting a contradiction. These findings align with a study on the "Influence of Public Credit Risk on

Private Capital in PPP Models,” which highlighted those private investors tend to select projects aligned with their risk tolerance levels (Li et al., 2023).

2.4.6 Stakeholder engagement

In the context of analyzing the PPP-based housing of Addis Ababa City Administration, stakeholders include those directly affected by the project, both internally and externally. These are actors directly involved in the city's PPP housing initiatives and projects. The results obtained from the survey data, which were analyzed using Confirmatory Factor Analysis, along with findings from the thematic analysis of qualitative data, have been discussed and triangulated to provide comprehensive insights complementing with other dimensions of the PPP framework in housing sector.

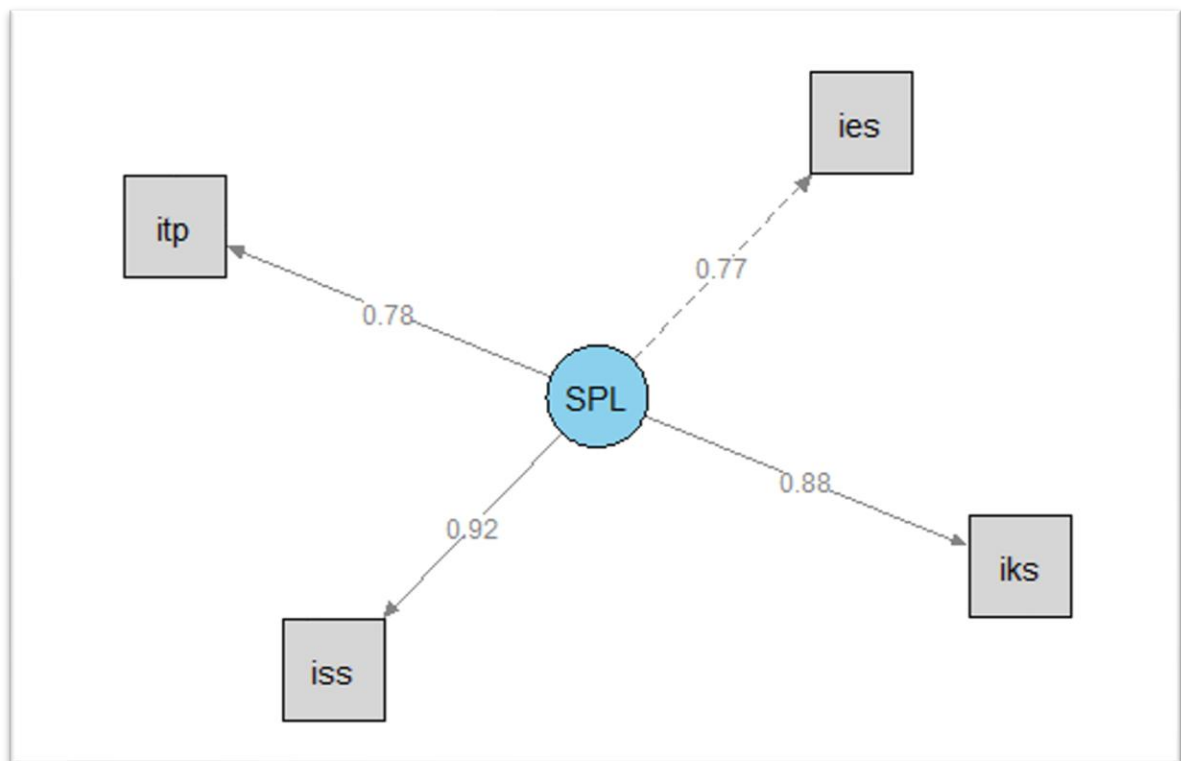


Figure 2.6: Stakeholders Participation

Source: Survey December (2024).

The equation below provides the formula for undertaking the stakeholder's analysis based on the analysis result of CFA, and the variables used to measure it.

Equation 6: $SPL = 0.77ieis + 0.88iksppi + 0.92issac + 0.78itpsmp$

Whereas:

- ieis (stakeholder identification)
- iksppi (stakeholder involvement in implementation)
- issac (stakeholder analysis)
- itpsmp (stakeholder participation at the planning stage).

The central latent variable as depicted in Figure 2.6 above is "SPL", which represents the "Stakeholder participation" construct. This dimension is directly influenced by the measured variables *iksppi*, *issac*, and *itpsmp*, as designated by the path coefficients of 0.88, 0.92, and 0.78, respectively. The path coefficients, ranging from 0.77 to 0.92, indicated the presence of strong influence of the measured variables on the latent variable of Stakeholder Participation and Linkage. The analysis result of the CFA suggests that the PPP institutions have effectively engaged stakeholders. However, qualitative data in Table 2.5: uncovered gaps in stakeholder participation. The aspect of stakeholder participation didn't include end-users. However, the only stakeholders involved were private partners, public officials, and experts only. Moreover, there were process which failed to achieve real participation. The processes of resource allocation in procurement and risk sharing were not participatory. Therefore, a pre-determined allocations resources of the 70%/30% arrangement and the predetermined risk sharing was the cause which is against the international trend. Moreover, the omission of end-user participation leads to a failure in recognizing their ability to pay or rent.

Comprehensive analysis of the stakeholder participation model highlights the importance of integrating diverse stakeholder perspectives-especially those of end-users into decision-making and project delivery. Doing so, it can enhance the effectiveness of PPP frameworks for affordable housing in Addis Ababa. These findings fall in line with the study by Muthoni and Obuba (2023), which noted that cities like Singapore and Boulder benefited

from robust stakeholder participation in PPP, whereas Meru, Kenya, did not fully capitalize on such participation. Similarly, findings by Chileshe et al. (2022) in Kenya echo Addis Ababa's experience. Therefore, the lesson that Addis Ababa learn from international best practice is PPP building institutional capability which help to comprehensively consider all the actors in the planning process and implementation phase is essential. Moreover, neglecting end-user's participation affects the sustainability of the project. While facets like housing designation, partner consultation, cost estimation, and contract signing (with 22 private partners) were handled successfully. Overcoming, all the prevailing challenges are essential to optimizing stakeholder engagement and improving the overall outcomes of PPP initiatives.

2.5 Conclusion and Recommendations

2.5.1 Conclusion

This study focused on the analysis of the planning phase of the PPP for housing development in Addis Ababa City Administration. While the city has made commendable progress in introducing alternative finance mechanisms, several areas still require significant improvement. In this regard, the city administration has demonstrated commitment by initiating planning, preparing and signing contract documents, and facilitating construction commencement. In addition, the process of identifying cost and resource allocation was performed well. Therefore, the city administration was witnessed promising results in integrating the planning and implementation in which 7 private partners started the construction.

However, the PPP-based housing in Addis Ababa City Administration faced critical shortcomings. These deficiencies were non-transparent procurement, lack of participatory risk identification, and failure to clearly state the deliverables. Further, lack of incorporating end users in the planning and implementation process was the major

deficiencies of the PPP in the sector of Addis Ababa. Moreover, the quality, room size and room numbers of the houses to be delivered not clearly stated.

Consequently, lack of transparent and competitive procurement processes in the Addis Ababa PPP-based housing development negatively affected the outcome of the procurement. Hence, the private partners selected through this process were 22 out of which only 8 of them started the construction process among which one of them left the contract. Besides, as a result of the lack of competitive procurement only 36% of them started the construction. This indicated most of the partners identified was not financially capable. Therefore, the outcome of the non-transparent PPP procurement compromised the goal of achieving sufficient finance from the private partners. On the other hand, lack of participatory risk identification was one of the factors which led private partners to retreat from the partnership arrangement. Furthermore, the limited involvement of end users led to miss the goal of addressing the housing challenges of the low-income groups. Finally, the gain the city administration achieves can't achieve the value-for-money for the land equity contribution resulted from lack clearly setting standards to the deliverables.

2.5.2 Recommendations

To enhance the effectiveness of the PPP framework for at the planning phase of the housing development in Addis Ababa, the following Recommendations are proposed:

Policy and planning recommendations

The PPP policy needs to be revised emphasizing the importance of strengthening the enabling conditions. These includes providing clear guidance on the incentives for the private partners and adherence to the principles of transparency and participatory PPP implementation.

PPP initiation and planning: to ensure the sustainability of PPP it is key to consult the end users of the houses on the type, size, room numbers and even on the cost recovery up on rent or transfer.

Institutional-level recommendations

Strengthen Institutional Capacity: prioritize investments in capacity-building programs for PPP implementing offices. This will empower them to effectively manage projects, address risks, and harmonize the interests of private partners meeting public interests laying the ground for smoother project initiation and execution.

Enhance Stakeholder Engagement: actively engage beneficiaries of housing development, especially residents, in the planning and implementation stages. Their perspectives help to ensure that housing projects align with community needs and gets acceptance.

Incentives- there must be a mechanism for encouraging the private partners to invest their resources in the public sector by providing tax incentives, minimum profit guarantee, and streamlined permits. This needs to be clearly documented in the planning phases so that it could be possible to offer incentives, priority in getting raw materials, administrative support or could be minimum profit guarantee.

To ensure success in the implementation of PPP, scope of the contract agreement has to be defined. In this case, the responsibilities of the private partners have to be clearly defined and should be annexed explicitly in the contract document, because once the document is signed, it becomes binding before the law and failing to meet these clauses brings fine. Moreover, the plan and the contract documents need to demonstrate the time when each of the milestones should start, accomplished and delivered.

Governance recommendations

Promote Transparent Procurement Processes: open and competitive bid mechanisms that allows the city administration to select financially and technically capable private partners. This approach will help balance the private sector's profit motives with the public's need for affordable and accessible housing. Transparent procurement procedures can minimize corruption and discourage opportunistic behavior by both public and private actors.

Risk identification, sharing between partners, and designing mitigation strategies: PPP is a long-term contract requiring large amount of finance. This situation demands sharing the

inevitable risks such as inflation, bankruptcy of the private partners, regime change in the public institutions, and policy changes. The main goal would be capitalizing on the strengths of each party and put mechanisms for sharing the risks at a planning phase.

Project level recommendations

The public facilitation process within the office should commence immediately following the signing of a PPP contract by the private partners. The land must be provided in time, without any third-party claims. Furthermore, it is essential that authorization is granted proactively, and the formation of special purpose vehicles is accelerated.

**CHAPTER 3: ANALYSIS OF THE VIABILITY OF PUBLIC-PRIVATE
PARTNERSHIP FOR HOUSING DEVELOPMENT SCHEMES IN ADDIS
ABABA CITY ADMINISTRATION**

This study analyzes financing alternatives for affordable housing in Addis Ababa, with particular focus on Public-Private partnership. Empirical evidence confirms a substantial financing gap as the primary constraint in affordable housing delivery. Stakeholders rated PPP as a more effective model in mobilizing funds, incorporating private sector expertise, and delivering housing at a scale. Using explanatory sequential mixed-method design, the study first surveyed 203 stakeholders including respondents from Addis Ababa PPP offices, private partners, and policy makers, and followed by up with qualitative interviews to contextualize the results. The study analyzed Public-Private Partnership, mass housing and real-estate. A significant mean difference ($P=0.000$; $t= 3.54$) was found in stakeholders' rating of financial viability, favoring PPP over real-estate-led and government-sponsored housing programs. With regards to obtaining finance, harnessing technology and experience from the private sector, all key deficit areas in the prevailing housing development schemes of Addis Ababa City Administration can be addressed by adopting Public-Private Partnership. Therefore, to enhance affordability and equitable risk distribution, PPP contract should mandate cost-sharing formulas, default mitigation mechanisms, and affordable thresholds linked to local income levels.

Key Words: Affordable Housing, Financing Mechanisms, Public-Private Partnership, , , Value for money, Addis Ababa, Ethiopia.

3.1 Background of the Study

The global urban population is projected to rise from 4.3 billion in 2020 to 6.6 billion in 2050 (UN-Habitat, 2022). This significant increase is leading to heightened demand for essential services and infrastructures (Turok et al., 2023). Shortage of housing supply has become a pressing issue for urban centers. Therefore, to respond to this challenge, governments are using mass housing programs, Public-Private Partnership and private real-estate development as a housing provision options (Oroniyi K. T. et al., 2024 and Kim et al., 2024). PPP create an opportunity for governments and the private sector to harness resources, technology and experience for the provision of infrastructure and services in the public sector (Batra, 2022b).

Although PPP have a long historical background in contributing to development initiatives, with its origins tracing back to 1364 in the United Kingdom, where it was utilized in the management of tollgates. It had played a crucial role in development, particularly evident in the 1990s when over 336 billion euros were invested in infrastructure projects (European Court of Auditors, 2018). Countries, adopted PPP as a financing strategy for services and infrastructure, aiming to engage the private sector in the design, financing, construction, operation, and maintenance of public sector projects (Hueskes et al., 2019).

As Bican (2020) reviews public mass housing and urban transformation attempts in Turkey, and underlines how governments navigate various housing provision options in their bid to bridge the growing gap between demand for residential housing and the available limited supply. The options include government financed mass housing, real estates, association based, and Public-Private Partnerships, each having its own pros and cons (Liu & Ong, 2021, and Akinwande, 2023). Accordingly, Sub-Sahara African countries are one of the least urbanized regions but has fastest rate of urbanization at 4.4% (Mortensen, 2021). According to Obioha, (2021) this rapid urbanization poses a surge of demand for affordable housing. In their response to these near-crisis challenges, governments have sought out various mechanisms and adoption of PPP as a financing option being one among them (Kavishe & Chileshe, 2022).

As literatures indicated housing crisis is a global concern. However, efforts of governments in the housing provision fell short of meeting the demand. Therefore, the role of governments shifted from provider (1950s) to enabler (1980s). Hence, public sectors opted to increase the role of private sectors in financing the housing provision. Although, PPP is the most recent phenomenon currently it is as one of the effective means for addressing the housing finance challenge (Kwofie et al., 2024).

In addition, real-estate development, and government financed housing programs are the options for housing provision. However, real-estate development play role in increasing the housing stock but raises affordability concerns for low-and middle-income groups (Haque & Khurshid, 2023). On the other hand, the mass housing programs is staggering because of finance shortage and unable keep producing houses (Matsumoto & Crook, 2021). Therefore, compared to other housing provision mechanisms Public-Private Partnership appears better in financing the housing program in the public sector (Nelischer, 2024).

The scholarly debate on considering housing as a commodity or right has its own effect on how to approach the issue. Some scholars view housing as a commodity and prefer the market-based housing provision system. So that insists government role as an enabler and regulator only. On the other hand, scholars insist housing is a right for citizens and governments has to be involved in the housing provision is. Rogan (2025) stated that the concern housing affordability obtaining from governments is on the decline. He asserts that because of the decline in priority for the housing provision by the governments housing prices became unaffordable. Therefore, individuals who fail to meet rental or purchase obligations may find themselves facing court proceedings (Domurath & Gil, 2025). Finally, Ultimately, when considering the debate surrounding housing as either a right or a commodity, the role of government is crucial in addressing the housing issue.

Therefore, selecting housing provision alternatives that effectively address affordability challenges is a persistent issue that governments and policymakers are still struggling with,

marking an open and ongoing field of debate. On the other hand, the proponents of the right to housing expects governments to promote the inclusivity of the housing schemes (Ganugi et al., 2025). Therefore, the debate on housing as a commodity or housing as a right is an ongoing concern.

When come to the Addis Ababa case the issue of housing was considered as a right. Accordingly, mass housing program was introduced in 2005 to address the low-income groups (Nathan & Yonas, 2025). The City Administration of Addis Ababa initiated a government financed program called the Integrated Housing Development Program (IHDP) to address the housing deficit in the city (EiABC, 2017). However, almost two decades after the program's launch, which was funded by a combination of bank loans, bonds, and registered residents' savings, the issue still exists and the shortage of affordable housing is still a major obstacle (Charitonidou, 2022a and Miliete et al., 2021). In recent times due to Russia-Ukraine war, the Middle East turbulence, and the changing political situation of the US has affecting the consumption expenditure price leading to soaring housing prices (Lim et al., 2025). As Cohen et al., (2025) asserted in his study in real-estate development the information asymmetry, lack of buyers protection, and lack of accountability affects PPP success and can be solved by regulatory and institutional capacity building.

In a parallel move and with a view to compliment the effort, a good number of real estate developers were provided with plenty of urban land but the selling price is beyond the purchasing capacity of the low- and middle-income residents (Mekuria et al., 2024). Therefore, looking for a better option adoption PPP was adopted in Ethiopia. Similar to the trend observed in other developing nations the primary motive of introduction of PPP was to finance infrastructure in the public sector (Getachew, 2021). In order for interventions to be able to respond to the challenges of residential housing it has to meet conditions of affordability and it has to produce a sufficient number of houses (Malik & Nurunnabi, 2024a). Hence, a thorough examination is required to determine which of the available housing provision modalities best satisfies these conditions (T. O. Akinwande, 2023).

Therefore, this study assessed PPP as a housing financing option compared to real-estate, and IHDP in the provision of residential housing in Addis Ababa City Administration. Hence, while contributing to the ongoing academic debate and discussion on the field, it would furnish some insights to policy on what works best under what arrangements.

3.2 Literature Review

During the period of industrialization housing provision were dominated by the private sector and the process was not controlled. Then after, mass-housing was considered as an option but after deindustrialization the popularity of mass housing provision was declined (Stephens & Hick, 2024). In addition, real-estate development is considered as one of the housing provision options but, regardless of its contribution in increasing the housing stock it is not affordable for the low-and middle-income groups (Owen et al., 2019). Furthermore, in more recent years, governments have come to embrace Public-Private Partnership as a financing mechanism for the affordable housing provision (Abura et al., 2023). Public-Private Partnership is utilized as a mechanism for funding services and infrastructure, encompassing the design, financing, construction, and maintenance phases. This approach is regarded as "a new tool for development," highlighting its significance in facilitating development initiatives in the public sector (Oksana et al., 2020:240).

3.2.1 Incomplete Contract Theory

Incomplete contracts are long term contracts and are susceptible to different socio-economic changes over time. This situation makes it difficult to exhaustively deal with all the risks and as a result this contract might face unforeseen changes in the future that might affect the contract which makes it incomplete (Nwangwu, 2022). Accordingly, housing construction and recovering the investment cost takes a longer period of time which expose the contract to changes that come over time making the contract incomplete (Qing, 2023a) Therefore, failing to include a saving clause in the contract document leads parties to dispute regarding how and who will be responsible on the changes occurred over time

(Feng et al., 2022). Finally, incomplete contract theory utilized to assess how the PPP-based housing contract in Addis Ababa City Administration was managed. So that, whether the partnering party's agreement approach to manage the unforeseen situations and how public interest was protected was analyzed employing incomplete contract theory.

3.2.2 Housing finance

Housing finance is financing the housing development offered by financial institutions to individuals or households for the purpose of acquisition, building, or renovation of residential properties (Amedanou, 2023 and Koppenjan et al., 2022). It is often used synonymously with residential mortgage loans (Senbeta & Batra, 2020). Globally, in India financing of the affordable housing facilitated by various financial entities including commercial banks, mortgage banks, non-banking financial institutions, and reserve banks, which are capable of providing funds for land acquisition and construction activities (Rekha and Rajashree, 2022:3699).

However, in many African countries, housing finance is a serious problem, for example in Mozambique, only 3% of the population can access housing finance (Michael Majale, and Michael Bamberger, 2021). Broadly speaking, in Africa, due to mismanaged risks, lack of knowledge, and institutional problems, consumers cannot afford to buy houses, developers cannot produce at a reasonable price, and the government cannot provide subsidies (Centre for Affordable Housing Finance in Africa, 2023). Therefore, the global trend shown in countries where an enabling condition prevails housing finance schemes helped the efforts of the housing provision. However, in Africa there is a serious gap in creating an enabling condition to the housing financing mechanisms which in turn hampered the housing provision efforts.

Therefore, to overcome this challenge, Sub-Saharan African nations are implementing PPP as a viable strategy for financing infrastructure initiatives in the public sector (Tshombe et al., 2020). The capital contributions from private sector partners, along with funds obtained

through loans and the infusion of technology, have played a significant role in tackling developmental challenges that would typically fall under the purview of government responsibility (Akomea-Frimpong et al., 2023:14). Although there are different financing options to deliver residential housing, when it comes to the producing large number of houses mass housing became better as compared to PPP and private led housing development in Ilorin Metropolis, Nigeria (Oladimeji et al., 2024). In Ghana, for instance, barely 1% of all loans made by official banks are given to the housing sector. The unfavorable credit circumstances and collateral problems that impede access to housing financing exacerbate this predicament (Kavaarpuo et al., 2023).

The issue of housing finance is primarily attributed to insufficient policy focus and constrained resources. On the other hand, in countries where policy intervention undertaken progress has been witnessed. For instance, in Kenya, various financing mechanisms have been identified to address this challenge, including taxation, real estate investments, employee-assisted housing programs, savings plans, PPP, and mortgage options (Abura et al., 2023:14). Housing financing can be achieved through the utilization of funds from pension schemes and insurance savings, as noted by Giti and colleagues (Giti, 2023:31). Therefore, countries having decent finance sources are becoming successful in tackling challenges of housing provision. Underprivileged Ethiopians, as are many in the continent, remain unable to access financial institutions, and banks face liquidity problems (Abdu, 2022). It is against this background that alternative funding sources for urban housing development projects become imperative.

3.2.3 Public-Private Partnership as a financing option

PPP investments in low- and middle-income countries reached a total of 263 projects by 2022, amounting to US\$ 91.7 billion. This figure, however, falls significantly short of the trillions of dollars required to achieve the Sustainable Development Goals (SDGs) (Cull et al., 2024:20). While these investments contribute to various development initiatives, there remains a pressing need for increased PPP investment to effectively address the challenges

at hand (African Development Bank, 2021). PPP present a feasible opportunity for the public sector to implement projects with lower costs, enhanced efficiency, and a distribution of risks which is known as value for money in this context (Wibowo & Hartiati, 2023:103). The money or the resource the public sector allocates to be invested in PPP have to give a better value than when the public sector invested it alone (Teshome, 2015:16). Such arrangements can assist governments in improving public infrastructure while simultaneously alleviating the burden of debt. The funds or resources that the public sector designates for investment PPP must yield greater value compared to what would have been achieved if the public sector were to invest those resources independently(Wang and Ma, 2021:243).

In Ethiopia, mortgage financing appears to lack significant policy emphasis within the formal financial sector. The proportion of loans allocated to mortgages relative to the total loan disbursements is notably minimal (Mekuria, 2022:37). Besides, low-and middle-income households face significant challenges in obtaining mortgage financing, primarily due to elevated interest rates imposed by banks and stringent collateral requirements. These situations discourage economically disadvantaged individuals from accessing housing finance (Asnakew & Amogne, 2022:1127). Since 2017, the government of Ethiopia considered Public-Private Partnerships as a financing option of infrastructure projects. This initiative reflects a strategic shift towards enabling collaboration between the public and the private sector. Therefore, housing sector is identified as one of the key areas where PPP is anticipated to play a significant role (Getachew, 2021; Teshome, 2015).

3.2.4 Comparing Public-Private Partnership, real-estate, and, government led mass housing program

Residential house delivery is mainly dependent on government led mass housing programs, real-estate, and PPP among others. In Toronto Smart City the need for substantial amount of investment cost, and technology PPP became preferable over real-estate and government led projects (Nelischer, 2024). In terms of raising finance for public infrastructure investment PPP is preferable for it has unique finance system known as Special Purpose Vehicle which is an office which raises finance for the project based on revenue stream of the project (Castelblanco et al., 2025). In the same way, the Italian government established an integrated real-estate fund for the real-estate developers by setting maximum renting and selling price through Public-Private Partnership approach (Czischke and Van Bortel, 2023). In Brazil the government have had tried mas housing program through the establishment Housing Bank in 1964, in 2009 a mass housing program under moto of “my home my life” though this program delivered over 3 million units. Although private partners were engaged in this housing development program it failed due to high land acquisition cost (Izar, 2021).

The acquisition cost of land has a negative effect on the transfer price of the constructed houses (Czischke and Van Bortel, 2023). Hence, land acquisition cost has a great role in determining the effectiveness of the whether PPP, mass housing program or, real estate becomes a viable option based on the differences in the ownership basis of the land in different countries (Dang and Hung, 2023). In areas where the land is owned by the government mass housing and PPP will be minimally impacted by the cost of land acquisition which in turn has impact on determining options of the housing provision (Adigeh and Abebe, 2024). In PPP the Government and the private sector reach up on agreement defines and grants specific rights to a private company to construct, and transfer or operate a facility for a predetermined period (Casady, 2023; Asian Development Bank, 2022). In concessionary PPP, payments can occur in both directions: the concessionaire compensates the government for the concession rights, and the government may also pay the concessionaire to meet certain specific conditions stipulated in the agreement (Azarian

et al., 2023). Such payments by the government might be necessary to render projects commercially viable and/or to reduce the level of commercial risk assumed by the private sector, particularly during the initial years of a PPP program.

Although, mass housing program in Ethiopia produced 350,000 houses it fell-short of meeting the growing demand, on the other hand, real-estate housing is not affordable to the low income groups (Kesito, 2021). Therefore, this situation demands assessing which of the major housing provision modalities better in address the housing finance challenges (Saiz, 2023).

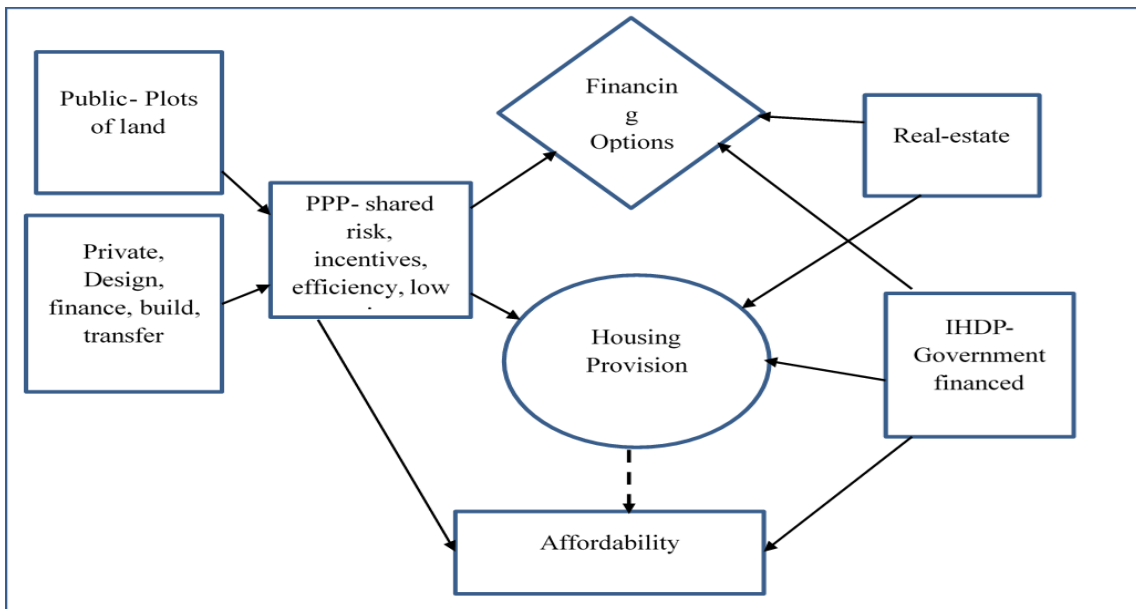


Figure 3. 1: Conceptual Framework

Source: Developed by the researcher, (2024).

3.3 Results

Housing provision in Addis Ababa has emerged as a significant challenge for the city government, necessitating a multifaceted approach beyond the capabilities of governmental efforts alone. In light of this, the city administration has opted for PPP as a viable financing mechanism for housing construction. This study investigated the housing

financing options of PPP, real estate methods and the IHDP within the housing sector. The statistical analysis employed in this study was proportion test and t-test statistics utilized for testing if the sample mean differs from the population mean. Therefore, for the analysis purpose Stata 14.0 software was utilized. The reliability of the data was tested for the constructs of transparency, risk, planning, and resource allocation to check the internal consistency and the Cronbach alpha result of 0.9617 for the questionnaire was obtained indicating how well the item measures the same construct. The issue of redundancy of the data was addressed. The demographic analysis of the respondents reveals that 37.4% were female, while 68% possessed a higher education degree and above, and 41% of the respondents had over a decade of experience in the housing sector. This composition suggests that the respondents were well-equipped to provide valuable insights into the challenges and opportunities associated with housing provision in Addis Ababa.

Further, the Null hypothesis for one tailed t-test $H_0: \mu=3$ in which no significant difference among the financing options of PPP, IHDP, and real-estate. The degree of freedom is $df=202$, and the analysis was conducted at significance level $\alpha=0.05$. In addition, the Null hypothesis for one sample proportion test is $H_0: p=0.333$ in which the sample proportion result has no difference from the population proportion (0.333), the level of significance is $\alpha=0.05$, and the degree of freedom is $df=202$.

3.3.1 Awareness and perception of actors in the housing sector on Public-Private Partnership

The study investigated the awareness of the respondents on mass housing, PPP, and real-estate development in the residential housing provision for the low-and middle-income groups in Addis Ababa City Administration. The null hypothesis was the population mean was not different from 3, which means in alleviating the housing financing challenge there is no difference among the housing provision options. As presented in Table 1: below the t-test mean comparison result for the measured variable PPP was feasible as a financing option for housing development. The upper one-sided p-value was 0.000 and at 5 percent level of significance we reject the null hypothesis and accept the alternative hypothesis

stating PPP is a viable financing option. The findings from the interview revealed that the city government had a debt of 54 billion birr (equivalents of 45 million USD) borrowed for the IHDP. In its attempts to mitigate and repay this debt, the amount was subsequently decreased to 32 billion birrs (266 million USD). This situation serves as a clear indication why the city is compelled to explore alternative financing options.

As shown in Table 3.1 below the result of the t-test of the upper one-sided p-value was 0.000 which was statistically significant and we reject the null hypothesis. Hence, the null hypothesis stating there is no difference among PPP, mass housing, and real-estate was rejected and alternative hypothesis was accepted. Therefore, the mean score of 3.32 (SD = 0.91) suggests that participants are agreed with the statement that PPP as feasible financing option. The result was statistically significant ($t(202) = 3.55, p < 0.001$), indicating respondents perceive PPP as feasible financing option than the other models for housing development in Addis Ababa.

Table 3.1: Mean Comparison Result of PPP as a Financing Option

Measured Variables Variables (HO: $\mu=3, df= 202, \alpha=0.05$)	\bar{x}_1 mean for population 1	p-value	Std. error	t statistic
t-test PPP is Feasible Financing Option =3	3.325123	0.000**	0.091	3.546913
t-test PPP is Better in Time Project Completion =3	2.53202	0.000*	0.083	-5.63780
t-test PPP Brought More Finance than IHDP =3	3.128079	0.070	0.086	1.476229
T-test PPP Brought More Efficiency =3	3.152709	0.027**	0.079	1.924224
T-test PPP is Efficient than Real-estate =3	3.157635	0.025**	0.080	1.968504
t-test PPP helped in Sharing Risk =3	2.965517	0.334	0.080	-4.291416
t-test PPP is Cost Effective than Real- estate=3	3.108374	0.095	0.082	1.31241

Measured Variables Variables (HO: $\mu=3$, df= 202, $\alpha=0.05$)	x_1 mean for population 1	p-value	Std. error	t statistic
t-test PPP better Manage Risk to Real-estate =3	3	0.500	0.086	0
t-test In Transfer Cost Real-estate is better to PPP=3	2.714286	0.000*	0.085	-3.343559
t-test PPP Better to Finish Project in Time =3	2.724138	0.001*	0.085	-3.243885

*Lower one-sided p-value

** Significant upper one-sided p-value

Source: Researcher's computation survey result (2024).

Ho: $\mu = 3$

Lower one-sided p-value Ha: $\mu < 3$

Upper one-sided p-value Ha: > 3

Sample size = 203, degree of freedom = 202, confidence interval = 95

Likert scale was applied in collecting the data ranging from 1 to 5, therefore 3 was taken a neutral position of the respondents and if the mean response is above 3, we reject the null hypothesis and vice versa. In addition, one sample t-test was utilized because the study compares a single group against a population mean.

These implies that PPP is feasible in providing finance, technology, and experience from the private partner relative to real-estate and IHDP. The finding for the question asking if PPP is better suited to accomplish housing projects in time than IHDP and Real-estate the t-test report, as indicated in Table 1, was $t(202) = -5.6$, $P = 0.000^{**}$ in other words the mean level of PPP is not better in accomplishing projects in time was (mean= 2.53, SD = 0.83, N=203), $t(202) = -5.6$, $P = 0.000^{**}$. There is a significant difference the between sample mean and the test value or the population mean. Therefore, the mean score of 2.53 (SD = 0.83) suggests that participants are disagreed with the statement that PPP ensures

timely project completion. The result was statistically significant ($t(202) = -5.46, p < 0.001$), indicating respondents perceive PPP as less timely other models.

As indicated in Table 3.1 above the analysis if the survey data was $t(202) = 1.47, P = 0.070^{**}$ in other word the mean level of PPP brought more finance for housing development was (mean= 3.12, SD=0.86, N=203), $t(202) = 1.47, P = 0.070^{**}$, significance level or $\alpha=0.05$. Therefore, as the p-value 0.070 is greater than the significance level of 0.05 we fail to reject the null hypothesis which stated that there is no significant difference between the housing modalities in financing the housing projects. The result shown in Table 1: above indicated that PPP brings more efficiency was $t(202) = 1.92, P = 0.028^{**}$ or (mean= 3.15, SD=0.079, N=203), $t(202) = 1.92, P = 0.028^{**}$, significance level or $\alpha=0.05$. There is a significant difference between the population mean and the sample mean so we reject the null hypothesis stating PPP has no significant difference in bringing efficiency compared to other financing modalities. The analysis result of the survey data for the variable PPP is more efficient than real estate was $t(202) = 1.92, P = 0.025^{**}$ or (mean= 3.15, SD=0.080, N=203), $t(202) = 1.96, P = 0.025^{**}$, significance level or $\alpha=0.05$. There is a significant difference between the population mean and the sample mean so that we reject the null hypothesis stating there is no difference in efficiency between PPP and real-estate and accept the alternative hypothesis evidenced PPP brought more efficiency compared to real-estate.

The thematic analysis of the interview revealed that

There were some delays in the implementation attributed to PPP private partners' readiness in finance and land delivery from the side of the public sector because of claims on the plots by third party. Notably, of the 22 partners who entered into the PPP agreement, only 7 have commenced actual construction activities.

The data analysis indicated that the response for "the implementation of PPP helped in sharing risks in the housing sector was $t(202) = -0.42, P = 0.334^{**}$ or (mean= 2.96, SD=0.080, N=203), $t(202) = -0.42, P = 0.334^{**}$, significance level or $\alpha=0.05$. The p-value

was greater than the significant level so we had no sufficient evidence to reject the null hypothesis stating in risk sharing in PPP has no significant difference from IHDP and real estate. The analysis result for PPP, as shown in Table 1, is cost effective compared to real estate was $t(202) = 1.31$, $P = 0.095^{**}$ or (mean= 3.10, $SD=0.082$, $N=203$), $t(202) = 1.31$, $P = 0.095^{**}$, significance level or $\alpha=0.05$. The result of the upper one-sided p-value was greater than the significant level we there is no sufficient evidence to reject the null hypothesis.

As stated in Table 3.1 above the analysis indicated PPP is better in the cost of transferring residential houses compared to real-estate was $t(202) = -3.34$, $P = 0.001^*$ or (mean= 2.71, $SD=0.085$, $N=203$), $t(202) = -3.34$, $P = 0.001^*$, significance level or $\alpha=0.05$. The lower one-sided p-value was significant and we reject the null hypotheses and accept the alternative hypothesis. In terms of transfer cost of the house respondents expected real-estate expensive than PPP transfer costs. The results shown in Table 1 regarding the PPP is better in finishing projects in time was $t(202) = -3.34$, $P = 0.001^*$ or (mean= 2.72, $SD=0.085$, $N=203$), $t(202) = -3.34$, $P = 0.001^*$, significance level or $\alpha=0.05$. The lower one-sided p-value was less than the significant level and reject the null hypothesis and accept the alternative hypothesis stating PPP is less likely to finish projects in time.

3.3.2 Analysis of financing options for housing development in Addis Ababa City Administration

As unveiled in Table 3.2: below the result for the question which do you think better in providing residential housing for the Addis Ababa? The results obtained from the respondent's comparison of PPP, IHDP and real-estate the Pearson Chi-square (Pr-value) was 34.2 (0.000) which indicate the pr-value was significant so that there was a difference between the three housing financing options and we reject the null hypothesis which stated there was no difference between the three modalities. This doesn't indicate which direction the difference happened so; this answer would be provided by the mean proportion test. The analysis result was $Z(202) = 5.12$, $P = 0.000^{**}$ or (mean= 0.502, $SE=0.035$, $N=203$),

$Z(202) = 0.035$, $P = 0.000^{**}$, significance level or $\alpha = 0.05$. There is a statistically significant difference between the population proportion and the sample proportion indicating IHDP is better in constructing large number of residential houses at a time than the other models.

As it presented in Table 3.2 below, the comparison between IHDP, real-estate, and PPP in terms of innovativeness the result of the Pearson Chi-square (Pr-value) was 3.0 (0.224) so, we didn't have sufficient evidence to reject the null hypothesis which stated there is no difference in innovativeness among the modalities in considerations. This result was inconformity with interview which had stated, in Ethiopian context the high-level professionals rotate within the private and the public sector making the aspect of innovativeness in the sectors almost similar. The result for the construct policy support with a Pearson Chi-square (Pr-value) of 10.5 (0.005) was statistically significant indicating PPP has policy support than the other modalities. In addition, the finding of the interview supported this result.

As it can be seen in Table 3.2 below, among the PPP, IHDP, and real-estate which one is affordable in selling price for the middle- and lower-income groups. The result of the Pearson Chi-square (Pr-value) = 238.4 (0.000) a statistically significant result so we reject the null hypothesis and accept the IHDP is better in selling price of the houses. On the other hand, the result for the question which modalities would provide large number of houses Pearson Chi-square (Pr-value) 48.9 (0.000) a statistically significant result which indicated the presence of difference in terms of constructing large number of houses. To know the directionality, mean proportion test was conducted and the result for IHDP was a Z statistic of 5.718, and the pr-value of 0.000 indicating IHDP can produce large number of houses.

Table 3. 2: Comparative Analysis of PPP, IHDP, and Real-estate as a Financing Options

Variables (Ho: $p=0.333$, $\alpha=0.05$, $df=202$)	Sample proportion	p-value	SE of sample proportion	Z statistic	Pearson Chi-square (Pr-value)
PPP better in providing residential house =0.333	.3300493	0.928	.0330037	-.0892059	34.2 (0.000)
Real-estate better in providing residential House =0.333	.1674877	0.000	.0262083	-5.003723	
IHDP better finance in providing residential House =0.333	.5024631	0.000**	.0350927	5.123161	
PPP better in terms of innovativeness =0.333	.3399015	0.417	.0332455	.2086436	3.0 (0.224)
Real-estate better in innovativeness =0.333	.2807882	0.057*	.0315406	-1.578454	
IHDP better in terms of innovativeness =0.333	.3793103	0.080	.0340554	1.400042	
PPP has better policy support=0.333	.4137931	0.007**	.0345676	2.442515	10.5 (0.005)
Real-estate has better policy support =0.333	.2315271	0.001	.0296051	-3.067701	
IHDP has better policy support =0.333	.3546798	0.256	.0335782	.6554179	
PPP affordable in selling price =0.333	.8374384	0.000	.0258963	15.25005	238.4 (0.000)
Real-estate affordable in selling price =0.333	.1527094	0.000	.0252465	-5.450498	
IHDP affordable in selling price =0.333	.0098522	0.000*	.0069322	-9.769316	
PPP produce large number of houses =0.333	.3546798	0.256	.0335782	.6554179	48.9 (0.000)
Real-estate produces large Number of Houses =0.333	.1231527	0.000	.0230641	-6.344046	
IHDP produce large number of houses =0.333	.5221675	0.000**	0.350586	5.71886	

*Lower one-sided p-value

** Significant upper one-sided p-value

Source: Researchers Computation, 2025

3.4 Discussions

The analysis indicated PPP is a feasible housing financing option. The study compared it with the private sector led real-estate development, and the government led IHDP program. As the result indicated IHDP program is solely relies on the responsibility of the government finance and management capacity. IHDP was under implementation since 2005 but, unable to address the backlog as well as the growing demand for affordable housing (Charitonidou, 2022:1349). On the other hand, the real estate was there to construct houses and provide to the market. Consequently, the city administration of Addis Ababa introduced PPP as one of the financing options for housing development (Getachew, 2021:205).

As the result indicated, PPP-based housing is viable, provided that a comprehensive feasibility study is conducted. In addition, it is essential to identify risks and allocate them among partners according to their capacity to manage these risks, alongside clearly defined responsibilities and a transparently negotiated contract. Consequently, effective collaboration among PPP partners and adherence to the terms of the agreement is important. Practices of meeting the project schedule to prevent delays will help to mitigate the risk of incurring additional costs because of increase in the construction material prices and inflation. On the other hand, delays caused by the public institution's shortcomings in meeting commitments along with shifts in the macroeconomic context leads the private sector to consider renegotiation. In this regard, the Incomplete Contract Theory is pertinent. It asserts that if the contract is initially framed to acknowledge its incompleteness and to anticipate unforeseen events so that it would create an opportunity for renegotiation to be embedded within the contractual agreement.

Consequently, during the data collection only 8 out of the 22 private partners were started the construction and one of them leave the agreement. Although, securing the initial investment cost (30%) was mandatory to get land from the city administration and to secure bank loan, some of the private partners were not financially in a position to raise the 30% of projects in time. Therefore, had the procurement process was effective private partners

who were staggered during the project commencement would be screened out. The findings suggested that Public-Private Partnerships is an effective alternative financing method, but it requires transparent and competitive procurement to be successful. According to the analysis result of the interview and secondary data, the 22 private partners involved in the PPP agreement are anticipated to design, finance, construct, and deliver a total of 120,000 houses. This arrangement facilitates the 30 percent of the constructed houses to be delivered for the city administration, which will be available for rental or sold out to residents at affordable price. Furthermore, the remaining 70 percent of the houses will enhance the housing stock to cater to the needs of high-middle and high-income groups within the city. Although PPP implementation is in its still initial phases, one of the private contractors, OVID, has commenced the delivery of houses, successfully completing 1,200 having road access, school and other facilities as stipulated in the contract. The findings of this study agrees with result of a study conducted in Kenya on the effectiveness of the financing strategies for housing is (Abura et al., 2023:23).

The findings of the study revealed that among the modalities, PPP, the IHDP, and the real estate sector, the survey results indicated that IHDP is more effective in producing a large number of houses. This outcome appears to be influenced by historical data, as the IHDP has delivered houses over the past two decades since 2005 (Charitonidou, 2022:1350). Conversely, during its initial phase, the PPP model facilitated an agreement with the private sector to construct 120,000 houses. This suggests that when the processes of feasibility studies, risk allocation, and contract negotiations are conducted rigorously, PPPs possess significant potential for generating a large volume of housing this study aligns with findings of the study applicability PPP in Kenya (Giti, 2023:27).

The findings regarding innovativeness revealed that there were no significant differences among PPP, IHDP, and the real estate sector. The main reason behind is the IHDP was mainly constructed houses by the private sector contractually hired by the government and it is them who are engaged in the real-estate and who finally comes to PPP through partnership. This situation makes innovation rotates with in the sector. This phenomenon

can also be attributed to the participation of domestic private partners and the failure to incorporate international private partners. The technology, creativity, and expertise were predominantly confined within the housing industry, encompassing both real estate and IHDP, and it is these entities that participated in the PPP. On the other hand, the innovative aspect lies in the ability to aggregate resources, both financial and land-based, while drawing on the collective experiences of multiple partners (Chileshe et al., 2022:9). This collaborative effort not only supports the attainment of shared objectives but also promotes the distribution of risks and opportunities among all involved parties.

Therefore, IHDP appears better in constructing large number of houses at a time. This indicated the importance of bolstering housing provision efforts, thereby promoting all the alternative methods of housing delivery. The key difference of PPP and the other modalities are predominantly facilitating finance, and sharing risks with the private partner. The survey results indicated a strong preference for PPP as a viable strategy for the provision of affordable housing as the city administration was struggling to finance the mass-housing from tax. This inclination is attributed to the collaborative risk-sharing between partners, with the principal aim being to ensure that housing transfer prices are kept affordable for the public and the result is inconformity with the findings of a study conducted in Tanzania and Kenya (Kavishe et al., 2018:245; Giti, 2023:2970). The results demonstrated that the local government has embraced PPP as one of the financing strategies for housing development. Moreover, even in its initial phases, PPP has proven to be capable of providing financial resources for housing development endeavors. Finally, PPP has a mix of result. On the one hand, the policy intention of the city to engage the private sector in the housing provision was realized. On the contrary, the implementation part faced challenges of lack of transparent procurement, delay in starting the construction, fail to participate partners in the risk identification, and above all 7 out of the 22 partners are proceeding the construction.

3.5 Conclusion and Recommendations

The city administration of Addis Ababa has been attempting to bridge the gap between demand and supply in residential housing for over twenty years. Nevertheless, the government's initiatives have not sufficiently resolved the issue of affordable housing shortages. Consequently, the city has opted to involve the private sector through PPP models and has actively pursued this engagement. The Ethiopian Ten-Year Development Plan promotes private sector involvement in the housing sector, particularly through the PPP policy established in 2017. This policy aimed to engage private entities as partners in investing in public infrastructure development. Consequently, the PPP framework was designed to support private partners and create favorable conditions that address affordability concerns while ensuring that these partners can achieve profitability in accordance with the PPP agreements. As the PPP model distributes risks and facilitates financial investment in housing development, it is viewed as a preferred option by the government. Therefore, as the analysis indicated, $H_0: \mu = 3$ and $(t(202) = 3.55, p < 0.001)$ PPP is a viable financing option for housing development in Addis Ababa, facilitating the introduction of capital into the sector while also the private partners sharing risks that otherwise solely beard by the city administration.

Therefore, the study recommends policy emphasis, institutional capacity building, legal and institutional reform:

Policy recommendations, it is important to revise PPP policy so that emphasis has to be given for transparent and competitive procurement, participatory risk mitigation, and end users participation in the process. This improvement is essential to establish favorable conditions that encourage private sector participation, facilitate increased financial investment, and safeguard public interests during the negotiation process.

Institutional capacity building, the study advocates for the enhancement of the public sector's capacity in areas of project initiation, participatory planning, transparent procurement, and risk mitigation strategy. To maximize the advantages of partnership and mitigate the inherent risks, it is essential to conduct a comprehensive feasibility study. This

study should evaluate costs, potential returns, and identify risks, while also allocating these risks to the party best equipped to manage them. Furthermore, the development of effective mitigation strategies is crucial, as these factors significantly influence the success or failure of the PPP agreement. The research recommends that the contractual agreement for PPP should follow and aligned with the findings of the feasibility study and the identification of risks. It is essential to explicitly define the roles and responsibilities of the involved parties, as well as to outline the associated risks, strategies for mitigation, incentives, and systems for monitoring, evaluation, and feedback. Further, applying a monitoring framework for the ongoing PPP projects.

Institutional and legal reform, the study recommends to undertake institutional reform so that PPP institution has to well organized having PPP procurement department capable of ensuring transparent procurement and managing PPP projects. Further, PPP institutions has to be empowered to take decision and made accountable for their actions and omissions. Moreover, this institution has to avoid bureaucratic delays if not they have to significantly shorten the bureaucracy and enhance the service delivery. Further, PPP proclamation and regulation have to explicitly incorporate incentive mechanism and has to devise a means of ensuring the effective implementation of the transparency and participatory aspects of the law. The international best practice from Malaysia and India tells that undertaking legal reform and avoiding bureaucratic impediments led the to be successful. The study focusses on the early implementation of PPP. Therefore, if future study conducted on evaluating PPP outcome as compared to IHDP over the five years.

CHAPTER 4: FACTORS AFFECTING PRIVATE PARTNERS ENGAGEMENT IN PUBLIC-PRIVATE PARTNERSHIP HOUSING DEVELOPMENT OF ADDIS ABABA CITY ADMINISTRATION: RELATIVE IMPORTANCE INDEX

The study investigates funding constraints, trust, efficiency, and risk sharing factors affecting the effectiveness of Public-Private Partnership in the housing development of Addis Ababa. The complexity inherent in such partnerships arises from differing objectives among partners, divergent working practices, bureaucratic inefficiencies, insufficient incentives, and the presence of corruption, all of which pose significant challenges. In pursuit of this goal, data were collected through surveys administered to private partners and public sector officials, along with interviews. The respondents selected using simple random sampling and the sample size was 203 sample size was determined. The research utilized a sequential explanatory method and helped to collect and survey data followed by the analysis of the qualitative data which helped to overcome the gaps in the quantitative data collection and to substantiate the result analyzing the quantitative data. Relative Importance Index and Thematic Analysis techniques applied for the analysis purpose. The constructs were measured using a 5-point Likert Scale and interview guide used to measure the response of the experts and officials. Financial constraints were found to be the most significant barrier to the private sector engagement in to PPP, with a RII value of 0.799, followed by inadequate technical capacity (RII = 0.7536). While enabling factors such as contract administration and the legal framework exist, their effectiveness is hindered by institutional capacity gaps and the legal framework fail to explicitly set an incentive and monitoring mechanisms. Therefore, it is recommended that the government revise PPP legal provisions to include tailored incentives for housing investors streamline bureaucratic processes. Furthermore, expanding access to mortgage finance through public-private banking instruments could catalyze private investment.

Keywords: Addis Ababa, Engagement, Public-Private Partnership, PPP Effectiveness, Mortgage Finance, Ethiopia

4.1 Background of the Study

Many developing countries have adopted PPP as a strategy to overcome the financial challenges in housing development (Kukah et al., 2024). PPP is a collaboration between the public and the private sector for financing infrastructure and services in the public sector while the private Partners makes profit (Dhanshyam et al., 2024). However, engaging in PPP cannot guarantee its success. The success of PPP attributed to many factors and failing to manage these factors might end up in to failure (Liu et al., 2022). Therefore, of the determining factors of the success or failures of PPP the capacity of partnering parties to managing PPP contract and transparency of the procurement process plays a significant role (Krishnaraj et al., 2024). In addition, PPP success determined by the effective engagement of stakeholders (Uddin et al., 2023). Therefore, creating an enabling legal and institutional framework helps to ensure effective partnership in place (Rosell & Saz-Carranza, 2020).

Despite the efforts of government in developing countries attempts of housing provision did not match the growing demand. This is mainly due to the rapid pace of urbanization and finance shortage (Ugonabo, 2023). In 121 low-and-middle income countries in the last 25 years over 5000 projects with a value of 1.5 trillion USD have been delivered indicating the potential of PPP (Ismail, 2020). This success can't be achieved without ensuring governance in PPP implementation (Asian Development Bank, 2022). PPP as a Partnership arrangement requires transparent risk identification and sharing, however failing to meet this leads to failure (Arijeloye, 2023). In the same way, the Sub-Saharan African countries are implementing PPP and to be successful it requires them to build the capacity of public institutions (Tshombe et al., 2020). Nigeria, for instance, adopted PPP to address the challenges affordable housing provision in a market oriented approach (Obinwa et al., 2024). Similarly, Uganda adopted PPP to achieve the financial gap, efficiency and, quality, however it ended up in the dissatisfaction of parties failing to achieve these goals (Magoola et al., 2021).

In a similar manner, the introduction of PPP for the infrastructure provision in Ethiopia is not well matured. The main challenge lies in the divergence of priorities of the public and the private partners. The private partners are accountable to their shareholders and owners contrary to the public sector which is liable to the public interest (Azarian et al., 2023). To properly manage the challenges of PPP implementation in Ethiopia the public institutions has to create an enabling policy, regulatory, and institutional environment (Getachew, 2022). However, inexperience of the Addis Ababa PPP office contributed as the its implementation is at its early stage (Miliete et al., 2021 and Solomon et al., 2023). In this regard, implementing PPP has risks which requires scientific ways identifying risks, setting mechanisms of mitigation, and allocating risk to the party capable of managing it (Rybnicek et al., 2020). On the other hand, international experience shown improperly managed risks led significant number projects to failure (Temitope et al., 2023). On the contrary, success was achieved in situation where risks are well managed and properly allocated between the parties (Okoro et al., 2023). Hence, the major reasons behind the success of countries in PPP implementation are having capable institutions, allowing the market to determine the price, ensuring transparency and accountability. Therefore, the objective of the study to analyze the factors affecting effectiveness PPP-based housing development in Addis Ababa and contributing for the way forwarding.

4.2 Literature Review

In this section, the theoretical constructs of PPP and stakeholder theory will be analyzed. In addition, empirical literature addressing the Factors that influence private partner engagement was examined, resulting in the establishment of a conceptual framework. PPP is a collaboration between the public and the private sector for financing infrastructure and services in the public sector (World Bank, 2020). Unlike the traditional procurement approaches, PPP enables to secure finance from the private sector and share risks among the partners (Ke et al., 2023). In addition, PPP constitutes a cooperative framework wherein the private sector and public authorities engage in a risk-sharing relationship aimed at the provision of services and the establishment of infrastructure within the public domain (Aboelazm et al., 2024). Moreover, since PPP is characterized by their long-term nature, it

is crucial to acknowledge that various critical factors substantially affect their results, particularly the roles of appropriate risk sharing and transparency in procurement processes (Arijeloye, 2023). Therefore, PPP plays a significant role in addressing the finance shortage and efficiency challenges of the housing provision in the public sector.

4.2.1 Theoretical framework

PPP constitutes a cooperative framework wherein the private sector and public authorities engage in a risk-sharing relationship aimed at the provision of services and the establishment of infrastructure within the public domain (Aboelazm et al., 2024). Moreover, since PPP is characterized by their long-term nature, it is crucial to acknowledge that various critical factors substantially affect its results, particularly the roles of appropriate risk sharing and transparency in procurement processes (Arijeloye, 2023). Therefore, Stakeholders Theory and Institutional theory is applied to assess the relationship how the city administration participated stakeholders in the PPP-based housing provision. Moreover, how the institutional capacity effectively managed private sector's engagement to PPP-based housing development in Addis Ababa.

Stakeholders Theory

Stakeholders are individuals, groups, and organizations that have interest in the process and outcomes of the firm. It include financier, shareholder, employees, and managers (Harrison et al., 2015). Stakeholder theory originated in 1984, when Freeman introduced the concept of stakeholders within the realm of management. Freeman and his associates concentrated on the creation of value in a dynamic business landscape, examining the relationship between capital and ethical considerations, as well as strategies for managers to enhance value creation (Awa et al., 2024). The principles of stakeholder theory emphasize the importance of avoiding obstacles between parties that have aligned interests (Malik & Nurunnabi, 2024b). This theory serves to evaluate how public sectors engage private partners in the process of the procurement and implementation phases.

Network Theory

The nature of cooperation can be influenced by various factors such as demand, legal and political frameworks, and communication dynamics. This relationship between parties is explained by Network Theory. Hence, Network theory emphasizes fostering trust helps to minimize the risk of exploitation of one party by the other and increase efficiency of the networking parties (Pachucki & Breiger, 2020). Moreover, the effectiveness of this cooperation is gauged by improvements in efficiency and the reduction of transaction costs (Wang et al., 2023). Therefore, this theory served to assess how PPP institutions are capable to maintain relationship with partners and interacts effectively to achieve organizational objective (Marcon Nora et al., 2023). Therefore, the study employed both theories to explain how stakeholders' proper involvement contributes towards successful partnership as well as how the private enterprises network with the public institution and its effect on PPP success.

4.2.2 Factors affecting effectiveness of Public-Private Partnership

In adequate legal framework and weak institutions are affecting PPP success. As the case indicated in Nigeria, technically incompetent private partners awarded PPP projects because non-transparent procurement, which end up to failure (Opawole et al., 2019). In addition, building trust between the public sector and the private partner is a crucial determinant factor for the effectiveness of PPP (Castañer and Oliveira, 2020). The private partner is more likely to commit its time, resources, and expertise when it has confidence that the public sector would uphold its commitments over time (Casady, 2021). Therefore, mismanaged PPP arrangements were exposed to renegotiation. In some cases, it becomes frequent leading to high cost, reduction of services or products, and time overruns which is because of institutional pitfalls (Sarmiento and Renneboog, 2021).

Further, governance issues of non-transparent procurement, and failing to observe the basic requirements affects PPP success (Kukah et al., 2024). On the contrary, effective risk management leads to achieving and accomplishing projects in time, within budget, and the quality aspects attained. However, ineffective risk management compromises the success

of the project. This ineffectiveness is manifested by the lack of identifying risks exhaustively while participating the private partner and setting a mitigation strategy (Mahboubi et al., 2024).

Moreover, financial and technical capabilities of the private sector determine the success of PPP implementation. Hence, having strong private consortium who are technically able to bring efficiency and finance in the public sector plays great role for PPP effectiveness. and Almeile et al., 2024). In general, the effectiveness of Public-Private Partnership in infrastructure provision and particularly in the housing development affected by a number of factors which can be mitigated by having capable institutions, committed political will, and through effecting transparent procurement (Batjargal and Zhang, 2021). Therefore, the theory emphasizes PPP can significantly contribute in alleviating housing finance challenges provided that ensuring its effective implementation.

4.2.3 Empirical literature

This section offers lessons drawn from both developing and developed nations to inform future endeavors. Hence, in countries where transparent procurement practices, effective project management, and sound risk management are established, trust-based relationship is fostered between private enterprises and public sectors success was achieved (Almeile et al., 2024). Building trust enhances the engagement of the private sector, thereby facilitating securing greater finance from private sector (Alqahtani et al., 2024).

Globally, for instance, public finance initiatives have been successfully implemented in the United Kingdom in the realm of affordable housing, driven by policy alterations that have curtailed the role of local authorities in the housing provision and have actively supported the formation of a strong housing associations (Alteneiji et al., 2020). In addition, the experience of Turkey in the construction of affordable housing from 1979 to 1990 the number of houses constructed were 120,000 units. The success of these countries attributed to the measures of reducing bureaucratic delays and the contribution of the legal reform.

On the contrary, in Nigeria for instance in a decade they produced 500 housing units under PPP arrangement which is a clear indication of inefficiency (Jegade et al., 2021).

Further, the establishment of Public-Private Partnerships in Singapore in 2003 aimed to mitigate budgetary constraints, promotes technological advancements, improve efficiency, and redistribute risk among the partners. As a result, in 2004, the government contracted 13 projects totaling \$1.027 billion to the private sector under PPP agreements, with 10 of these projects reaching completion (Hwanga et al. 2012).

Likewise, in Africa PPP gained attention of the member states in the late 1990s in which number of countries applied at different level, Republic of South Africa implemented to leverage finance from private partners in 50 PPP agreements and 3000 projects 1994 to 2005 (Giti et al., 2020). Similarly, a success story to mention here is the case of Ghana in which from 1990 to 2020 had financed a number of Projects under PPP arrangement pooling USD\$ 9.993 billion finance from the private Partners of this the highest investment was in the energy sector (Akomea-Frimpong et al., 2022). This success was achieved as a result of public sector commitment to create an enabling condition and building trust with the private sector. Further, Tanzania have struggled to implement PPP in the housing development however the efforts were not successful due to in adequate legal framework and weak institutional capacity (Kavishe et al., 2018).

Furthermore, Public-Private Partnerships have risks related to the construction site or geological factors, risks associated to the building structures because of inaccurate estimation, complaints or protests from the public that could cause delays, outdated technology risks, inflation risks, and force majeure risks (George et al., 2023). Therefore, failure to effectively identify, allocate, and setting a mitigation strategy affects project success (Gaievska et al., 2023). The engagement of private partners in PPP projects is significantly impeded by poor communication, unclear legal frameworks, non-transparent procurement (Fathi, 2024). In situations where inefficiency prevails failure is inevitable for

instance, during the period from 2005 to 2020, China experienced the termination of 97 projects, which incurred substantial losses (Y. Liu et al., 2025a). Hence, Ethiopia can learn from the country’s best practices. These are building capable institution, having an enabling legal framework, ensuring transparent procurement and transparent risk sharing, and building trust are pillars of PPP success.

Further, the demand and supply gap of the affordable housing provision in Addis Ababa City Administration was 700,000 in 2017 (Charitonidou, 2022a). The structural plan of Addis Ababa (2017 – 2027) set a target of constructing 1.4 million houses. The share of the private sector is expected to build 1.3% the planned houses during the planning period (CAHF, 2022b). Besides, there is a growing demand due to population growth and rapid urbanization (Anuka and Iyi, 2023). Thus, PPP is implemented to address this problem considering it as one of the housing provision financing modalities (Addis Ababa PPP Regulation number 128/2022).

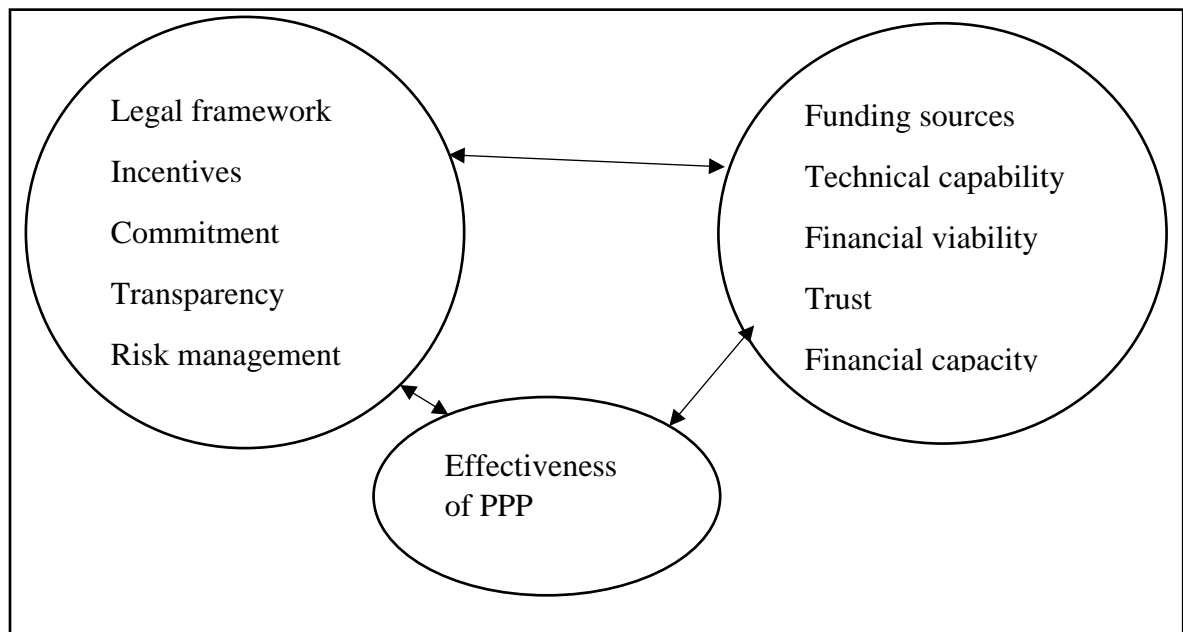


Figure 4.1: Conceptual framework of factors affecting private partners’ engagement

Source: Developed by the researcher (2025).

The engagement of the private sector in PPP is significantly influenced by the reluctance of public institutions and their limited capacity to foster participation. In this context, the implementation of incentive mechanisms plays a crucial role (Luo et al., 2022).

4.3 Results

This research does not aim to identify factors; it is informed by the prior Ph.D. dissertation of Getachew Yilma Debela from Birmingham University, who studied PPP in Ethiopia and recommended specific Factors. Therefore, the primary focus of this study is to investigate the relative importance of these factors in influencing private sector engagement in PPP. Getachew (2021) claims feasibility study, public consultation, proper risk allocation, strong private partner, project management team, incentives, renegotiation at the procurement stage, strong planning, and capacity building were the factors affecting PPP success. Therefore, as illustrated in Tables 4.1 and 4.2 below, a total of 13 factors have been identified.

4.3.1 Factors of private partner's engagement in Public-Private Partnership housing development in Addis Ababa

As indicated in Table 4.1 below, 58.13% of the response shown the lack of access to information had a moderate effect on the private sectors engagement in PPP for housing development Addis Ababa City Administration. However, 23.15% of the respondent's response diverges and they argued lack of access to information has negligible effect on the private partner's engagement. Moreover, as the result indicated 63% of the respondents believe transparent procurement had major effect on the engagement of the private sector in to PPP. On the contrary, 20.7% of the respondent's response's shown transparency had a negligible effect on the private partners engagement in to PPP. The 62% of the response indicated finance constraint has a significant effect on the private partner's engagement.

In addition, 65% of the respondents believe trust affects private sectors engagement in to PPP. Further, 57.64% of the respondents believe technical capacity affect the private partner’s involvement in to PPP.

Table 4.1: Factors of Private Partners Engagement

Factors	Weight*number of responses					Total	Number of respondents	A*N	RII Value	Rank
	Major effect	Moderate effect	Marginal effect	Negligible effect	No effect					
Lack of access to information	465	100	114	48	23	750	203	1015	0.7389	3 rd
Transparent procurement	415	180	99	46	19	713	203	1015	0.7024	5 th
Finance sources	450	168	132	48	13	811	203	1015	0.799	1 st
Technical capability of the private sector	420	132	165	30	18	765	203	1015	0.7536	2 nd
Financial Viability of the Project	340	104	168	62	22	696	203	1015	0.6857	6 th
Financial capacity of private Partner’s	85	44	66	144	81	424	203	1015	0.4177	7 th
Trust	435	108	135	56	16	750	203	1015	0.7389	3 rd

Source: Researchers own Computation (2025).

The result in Table 4.1 above shown 46.31% of the response confirms financial viability of the project determines the success of the PPP projects. On the contrary, 27.6% of the respondents took a position of financial viability has a marginal effect on the success of the PPP for housing development in Addis Ababa City Administration. The descriptive analysis result for the financial capacity of the local private sectors indicated their financial capacity has minimal effect on the successfulness of the PPP for housing development with a result of 75.3%.

The study utilized a statistical analysis technique called Relative Importance Index (RII). The RII score ranges from 0 to 1 in which when the result approaches to one the relative importance attached to it is strong and as it approaches to zero shows the factor is less important. The effect of lack of funding sources on the engagement of the private partners in PPP for housing development in Addis Ababa City Administration had RII value of 0.799. This is the highest RII value attached to it and ranked first among the factors. In addition, the RII result for the factor lack of access to information was 0.7389 indicating it has a major effect on the engagement of the private sector in the housing development in Addis Ababa City Administration in PPP arrangement. The result of the relative importance indices for transparent procurement was 0.7024 shown the presence of strong importance attached to the variable and it was ranked 5th among the factors measuring the attractive factors.

In addition, the RII result for the factor measuring the technical capability of the private partner was 0.7536 having the second most important factor affecting private sectors engagement. In the same way the analysis result, as displayed in Table 4.1 above, for the effect of the financial viability of the project on the engagement of private partner in Addis Ababa City Administration housing development via PPP was $RII = 0.6857$ and ranked sixth among the determining factors. As depicted in Table 4.1 above the analysis result for the financial capacity of the private partner was a RII value of 0.4177. Finally, as shown in Table 1 above the RII value for the factor trust was 0.7389 and ranked third. The result of the interview on the determining factors for the engagement private Partner's in the

housing development of Addis Ababa City Administration through PPP arrangement indicated that the effect of the funding sources has the highest effect. The result of the interview also emphasized trust and transparent procurement are critical factors in determining the engagement of the private Partner's".

In addition, the result of the interview on

The engagement of the PPP for housing development determined much by the private Partner's interest to show their willingness to support development initiatives of the government rather than its economic reason. On the other hand, some of them consider the process as speculative advantage taking in which some of the private Partners were expecting for loopholes in the contract and seeking for renegotiation to get additional plots of land so that to maximize their profit.

Further, among the 22 private partners who signed the PPP contract with the Addis Ababa PPP contracting office at the time the data collection only eight were engaged in the construction process among other the interview result indicated the reason pertains to the finance sources. On the contrary, the determining factor for engagement and success of PPP in the housing development of Addis Ababa significantly affected by the transparency level. The interviewee contended that the number of private partners engaged in PPP housing initiatives could have been greater if the process had been characterized by transparency and if the specifics of the agreement had been established through open negotiation. This approach, they argued, would likely have yielded a more favorable outcome.

4.3.2 Factors of readiness of the Addis Ababa Public-Private Partnership offices

The result displayed in Table 4.2 below for incentive indicating the readiness of the Addis Ababa PPP institution as the result shows 37% of them believe it has moderate to major effect, 44.3% of them believe it has no effect or its effect is negligible, and 18.7% of the response indicate it effect is marginal.

Table 4.2: Factors of Indicating PPP Institutions Readiness

Factors	Weight*number of responses					Total	Number of respondents	A*N	RII value	Rank
	Major effect	Moderate effect	Marginal effect	Negligible effect	No effect					
Incentives	275	80	114	106	37	612	203	1015	0.6029	5 th
Bureaucratic inefficiency	295	180	138	66	20	699	203	1015	0.6886	1 st
Weak risk management	195	216	132	100	16	659	203	1015	0.6492	2 nd
Contract Administration capacity	180	200	189	70	19	658	203	1015	0.6482	3 rd
Inadequate legal framework	155	196	231	60	16	655	203	1015	0.6453	4 th
Corruption	70	112	276	70	44	572	203	1015	0.5635	6 th

Source: Researchers own computation, (2025).

In the same way, as stated in table 4.2 above bureaucratic inefficiency as a determining factor indicating the readiness of the PPP institutions indicated 51.12% of the responses indicated it has a moderate to major effect on the private sector engagement which was high indicating the effect of the factor. In addition, 22.6% of the response indicated bureaucratic inefficiency had a marginal effect on the private partner's engagement in to PPP for housing development.

The result for the effect of risk management capacity of the PPP institutions on the engagement of the private sector in PPP for housing development in the Addis Ababa City Administration 45.8% of the response indicated it has moderate to significant effect. Further, 21.6% of the response indicated capacity of the PPP institutions managing risk determines the attractiveness of the PPP projects they came up with and also affects the private Partner's engagement in to PPP for the housing development had a marginal effect.

Furthermore, 42.4% of the response shown that project administration capacity of the public institutions had a moderate to significant effect, 31% of the response indicated it has a marginal effect, and the 26.6% of them didn't agree. Likewise, the response on effect of the legal framework on the engagement of the private sector in the housing development of Addis Ababa City Administration through PPP arrangement indicated for strong effect 15.27%, moderate effect 24.14%, marginal effect 37.93%, negligible effect 14.78, and no effect 7.88%.

Additionally, the result for corruption indicated 6.9% major effect, 13.79% significant effect, 16.75% has no effect. On the other hand, the result of the interview signifies that risk management capacity the way it was handled had a major effect because risk is not jointly identified and negotiated on the way how it is managed. As indicated in Table 2 above based on the survey data six factors were analyzed using Relative Importance Index statistical technique. The analysis result for the bureaucratic inefficiency was $RII = 0.6886$ indicating a strong effect on the engagement of the private Partner's, and it is ranked first. In addition, the analysis result for risk management was $RII = 0.6492$ a strong effect and it is ranked as the second important factor.

The result of the relative importance index analysis as indicated in Table 2 above for the factor contract administration capacity was $RII = 0.6482$ having a strong effect on the private sector engagement, and ranked as the third important factor. Besides, the analysis result for the legal framework was $RII = 0.6453$ which had strong effect and rank 4th importance factor in determining private partner's engagement. Likewise, incentive with

RII = 0.6029 having strong effect on the private Partner's engagement in the PPP for housing development in Addis Ababa City Administration and it is ranked the 5th important determining factor. Finally, the analysis result for corruption was RII = 0.5635 with a moderate effect on the private sector engagement and ranked 6th.

4.4 Discussions

4.4.1 Factors of the private sector engagement in PPP housing development in Addis Ababa City Administration

The study focused analyzing Factors of private sectors engagement in PPP for housing development of Addis Ababa City Administration. To this end survey data analyzed using Relative Importance Index and the relative importance of each Factor analyzed. In this section the study focused on the factors which determine private partner's participation in the affordable housing provision in Addis Ababa City Administration through Partners.

Finance sources

Therefore, in Addis Ababa City Administration the private sector engagement in PPP for housing development significantly determined by the availability of fund. This is due to the fact that construction sector requires large amount of finance which is difficult to be covered by the finance of the private partner. In the case of housing development through partners arrangement in PPP private Partners can cover part of the budget required for the construction usually 30%. Therefore, without securing the majority of the fund which is 70% of it could be difficult to accomplish the projects commenced. Hence, the availability bank loan should be secured if the private partner's engagement in PPP for housing development needed to be successful. These finding is corroborated with finding which stated in housing development finance is crucial as the rest can come following the fund in a research conducted in Nigeria (Ayeniyo, 2020). The result indicated that the limited number of the private Partner's engaged in the housing development of Addis Ababa among other factors strongly affected by the availability of finance source. The finding is

in line with study conducted on mortgage finance in Uganda in 2022 whose findings was the governments are unable to provide their citizens affordable houses and involved private Partner's but limited finance options, collateral, and high interest rate are challenges (Nakiwala et al., 2022).

Technical capability of the private sector

Technical capability of the private sector in construction efficiency, quality, and project management is a determining factor having a strong effect on the engagement of the private Partner's. The real estate development requires technical competency in the construction sector and private partners who intends to engage in to PPP Partners have to compete with others while making a profit. In addition, one the goal of the PPP next to finance in Addis Ababa City Administration was to benefit from the technical capability of the private sector so that achieving enhanced affordable housing provision. Further, among the private partners who started the construction process there was a difference in performance and one of the contractor OVID real-state has started delivering in a months after entering in to PPP contract and handed over the first 1,200 houses. This private partner entered in to PPP agreement to construct 60,000 houses out of which 30% of these will be delivered to the city administration. The result of the study supported by the findings of a study conducted in Nigeria in which it stated selection wrong private partner or a partner not technically capable leads the PPP project to failure (Sanda et al., 2020).

Lack of access to information

The result indicated lack of access to information limits the number of private partners who participated in PPP for housing development. This had effect on the degree of competition of the private Partner's which in turn made the competition limited and the amount finance obtained from the private partner limited too as the financial contribution obtained from PPP arrangement depends on the number of capable private Partner's engaged. In a study conducted in Malaysia on the transparency of PPP projects suggested that transparent information provision either not available or inadequate affecting the overall process

(Ismail et al., 2019). Hence, private partner's access to information had limitation which requires improvement in this regard as the private partner's trust on the city administration to work with mainly starts with access to information. As stated in the work of Rtika Btara for the purpose of creating strong and healthy relationship between Partners and to catch value for money transparent information exchange is vital (Batra, 2022a).

Trust

The result indicated that the presence of trust between the City Administration and the private Partners. This result obtained from the survey data and it is strengthened by the result of the interview as the private partners entered in to the construction process taking the allocated risks and the 30 percent of the houses to be constructed as a deliverable which is not negotiated term (see Appendix D). This situation confirms the presence of trust with the city administration even some of the private partners hopes this engagement as an opening for future investment opportunities in the city. This finding is in-line with Rezouki & Hassan (2019) in which they stated that the public sectors are responsible to create a dependable condition that benefits both parties by providing guarantee and safeguarding interests. As a result, the cultivation of trust between the private partners and the governing bodies of Addis Ababa City Administration was recognized as a key success of the public-private Partners in the preliminary phase of housing development.

Transparent procurement

The PPP procurement process of the Addis Ababa City Administration for the housing construction was strongly affected private Partners engagement. The result from the interview indicated that the critical terms of the contractual agreements were decided by the PPP contracting offices and the private partners came as a price taker. In this situation for instance the 30% of the houses constructed to be delivered by the private sector, and risks identified and allocated solely by the public sector. In addition to this, the terms made available for all the private partners were similar regardless of the location of the plots of the land prepared by the city administration, and offers that might come from the private

sectors interest and capacity. On the other hand, had the procurement was transparent the deliverable might be different from the 30%, and the number of private partners would have been increased. The findings aligned with the findings of the study conducted in Kenya, it states that transparency is Important as it ensures equity so that partners benefits proportionate to their contribution (Chileshe et al., 2022a). As a result, Addis Ababa City Administration PPP contracting offices and PPP office needs to focus on enhancing access to information that is not only transparent and clear but also purpose-driven, in order to cultivate trust among private Partners and stimulate their investment in the public sector.

Financial viability of the project

The RII value was strong indicating the construction of the residential houses through PPP arrangement in Addis Ababa City Administration was financially viable. Because, there high demand for affordable housing and it has also policy support. The findings were corroborated by the interview results, which indicated a significant demand for affordable housing within the city. Additionally, the city government has made available plots of land located in the city center, serviced with essential infrastructure. These features enhance the viability of the project, as the expenses associated with infrastructure development are reduced. Furthermore, the central location of these plots renders them attractive to potential buyers, thereby minimizing advertising costs for private Partners and potentially increasing their profit margins. The finding was aligned with a study conducted in Nigeria which stated success of housing projects under public-private partners hinges on the effective management of risks, the maximization of investment returns, and ensuring financial feasibility (Akinsulire et al., 2024).

Financial capacity of private partner's

The financial capacity of private partners had a minimal effect on their participation in road development projects in Addis Ababa City Administration. This indicated that as long as the private partners contributed 30 percent of the financing, the remainder can be sourced from banks. However, interviews highlighted that a notable difference emerged at the start

of construction, primarily because certain partners were slow to fulfill their 30 percent funding obligation. This suggests that, despite the anticipated financial contribution being a relatively minor percentage in construction projects, such amounts are substantial enough to evaluate the actual capabilities of the private partner. This finding corroborated by the result of a research conducted in Uganda. The finding indicated due to the Ugandans private sector financially not strong enough to compete in PPP projects requiring large amount finance with a longer payback period. Additionally, the lack of a robust capital market in the nation has discouraged local private entities from participating in projects that demand significant upfront costs (Bagenda and Ndevu, 2024a). Therefore, the small number of private partners engaged in housing development under the Public-Private Partners model in the Addis Ababa City Administration is primarily linked to the insufficient financial capabilities of these partners, in addition to various other influencing factors. In conclusion, from the seven essential factors that dictate private partner engagement, the sixth factor had a substantial influence on their participation in housing construction initiatives within the context of public-private Partners.

4.4.2 Factors of PPP institutions readiness

The study analyzed how the city administration was created an enabling condition to attract private partners to invest in the public sector while making profit.

Bureaucratic inefficiency

As the result indicated, bureaucratic inefficiency ranked first in hindering private Partners engagement in PPP-based housing development. That indicates, respondents concerned about failure in providing support and availing land intime on the side of the public institution. In addition, the interview result indicated the city took time in delivering land intime free from third-party claim. On the other hand, the relationship of the private partners and service providers on the city administration side faced delay as a result of inefficient bureaucracy. In this context, global trends suggest reduced bureaucratic procedures and efficient service increased the amount of investment the public sectors

secured (Chileshe et al., 2022a). Therefore, the city administration has to increase bureaucratic efficiency to be successful in PPP-based housing.

Weak risk management

The results of the survey indicated that weak risk management was a second critical success factor in determining the readiness of the PPP institutions of Addis Ababa City Administration. The result underlines that the way risks approached was one sided and it didn't participate private partners. In this regard, it is wise to ask how the private sector trust the city without getting involved in the process of risk identification? Because, investments are prone to socio-economic and political changes and the private partners need to know whether his investment is safe or not. The document analysis indicated that plots of land preparation, utility provision to the plot level and land delivery related risks managed by the city administration and the financing and construction related risks given for the private partners. However, this risk allocation is not negotiated rather allocated by the city administration as the interviewee results proved. However, international trends on the PPP risk sharing indicated that, the better ways of dealing with risks is to transparently negotiate on the issues of risk sharing (Osei-Kyei et al., 2023).

Contract administration capacity

The findings shown that the city administration has a robust capacity of contractual administration. This assertion is supported by secondary data and interview results, revealing that the contracting party representing the Addis Ababa City Administration is the Addis Ababa Housing Corporation, having an experience of more than a decade. However, it is important to note that the staffs involved in daily operations are less experienced, which could potentially affect their ability to manage the complexities that arise from Public-Private Partnership contracts. Moreover, of the 22 partners engaged in the PPP, only 8 had begun construction, resulting in 14 partners falling behind schedule. The delays were influenced by factors originating from both the public and private sectors. It is imperative to note that the city administration, as the project initiator, must tackle the

challenges that have hindered private partners from starting construction, which has led to these delays. A significant contributor to the delays was the provision of land, which is a responsibility of the city administration. Additionally, the lack of access to finance, and limited financial capacity of the private partners to show the initial investment fund (30%) required to establish Special Purpose Vehicle which runs the project on behalf of the private partner. Therefore, to overcome these challenges the government is expected to play its role as a regulator and enabler (Alteneiji et al., 2020).

Adequate legal framework

The readiness of the public sector in attracting private partners mainly realized by having an enabling legal framework. The findings indicated that the Addis Ababa City Administration has a legal-framework which are aligned to PPP proclamation 1076/2018 which was enacted by the Federal Government of Ethiopia. In addition, it had created a platform in which partners was created between the public and the private sectors resulting in the commencement of a new chapter in the history of the city. The 120,000 houses were commenced in the late 2024 and 1,200 houses constructed and delivered to the end users. However, weak implementation appears to a major problem. This can be proved by the lack of failing to identify risks in a participatory way and the price is not determined by the market. Moreover, the legal framework fails to clearly specify the incentive mechanisms.

This finding is corroborated by the work of Batjargal and Zhang which stated weak legal framework and lack of political commitment are critical challenges hindering the PPP success (Batjargal & Zhang, 2021).

Incentive to the private partners

The analysis result for incentive was ranked fifth indicating that lack of incentive mechanism considered one of the factors affecting PPP-based housing in Addis Ababa City Administration This situation have contributed for the smaller number of private partners engaged in the PPP for housing which was 22 and among which only 32% of them had

started the construction. Putting in place an incentive mechanism encourages private Partner's engagement in the provision of affordable housing. Myanmar, for instance, incentivized private partners by providing financial incentives like tax exemption, loan arrangement, and minimum profit guarantee to encourage private partners investment in the public sector (Nyein and Hadikusumo, 2021). On the other hand, the result of the interview indicated that as the real estate market is not predictable incentivizing private partners encourage them to take risk of investing in the public sector.

Corruption

Corruption placed the least determining factor among the factors assessed to measure the readiness of the city administration in implementing PPP. This finding was substantiated by the data from the interview indicating corruption was not a challenge in obtaining the partnership arrangement in the housing sector. This might be because of the sensitivity of the issue and respondents might be reserved in telling the truth. On the other hand, the way the contract document prepared might contribute to this result. Because if a private partner is interested to engage in to PPP-based housing they have to take the predetermined 70%/30% arrangement. This might close the loop-holes for corruption. Hence, this situation minimizes the risk of corruption though not possible to completely close the loops. Therefore, it is unwise to conclude corruption has no effect on the housing construction under arrangement, because the efforts of mitigating risks will minimize it to the level corruption not become significant challenge.

A critical analysis conducted by assessing 51 publications in different countries and 5 institutional reports in 2022 indicated that corruption was among the top-rated critical factors hindering PPP success. The findings of the study indicated that PPP requires timely information which is based on trust. This trust leads to close relationship which in turn opens a loop for corruption to happen harming the intended project's success (Ampratwum et al., 2022).

Finally, the effort of the city administration to tighten the room for manipulation of contractual terms might have contributed to minimize the risk of corruption.

4.5 Conclusion and Recommendations

4.5.1 Conclusion

The aim of the research was to assess factors affecting private sector engagement in PPP-based housing development in Addis Ababa City Administration. The attempt of governments to resolve the housing supply-side problem faced a serious housing finance shortage. To overcome the housing financing challenge governments opted to involving private partners. Hence, the study analyzed factors that affected the engagement of private partners and the readiness of public sectors to take on an enabling role towards successful PPP-based housing construction.

Therefore, the major factors affected private sectors engagement in to PPP were lack of funding sources, transparent procurement, trust, and lack of access to information are the top four determinants affecting private partners engagement. The finding indicated private partner's effort to engage in to PPP arrangement affected by access to the right information in time. In addition, lack of access to finance was the major factor which deterred some of the partners who signed the PPP contract. Furthermore, lack of funding source emerged as a reason for the delays experienced by 63% of the private partners in commencing construction. Besides, the private sector engagement was not on the basis of competitive bid which lacks transparency in procurement, the result didn't indicate the market value. Moreover, the result indicated private sectors require to have trust on the public sector to engage in to PPP.

In addition, factors that affected private partners readiness were bureaucratic inefficiency which is manifested by the delayed service and lack of participatory risk identification. Further, lack of clear incentive mechanism was a factor which discourages private partners

from taking risk of investing in the public sector. Finally, risk sharing process was not participatory so it is the factor that affect their readiness. Private partners need to be sure their participation in the risk management process was secured. On the other hand, the presence of legal and institutional framework as well as political will were appeared as an enabling condition.

4.5.2 Recommendations

Policy implications- to optimize the benefits derived from PPP, it is essential to enhance policies concerning targeted incentives. Consequently, incentives must focus on improving efficiency, reducing the transfer costs associated with housing units, and ultimately achieving affordability.

Legal reform- the implementation of the PPP proclamation 1078/28 and its amendments faced weak enforcement. Hence, setting mandatory monitoring mechanism is important to ensure transparent procurement, and participatory risk identification in Public- Private partnership projects.

Establishing mortgagee finance- PPP-based housing development projects require large initial investment. Therefore, mortgagee finance has to be strengthened by legal reforms. Introducing diversified financing options like pension funds, mortgage banks, interest subsidies, strengthening microfinance institutions, and establishing vulnerable groups targeted revolving fund.

CHAPTER 5: OPPORTUNITIES AND BOTTLENECKS: PUBLIC-PRIVATE PARTNERSHIP IN THE HOUSING DEVELOPMENT IN ADDIS ABABA CITY ADMINISTRATION

Efforts to implement Public-Private Partnership in housing development are challenged by weak risk sharing, lack of transparent procurement, bureaucratic hurdles and weak institutional capacity. The study investigated the opportunities and constraints associated with Public-Private Partnership in Addis Ababa City Administration. To this effect, the study employed explanatory sequential mixed methods approach. It primarily relies on survey data which was complemented by qualitative insights. The qualitative insights gave an in-depth understanding of the them. The study was framed by institutional theory to assess how the rules and norms of the institutions served in addressing the challenges. Further, Confirmatory Factor Analysis was applied using R-Version 4.4.2, and the findings uncovered key opportunities of the presence an enabling policy and legal frameworks with a factor loading of 0.832 and access to serviced land. This implies a fertile ground was created for partnership in the city. Conversely, significant challenges threatening partnership success were identified, such as a lack of funding (factor loading of 0.73), weak institutional capacity (0.63), and insufficient targeted incentives aligned with the value captured through PPP, and inadequate risk management (0.623). The study recommends the revision of the PPP proclamation focusing on incorporating targeted incentives, delegating responsibilities to lower-level administrative bodies, promote transparent procurement, proper risk sharing strategies and strengthening institutional capacity building.

Keywords: Addis Ababa, Challenge, Competitive, Housing, PPP policy, Public-Private partnership, Risk

5.1 Background of the Study

Despite the efforts of the Addis Ababa City Administration in the housing provision, the issue of housing shortage remains unaddressed. To alleviate these challenges the city administration engaged in PPP-based housing provision arrangements. On the other hand, the implementation of PPP requires increased market role, having an enabling legal and institutional framework (Casady, 2023). Further, how transparently the PPP-procurement was conducted and did what factors impede its effective implementation was unknown. Therefore, the study addressed the issue of how PPP-based housing is working in Addis Ababa and assessed the challenges faced during the implementation.

The rapid pace of urbanization and population growth in metropolitan centers have exacerbated the longstanding housing challenges, creating an urgent demand for adequate services and infrastructure (Adedeji, 2023:352). This mounting pressure is further intensified by a significant housing backlog, which complicates urban centers' efforts to meet the ever-increasing demand for housing (Poshai et al., 2024:136). Despite the considerable investments in infrastructure from public entities, these efforts have proven inadequate when compared to the burgeoning needs of the population (King et al., 2017:7). To effectively address these pressing challenges, it has become essential to leverage resources from the private sector through partnerships, as reliance solely on tax revenues has been insufficient to meet the growing demand for housing (George et al., 2024:34).

Moreover, the collaboration between the public and private sectors can be traced back to the 1800s. The role of PPP in the public sector evolved over the years and it is serving as a response to the housing financing challenges in the urban centers (Azarian et al., 2023:8). Hence, in the aftermath of the Second World War notably accelerated the private sector's involvement in urban development through Public-Private Partnerships to fill the gaps in financing infrastructures in the public sector (PPP). In 1992, the United Kingdom's introduction of the Private Finance Initiative (PFI) represented a significant advancement

in PPP aimed at enhancing public sector infrastructure provision (Calugareanu & Bulat, 2022).

Moreover, facing financial constraints, operational inefficiencies, and a need for innovative solutions forced public sectors increasingly to consider PPP as a financing strategy for overcoming housing-finance challenges (Batjargal and Zhang, 2021). Such collaborations serve to consolidate financial resources, enhance operational efficiency, and harness private sector expertise, all directed towards improving housing provision (Batra, 2022:18). However, discrepancies in organizational values, insufficient political commitment, limited institutional capacity, and lack of transparency appeared as a major challenges in PPP implementation (Owusu-Manu et al., 2021).

On the other hand, the issue of urban housing provision in Ethiopia passed through historical events. During the Imperial regime the land ownership remained to the land lords and the low-income groups have no access to land and houses. But this situation has changed in 1975 by the nationalization of land and extra houses giving land use right to the tenants facilitating access to mortgage finance some encouraged cooperative housing program (Weldegebriel et al., 2023). In Ethiopia, specific initiatives aimed at addressing the chronic housing shortage have emerged in the past years. These initiatives are the Low-Cost Housing initiative launched by the government in 2006, with support from the German Technical Cooperation (GTZD) (Charitonidou, 2022:1349). Additionally, in 2005, Addis Ababa initiated the Integrated Housing Development Program (IHDP) to bridge the gap between housing supply and demand (EiABC, 2017:9). Despite these commendable efforts, a substantial housing backlog remains unaddressed, with an annual shortage of 471,000 in Ethiopia (Huang et al., 2024).

Although, efforts of alleviating housing provision over the past 20 years were made the national housing challenges were persisted. As a result, recognizing this situation the ten years development plan of Ethiopia (2021- 2030) planned to construct 4.2 million houses during this planning period (Planning and Development Commission of Ethiopia, 2021).

A multifarious challenge of access to affordable housing includes lack of access to finance, high interest rates, speculation in land market, and the low income worsen challenges (Efa et al., 2024 and Teklemariam & Harper-Anderson, 2025). The efforts of affordable housing provision through the IHDP have delivered 350,000 units in Addis Ababa City Administration since 2006 and this severe deficit now approaches one million units underscoring the severity of the crisis (CAHF, 2024).

Therefore, all the prior efforts of housing provision fell short of meeting the housing demand. In response to this challenge the government of Ethiopia introduced PPP as infrastructure provision modality since (Planning and Development Commission of Ethiopia, 2021:17). Following the 2017 PPP policy and the subsequent legal-frameworks public sector entities have begun to partner with private sector actors across various sectors, including energy and transport (Getachew, 2021:22).

Although there are scholarly studies conducted on the PPP-based housing globally and in Africa there is no PPP-based housing study in Addis Ababa City Administration. In addition, as PPP assumes a well-established institutions and efficient governance; the study aimed to address how it is working in the situation where these features were lacking. Hence, identifying these specific gaps and challenges in the current PPP framework, this research seeks to contribute to the ongoing discourse on improving housing delivery through effective collaborations between the public and the private sectors. Ultimately, it aspires to inform policymakers and stakeholders on strategies that can ameliorate the challenges which contributed to the housing crisis and promote sustainable urban development in Addis Ababa.

5.2 Literature Review

The efficacy of PPP implementation hampered by the weak institutional capacity, funding constraints and lack of an enabling legal frameworks. Therefore, in this section concepts were discussed and empirical studies were assessed.

5.2.1 Concepts

Public-Private Partnership- is a long-term contractual agreement between one or more contracting authorities and private partners aimed at delivering public assets or services. In these partnerships, the private partner assumes significant risk and management responsibility, with remuneration often linked to performance outcomes (IBRD, 2022:22).

PPP plays a crucial role in addressing financial gaps by fostering cooperation in infrastructure and services delivery. This collaborative model not only enhances operational efficiency but also promotes sustainability by integrating social and environmental considerations into the project (Cheng et al., 2021:1047). As a result, PPP have emerged as innovative financing mechanisms in the public sector. Therefore, the implementation of PPP become instrumental in enhancing quality and efficiency, drawing on the private sector's strengths in risk management, innovation, and financing across the public initiatives (Wang & Ma, 2021:254).

On the other hand, PPP implementation is not without risk and critics. The relationship of PPP is shaped by the divergent objectives of the public sector, which seeks to ensure affordability, and the profit-maximizing goals of the private sector creating a complex dynamic that necessitates effective collaboration (George et al., 2024:2). In addition, research suggests that private partners often prefer low-risk investments presenting challenges of managing this controversy to the public institutions (Tan et al., 2024:2). On the other hand, private partners often face challenges stemming from unclear and evolving responsibilities of the public sector which can hinder their operational efficiency (Casady et al., 2019). This situation creates dispute, delays, and in some cases leading to project failure.

Therefore, the study aims to provide valuable insights into the operational trajectories of PPP in the housing development. It assessed both challenges and successes in the context of Addis Ababa City Administration. This approach not only highlights how the interaction

of the public institution and the private enterprise in Addis Ababa City Administration contributes to the success of PPP, but also situates these experiences within a broader global dialogue on the effective PPP implementations in housing development (Oti-Sarpong et al., 2022).

5.2.2 Institutional *Theory*

The theoretical base of the study was an institutional theory. It offers an extensive framework for examining threats project implementation arising from organization's themselves (Qiu and Chen, 2023:1). This theory advocates to achieve efficiency organization have to comply with the norms, and rules. Therefore, this theoretical perspective helped in analyzing constructs like delays, non-participatory risk management and funding constraints in the PPP-based housing in Addis Ababa (Sahin & Mert, 2023:1959).

5.2.3 Empirical review

Public-Private Partnership for housing development

Enabling legal and institutional frameworks- in countries where there is capable PPP institutions success was achieved. Besides, having an enabling legal-framework and efficient bureaucracy enhanced PPP success. As Shah et al., (2022) studied, the success of PPP in the housing development largely depends on several key factors, including a stable macroeconomic environment, a transparent legal framework, political stability, clearly defined responsibilities, and strong communication strategies.

Moreover, as shown in Table 5.1 below, countries like Ireland over the past two decades financed 31 projects with a total of billions of this the housing sector financed by €248 million was an indicative of the significant potential of the private sector financing in the public institutions (O'Shea et al., 2025). In addition, Sub Sahara Africa in 2021 attracted US\$5.2Billion in 26 projects of which Democratic Republic of Congo received US\$1.1billion in infrastructure provision (World Bank, 2021b).

Table 5.1: Projects financed by PPP

Projects	Country	Year	Finance	Success
Housing provision	Ireland	1983-1986	800,000 low-cost houses construction	Housing supply increased
5000 infrastructure projects	121 low-and middle-income countries	Over the last 25 years	\$1.5 trillion	Finance secured (M. Ismail, 2020)
Infrastructure provision including housing	Ghana	1990-2020	\$9.9 billion	Finance (Akomea-Frimpong et al., 2022)

Source: Authors compilation (2024).

Saudi Arabia is also leveraging PPP as part of its economic diversification strategy, specifically through the implementation of the Shraikat program aimed at providing affordable housing solutions to its citizens (Alqahtani et al., 2024:2). To overcome the challenges of finance shortage Kenya opted to PPP by addressing the multifaceted issues surrounding housing provision and integrating financial support, PPP is emerging as a feasible solution (Giti et al., 2020:298). The demand for PPP is rising globally, as countries like Kenya, Chile, Georgia, Jordan, Pakistan, Australia and South Africa considered it as a viable mechanism for financing social housing development (Chileshe et al., 2022 and World Bank Group, 2022).

Despite these promising advancements, reports of the World Bank indicated that many nations still facing challenges in implementing PPP for affordable housing. Issues including the risk of private sector profiting within a non-competitive real estate market, lack of interest in PPP engagement, trust deficits, insufficient institutional competence, and

constraints in accessing mortgage finance plague these initiatives (Batjargal & Zhang, 2021b:2). The consequences of failed PPP are significant and adversely affect both the public and private sectors due to contractual non-compliance. Failures can manifest in various forms; such as 'distress,' where either party seeks termination, or 'cancellation,' which occurs when the private sector fails to adhere to the agreed contractual terms (Liu et al., 2022). In developing countries like Nigeria, Indonesia, Malaysia, and the Philippines, the primary causes of PPP failures include political interference, corruption, distrust between public and private sectors, inadequacies in risk identification and allocation, and deficiencies in project management capabilities (Alteneiji et al., 2020 and Damoah et al., 2020). In Nigeria, for instance, the lack of integrity in both the public and private spheres has severely hindered the effectiveness of PPP in the housing market. Corruption, prevalent across both sectors, has undermined these collaborative efforts. Additionally, the failure to enforce existing laws and regulations by relevant institutions has exacerbated the challenges facing PPP in the country (Yakubu et al., 2016). Such findings underscore the critical role of institutional capacity in ensuring the success of PPP initiatives.

On the other hand, the Ethiopian government's commitment to foster private sector participation and the growing power and other infrastructure positions the nation as an attractive hub for PPP investments (Teshome, 2015:113). As articulated by Getachew (2022:494), the Ethiopian government strategically set out to enhance private sector involvement in the economy following the enactment of the PPP policy in 2018. In the same way, the Ethiopian government's Ten Years Development Plan (2021-2030) aims to improve the business environment and expedite processes that encourage private sector participation in national economic development (Planning and Development Commission of Ethiopia, 2021). Currently, the implementation of PPP projects in Ethiopia is still in its nascent stage. It identified 17 PPP projects having a total valuation of approximately \$1 billion (Miliete et al., 2021). As stated in the work of Getachew Yilma (2021) financial capacity of the private partners, foreign exchange problems, and procurement related challenges hinders PPP effectiveness. Therefore, implementation of PPP mainly serves the purpose of addressing the challenges of financing problems (Adamu et al., 2024).

5.3 Results

The analysis was executed using R version 4.4.2, a free software platform, applying the Confirmatory Factor Analysis technique. This analysis technique helped to assess the relationship between the dependent variable effectiveness and the independent variables of risk sharing, incentives, bureaucratic delays, lack of transparency and non-transparent procurement. This study, therefore, identified 41 factors and evaluated their impact on either promoting or impeding PPP success. The constructs were from an assessment of a literature; specifically, from PPP study conducted in Ethiopia by Getachew Yilma Debelo. Based on this previously conducted research; this study assessed how these critical factors affect the success of PPP-based housing development in Addis Ababa.

Therefore, analysis was based on the constructs derived from the previous Ph.D. dissertation conducted on Ethiopia PPP initiation, at Birmingham University. The analysis result of the challenges, opportunities, stakeholders' engagement, project initiation, finance and economic situations, and legal framework have been presented. The study participants were experts and officials from Gift Real-estate, Africa Holdings, Irre General Trading, Jambo Star Trading, KH Engineering Group, OVID Real- Estate, Oromiya Construction Corporation, and East Africa Development Real-Estate Development Company. In addition, experts and officials from the Addis Ababa PPP Office, Addis Ababa Housing corporation, Addis Ababa Housing Bureau, and PPP Directorate General Under Ministry of Finance of Ethiopia.

5.3.1 Challenges of Public-Private Partnership

This study assessed the challenges encountered by PPP in the Addis Ababa housing sector based on the survey and interview results. PPP establish a collaborative framework that enables both public and private entities to combine their efforts in pursuit of mutually beneficial outcomes. However, a fundamental divergence in objectives exists; the private sector primarily seeks profit, while the public sector aims to ensure affordability. This

disparity, coupled with differences in power and resources, presents challenges that must be effectively managed.

The model employed to measure challenges was:

Model fitness measures: Comparative Fit Index (CFI) 0.909, Tucker-Lewis Index (TLI) 0.879 and Standardized Root Mean Square Residual (SRMR) 0.059. The sample size was 203. The results indicated the model was good fit.

$$\text{Challenge} = 0.734 \text{ Fund} + 0.772 \text{ Awareness} + 0.727 \text{ Communication} + 0.653 \text{ Bureaucracy} + 0.623 \text{ Risk} + 0.57 \text{ Contract administration} + 0.494 \text{ experience} + 0.4 \text{ corruption} + 0.42 \text{ competition} + 0.425 \text{ project management} + 0.496 \text{ finance capacity} + 0.456 \text{ subsidies}$$

The coefficients of the equation are the standardized factor loadings of the Confirmatory factor analysis. In CFA when standardized factor loadings taken as a measurement unit the result tells the relationship between the dependent and the independent variable (Yamani et al., 2024). The model for challenge indicated fund appears the significantly correlated to PPP success and availing funding sources contributes to effectiveness of PPP-based housing.

As shown in Table 5.2 below, the p-value for all the latent variables was $P (>|z|)$ equals 0.000 indicating the factor loadings are significant. The significance of factor loading determined based on the sample size and as sample size above 200 the factor loading above 0.4 considered significant (Afthanorhan et al., 2020:266). The research sample comprised 203 participants, indicated factor loadings of 0.734 for funding constraints, 0.772 for limited stakeholder awareness, and 0.727 for poor communication. These factor loadings reflected a strong correlation between the observed variables and the latent variable identified as challenge. Specifically, funding constraints, inadequate awareness among partners regarding Public-Private Partnerships, and ineffective communication processes emerged as significant challenges in the implementation of PPP, each exhibiting factor loadings exceeding 0.727.

Furthermore, the measured variable of slow bureaucracy demonstrated a factor loading of 0.653, while poor risk management was associated with a factor loading of 0.572. The financial capacity of private partners was indicated by a factor loading of 0.496, and the lack of experience among private partners was represented by a factor loading of 0.494, both of which also contributed to the latent variable of challenge. On the other hand, the measured variables having weaker correlation with the latent variable challenge on PPP were corruption with a factor loading of 0.4, lack of competition 0.42, inadequate project management capacity 0.425, and lack of subsidies having a factor loading 0.456.

As indicated in Table 5.2 below, five factors were strongly correlated with latent variable challenge with a factor loading above 0.62. As the sample size was 203 the results of the rest seven measured variables with a p-value of 0.0000 indicated all the result for the measured variables showed statistically significant standardized factor loadings.

Table 5.2: Challenges of Public-Private Partnership

Factors CFI=0.91, TLI= 0.88, RAMESA= 0.08	Estimate	Std.Err	z-value	P(> z)	ci.lowe r	ci.uppe r	Std.lv	Std.all
Funding constraint	1.000	1.000				1.000	0.868	0.734
Limited stakeholders' awareness	1.163	0.082	14.200	0.000	1.002	1.323	1.010	0.772
Poor communication	1.002	0.106	9.429	0.000	0.794	1.210	0.870	0.727
Slow bureaucracy	0.994	0.117	8.527	0.000	0.765	1.222	0.863	0.653
Poor risk management	0.889	0.109	8.142	0.000	0.675	1.102	0.771	0.623
Weak contract administration capacity	0.792	0.106	7.495	0.000	0.585	0.999	0.687	0.572
Private partners lack of experience	0.570	0.088	6.486	0.000	0.398	0.743	0.495	0.494
Corruption	0.505	0.096	5.258	0.000	0.317	0.694	0.439	0.400
Lack of competition	0.559	0.101	5.527	0.000	0.361	0.757	0.485	0.421
Inadequate project management capacity	0.547	0.098	5.578	0.000	0.355	0.740	0.475	0.425
Private partners finance capacity	0.663	0.102	6.504	0.000	0.464	0.863	0.576	0.496
Lack of subsidies	0.662	0.111	5.982	0.000	0.445	0.878	0.574	0.456

Source: Survey December (2024).

The challenges PPP implementation in Addis Ababa City Administration housing provision, as presented in Figure 5.1 below, faced were analyzed based on the survey data, and the result indicated funding constraint, limited stakeholders' awareness, and slow bureaucracy had affected the success of PPP housing and contributed to delays in the commencement of the construction as well as to the limited number of the private sector engagement.

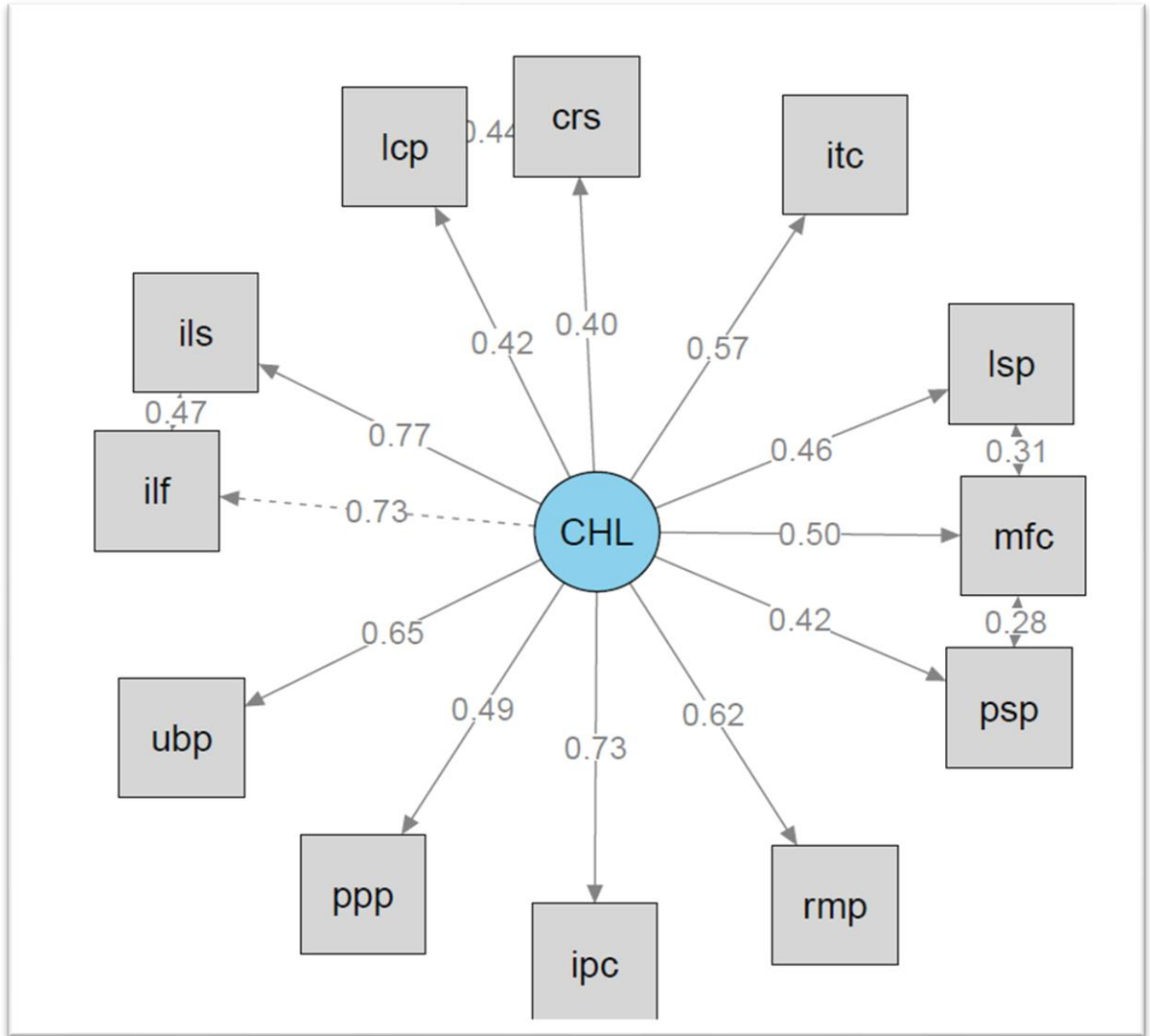


Figure 5.1: Challenges of Public-Private Partnership

Source: Survey December (2024).

Whereas, ilf= Funding constraint, = limited stakeholders' awareness, ipc= poor communication, ubp= slow bureaucracy, rmp= poor risk management, itc = weak contract administration capacity, ppp= Private partners lack of experience, crs= Corruption, lcp= Lack of competition, psp= Inadequate project management capacity, mfc= Private partners finance capacity, lsp= lack of subsidies

As the interview result from one of the private sector participants indicated “in PPP implementation the major challenge was fulfilling 30% of the project cost as it was a prerequisite to get land and loan from banks. Due to this challenge private partners faced lag in schedule which might affect the project overall schedule.

The result of the interview strengthened the findings of the survey result which indicated funding as a major constraint in which with a standardized factor loading of 0.773 funding appears the most serious challenge affecting PPP success.

5.3.2 Opportunities of implementing Public-Private Partnership in the housing sector of Addis Ababa

$$\text{Opportunity} = 0.83\text{policy} + 0.81\text{proclamation} + 0.65\text{stability} + 0.55\text{rsik} + 0.45\text{feasibility study} + 0.34\text{enabling conditions}$$

Table 5.3: Opportunities of Public-Private Partnership Engagement

Variables	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
CFI=0.96, TLI=0.93 RAMSEA=0.8,								
PPP policy	1.000	1.000				1.000	0.933	0.832
PPP proclamation	1.018	0.091	11.245	0.000	0.841	1.196	0.950	0.810
Political stability	0.856	0.094	9.100	0.000	0.672	1.041	0.799	0.647

Risk management	0.790	0.104	7.583	0.000	0.586	0.994	0.737	0.549
Enabling condition	0.391	0.086	4.565	0.000	0.223	0.559	0.364	0.341
Participatory feasibility study	0.556	0.092	6.067	0.000	0.376	0.736	0.519	0.446

Source: Survey December, (2024)

Model fit indices: CFI = 0.964, TLI = 0.939, SRMR= 0.036, degree of freedom = 15, and 203 sample sizes, in which the model fit indices, were above the minimum threshold so that the model was well fit.

As indicated in Table 5.3: above presents the results of a latent variable analysis for the construct of "Opportunity" within the context of PPP projects. The analysis examines a set of measured variables and their corresponding estimates, standard errors, test statistics, and significance levels. Specifically, the table reports the estimated parameter values, standard errors, z-values, p-values, lower and upper bounds of the 95% confidence intervals, and the overall standard deviation for each measured variable. These variables include PPP policy, PPP proclamation, political stability, risk management, enabling situation for private partners, and participatory feasibility study.

The results demonstrate the statistical significance of these measured variables in relation to the underlying latent variable "Opportunity". Variables with higher standardized coefficients (Std.lv) are more strongly associated with the latent construct. For instance, PPP policy (Std.lv = 0.933) and PPP proclamation (Std.lv = 0.990) exhibit the strongest relationships with the Opportunity construct. The model fit indices provided at the top of the table suggest an adequate fit of the confirmatory factor analysis model. Specifically, the Comparative Fit Index (CFI = 0.964) and the Tucker-Lewis Index (TLI = 0.939) exceed the commonly recommended threshold of 0.90, indicating a good model fit. Additionally,

the SRMR value of 0.036 is below the recommended cutoff of 0.08, further supporting the model's goodness of fit.

The reported sample size of 203 is considered sufficient for conducting this type of multivariate analysis, as it meets the general guideline of having at least 10 observations per estimated parameter. As indicated in Table 2 above, the latent variable opportunity was evaluated by six measured variables. The P-value for all the variables was $P(>|z|) = 0.000$ and the result was significant. The result of the standardized factor loading for PPP policy and PPP proclamation were 0.832 and 0.810 respectively indicating both variables strongly correlated with the latent variable opportunity. In addition, the standardized factor loading for political stability was 0.647 indicated the presence of moderate correlation with opportunity.

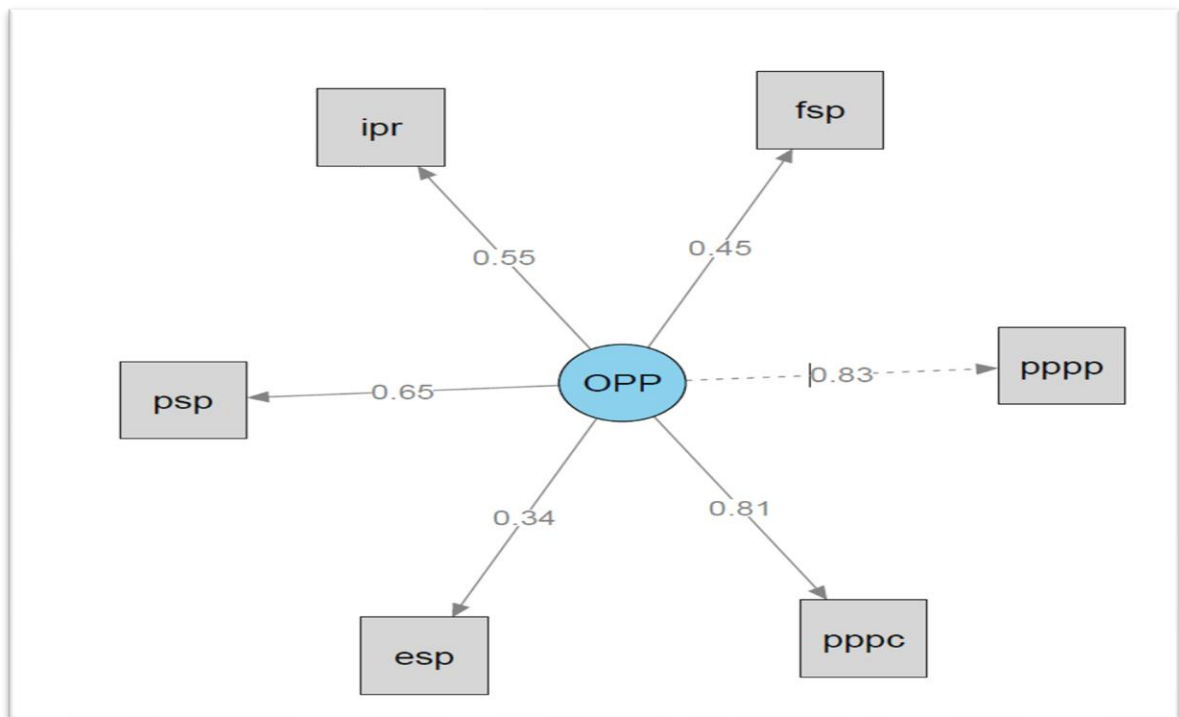


Figure 5.2: Opportunities of PPP Housing

Source: Survey December, (2024)

Furthermore, the result of the standardized factor loading for risk management, and participatory feasibility study were 0.549 and 0.446 respectively indicating the presence of weak correlation with the latent variable opportunity. Finally, the standardized factor loading for enabling situation for private partners was 0.341 and unacceptable.

In the above Figure 5.2: pppc stands for proclamation, psp means stability, esp is enabling condition, fsp means feasibility study, ipr means risk, and PPPP represents enabling policy framework. The factor loading of policy was 0.830 having strong correlation with opportunity, and the factor loading of an enabling legal-framework was 0.810 implying there was strong correlation between opportunity and the measured variable proclamation. The measured variable with a very low factor loading was 0.34 implying the ease of doing business or an enabling condition was an area which requires much improvement. The PPP institutions of Addis Ababa has to enhance the in-office service delivery so that private partners have to get fast approval, issue of building permissions need to be facilitated, and supports to obtain local and imported materials needs to be swift. The findings indicated that PPP policy and proclamation are creating an opportunity to create partnership between the public and the private sector. In the same way, the result for political stability and risk management were moderate indicating the requirement of intervention. However, participatory feasibility study and enabling condition were weak and, issue of the ease of doing business and creating attractive situation needs more improvement.

The analysis of the interview results highlighted the commitment of the government in opening up the public sector to the public sector through partnership is a great opportunity. This intention further strengthened by putting in place PPP proclamation, regulation, and directives creating an opportunity for the private partner to invest in the public sector. It is a great move to look in to the potential of the private sector while letting us to make business while cooperating with the public sector in the development initiatives.

The quantitative result was corroborated by the interview result in which the opening up of the government for the private sector to partner with the public sector by itself an

opportunity and above all the presence legal frameworks to reinforce the government intention is a good opportunity for the success of PPP in Addis Ababa City Administration.

5.3.3 Stakeholders' engagement

Stake Holders Engagement = 0.889 commitment + 0.711Project initiation + 0.85 Access to information + 0.712 Stakeholder's participation.

Model fit indices: CFI = 0.986, TLI = 0.957, degree of freedom = 2, and SRMR = 0.022 and the result of the indices shown the model fit was a good fit. As Table 3 below depicted all the measured variables had strong correlation with stakeholder's engagement. The result of the measured variable public officials' commitment had strong correlation with stakeholder's engagement and access to information respectively having a standardized factor loading of 0.89 and 0.85.

Table 5. 4: Stakeholders Engagement into PPP for Housing

Measured variables	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
Project initiation	1.000	1.000				1.000	0.890	0.711
Commitment	1.294	0.113	11.460	0.000	1.073	1.516	1.151	0.889
Access to information	1.169	0.105	11.160	0.000	0.963	1.374	1.040	0.850
Stakeholders' participation	0.939	0.099	9.487	0.000	0.745	1.133	0.835	0.712

Source: Survey December, (2024).

In the same way, as indicated in the Table 5.4 above the results of the stakeholder's engagement in the project initiation, and stakeholder's engagement in the implementation phase had a standardized factor loading of 0.71 both. The result indicated the measured variables explained effectively the latent variable stakeholder's engagement. Similarly, the p-value $P(>|z|) = 0.000$ for all the measured variables was significant and we reject the null hypothesis stating the measured variables had no significant effect on the PPP success and accept the alternative hypothesis stating proper stakeholders' engagement in the initiation and implementation phase, public official's commitment, and access to information had a positive impact on the PPP success. The results of the estimates for public officials' commitment and access to information as stated in Table 5.4: implies an increase in public official's commitment and access to information had a significant impact on bringing improved stakeholders' engagement in PPP. The results of the standardized factor loadings shown in Table 5.3: was above 0.712 for all the measured variables. There was strong correlation between the latent variable stakeholder's engagement and the measured variables. Therefore, the findings indicated that to enhance stakeholder's engagement improved access to information, public officials' commitment and stakeholder's participation in all the project phases guarantee PPP success.

5.3.4 Project initiation and management

$LSP = 0.985 \text{ deliverables} + 0.852 \text{ feasibility} + 0.713 \text{ Collaboration} + 0.529 \text{ Risk} + 0.474$
Professionals.

The results of analysis as depicted in Table 5.5 below indicates that the p-value were significant with a result of $P(>|z|) = 0.000$. The estimates for the capacity of identifying deliverables and proper feasibility study were significant. In addition, the estimates result lies in the 90 percent Confidence interval indicating the model was good fit. In addition, the factor loadings for leadership capacity to identify deliverables was 0.985 almost a perfect correlation.

Table 5. 5: Project Initiation and Management

Leadership	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
collaboration in housing	1.000				1.000	1.000	0.896	0.713
Proper feasibility study	1.163	0.147	7.895	0.000	0.874	1.452	1.042	0.852
Risk identification and sharing	0.726	0.103	7.041	0.000	0.524	0.928	0.651	0.529
Capacity to identify deliverables	1.194	0.171	6.974	0.000	0.858	1.529	1.070	0.985
professional staff	0.624	0.096	6.511	0.000	0.436	0.812	0.559	0.474

Source: Survey December (2024)

Model fitness: CFI = 0.939, TLI = 0.817, degree of freedom = 6, and SRMR = 0.051 the result indicated the model was good fit.

Whereas, as shown in Table 5.5 above the result for the feasibility study was 0.852 implying the presence of strong correlation, and the partner’s interest towards PPP in the housing sector also had a strong standardized factor loading. However, with regards to assigning professional staffs in the PPP implementing partners offices had weaker correlation.

5.3.5 Financial and economic situation of the PPP projects

Table 5.6: Financial and Economic Situations

Variables	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
Demand for houses	1.000				1.000	1.000	0.902	0.799
Real-estate market profitability	1.166	0.096	12.162	0.000	0.978	1.354	1.051	0.801
Availability of loan	1.156	0.098	11.784	0.000	0.963	1.348	1.042	0.781
Availability of incentives	0.923	0.091	10.165	0.000	0.745	1.101	0.832	0.690
Minimum profit guarantee	0.889	0.090	9.860	0.000	0.712	1.066	0.802	0.673
Cost effective construction technology	1.069	0.096	11.131	0.000	0.881	1.257	0.964	0.745

Source: Survey December, (2024).

FES = 0.799 Demand+ 0.8Profitability + 0.781loan + 0.69incentives + 0.673Minimum profit guarantee + 0.745 technology

Model fit: CFI = 0.945, TLI = 0.909, SRMR = 0.046 and degree of freedom = 15. The result of the model fit indicated the model was a good fit.

As shown in Table 5.6 above the p-value for all the variables were $P (>|z|) = 0.000$; the result for all the measured variables showed statistically significant factor loadings. The standardized factor loadings for the presence of demand, and real-estate profitability was 0.799, and 0.801 respectively indicting the presence of strong correlation between the variables and the financial situation encouraging partnership to happen between the public and the private sectors. In the same way, the result of the analysis indicated that for minimum profit guarantee, incentives, and cost-effective construction technologies the

standardized factor loadings were above 0.673 which was moderate correlation with enabling economic situation for the partnership to happen in the housing sector if fulfilled.

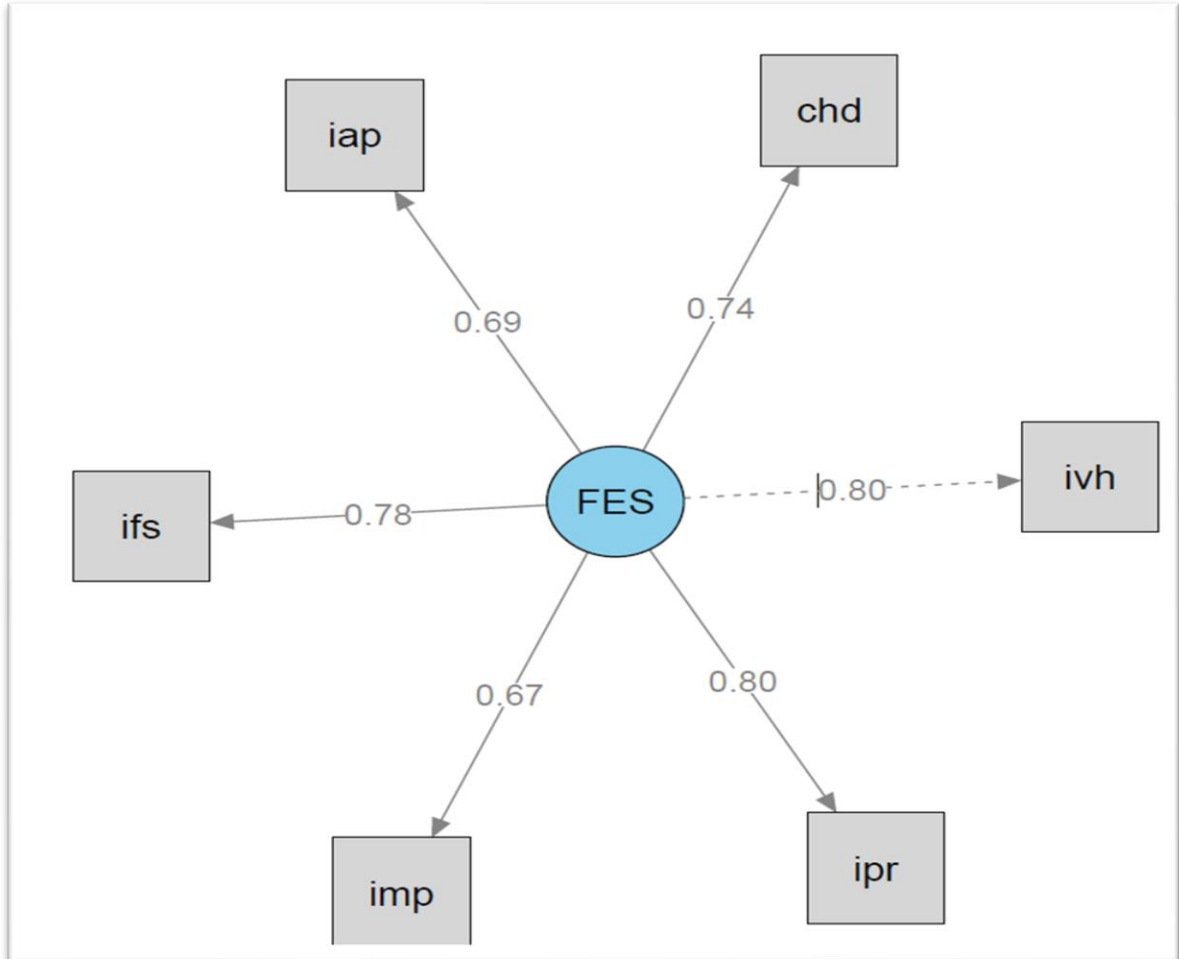


Figure 5.3: Finance and Economic Situations

Source: Survey December (2024)

Whereas: iap means incentive, ifs stand for presence of loan, ipr means demand, ivh is about viability, imp is minimum profit guarantee, chd means technology, and iap stands for incentives. The result of the quantitative data as indicated in Figure 3 almost all the constructs had a moderate result which tells the economic factors were moderately favors PPP housing implementation. This finding was in contradiction with the results of the interview which stated that the financial situation specially becomes a major challenge for

the private sectors to engage in to PPP as securing the minimum amount of money required to start the construction process after engaging in to partnership.

The interviewee response indicated that changes exhibited at the national level in Ethiopia for instance the change in the macro-economic policy directly affected the agreed and signed contracts. This was because of the fact that following the policy change exchange rate goes up leading to increase in the cost of the construction materials. Besides, the 1357/2024 real-estate proclamation of Ethiopia prohibited sale of housing units before accomplishing 80% of the project which is against private partners plan of fund mobilizing from the potential buyers. In addition, the capacity of commercial banks to provide large sum of money in terms of loan is limited.

Therefore, the result of the survey did not support by the findings of the interview. The reality seems in favor of the findings of the interview.

5.3.6 Legal and institutional frameworks

Effective institution and enabling legal framework are fertile grounds for PPP to be successful, and if not, failure is inevitable. The result of the study conducted from the survey data presented as follows. Model fit: Comparative Fit Index (CFI) = 0.954 Tucker-Lewis Index (TLI) = 0.920, SRMR = 0.052 and degree of freedom = 18. The result indicated the model was a good fit. The sample size was 203 and survey data was collected from the partners engaged in the Public-Private Partnership in the housing sector in Addis Ababa City Administration. As shown in Table 5.6 below, the p-value was 0.000 implying the result for the measured variables showed statistically significant standardized factor loadings. The standardized factor loading for capacity of the institution to identify, share and mitigate risks were 0.774, the result for institutional transparency was 0.758 and the legal framework and the institutional capacity to engage stakeholders in the PPP process was with a standardized factor loading of 0.720 which were a moderate correlation with latent variable legal and institutional framework.

Table 5.7: Legal and Institutional Framework

Variables	Estimate	Std.Err	z-	P(> z)	ci.lower	ci.upper	Std.all
			value				
PPP Policy	1.000				1.000	1.000	0.467
Clear legal framework	0.762	0.126	6.040	0.000	0.515	1.009	0.322
Legal framework ensure transparency	0.761	0.178	4.271	0.000	0.412	1.110	0.327
Political stability affects PPP success	0.956	0.232	4.130	0.000	0.502	1.410	0.378
Financial laws affect PPP success	1.401	0.268	5.220	0.000	0.875	1.927	0.544
Clear risk allocation an opportunity	1.774	0.292	6.085	0.000	1.203	2.346	0.774
Stakeholders' engagement affects PPP success	1.761	0.296	5.947	0.000	1.180	2.341	0.720
PPP institutions- maintained transparency	1.610	0.266	6.050	0.000	1.089	2.132	0.758

Source: Survey December, (2024).

However, the results, as indicated in Table 5.7, shown that the standardized factor loading for enabling policy, clear legal framework, ensuring transparency, political stability, and financial laws affect PPP success, were 0.467, 0.322, 0.327, 0.378, and 0.544 respectively. These results were a clear indication of the presence of bottlenecks in implementing PPP in the housing sector.

“The interview from the public institutions puts the measures taken with regards to the legal frameworks was creating an enabling condition bring the policy direction to practice. Although this by itself is not sufficient enabled public institutions to initiate PPP projects and procure to get resources from the private sectors to bring development in the public institutions. However, the interviewee admits that there are gaps in the PPP proclamation for instance issue of delegation, and lack of the targeted incentives to encourage the private sector in investing through PPP arrangement.”

The result of the interview corroborated the finding of the survey result in which five out of the eight constructs set to measure the legal framework shown the presence of gaps in the legal framework seeking attention of the policy makers.

5.4 Discussions

5.4.1 Challenges of Public-Private Partnership in the housing sector

The result of the model fit indices indicated the model was good fit and explained the correlation between the measured and latent variables. It revealed that funding constraint found to be the major challenges of the housing provision (Satyanarayana and Mohanasundaram, 2024). The result shown constraints in funding were a major obstacle to the success of Public-Private Partnerships. This assertion was reinforced by interview data, which pointed out that the challenges related to limited capacity of banks to provide loan, high interest rates, weak institutional capacity, and absence of priority in offering loans for real estate were considerable. This finding was in line with the prior work on the rise of PPP in the public sector affordable housing project (Damoah et al., 2020:692).

Furthermore, the involvement of stakeholders in PPP projects was constrained at various levels. This had led the project to miss the advantages of incorporating end users' interest and support which might affect the projects sustainability. Despite the negotiation and signing of contracts by the PPP partners, critical elements such as risk identification, the establishment of mitigation strategies, and the equitable sharing of risks based on capacity

and prior experience were not adequately addressed. This oversight could jeopardize the success of the project, potentially might lead to renegotiation to renegotiation and subsequent delays. This result aligns with the findings of Batjargal and Zhang, which indicated that unless PPP partners engage in negotiations from a position of equality or ensure a competitive procurement process, disputes may arise, leading to renegotiation and inevitable delays that could adversely impact project costs and compromise affordability (Batjargal & Zhang, 2021:4).

One of the primary obstacles encountered by the Public-Private Partnership in the housing sector was the inadequacy of communication with the private partners. The partners, Addis Ababa PPP Contracting Offices and the private parties did not regard as equal entities, which was against the consented and signed agreement to work collaboratively towards a shared goal. Thus, it is advisable to depart from the traditional government-private partner relationship, as the parties were aligned in their objectives. The failure to uphold a cooperative relationship and to share updates regarding the project's status, as noted in the findings of Damoah et al., ultimately had a negative effect on the project's overall success (Damoah et al., 2020). The findings indicated a moderate correlation between the measured variable bureaucracy and the latent variable challenge in Addis Ababa PPP implementation in the housing development.

To enhance the effectiveness of PPP within the housing market, it is imperative for public institutions to reduce bureaucratic impediments. This is necessary as the public sector seeks to harness resources, technology, and expertise from the private sector, which can help avoid delays and facilitate quicker engagement. However, if bureaucratic challenges are not mitigated, there may be a decline in private sector involvement in PPP and an increase in service and infrastructure delivery costs. This observation aligns with the interview findings, indicating that in certain instances, the private sector experienced delays in commencing the construction process due to delayed land delivery. The finding corroborated by the finding of a study entitled “Politics, Bureaucracy and Corruption in Public Procurement in Emerging Economies”, which stated the interplay of bureaucracy

and corruption poses significant threats to the integrity of public services (Peter Adoko Obicci, 2024:37).

The findings suggest that inadequate risk management resulted in risks being unilaterally assigned by one party rather than being negotiated and shared among all stakeholders. Furthermore, the financial stability and expertise of certain private partners involved in PPP were unreliable, which contributed to delays in the initiation of the construction projects. The finding agreed with a result of the study conducted entitled “Critical Analysis of Risks Factor” by Ampratwum (Ampratwum et al., 2023:20). These might affect the goal of achieving affordable housing and profit for the public and the private sector respectively. Conversely, the analysis revealed that factors such as insufficient competition, and the absence of subsidies have effect in determining the number of private partners in PPP was not substantial which was inconformity with findings of study conducted in Zambia (Zulu et al., 2023:13).

5.4.2 Opportunities for implementing Public-Private Partnership

The establishment of the PPP policy and proclamation has created a significant opportunity for collaboration between the public and private sectors in addressing the challenges of housing provision, as well as fostering investment prospects for private enterprises. However, the results of the interview highlight that the current policy and proclamation require refinement by incorporating delegation to the regions and federal institutions to shorten the extended bureaucracy as well introducing targeted incentives. The finding agrees with the study entitled “PPP in Tanzania” stating policy and regulation created enabling condition for PPP partnership with the introduction of improvement in the legal frameworks (Kavishe et al., 2018:245). As the findings corroborated by the study of Ritika Batra (Batra, 2022:14) it requires to enhance mechanisms that encourage more attractive proposals from the private sector, alongside the necessity of providing guarantees and empowering local administrative entities to operate independently with reduced regulatory constraints. Similarly, there exists a moderate correlation between political stability and

the latent variable of opportunity, suggesting that the prevailing peace and stability in Addis Ababa have fostered an environment conducive to private investment in housing construction. The finding agrees with study entitled “Peace, Justice and Inclusiveness” which stated the importance peace to ensure sustained development (Hope Sr., 2020 :77).

5.4.3 Stakeholders’ engagement

The engagement of stakeholders in Addis Ababa city was primarily confined to the private and public sectors, which were the only parties involved in the agreement. It has limitation in bringing the end users of the houses in the initiation, planning and during the implementation phases it was characterized by limited participation which was confined between the private partners and the PPP institutions. Therefore, without the active participation of residents in the process, stakeholder engagement remains incomplete. This finding is consistent with the findings of previous research, which advocated for comprehensive efforts to involve all relevant stakeholders (Oroniyi K. T. et al., 2024;46).

5.4.4 Project initiation and management

The assessment conducted in Addis Ababa city indicated that the feasibility study was carried out successfully, with risks identified and deliverables distinctly articulated in the contractual agreement. In this regard, the PPP agreement for housing construction was appropriately executed. However, the interview findings revealed that the identification and allocation of risks were performed by a single party, which is inconsistent with PPP principles and may lead to challenges from one of the parties, potentially resulting in delays. Moreover, the results underscored that the professional staff tasked with managing the PPP did not adequately meet the required experience and qualification. The findings align with the research conducted by (Batjargal & Zhang, 2021:3) which suggests that inadequate institutional capacity has hindered the success of PPP. Furthermore, it emphasizes the importance of a capable institution, characterized by its legitimacy, the trust it fosters, and its ability to deliver effective outcomes.

5.4.5 Financial and economic situation of the PPP projects of the housing development of Addis Ababa

The finding indicted Addis Ababa is experiencing a significant demand for affordable housing, presenting a lucrative investment opportunity for the private sector while simultaneously highlighting the public sector's substantial backlog in providing affordable housing. According to El-Bialy (2022:22) research, the effectiveness of PPP is contingent upon the project's profitability for the private partner, which can be achieved by enhancing capacity through a shared objective and ensuring a balance of interests between both parties.

Furthermore, the real estate market offers a profitable business opportunity, particularly through arrangements that facilitate Public-Private Partnerships. The result of the survey data revealed that the housing development lacked incentives. This finding suggested that the Public-Private Partnership legal framework did not facilitate the creation of incentives rather focused on fostering collaboration between the public and private sectors, which is insufficient on its own. The results are consistent with the research conducted on the subject, which indicates that innovative incentives within Public-Private Partnerships can enhance effectiveness. Specifically, when efforts aimed at value addition are proportionately incentivized, there is a notable increase in both effectiveness and the engagement of private partners (Batra, 2022:14). Cost efficiency in Public-Private Partnerships plays a crucial role in stabilizing construction of houses. By employing cost-effective approaches, private partners enhance affordability, which in turn guarantees their profitability which is in line with study conducted by Qing (Qing, 2023:16).

5.4.6 Legal and institutional frameworks as an opportunity or bottlenecks

The analysis demonstrated that improper risk identification, mitigation strategies, and risk sharing in the PPP housing development sector in Addis Ababa posed significant challenges. The parties did not engage in discussions concerning the risks, opting instead to move forward with construction process as they prefer securing the chance of partnering with public sector might open another door of opportunity. Additionally, risks assigned by the city without negotiation could cause delays stemming from subsequent renegotiations or may give rise to disputes. Research conducted by Okoro et al., (2023:14) emphasized that effective risk management requires a collaborative effort from both parties; neglecting this aspect could result in failure.

The institutional capacity of Addis Ababa PPP offices exhibited a range of outcomes. On one hand, it successfully prepared the feasibility study, drafted the contract agreement, engaged in the Public-Private Partnership, and initiated the construction process, with some houses already being delivered while ensuring institutional capacity. Conversely, in conformity with study of Casady & Peci, (2021:1962) there were instances where delays in the timely provision of land to the private PPP partner and unaddressed risks highlighted the institution's limitations, which could potentially jeopardize public interest in the future.

The findings suggested that the existing legal framework lacked provisions for delegation, necessitating intervention from the Federal PPP Directorate General in certain instances. This intervention could potentially be avoided if the entities involved were empowered to assume full accountability, thereby facilitating a more efficient business environment and reducing bureaucratic delays. Additionally, the absence of clearly defined incentives within the legal framework presented a considerable challenge which was in line with studies (Akomea-Frimpong et al., 2023:14).

In general, the findings indicated that the presence of an enabling condition. These are the political commitment to instill PPP as a housing financing mechanism, the presence of the

legal and institutional frameworks is an opportunity for enhancing PPP as a housing financing mechanism. However, the critical challenges like bureaucratic delays, weak institutional capacity, non-transparent procurement, and lack of incentives shadows the potential of PPP- as a housing financing mechanism.

5.5 Conclusion and Recommendations

5.5.1 Conclusion

This study examined the opportunities and challenges of Public-Private Partnerships in housing development of Addis Ababa; utilizing institutional theory as a framework. The findings revealed the presence of political commitment to engage the private sector, enactment and practicing the legal frameworks, and establishing the PPP institution are opportunities (standardized factor loading of 0.832). In addition, the availability of serviced land is serving as an equity contribution.

However, several key challenges were identified that threaten the effectiveness of these partnerships. Specifically, funding constraints (factor loading of 0.73), weak institutional capacity (loading of 0.63), and inadequate risk management strategies (loading of 0.623) pose significant barriers to successful implementation. These results corroborate existing literature that highlights similar challenges in developing contexts, where insufficient political commitment and unclear risk-sharing mechanisms often undermine PPP initiatives (Almarri and Boussabaine, 2023; Shah et al., 2024). Thus, enhancing institutional capacity, integrating targeted incentives, transparent procurement, proper risk identification, and fostering improved stakeholder engagement are essential for unlocking the potential of PPPs in addressing the housing development crisis in Addis Ababa City Administration.

5.5.2 Recommendations

To address the identified challenges effectively, the following specific, actionable, and feasible Recommendations are proposed:

Short term recommendations

Ensuring Transparent Procurement- The City Administration benefits from the value obtained from the market in competitive way. Therefore, private partners have to engage in transparent open bid; this minimizes the risk of renegotiation, delays and failure of the project.

Capacity Building: Investment in institutional capacity building is crucial. The government should establish comprehensive training programs to enhance the skills of public sector officials in PPP management. This includes training on principles of PPP, risks associated to PPP, public-sector Comparator, and value-for money for engaging with private partners.

Stakeholder Engagement: The government should foster greater engagement among all stakeholders by facilitating regular communication and collaboration throughout the PPP process. Implementing platforms for dialogue such as stakeholder forums or working groups can help align public officials' goals with private partners, thus fostering a shared vision for housing development.

Risk Management Strategies: It is imperative to develop comprehensive risk management frameworks that clearly delineate responsibilities and potential risks between public and private entities. The establishment of standardized risk-sharing agreements, combined with dispute resolution mechanisms, will enhance trust and transparency, reducing the potential conflicts.

Feasibility Studies: Prioritize participatory feasibility studies before the initiation of housing projects. It should be designed to engage all stakeholders in assessing the proposed project's viability, addressing concerns, and ensuring that the housing needs of the community are met. By implementing these Recommendations, the Addis Ababa City

Administration can enhance the effectiveness of PPP in housing development, ultimately contributing to alleviating the housing shortage in the city.

Long term recommendations

Policy revision: The Ethiopian government should revise the existing PPP proclamation to incorporate targeted incentives that align with the value captured from PPP. This revision should focus on tax breaks in the form of tax deduction, exemption or providing it in the form credit. Besides, subsidies that would encourage private sector investment in housing projects, making partnerships more appealing to private entities. This could be by providing some percentage of the initial investment (part of the 30%).

**CHAPTER 6: PUBLIC-PRIVATE PARTNERSHIP: ADAPTING CONTEXT
SPECIFIC MODEL FOR ENHANCING HOUSING DEVELOPMENT IN ADDIS
ABABA, ETHIOPIA**

The prevailing 70 to 30 model of Public-Private Partnership in Addis Ababa City Administration has been hindered by non-transparent procurement processes and weak enforcement of the law. In addition, implementation gaps witnessed as a result of the weak institutional capacity. The study addressed the challenges of Public-Private Partnership model implementation in Addis Ababa and suggested context specific model. It employed sequential explanatory mixed research design. Further, a six-step thematic analysis model development technique was applied. This technique was selected because its for ensuring data triangulation, simplicity and applicability to the qualitative data. The finding indicated a factor loading of 0.905 a strong positive correlation between the enabling conditions created by the city and success. On the other hand, standardized factor loading of -0.928 indicated a strong negative correlation between challenges and successful PPP model implementation. Moreover, lack of transparent procurement with a factor loading of 0.288 a weak positive correlation with the success. Because of the lack of transparent procurement, the selection of capable private partners was unsuccessful of which only 36% of them started the construction. The findings of the thematic analysis shown lack of proper model selection and failing to adhere to the principles of transparent procurement and participatory risk management which resulted in delays. Therefore, the study recommended an adapted model that emphasizes on transparent and competitive procurement as well as participatory risk sharing among partners.

Keywords: Addis Ababa, Affordable Housing, PPP-Model Adoption, Public-Private Partnership, Transparent-procurement.

6.1 Background of the Study

Public-Private Partnership (PPP) is a long term contractual agreement between a private party and a government entity for providing a public asset or service in which the private party bears a significant risk and management responsibility and remuneration is linked to performance (World Bank, 2020). The rationale for adopting PPP models in many countries is relieving financial constraints, sharing risks, innovation, and achieving efficiency for housing provision in the public sector (Almeile et al., 2024). The implementation of PPP helped public institutions to fill housing finance gaps (Aboelazm et al., 2024).

Accordingly, one of the successful PPP implementation was achieved in Malaysia Kuala Lumpur City Hall in which they built 800,000 houses within three years after adopting PPP in 1983 (Muhammad & Johar, 2019). This success stories of PPP have shown the presence of strong institutions, efficient bureaucracy, and allowing the market to decide price are key success factors. In addition, there is a built trust as a result of transparency and accountability the public institutions ensured. Moreover, successful countries have an incentive mechanism to encourage the private sector. Therefore, this efficiency and the presence of an enabling an enabling condition are the key success factors of PPP.

However, failure stories were witnessed due to the lack of the proper selection of PPP model that fits the specific context. In addition, weak implementation capacity is also the contributing factor to the failure of the PPP projects (Chilala, 2019). As Gifford et al., (2023) claim, the major economic shock, project complexity, political changes, and weak institutional capacity leads to poor PPP implementations. This calls for models that would help to establish transparent communication, building trust, and collaboration among partners (Raharja et al., 2025). Therefore, the reasons for failed PPP-based housing projects were lack of conducting feasibility study, non-transparent procurement, and corruption.

A major challenges of PPP implementation in many developing countries is that its foundational frameworks are based on the Western institutional culture. These frameworks which PPP assumes are a well-established institutions, transparency in procurement, and trust (Anuka & Iyi, 2023). Whereas, these frameworks lack in the public institutions of the developing countries mainly in Africa. As a result the private sectors hesitates to invest in the public sector (Zulu et al., 2023b).

On the hand, the implementation of PPP in the housing sector of Addis Ababa City Administration was not studied so far. However, studies conducted on the Addis Ababa condominium housing program indicated 350,000 houses constructed in the past 20 years (Charitonidou, 2022a). Although, housing provision efforts were made the housing demand backlog reached 700,000 which requires large amount of finance. In addition, the Addis Ababa City Administration faced challenges of the housing finance shortage (CAHF, 2024). Therefore, to overcome this financing challenge the city administration entered in to PPP collaboration with the private sector following the enactment of PPP regulation 122/2022. On the other hand, PPP has a potential of alleviating finance shortage, and help to achieve risk sharing advantage (Getachew, 2022). As the city is a beginner in implementing PPP in the housing development it might face challenges other developing countries are facing. Therefore, it is quite important to consider best practices in PPP implementation that can be adapted to the Addis Ababa City Administration context (Nawushao, et al., 2023).

Therefore, to address these gaps the study examined the prevailing PPP models of Addis Ababa; with a particular emphasis of identifying the deficiencies within the current PPP housing model implementation. In addition, the study assessed how the current PPP housing model of Addis Ababa City Administration was implemented? What global best practices can be adapted to the Addis Ababa City Administration context? What was the key stakeholders' insights regarding the housing PPP? Consequently, the study proposed a context specific PPP model that could be adapted and implemented by the City Administration.

6.2 Literature Review

This section presents concepts and definitions, typologies of PPP models, success and failures of in PPP implementation, best practices from developed and developing countries, and synthesis of the literature leading to the conceptual framework.

6.2.1 Definition and scope of Public-Private Partnership

Public-Private Partnership is established through a contractual relationship which seeks to access private sector's finance, design, construction, commercialization, maintenance or operational management for the delivery of affordable housing, in some cases ancillary services. The private party's remuneration is significantly linked to performance (World Bank, 2020).

Legal frameworks are the PPP proclamations, regulations and directives that guide the overall application of the partnership (Olojede, 2024).

6.2.2 Models of Public-Private Partnership

There are various types of PPP models exists. These are service contracts, management contracts, Design-Build-Operate-Transfer (DBOT), concessions, and leases (Owotemu et al., 2022). Table 1 below presented types PPP models. Build Operate Transfer (BOT) is a specialized concession agreement in which the private partner enters in to PPP contractual agreement to design, finance, build, and transfer it to the public institution (Asian Development Bank, 2016). In addition, service and management contracts are PPP models in which the private partner takes the responsibility of managing or delivering services for short period of time ranging 3 to 5 years and the financing, risk, and ownership are assumed by the public sector (Dhanshyam et al., 2024). Further, concession is a long term contract ranging 30 to 35 years in which the private sector finance and constructs the infrastructure so that over a long period of time recovers its investment cost and the profit (Guo et al.,

2021). Therefore, the BOT model selected to explain the PPP-based housing provision of Addis Ababa (Parakhina et al., 2021).

5.2.3 Best practices of implementing Public-Private Partnership model

The lessons drawn from the best practices shown having strong institutions, an enabling legal framework, trust, and proper feasibility studies ensured successful PPP-based housing (European Investment Bank, 2019). On the other hand, in institutions having efficient bureaucracy and having an enabling legal framework became successful in PPP implementation (Akomea-Frimpong, Jin, et al., 2023a). Moreover, as international experience shown, Western Countries had covering 10% to 15% of their budget from PPP since the 1990s (Batra, 2022a). The presence of a well-established institutions, trust, and the presence of an enabling legal frameworks are factors led them to success (Casady, 2023). For instance, India benefited from the legal reform which created an enabling condition to PPP success in the housing sector (Dwivedi, 2021a).

In the same way, reduced regulatory barriers and commitments of the public sector towards successful PPP implementation of models led Malaysia towards effective PPP housing implementation (Kang et al., 2019). Furthermore, Ghana achieved 9.9 billion USD from PPP arrangement 1990 to 2021. In addition, Nigeria, and Republic of South Africa also benefited much from such an arrangement (Osei-Kyei & Chan, 2018).

Mixed Development Cross Subsidized Housing

In this scheme, the transfer price of the houses meets the requirements of the low-income group in terms total selling cost (Mutwii & Wachira-Towey, 2024). This approach has helped in providing houses considering income level of the end users in a rental or sales modality.

“Mixed Development Cross Subsidized Housing (MDCH) model represents a scenario in which a government allocates land to the private sector as an incentive, contingent upon the private partner's commitment to erect high-rise buildings that utilize a high Floor Area

Ratio (FAR). This approach aims to optimize the number of housing units constructed on a designated parcel of land (Dwivedi, 2021)". The private sector cross-subsidized the expenses by selling high-quality houses (Soni & Das, 2023).

Therefore, the secret behind the success of these countries were having an enabling legal framework, reduced bureaucratic impediments, applied incentive mechanisms, above all ensured transparent and competitive PPP-procurement. In general, as practices across the world shown introduction of PPP helped to increase affordable housing supply. As a result, Malaysia constructed 800,000 houses in three years, Ghana reached an agreement of building 200,000 houses through PPP modalities and OECD countries covering 10% to 15% of their budget through PPP arrangements (Muhammedamin, 2013 and European Investment Bank, 2019). These success factors would help in contextualizing effective models to the Addis Ababa City Administration housing development.

6.2.4 Failure stories of PPP implementation

Developing countries, for instance, Zambia were falling short of achieving the benefits of PPP due to excessive bureaucracy and poor business environment (Zulu et al., 2023c). These can be manifested in many countries. Peru for instance, has an infrastructure budget gap of 108.79 billion USD but its project evaluation and performance measurement gap prevented it from fetching the benefits of PPP. This is mainly because of weak institutional capacity led to delays, renegotiation, and unforeseen addendums held it back from capitalizing on the PPP potentials (Cisneros-Herrera et al., 2024). Similarly, one of the primary reasons hindering PPP success is lack of enough number of capable private partners, which leads the public sector to rush for accepting private sector proposals prepared without integrity (Kavishe, Jefferson, et al., 2018). In addition, in a comparative study conducted in Colombia, Ghana, and Kazakhstan, public sector were failing to build strong institutions and to hire capable expertise, and poor coordination among government departments became a hindrance to maximizing PPP benefits (Samoilov et al., 2024). Therefore, the takeaway from failure stories of PPP are the importance of having a well-established PPP institution which can be trusted in its capacity to create enabling legal

framework, provide support, and minimize the bureaucratic hurdles makes countries successful in tapping the potential of the private partners (Batjargal & Zhang, 2021).

6.2.5 Challenges of housing provision of Addis Ababa City Administration

A multifarious challenge of access to affordable housing includes lack of access to finance, high interest rates, speculation in land market, and inefficiency worsen the challenges (Efa et al., 2024). Hence, Addis Ababa introduced an Integrated Housing Development Program (IHDP) to overcome the challenges of the housing provision (Teklemariam & Harper-Anderson, 2025). Over the past 20 years the efforts of affordable housing provision through the IHDP have delivered 350,000 housing units in Addis Ababa City Administration since 2006. Though this achievement was remarkable it fell short of the demand. This severe deficit now approaches one million units, underscoring the severity of the crisis (CAHF, 2024). Consequently, to alleviate this challenge, the Addis Ababa City Administration had implemented PPP housing scheme as of 2022 (Regulation number 128/2022). In this partnership arrangement 22 private partners signed the contract to build 120,000 houses. However, out of the 22 partners who signed the PPP contract only 8 of them started the construction. This is because of in appropriate private partner selection. This can be manifested by the lack of transparent procurement, rent seeking, governance model and failing to clearly stating deliverables in terms of room size and quality (Girma et al., 2025).

6.2.6 Conceptual framework

The conceptual framework in Figure 1 below, shows effective implementation of the legal framework requires having capable institutions both in terms of expertise and organizational structure. The theoretical foundation of this study is Transaction Cost Theory which states information asymmetry, the capacity of processing the data obtained, and the tendency of the private partners to go beyond rational profit maximization harms public interest (Rindfleisch, 2020). Therefore, having an enabling legal framework, ensuring transparent procurement, conducting feasibility study, and participatory risk identification guarantee PPP success.

Moreover, having flexible procurement approaches based on public transparency and accountability are essential. This means, if government institutions prioritizes attracting huge investments, requires to secure diverse experiences and technologies from the private sector competitive bids is recommended (Triest, 2024). On the other hand, if the public sector faced exceptional circumstance requiring unsolicited procurement it has to be based on publicly pre-disclosed procedures to ensure accountability. Further, establishing incentive mechanisms is essential to encourage private sectors' involvement. Equally, reducing bureaucratic delays contributes to PPP success (Devkar et al., 2020).

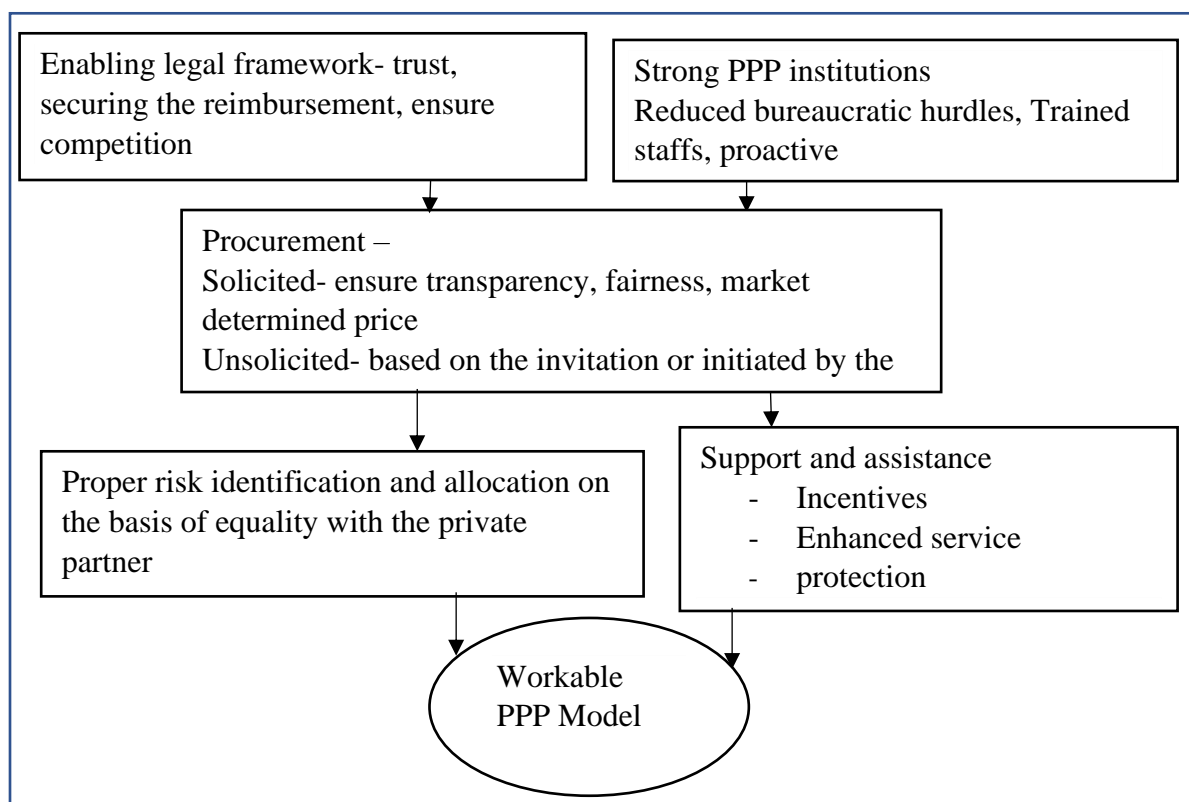


Figure 6.1: Conceptual Framework

Source: Compilation of the author (2024).

Above all, after identifying the private partner through competitive bid both parties should stand on equal ground to identify risks together, set mitigating strategies, and sharing risks to the capable party based on the nature of the risk and experience of the party on such

specific matter (Boiarko et al., 2021a). Hence, proper implementation of the legal framework by the institution capable of building trust with private partner applying proper risk management, and supporting the private partner as per the law ends up to successful PPP housing provision (Li & Wang, 2024). The Addis Ababa PPP implementation was based on the regulation 122/2022 following the enactment of PPP proclamations 1076/2018 and PPP amendment proclamations 1283/2023 of the Federal Democratic Republic of Ethiopia. These legal frameworks assume transparent procurement for the PPP implementation. Furthermore, the city established PPP institutions which are expected to effectively implement this partnership arrangement.

Therefore, on this basis, the conceptual framework indicated the proper implementation of the legal framework requires capable institution. Moreover, conducting a feasibility study and, ensuring transparent and competitive procurement guarantees PPP success. Besides, participatory risk sharing leads to effectively manage unforeseen situation and make the project successful. In addition, clearly stating the deliverables in terms of room size and quality of the houses protect the public interest. Finally, incentivizing the private sector encourages them to invest their finance in the housing provision.

6.3 Analytical Methods

The dependent variable is the effectiveness of the PPP model in Addis Ababa City Administration housing development. Then how PPP-based housing model implementation successfulness is affected by the independent variables such as transparent procurement, institutional capacity, risk management, stakeholders' involvement, legal framework, and incentive mechanisms was assessed. Therefore, qualitative analysis was conducted to analyze the interview data and documents obtained from the extant literature and the Addis Ababa City Administration. Then, 172 key words identified, coded in to six groups, grouped in to 3 themes and concepts of market, value for money, trust, and transparency developed and encoded to NVivo 15, free robust software, which simplifies the analysis process and visualizes the display of the result.

In addition, quantitative analysis was conducted utilizing Confirmatory Factor Analysis (CFA) using R-Studio 4.4.2. a free software was applied to analyze the survey data. A regression model developed using CFA emphasized planning effectiveness, particularly in terms of institutional capacity. The analysis was made using Confirmatory Factor Analysis using R-Studio 4.4.2. Moreover, the indices showing the model fitness, like SRMR, are 0.077 and RAMSEA 0.082, an acceptable result indicating the model can explain the data. Further, the results were triangulated so that the results obtained from the interview corroborated by the findings of the survey and further strengthened by the results of the analysis of the international best practices. Similarly, the systematic six step thematic analysis model used to systematically identify the key word from the interview, then simplified the coddng, theme development and conceptualizing of the main themes to develop model.

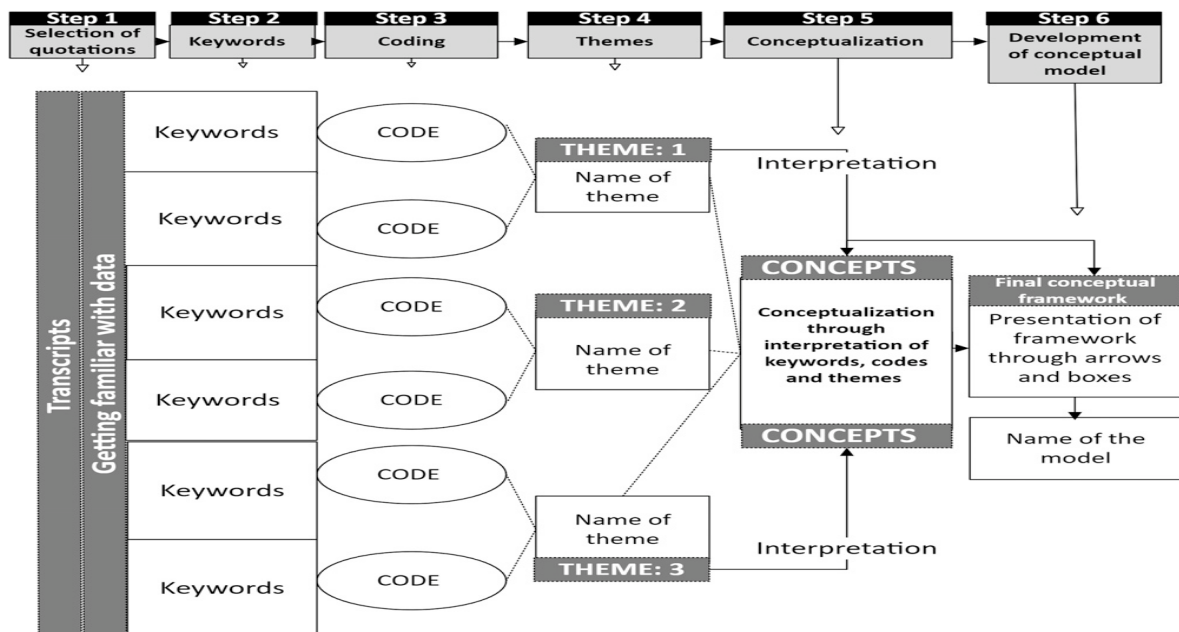


Figure 6. 2: Systematic Six Step Thematic Analysis for PPP model Development

Source: Adopted from , Naeem et al. (2023).

A qualitative data analysis technique was employed for a step-by-step and thematic analysis involving six steps. These are:

Step 1: In this step, the interview was transcribed from audio into words to capture the core messages.

Step 2: In this phase, 290 key words and terms were identified, which facilitated catching the perceptions, understandings, and patterns of ideas surfacing out in the interviews

Step 3: At this step, the ideas described in text form were organized into 290 themes and represented through 21 codes, which would help to summarize the core messages in a simple form.

Step 4: The key words categorized in to 4 themes of institutional capacity, participatory risk identification, transparent procurement, and legal frameworks.

Step 5: In this step, delving into the central messages, and relating the themes to one another so that 3 core themes could have been easily drawn.

Step 6: Developing Conceptual Model: In this final phase, a model was suggested involving flexibility to accommodate top leaders' who engaged in decision-making to solve challenges faced in realizing specific projects while following transparent procedures, and open competition in which the market decides the outcome.

6.4 Results

In this section, primary data from the survey and interview, as well as secondary data was analyzed. Similarly, demographic analysis revealed that 37.44% of participants were female, representing various levels of expertise in the construction sector. Furthermore, 67.98% of participants were under the age of 39, with the same percentage holding at least a bachelor's degree. Occupational distribution shown 29.56% of respondents were from government offices, 48.28% from private partners, 16.75% as consultants, and 5% from other departments. The diversity in respondents' age, education, and experience levels would help to fetch diverse insights from professionals with varying perspectives makes it representative. So that, the result helped in obtaining a balanced insight on how PPP model implemented and what factors were contributed to the outcome.

6.4.1 Stakeholders *perception*

Survey data collected from 203 PPP experts working in the private partners' enterprises and Addis Ababa PPP offices. The respondents were experienced in the construction sector and currently working in the PPP arrangement which gives them an expertise. The analysis was made using Confirmatory Factor Analysis using R-Studio 4.4.2. and model fitness indices like SRMR is 0.077 and RAMSEA 0.08 an acceptable value indicating the model can explain the data.

Table 6.1: PPP Success Factors

Factors	Estimate	Std.Err	z-value	P(> z)	ci.lower	ci.upper	Std.lv	Std.all
Integration	1.000				1.000	1.000	0.533	0.533
Procurement	0.419	0.120	3.488	0.000	0.184	0.655	0.288	0.288
Challenge	1.821	0.310	5.874	0.000	1.213	2.429	-0.928	-0.928
Opportunity	1.824	0.307	5.938	0.000	1.222	2.426	0.905	0.905
Leadership	1.381	0.265	5.216	0.000	0.862	1.899	0.700	0.700
Financial viability	1.840	0.308	5.965	0.000	1.235	2.444	0.923	0.923
Legal framework	1.165	0.234	4.974	0.000	0.706	1.624	0.891	0.891

Source: Compilation of the author (2024)

Equation:

Success = 0.53 integration + -0.92 challenge + 0.93 opportunity + 0.28 procurement + 0.92 finance + leadership 0.89

The factor integration measures how Addis Ababa City Administration PPP Unit brings activities together to the effectiveness of the partnership. In addition, procurement represent the competitiveness of the bid, and challenge measures factors hindering effectiveness of the partnership. Besides, leadership measures how leaders committed to the implementation of PPP-based housing; financial viability measures whether the investment pays back, and legal framework measures how the PPP laws effectively implemented and created an enabling condition.

Hence, as presented in Table 6.1: above the analysis result of the survey data the standardized coefficients were used for discussion. The coefficient of integration was 0.53 which is moderate positive correlation, a standardized factor loading for procurement was 0.288 indicating the presence of weak positive correlation, the result for challenge was -0.928 indicating strong negative correlation, the result for opportunity is 0.95 indicating strong positive correlated to success, 0.07 standardized factor loading for leadership indicates a presence of moderate positive correlation , finance having a result of 0.923 a strong positive correlation, and legal framework with a standardized factor loading of 0.891 shown the presence strong positive correlation towards PPP success. These findings were strengthened by the result of the document analysis which indicated the 70% to 30% contribution was a predetermined which lacks an element of competitiveness. Moreover, the deliverables were not clearly stated in terms of quality and size of the houses, and risk mitigation strategies not clearly articulated. Therefore, the PPP success measured by the seven factors which was measured using CFA in the Table 6.1 above. The result indicated among the seven factors legal framework, the financially viability of the project, the presence of opportunity to both parties to collaborate and leadership commitment had shown strong positive correlation. On the other hand, integration and procurement shown moderate and weak positive correlation, however, the challenge was very serious showing strong negative correlation to success. Therefore, the null hypothesis was PPP the existing 70/30 PPP model is effective was rejected as it lacks the principles competitive procurement and participatory risk identification.

6.4.2 Thematic analysis of the interview

Interview discussions held with the key informants from the private enterprises and directly working on PPP in Addis Ababa City administration were fully captured and presented in a survey as part of the emerging model. The views of the stakeholders and the major themes covered under the model development were presented in the table below.

Lack of transparent procurement affected the Addis Ababa City Administration because it couldn't ensure the best offer from the private sector. In addition, in transparent procurement, competent private partners would get the chance to engage in the PPP housing collaboration, in which the goal of affordable housing construction was achieved. Besides, the process of risk identification accomplished by the public institution alone which lacks the involvement of the private partner. On the other hand, the process of selecting financially capable private partners was in question in some of the partners as they took an extended time to start the construction and few of them retreated from the process. In addition, the institutional capacity of Addis Ababa PPP office was not in a position to manage the complex interests in PPP collaboration. Moreover, the 70/30 PPP modality Addis Ababa City Administration implementing is deviates from the PPP principles which states the amount of contribution to be obtained thorough partnership has to be determined by the market rather than fixing it in advance (Casady, 2021). Finally, financial capacity of the private partners was not dependable which later revealed by the number of private partners who started the construction in which 8 out of the 22 started and one among the eight quitted. Therefore, the success of 70/30 Addis Ababa PPP housing, based on the review of the documents, was challenged because of the lack of adhering to the scientific procedures and practices of implementing PPP.



Figure 6.3: NVivo 15 Generated Result (2024)

Using NVivo 15 software word cloud, word frequency, and tree map analysis was conducted, as displayed in Figure 6.3 above, among the 172 keywords obtained through the interview, those indicated in the innermost center of the chart constitute key factors affecting PPP success. Above all, the risk management was weak and not participatory, weak institutional capacity, the procurement process was not participatory, scope of the partnership well delineated, viability of the project was in question due to lack of adhering to the PPP principles, contract document preparation was good, integration part faced a mixed result it is good in taking the initiative of collaboration but weak in bringing all the private partners on board, and lack of PPP expertise were found to be the most significant factors in full implementing the PPP model of housing sector in Addis Ababa City Administration. This situation was addressed as among critical issues leading partnership projects to failure (De Matteis et al., 2025a).

As indicated in figure 6.4 below, factors are interrelated impacting one another highlighting the areas of success and shortcomings of Addis Ababa City Administration PPP housing were shown in NVivo 15 thematic analysis software. The results indicated that at the plan preparation phase and signing the contract the process demonstrated success.

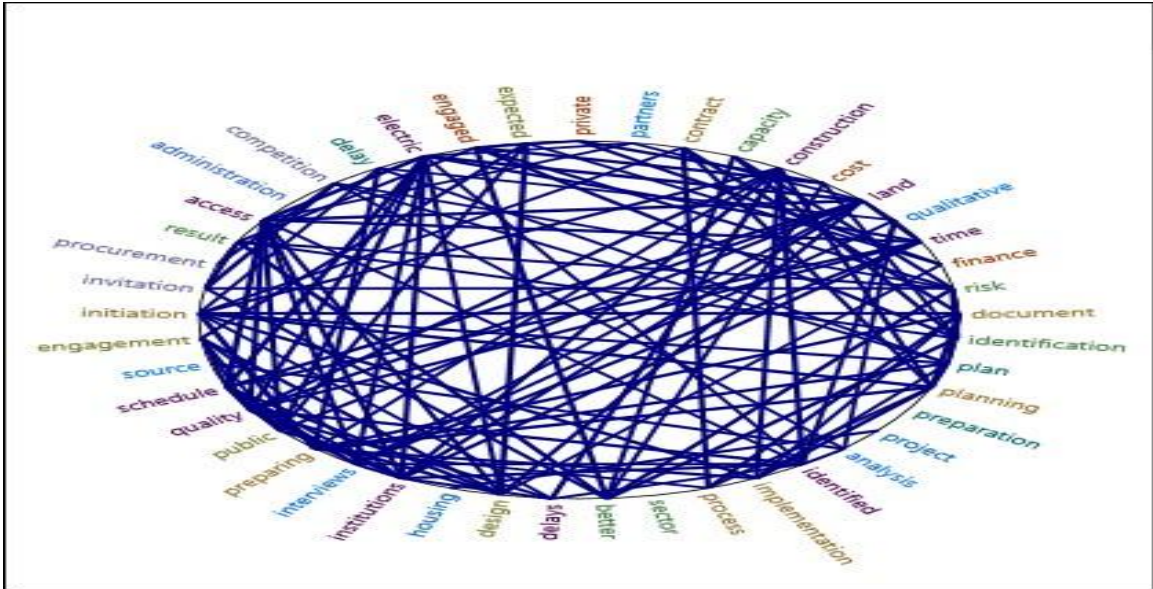


Figure 6.4: NVivo 15 Generated Result (2024).

Source: Proposed by the author (2024).

Hence, the issues of risk management, the process of private sector involvement with transparent procurement systems, the lack of integration between the planning and implementation phases, and limitations in institutional capacity were recurrently reported as undermining the success of the model (Y. Liu et al., 2025 and Mehkri, 2024).

6.5 Discussion

Effective PPP model highly dependent on the proper selection of the model and contextualizing to a specific context in which the model is to be implemented. In this regard, the 70/30 Addis Ababa PPP housing model implementation and its effectiveness in achieving the housing provision in the city was assessed based on the stakeholder's perception and international best practices presented as follows.

6.5.1 Stakeholders perception

Integration - the institutional capacity of the Addis Ababa PPP offices in integrating the resources, and the partnering parties in realizing housing provision through partnership was

weak. In fact, as the finding indicated in the plan initiation phase and getting partners to sign the contract shown good performance. However, those who started the construction were only 7 and the achievement was only 31%. The findings of Li & Wang (2024) indicated institutional capacity of the public sector determines effectiveness of PPP. The private partners need to be supported in minimizing the bureaucratic hassles and provided with the facilitation supports and incentives that amounts to the expected contribution. This inefficiency was because of the weak institutional capacity.

Procurement – the procurement process lacks transparency and not competitive. The value the parties contributed was a pre-determined and not decided by the market. It would be better if the amount of the 70% and 30% decided by the market. In contrast, the international best practices indicated competitive bid gives the true market value and from the process both parties benefited. This one-sided pre determination of the contribution leads to dissatisfaction, delay and renegotiation which in the end affects the public interest by increasing cost of the construction. This percentage was stated in the contract document but it lacks to state the quality, and size of the room to be delivered which harms public interest. The finding agrees with a study Uganda which stated failure to ensure transparent procurement in the process of PPP implementation affects PPP success (Bagenda & Ndevu, 2024b).

Challenge –lack of transparency, uncompetitive bid, and lack of participatory risk identification negatively affected the PPP success. These issues in fact opened room for some private partners to seek for further renegotiation leading to delay and termination of the contract of the private partner. This finding was corroborated by a result of a study conducted on risk management of Public-Private Partnership projects found that success can be achieved if risks and challenges properly managed (Boiarko et al., 2021b).

Institutional capacity- the above challenges the Addis Ababa PPP implementation faced get ground on the weak institutional capacity of the PPP offices affected by lack of PPP training. As a study conducted in Zambia indicated lack of capacity as a result lack of

knowledge and experience in PPP as well as lack of decision making capacity or confidence contributed to unsuccessful PPP implementation (Chilala, 2019).

The 70/30 PPP model – the of the 70/30 arrangement implementation somehow quite unique and deviates from the international best practices and the principles of PPP. This is because of the lack of selecting PPP model that fits the Addis Ababa context. The success of PPP affected by poor tender document, lack of knowledge, in adequate legal framework, and misinformation of the financial capacity of the private partner resulted (Lopez and Marakas, 2023).

6.5.2 Transparent land-based PPP housing model

The 70/30 PPP housing model of Addis Ababa faced challenges of the lack of competitive transparent procurement, lack of participatory risk identification and sharing. These challenges affected it o effectively attract private partners and failed to fully engage those private partners who signed the partnership contract. Therefore, to overcome these drawbacks a context specific PPP model which help to ensure transparent procurement, participatory risk management and resource allocation.

The model depicted in Figure 6.5 below considered the potential of the Addis Ababa City Administration in PPP investments and serviced land and capacities of the private partners. The model requires a binding legal framework so that the existence as well as the effectiveness of the decisions from the PPP institutions should not be affected by political changes as it is an international contract. Having a strong institutional culture is one of the cornerstones leading the private sector to build strong trust in the system and give them confidence to invest their finance in the public sector. The Second foundation point is the importance of conducting the opportunity cost of engaging into a PPP. Because, there are different development opportunities and several financing options that should have been considered before entering into PPP. This study is known as a public sector comparator in which the public sector will conduct a study comparing PPP, joint venture, and even private sector-led real estate as a means of housing provision.

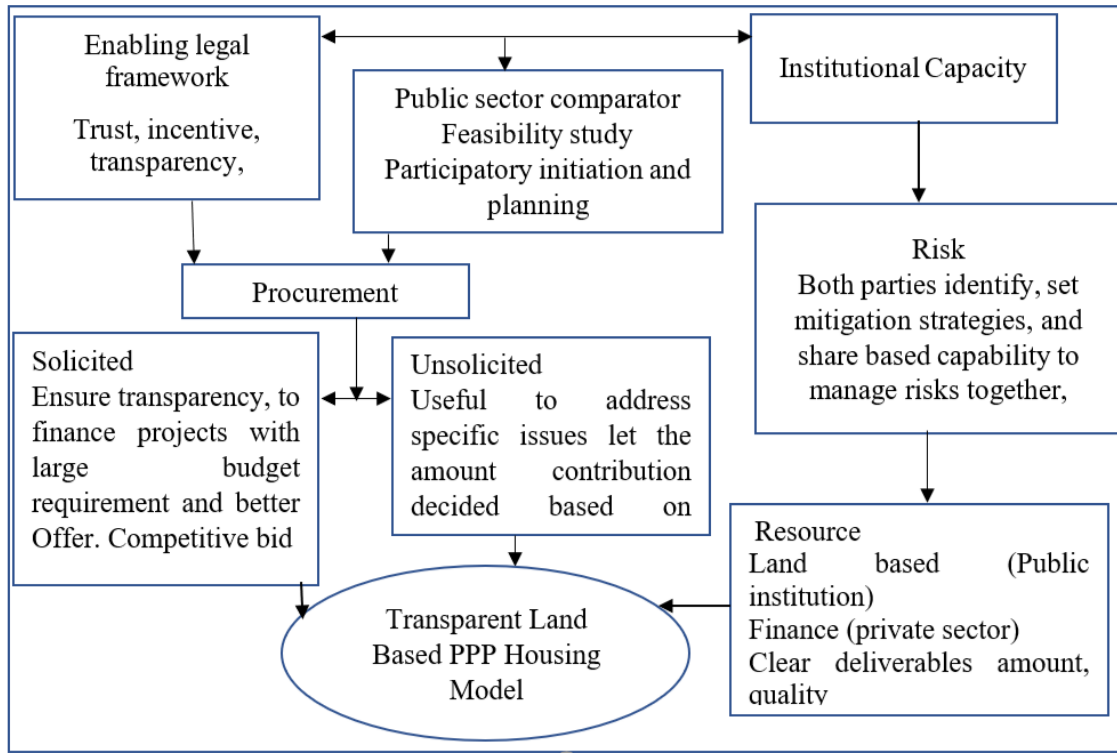


Figure 6.5: Compilation of the author (2024).

Source: Proposed by the author (2024).

The third issue addressed in the model is conducting a feasibility study of the project that should be conducted and used as an input for decision-making. The fourth point concerns procurement, which extant literature and best practices consulted open and competitive procurement or solicited procurement guarantee the best offer and viable market price for the partnership.

The fifth point is that risk identification should be conducted by both parties, having equal say, because they are partners who are responsible for the project's success and failure and are ultimately expected to shoulder the associated risks.

Therefore, this Transparent Land Based PPP Public Private Partnership Housing Model (TLPPPHM) model is different from other models because it gives a room for solicited and unsolicited procurement. In addition, it insists on transparent procurement as a prerequisite

for its successful implementation. The other critical issue the model addressed is that it requires the PPP institution to get stakeholders' insight first then conduct public sector comparator which enables it to decide whether PPP is the best financing option or not as compared to other available housing development options. Moreover, PPP institutions are expected to set a clear and publicly pre-disclosed procedure of choosing to proceed in a solicited or unsolicited procurement means based on the project nature and level of urgency. Finally, the document expects to have a process of risk identification where both parties are on equal ground. The finding is supported by the results of prior studies ensuring transparency, removing legal and regulatory barriers make PPP implementation successful (Akomea-Frimpong et al., 2023b and Casady, 2023).

6.6 Conclusion

The application of PPP 70/30 housing model of the Addis Ababa City Administration exhibited mixed result. The city administrations move towards the application of PPP housing is a success which made partnership to happen. The city administration's effort of involving the private sector in to the housing provision resulted in the engagement of 22 private partners out of which 8 of them started the construction process and it is at different performance level. However, the implementation of the model faced lack of transparent and competitive procurement which limited the chance of getting better offer from the private partners. In addition, the risk identification was not conducted by participating the private partners rather it was decided by the public institutions and left as take-it or leave-it option which was one of the areas of the failure. This is against the principles of PPP and as a result the city misses the basic objectives of benefiting from the private sectors experience and capacities of identifying risks and setting a mitigation strategy. Further, Transaction Cost Theory helped in analyzing how the PPP procurement was managed and how risks approached. So that it could have been better had the identification and the mitigation process done together and the risk sharing part was negotiated.

Moreover, the weak institutional capacity was one of the draw backs of the Addis Ababa PPP housing implementation. The parties have different interests to achieve and different

working culture which makes PPP project complex to manage. The study found that the problems of risk identification, lack of transparent procurement, and delays attributed to the weak institutional performance. Further, lack of clearly stating the room size and the quality of the 30% houses to be delivered was the area where weakness observed. As a result, to overcome these drawbacks requires a context specific PPP housing model. Therefore, based on the analysis result the study proposed Transparent Land Based PPP Housing Model (TLPHM) based stakeholders' perception and international best practices. The model helped in addressing the challenges faced in PPP-based housing. Moreover, it insists the private partner in a PPP housing deal should be treated as an equal party with the contracting authority to identify risks, set mitigation mechanisms, and allocate those risks to the party in a better position with a goal of having the project succeed. Further, the findings presented the importance of context specific PPP model and the six-step PPP model development have theoretical contribution. Finally, identified implementation gaps as well as the proposed model have practical implications.

6.7. Recommendations

Building institutional capacity as a strategic approach- PPP is a long-term process of managing complex processes and multiple interests at the same time. To manage these issues, it is quite imperative to have strong institutions having the right professionals. These institutions, has to give priority towards ensuring ease of doing business and reducing bureaucratic hurdles. In efficiency in the public institutions results in to a contractual agreement that affecting the public interest. As a result, cost of the failed PPP has to be paid by the public institutions from the tax payers' money, and it hinders the effective implementation of PPP housing resulting in to delayed housing delivery. Therefore, institutional capacity is a top priority to fix the problems and to enhance effectiveness of PPP implementation.

Operational recommendations

Ensuring transparent procurement mechanism: the ultimate goal of the private sector is making a profit so that every deal comes with cost transfer or reduction approach. These

issues managed by the market itself through transparent competition which will help to build trust and accountability. In some instance if the specific project nature demands it and the amount of finance to be raised is that much big unsolicited procurement under clear and transparent procedure can be implemented (Hochstetter et al., 2023).

Ensuring participatory risk identification and sharing is imperative: Private partners are happy in taking a debated risks hoping to minimize their impact based on their prior experience, technological and financial capacities. However, as a business entity, they consider that if things go wrong, they might hesitate to engage in a partnership with the public sector.

Implementing the modified TLHPM PPP model:

This model contributes in improving the contract engagement process as well as the enforcement mechanisms. It helps to protect public interest by ensuring transparent solicited procurement as well as conducting the public sector comparator, feasibility study and clearly setting out the material quality, and room numbers of each housing to be transferred to the public institution in the end of PPP contract period. This model aimed at ensuring transparency while giving the options of transparent competition-based procurement and application of unsolicited procurement supported by clear procedure open to the public.

Implement the World Bank PPP Reference Guide – this will help in standardizing the PPP implementation to the international practices which help to attract international partners.

Policy Recommendations

Incentive: PPP proclamation 1076/2018 and PPP amendment proclamations 1283/2023 the issue was overlooked and left to the laws enacted for investment projects in general which were not expected to take a risk, bring efficiency, and finance to the public sector. To overcome this, it is important to protect them through applying an incentive mechanism

that matches the value they add to the project. Therefore, the study recommends the importance of making an amendment to the PPP proclamation, regulation and subsequent directives has to clearly state the issue of incentives that can be given to the value addition made by the private partner. The incentive mechanism could be tax reduction, minimum profit guarantee, and tax exemption.

Delegation: PPP proclamation assumes project area identification and the issue of approval has to pass extended procedures and requires approval of the Ministry of finance. This extended process has to be shortened delegation to the lower-level Federal institutions and regions has to be given.

Strong enforcement- the proclamation covers issues of transparent procurement and participatory risk identification but lacks a strategy of ensuring its proper enforcement. Therefore, the policy makers need to put in place a mechanism of public disclosure of the procedures for the pre and post implementations.

CHAPTER 7: SYNTHESIS

The challenge of ensuring affordable housing in urban centers has become a serious concern for public institutions striving to address it (Akinwande & Hui, 2024). Although local governments have tried to intervene in the housing provision the efforts fell short of the growing demand (Ebekozi et al., 2022). On the other hand, governments are becoming progressively more interested in pursuing PPP-based housing provision as a means of securing financing. Despite the existence of failure stories associated with PPP, numerous countries have successfully provided affordable housing through public-private partnerships (Batra, 2021). Therefore, in this section the summary of the results of the study, conclusion, implications, and future research directions were discussed.

7.1 Introduction

The effective execution of PPP in housing provision primarily relies on the appropriate initiation, planning, and execution of the contractual agreement concerning the institutional capacity of the public sector (Nugent & Burger, 2025). This can be achieved by building the capacity of the public institution, selection of the right private partner through transparent competitive procurement, and ensuring accountability (Memari et al., 2025). Moreover, participatory risk identification, setting mitigation strategy, and allocating it to the capable party that can manage it effectively determine the success of PPP housing implementation (Castelblanco et al., 2025). The study was conducted in Addis Ababa, Ethiopia's capital, characterized by its mountainous terrain and economic infrastructure. The effective execution of PPP in housing provision primarily relies on the appropriate initiation, planning, and execution of the contractual agreement concerning the institutional capacity of the public sector. The city has a growing demand for affordable housing provision. This signifies a realm of partnership with private stakeholders

The study utilized a simple random sampling technique targeting experts and officials from the eight private-sector partners engaged in an ongoing PPP housing project. Further, data were collected from experts and officials of the Addis Ababa City Administration PPP

Offices. The data collection involved distribution of 203 questionnaires, achieving a response rate of 94%, and conducted interviews with five key informants. Moreover, the results of the primary data were further strengthened by the result of the review of legal and contractual documents.

Furthermore, the underlying philosophical foundation of the research is rooted in pragmatist research philosophy. The study employed mixed explanatory design to explore the dynamics of PPP implementations in the affordable housing projects. It followed explanatory sequential design and quantitative data gathered first and analyzed followed by the analysis of the qualitative data. Quantitative data analysis employed statistical analysis techniques of CFA, t-test, mean proportion test and Relative Importance Index (RII). This has given a critical insight into the institutional capacity, the effectiveness of planning and implementation phases of PPP in Addis Ababa City Administration. Moreover, descriptive and inferential statistical techniques were utilized for analyzing the relationships among variables which measured the institutional capacity, legal frameworks, the challenges and opportunities of PPP implementation in the housing sector. In the analysis process R-Version 4.4.2, and Stata 14 software were employed for analyzing the quantitative data and qualitative data were analyzed using NVivo 15 analysis software.

The study was conducted based on the following five specific research questions:

What are the key features of the existing PPP framework in the housing sector of Addis Ababa?

What financing options are available for addressing housing provision challenges in Addis Ababa, and how does PPP framework fit within these options?

To investigate the factors influencing private sector engagement in PPP-based housing development initiative in Addis Ababa.

To analyze the key institutional and operational bottlenecks hindering the planning and implementation of PPP projects in Addis Ababa's housing sector.

To examine existing PPP models for housing development in Addis Ababa, incorporating insights from stakeholder perspectives and international best practices.

These research questions were used for assessing how Addis Ababa City Administration is applying PPP in the housing development, how private partners selected, risk management handled, and the challenges managed. Since 2023, the Addis Ababa City Administration has engaged in a PPP model under a 70/30 arrangement to enhance affordable housing provision. This framework allocated financial responsibilities to the private sector partners while the city provides land for construction. Moreover, as per the contractual agreement, private partners are required to deliver 30% of the constructed housing units to the Addis Ababa Housing Corporation, retaining 70% of the houses for sale to recoup their investment costs. Besides, the regulatory framework guiding this initiative is captured in the PPP Regulation 128/2022.

In addition, 78.8% of the respondents' demographic data were from the professionals of the construction industry and 21.2% of the respondents came from the PPP implementing public offices. In addition, 37.44% of these respondents were female and 67.98% were under the age of 39 years old. The profession, sex and age composition indicated the data provided diverse insights into the PPP-based housing initiation, planning, and implementation processes in the Addis Ababa City Administration.

7.2 General Discussion of the Study

The analysis results indicated the presence of a strong positive correlation between the effectiveness of PPP-based housing and the independent variables integration, plan preparation, contract document preparation and getting signed the contract document. However, there was delays in land delivery, the procurement was not competitive, and non-participatory risk as a result of weak implementation. The private sector expected to finance, design, and construct the houses and took the 70% of the constructed houses and gives 30% of the houses to the city administration. This practice is against the international

practices. In contrast, the international best practices shown allowing the market to decide the contribution ensures sustainability of the project and prevents potential conflict of interests. The findings indicated these inefficiencies within the public institutions adversely affected the outcome of the PPP housing project. If mitigation strategy did not implement it leads to project failure. This finding aligns with research conducted on the impact of institutions on the success of PPP, which indicated that effective institutions enhance private sector engagement and contribute to the overall effectiveness of the partnership (Casady & Peci, 2021).

Moreover, the result of the qualitative analyses strengthened the findings of the quantitative data. It highlighted the city miss to benefit from the experience of the private sector in managing risks due to the lack of participatory risk identification. In addition, lack competitive bid hindered the chance of obtaining better offer from the private partners. These challenges were critical in which once the city miss the to get better offer from the capable private partner and the mismanaged risk sharing the goal the city intended from PPP was missed. Similarly, in some cases, delays often stemmed from slow land transfer procedures and in extended office facilitation services like authentication and permit issues. This finding was substantiated by the interview result which had shown out of the 22 private partners who signed the contract document only 8 were started the construction process at the time of the data collection in which nearly two third of them were behind the schedule. Moreover, one of the eight partners one of them quitted from the process. This finding was corroborated by a study conducted on the review of risk allocation in infrastructure provision which stated lack proper risk allocation not only leads to delay and cost overruns but also it makes the project more expensive than the traditional ways of delivering the same project (Mazher, 2025).

Further, the legal framework created an opportunity for involving private partners in housing construction through a partnership arrangement. But it lacks to clearly stipulating the incentive mechanism leaving it to the other laws prepared for promoting development interventions by the private sector who are not expected to take risk. Moreover, the major

challenge of the PPP housing implementation was lack of the proper execution of the existing legal framework. This was a critical challenge from which most of the flaws of PPP-based housing emanated from. The results of the qualitative results agree with the survey result in which risk management lacks the proper involvement of the private partner which was important to safeguard public interests. Although, the PPP proclamation number 1076/2018 and 1283/2023, PPP regulation number 128/2022, and the subsequent directives intended to create an enabling condition, the practice was deviated. The proclamation assumes transparent procurement however the implementation lacks this element. In addition, risk sharing strategies didn't comply with the principles of participation. On the hand, regarding risk sharing private partners should have been treated on equal footing and with the public sector. This deviation from the requirements of the law compromises the goal of achieving the affordable housing provision. This finding was corroborated by the result of a study conducted on the theme "Factors Hindering PPP Implementation" suggesting the importance of having a well-defined legal framework for successful PPP implementation (Al-Tameemi et al., 2024).

The survey analysis result revealed the key stakeholder's participation was limited and not engaged in key issues of risk management, in setting the type and quality of the deliverables during project planning and implementation; emphasizing the need for inclusive practices that consider the perspectives of end-users. Despite few successes witnessed in engaging private partners in to the PPP housing development; there remains a significant gap in stakeholder integration that requires immediate attention. The omission of the scientific approach in PPP housing implementation in Addis Ababa City Administration led to construction delay, renegotiation, and retreat of the some of the partners which finally harms the public interest. As De Matteis et al. (2025b) indicated in their study that lack of proper stakeholder's participation results in missing the inclusion of end users interest in to the project affecting projects sustainability, the result agrees with similar scholarly works.

Further, the result indicated the City Administration's commitment and readiness to involve the private sector in PPP-based affordable housing provision. This was justified by the presence PPP laws, institutions, and the commitment of the city in engaging private partners in to PPP. However, a persistent issue such as integration failures because of weak institutional capacity, in adequate risk mismanagement, and lack of proper stakeholder involvement highlights the critical areas of reform. The result highlights the importance of the continued improvement in these domains for optimizing the effectiveness of PPP initiatives in the housing sector.

The results of the analysis of the viability of PPP as financing options shown in terms of securing finance and risk sharing PPP is viable option as compared to government financed mass housing program (IHDP), and the real estate development. The introduction of IHDP for the affordable housing provision delivered 350,000 houses over the past two decades. This was far behind the demand for housing in the city administration (Teklemariam & Harper-Anderson, 2025). In addition to the IHDP, the private real-estate sector is contributing about 0.3% of the total housing supply making its contribution insignificant and its selling price makes it inaccessible to the majority of the urban residents (Kesito, 2021). Therefore, in response to these challenges, the Addis Ababa City Administration has adopted PPP as a viable financing mechanism for housing development. Consequently, the finding shown PPP is a feasible financing option for the affordable housing provision.

Furthermore, private sectors engagement in to PPP assessed based on the readiness of the Addis Ababa PPP institutions, and factors attributed to the private sectors themselves. Hence, 13 factors were selected based on prior research works and opinions of respondents from the private partners and experts and officials of the public sector. The result indicated that the financial capacity of the private partners was limited and some of them unable to pay the initial 30% of the project cost. So that unable to start the construction in time.

In contrast, the finding indicated bureaucratic inefficiency and lack of access to timely information hinders the engagement of the private partners which were attributed to the

limitation of the PPP offices. Besides, lack of a clear incentive mechanism to encourage private sector investment also appears one of the factors affecting private sectors engagement. Moreover, limited capacity of resource mobilization and lack of having well established crew was one of the major reasons for private limited engagement in to PPP-based housing.

On the other hand, IHDP currently leads in terms constructing large-scale housing delivery. However, PPP presents significant opportunities for resource mobilization and risk sharing in the affordable housing provision in the public sector. Therefore, PPP is a viable financing strategy, contingent on overcoming operational delays and administrative challenges. In leveraging private sector strengths and government support, PPP have the potential to significantly improve housing provision outcomes in the city.

As a result, weak institutional capacity, lack of commitment at the lower level, funding constraints, limited participation of the parties in risk identification and sharing and filing to have a clear incentive mechanism in the legal framework appears the governing challenges. On the other hand, the presence of demand for affordable housing, the establishment of the PPP institutions supported by policy, and proclamation are the opportunities presented for partnership. Ultimately, fostering a collaborative environment that bolsters partners' interests is critical for the sustainable development of affordable housing provision in the Addis Ababa City Administration.

The results of the assessment of the PPP model implementation in Addis Ababa and from the best practices shown that PPP housing model under implementation deviates from the international best practices. This is mainly it lacks the element of competitive bid and participatory risk sharing. Further, it is important to have a mechanism for handling special cases such as for investment projects requiring special technical capability, and demanding large amount of money requiring mobilization of finance in hard currency. Therefore, the finding indicated the existing PPP model of Addis Ababa City Administration implementing in the housing sector requires amendments. As scholarly works emphasized,

fixing these issues are critical for achieving successful PPP housing implementation (Akinsulire et al., 2024, Boiarko et al., 2021, and S. Kang et al., 2019). On the other hand, failure to properly implement PPP principles leads to PPP project failure (Wang et al., 2024, Dappe et al., 2022, and Ugonabo, 2023).

7.3 General Conclusion

Addis Ababa City Administration have tried to provide affordable housing for the past two decades and delivered condominium houses. However, the achievement of the IHDP as compared to the growing housing demand was far behind from success (Charitonidou, 2022b). Besides, the efforts of financing the IHDP program posed a serious challenge on the city administration which is struggling with payment of billions of Ethiopian Birr borrowed for the program. As a result, the city opted to PPP as a financing strategy following the enactment of PPP policy and proclamation at the national level. Hence, the Addis Ababa City Administration launched PPP by enacting regulation number 128/2022 considering PPP as a housing financing option.

The planning and implementation of PPP framework in Addis Ababa housing sector was exhibited a mixed result. The efforts of the city administration and the commitment shown by the city was strengthened by the enactment of PPP regulation 128/2022 and subsequent directives which created a legal ground to establish institutions for implementing PPP-based housing initiative. The planning phase exhibited good performance in which the plan that guide the implementation, schedules, and contract document prepared and the document was signed by the private partners. However, the procurement was not transparent in which the process was not on the competitive bases which hindered the involvement capable private partners. This situation resulted in delays in the commencement of the construction, in which very few private partners among those who signed the contract started the construction process, and others are asking for renegotiation which takes time affecting the overall PPP housing success.

Although, the legal framework created an enabling condition to exercise PPP as a financing option for the affordable housing provision, the law lacks to clearly state the issue of incentives that can serve as a motivating factor for the private sector. Finally, the major drawback was the gaps witnessed in the institutional capacity which failed to identify risks in a participatory way, missed to qualify the room size, quality, and the number of bed rooms of the 30% of the houses to be delivered in the end which might create a loophole for misinterpretation.

On the other hand, housing shortage is a pressing challenge which requires joining the hands of the public and the private sector through partnership arrangement. But it is important to check the viability of PPP before engaging implementing it. The analysis shown that PPP is better in alleviating the main challenge the government is facing which is finance shortage as compared to real estate and IHDP. On the other hand, the result indicated IHDP is better in producing large number of houses, however, the qualitative data analysis indicated the government is challenged heavily to secure budget for financing IHDP. The other housing provision option considered was the private real-estate which has better experience, but as its motive is profit it didn't appear viable to address the challenges of affordable housing provision. As a result, as compared to the real-estate PPP is a viable financing option to address the challenges of affordable housing provision while sharing risk.

Through identifying major factors that affect private sector engagement in PPP housing in Addis Ababa City Administration, the study builds upon foundational work identifying critical factors influencing private sectors engagement in to PPP. The findings underscored limited access to housing finance, lack of transparency in procurement, and lack of private partners' participation in risk identification as paramount factors influencing private engagement. Moreover, trust between the public and private entities was also established as an essential factor for fostering successful partnerships. The study highlighted gaps in institutional readiness, including bureaucratic inefficiencies and insufficient contract administration that further exacerbates challenges of private partners engagement. The study examined the challenges associated with the PPP implementation in the housing

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sector of Addis Ababa City Administration, highlighting the intrinsic divergence in objectives between public and private sectors.

The major challenge was the conflicting interest of the partners in which public entities prioritize affordability, whereas the private partners often seek to maximize profit which complicate the management of PPP collaboration. The result of this study is in line with the study conducted on the risk factors inherent to PPP in Ghana stating the conflicting interest of the partners should be managed by sticking to the PPP principles (Kukah, et. al. 2024). A comprehensive analysis revealed key challenges such as funding constraints, weak institutional capacity, limited stakeholder awareness, poor communication, and slow bureaucratic processes appears as a major challenge. Despite these issues, some factors, such as corruption was identified as having a lesser impact on PPP implementation which seems against what the literature indicates. Notably, the findings suggested that enhancing transparency and institutional capacity could significantly improve PPP effectiveness.

The analysis also uncovered substantial opportunities for the private and the public sector to achieve their common goals through partnership. The commitment of the government to engage private sectors in the development effort backed by legal and institutional framework created a platform in which the private sectors invest their resources appears as an opportunity for both sides. Therefore, to ensure successful engagement of stakeholders in to PPP transparent, competitive, and incentives was emphasized as a crucial element of success. In addition, involving local residents to ensure end users interest so that sustainability of the partnership efforts can be ensured which increase the acceptance of the parties involved in this collaboration. The research concluded that addressing challenges such as funding limitations and inadequate stakeholder engagement, alongside leveraging existing policy frameworks for enhanced collaboration, can lead to more successful housing projects in Addis Ababa.

The fifth objective focused on analyzing PPP models for housing development in Addis Ababa; examining insights derived from stakeholder perspectives and global best practices.

The findings revealed regulatory hurdles, non-transparent procurement processes, lack of participatory risk identification, and inadequate institutional capacity were obstacles faced hindering PPP model success. These challenges limited the opportunity of accessing finance from the private sector which the city administration is aiming. The analysis confirmed that substantial opportunities exist for effective partnerships. However, the procurement processes were identified as the most significant barrier impacting PPP effectiveness, necessitating immediate intervention. Therefore, the study advocates for a Transparent Land-Based PPP Housing Model to encourage competitive bid.

Therefore, the study assessed various global PPP arrangements that have successfully balanced public needs with private sectors profit motives. These are the Design-Build-Operate-Transfer (DBOT) model and the Mixed Development Cross Subsidized Housing (MDCH) model. These models demonstrated advantages in enhancing housing stock and ensuring low-cost housing provision. The analysis shown successful PPP outcomes are contingent upon transparent governance, institutional capacity, and stakeholder collaboration. Based on the stakeholders' insights and findings, the study forwarded recommendations aiming at improving the efficacy of PPP in the housing development, emphasizing the importance of transparent procurement processes, participatory planning, and institutional capacity building. By addressing the identified challenges and implementing these recommendations the potential of PPP-based housing can be enhanced.

7.4 Contributions of the Study

The study analyzed the implementation of Public-Private Partnership for housing development as a financing option in the Addis Ababa City Administration emphasizing on the institutional capacity, legal frameworks, risk management and transparent procurement. Therefore, in examining the collaboration of the public and the private sector in financing the housing development the following contributions were achieved.

Contributions to the body of knowledge

The study identified the basic challenges of implementing PPP in areas outside of the context it has been developed is lack of the basic assumption of having a well-established institution which assumed to operate beyond political regime. In addition, the issue adhering to the principles of transparent procurement faces a mixed result. As a result, the presence of promising implementation and commitment to PPP implementation is shown as progress. On the other hand, lack of transparent procurement, and participatory risk sharing drawbacks of the implementation. Therefore, the study contributed by emphasizing the effect of these gaps in affecting PPP success. Therefore, to overcome these challenges the study forwarded a PPP housing model which requires a step-by-step implementation of the PPP concepts to maximize the benefit, minimize risks and protect public interest while meeting the private sector's profit motive.

Contribution to the research

This study is a continuation of prior studies conducted in Ethiopia and recommended the assessment of the effectiveness of the PPP projects after the PPP legal and institutional frameworks established. Hence, the study serves as base for future studies giving an insight in to the future research by presenting the practical challenges of implementing the theories and principles of PPP in the developing countries like Ethiopia.

Contribution to the policy makers

Although the Ethiopian national PPP policy and the ten-years development plan (2021-2030) intention is to increase private partners engagement in to the development efforts. Therefore, the study contributed by identifying the policy gaps of the lack of setting clear incentive mechanisms, and lack of emphasis on capacity building in the PPP implementation affected its effectiveness is indicated in the study.

Empirical contribution

The implementation of PPP at local government and federal institutions level lacks the level of commitment PPP requires. Hence, the study emphasized the damage that might be faced failing to adhere to the basic principle of PPP in leading to renegotiation and delays, in the end which increase the cost of PPP projects which might end up to project failure.

7.5 General Recommendations

The study reveals PPP hold significant promise for addressing the housing provision challenges in Addis Ababa City Administration by bringing finance, sharing risks, and in achieving efficiency from the private sector. In addition, the implementation of PPP presented an opportunity for investment to the private sector in areas where there is high demand of housing and commitment from the government side backed by regulatory frameworks. However, challenges which require attention from the government side appeared to hinder the effectiveness of PPP housing implementation. These are lack of transparent procurement, lack of participatory risk identification, sharing, and allocation; integration failures, bureaucratic hurdles, lack of funding sources, and inadequate stakeholder engagement demands urgent attention if PPP to bear fruit. The findings underline the critical necessity of fostering collaborations that prioritize both public interests and private investment capabilities.

Further, the issue of PPP is not about taking advantage of one over the other party rather it is all about protecting public interest through transparent, participatory, and clear identification of what benefit could be obtained from the partnership. The other issue which requires equal attention was the private sectors has to be protected legally. The areas which require assurance are protection of the contract agreement over the time. Moreover, private partners have to make profit to survive in the housing industry. Finally, inappropriate PPP implementation in the end costs the public by failing to achieve its plan and might bear financial loss leaving the public to pay it. Therefore, based on the above conclusion the following Recommendations are forwarded:

Policy recommendations

Policy and proclamation revision: PPP proclamation 1076/2018 and PPP amendment proclamations 1283/2023 the issue was overlooked and left to the laws enacted for investment projects in general which were not expected to take a risk, bring efficiency, and finance to the public sector. To overcome this, it is important to protect them through applying an incentive mechanism that matches the value they add to the project. Therefore, the study recommends the importance of making an amendment to the PPP proclamation, regulation and subsequent directives has to clearly state the issue of incentives that can be given to the value addition made by the private partner. The incentive mechanism could be tax reduction, minimum profit guarantee, and tax exemption.

Delegation: PPP proclamation assumes project area identification and the issue of approval has to pass extended procedures and requires approval of the Ministry of finance. This extended process has to be shortened delegation to the lower-level Federal institutions and regions has to be given.

Monitoring system: the proclamation covers issues of transparent procurement and participatory risk identification but lacks a strategy of ensuring its proper enforcement. Therefore, the policy makers need to put in place a mechanism of public disclosure of the procedures for the pre and post implementations.

Operational recommendations

Participatory planning framework

The participation of the private partner on the process of risk identification, setting the mitigation strategy, and risk sharing is critical for PPP success. Moreover, the participation of the end users from initiation stage to incorporate their demands based on their income category as well as their involvement at the implementation stage ensures sustainability of the project. Equally, the end users expected to benefit from the project are the one who

pays the cost if failure happens. Therefore, early engagement of stakeholders starting from the initiation, planning and to the implementation stages helps to build trust with residents. This inclusive approach can enhance accountability and sustainability of the project in the efforts affordable housing provisions.

Establish transparent procurement processes

PPP institutions have to ensure public resources allocated at its best and this has to be realized through transparent procurement. Further, it is the market that pays the best price for the deal which can be achieved through transparent competitive procurement. Therefore, it is advisable to implement a competitive and transparent procurement which is essential to foster trust among stakeholders and achieve improved project outcomes.

Incentivize private sector participation

Under normal circumstance the private partners are motivated by profit, so it is important to incentivize for the risk they took, and for the value addition they brought in the public sector. This can be implemented based on the specific nature of the project and outcome of the negotiation. This can be through ensuring minimum profit guarantees, tax benefits, and access to local resources. If this is performed based on the proper feasibility study it can mitigate perceived risks and encourage active involvement the private partners in PPP initiatives.

Strengthen institutional capacity

Building the institutional capacity is imperative to effectively manage the complex PPP arrangement and achieve success in the efforts of housing provision and other development initiatives through private sector involvement. This can be accomplished through capacity building of the existing manpower, recruiting skilled professionals in project management, contract administration and risk management to achieve success in PPP implementation.

Adapt a Modified Transparent Land-Based Housing Model (MTLHM)

The public institutions are expected to deliver projects transparently. However, there are circumstances which require special decision based on the context of the planned project. Therefore, it is important to look for a model that provides flexibility in the decision making while ensuring transparency and accountability. Hence, taking this in to account, MTLHM model suggested. This model provides a competitive transparent procurement to achieve the best from the market. In addition, the model suggested a procurement procedure in which the PPP institution make a decision without competition but a pre-established procedure stipulating all the procedure to be undertaken in this circumstance and disclose this document to the public. This will serve as a means of ensuring accountability. Finally, the model should emphasize transparency, equitable risk sharing, and adaptable procurement strategies that align with project objectives and public interests.

By implementing these recommendations, the Addis Ababa City Administration can significantly enhance the feasibility and efficiency of PPP, ultimately leading to meaningful improvements in the affordable housing sector and better addressing the needs of its population.

7.6 Areas for Future Studies

The scope of the study is limited to the legal and institutional frameworks and the application of PPP in the housing sector. Although, the study addressed these themes it is worth important if the following areas assessed by the future research it can contribute for the improvement of the field of study and for practical implications.

Analyzing public sector comparator, how the pre-decision studies conducted and to what extent it is contributing in selecting the right investment strategy worth further study.

End user's satisfaction and the policy effect on PPP after the completion of the projects, this will help to evaluate to what extent public interest protected, and how the private sector is benefiting from the partnership is an important area of study.

Conducting an intra-regional comparative study of the implementation of PPP: with the emphasis on the Sub-Saharan Africa Countries, it worth studying what factors puts some countries to relatively benefit better from PPP implementation becomes one of the researchable areas.

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ANNEX

Appendix A: Survey Instrument

ADDIS ABABA UNIVERSITY

COLLEGE OF SOCIAL SCIENCES, ARTS AND HUMANITIES

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

QUESTIONNAIRE

Dear Respondent

Greetings, I am a doctoral student in the Urban, Regional Development and Governance Program at the College of Social Sciences, Arts and Humanities, Addis Ababa University (AAU). I am currently conducting a dissertation study titled “Public-Private Partnership as an Innovative Financing Strategy for Housing Development in Addis Ababa.”

You have been selected as one of the respondents to participate in this study. The survey will take some 20 to 25 minutes of your time. The information you provide will be kept confidential and will only be used for the academic purposes. Your anonymity is guaranteed. I kindly request you to answer these questions honestly. If you have any questions or concerns about this study, please do not hesitate to contact me by my personal contact address below.

Thank you in advance!

Girma Birhanu

AAU

E: mail: newtaste1@gmail.com

PART I: DEMOGRAPHIC INFORMATION

Please make a Tick mark in the space ✓

1. Your Age:

2. Sex: a) Male b) Female

3. Educational Background:

a) Up to grade 12 b, Certificate c Diploma d) Bachelor's Degree
e) Master's Degree and above f) PhD g) Other

4. Organization: a) Government b) Private Sector c) Academic/Research
d) NGO/Civil society e) Other

5. Current Occupation:

Consultant Government Finance institution
Private Developer Contractor

Any other please specify -----

6. Years of Experience in the housing Sector: _____in another sector_____

7. What is your company's size? a. Less than 10 b.10 to 50 employees
b. 51 to 150 employees c. 151 and above

PART II: Public-Private Partnership frameworks for housing development

GENERAL INSTRUCTION

Kindly, answer the following questions under (Part II - Part V) using 1 to 5 scales, where **1=strongly disagree; 2=Disagree; 3=Neutral; 4=Agree; and 5=Strongly Agree.**

(Please use ticks (√) mark in each question provided below)

2.1. Planning and implementation of Addis Ababa housing of the PPP financing framework

		Questions	5	4	3	2	1
Integration	Planning	I witnessed the agreement signed and documented properly					
		I know the agreement signed and documented properly					
		I involved while the project planning document was prepared					
		I know project planning document was prepared					
		I have information that other supporting project documents prepared					
	Implementation	I know the project is being implemented as per the agreements					
Scope related issues	Planning	I know requirements for planning were meet					
		I believe the requirements for PPP are properly documented					
		I saw the requirement traceability matrix prepared					
		I know scope statement document prepared					
		I realized work breakdown structure prepared					
	I know scope baseline prepared						
	Implementation	I believe the project is implemented based on the scope baseline					
Time	Planning	I know project activities are defined					
		I engaged while identifying the milestones of the PPP project					
		I realized project schedule network diagrams developed					

		I know the duration of each activity is identified					
	Implementation	I witness the project is implemented based on the project schedule (time baseline)					
Cost	Planning	I have information that the project cost of each activity estimated					
		I know the project budget was properly defined					
		I saw that project funding requirement was prepared					
		I have information that project funding requirement was prepared					
	Implementation	I attest the project implementation is based on the bases of cost baseline					
I have information that project implementation is based on the bases of cost baseline							
Resource	Planning	I witness resource management plan document prepared					
		I have information that resource management plan was prepared					
		I know team charter is available					
		I know resource breakdown structure completed					
	Implementation	I believe the right human resource was acquired					
		I received the trainings provided to human resources					
		I know there is a system developed to manage resources/ projects					
		I know team performance assessment conducted regularly					
Procurement	Planning	I know procurement management plan prepared					
		I realized bid documents prepared for all purchases					
		I saw procurement statement of work prepared					
		I came across that source selection criteria prepared for all purchases					
		I know make-or-buy decisions were made					

		I know independent cost estimates made by external entities					
	Implementation	I witness PPP partners were selected properly					
		I know agreements were signed with partners					
		I saw resources were procured as per the agreement					
		I know resources were procured as per the agreement					
Stakeholder	Planning	I engaged in identifying stakeholders					
		I know stakeholders participated in PPP project initiation					
		I supported when the stakeholder analysis was conducted					
		I took part when the stakeholder participation matrix developed					
	Implementation	I participated in stakeholder's management					
		I know stakeholders involved in PPP implementation					
Communication	Planning	I engaged in the preparation of the communication plan					
	Implementation	I know the right information at the right time for the right stakeholder were delivered					
Risk	Planning	I contributed to identify possible risks					
		I know risk planning document available					
		I know qualitative risk assessment made					
		I know quantitative/ financial and bill of quantity risk assessment made					
	Implementation	I know risk mitigation strategies were timely implemented					
Quality	Planning	I feel quality metrics defined					
		I realized quality checklists prepared					
	Implementation	I know quality audit is in place					
		I assure quality management and control tools used					

2.2. Indicators of private housing developer's engagement in housing development of Addis Ababa: PPP as a financing option

No.	Indicators	5	4	3	2	1
A	I believe access to PPP information affects the number of Private partners involved in PPP projects					
B	I know transparent PPP procurement process accelerates private partners engagement in the implementation					
C	I experienced that trust between the PPP partners affects the private partners engagement in PPP project					
D	I believe that finance sources affect involvement of private partners in PPP projects					
E	I am confident on the technical capacity of private partners working with my office					
F	I believe financial viability of the project affects the number of private partners in PPP projects					
G	I know incentives are applied in Addis Ababa PPP program					
H	I know the PPP partners has adequate capacity to operate by itself					

I. Have you participated in Public-Private Partnership bid in last two year? (please put a “√” mark in the box)

a. Yes

b. No

J. What were the primary reasons for participating in PPP for housing development in Addis Ababa?

a. financial feasibility

b. Strategic alignment

c. Competitive landscape

d. Likelihood of winning

K. What factors influenced your decision not to participate in a Public-Private Partnership bid? (If applicable, please put a “√” mark in the box)

a. Lack of resources

b. Risk assessment

c. Limited information

d. Unfavorable terms

L. What resource have you allocated in your engagement in PPP?

(If applicable, please put a “√” mark in the box)

a. Financial b. Technological d. Training and development for staffs

2.3. Opportunities and bottlenecks associated with the PPP implementation in the housing industry- A relative Importance Index.

(Please put 5 being for most important and 1 being for the least important)

2.3.1. Policy, legal and governance framework for housing development in Addis Ababa

No.	Indicators	5	4	3	2	1
A	I suppose PPP policy in Ethiopia is creating enabling condition for the housing development					
B	I know there are clear legal framework					
C	I realized PPP legal framework of Addis Ababa ensured transparency					
D	I know PPP institutions provided guarantee for the private partners at country level					
E	I know Addis Ababa PPP institution provided guarantee for the private partners					
F	I assume political stability has effect on the project success					
G	I know financial viability affects the success of housing development through PPP					
H	I witness there is clear risk allocation in Addis Ababa housing development					
I	I believe stakeholder's engagement in the PPP initiation and implementation affects success of PPP					
J	I think project sustainability of housing development of Addis Ababa affects engagement of private partners					

2.3.2. Financial and economic situation of the PPP projects of the housing development of Addis Ababa

No.	Indicators	5	4	3	2	1
A	I think the viability of the housing development business in Addis Ababa affects project success					
B	I know profitability of the real-estate affects Public-Private Partnership					
C	I assure presence of funding sources for the housing development contribute to the success of PPP					
D	I think the availability of incentive in PPP encourage private partners to engage in the housing development					
E	I feel the presence of minimum profit guarantee helps to increase housing supply by the PPP					
F	I know the cost effectiveness of the housing development determines the success of PPP					

2.3.3. Project initiation and management

No.	Indicators	5	4	3	2	1
A	I have interested in PPP projects in the housing development					
B	I realized conducting feasibility study before PPP implementation in the housing development has affected the success of PPP					
C	I witness appropriate risk identification and sharing with private partner were performed					
D	I think the presence of standard on deliverables and quality control in Addis Ababa housing development has positive impact in PPP success					
E	I know the presence of trained staff affects the success of PPP in Addis Ababa housing development					

2.3.4. Stakeholders' engagement in Addis Ababa PPP housing development

No.	Indicators	5	4	3	2	1
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A	I know stakeholders participated in project initiation.					
B	I think public officials' commitment affects success of PPP in Addis Ababa housing development					
C	I understand that timely information helped to increase stakeholder's participation in Addis Ababa PPP for housing development					
D	Stakeholders are participating in the implementation process of PPP for housing development					

2.3.5. Institutional factors affecting successfulness of PPP in Addis Ababa housing development

No.	Indicators	5	4	3	2	1
A	I witness Addis Ababa PPP office operational efficiency contributes for the success of PPP					
B	I think Addis Ababa housing corporation has the technical capacity					
C	I know Addis Ababa housing corporation innovativeness contributes for PPP success					
D	I understand PPP private partner operational efficiency facilitates PPP success					
E	I know PPP private partner technical capacity affects PPP success					
F	I know PPP private partner innovativeness contributes to PPP success					

2.3.6. Opportunities and challenges of Addis Ababa PPP for housing development

No.	Indicators	5	4	3	2	1
A.	I know Public-Private Partnership (PPP) policy creates enabling condition					
B.	I know PPP proclamation creates an enabling condition for the development					
C.	I think limited funding constrained the implementation of PPP projects					
D.	I know limited stakeholder awareness of PPP models challenges its implementation					
E.	I feel political stability has a positive impact on PPP success					
F.	I think poor communication among stakeholders hinders PPP effectiveness					
G.	I think unbureaucratic processes slow down PPP agreement implementation					
H.	I think proper risk identification and sharing between partners carried					
I.	I understand risk management in PPP projects is often poorly executed.					
J.	I think contract administration capacity of Addis Ababa housing corporation is insufficient.					
K.	I think the existing PPP policy and legal framework is inadequate					
L.	I know there is an enabling situation to attract private partners in the housing development					
M.	I think most private partners lack the necessary experience.					
N.	I know corruption remains a significant issue in the PPP process.					
O.	I think there is a lack of competition in the PPP market.					
P.	I participated in feasibility studies conducted for the PPP implementation					
Q.	I think expertise among participants are unequally distributed					
R.	I know public sector project management and monitoring capacity are inadequate					
S.	I think misinformation exists regarding the financial capacity of private partners.					
T.	I feel lack of government subsidies affects success of PPP projects.					

2.4. A comparative analysis of financing options for housing development in Addis Ababa

2.4.1. Awareness and perception

No.	Indicators	5	4	3	2	1
A	I am aware that PPP is feasible as a financing option for housing development of Addis Ababa City					
B	I believe that PPP brought more finance than government financed housing project					
C	I feel that PPP brought more efficiency than public sector in the housing construction of the city					
D	I perceive that PPP is more efficient than real estate developers					
E	I think risk associated to housing construction shared to the private partner					
F	I think PPP led project cost effective to private contractors led housing projects					
G	I think PPP better manages risks than private contractor led housing project					
H	I think in terms of house transfer cost private real estate developers are cheaper to PPP					
I	I know PPP is better to achieve project completion within time					
J	I think PPP is better to achieve project completion within budget					

2.4.2. Comparative analysis of PPP with real estate developers

(If applicable, please put a “√” mark in the box)

1. Which do you think better in providing more residential housing for the Addis Ababa residents?

- A. Public-Private Partnership B. Real-estate developers
C. Government led condominium houses

2. In terms selling price of housing units which do you think offers the lowest price?

- A. Public-Private Partnership B. Real-estate developers

3. In terms of building large number of houses to address the housing supply gap which do you think is efficient?

- A. Public-Private Partnership B. Real-estate developers
C. Government Condominium Housing Program (IHDP)

4. In terms of innovative approach in building residential houses which one does you think uses innovative housing construction technology?

- A. Public-Private Partnership B. Real-estate developers
C. Government led Condominium house / IHDP

5. Which one do you think has better regulatory and policy support?

- A. Public-Private Partnership B. Real-estate developers
C. Condominium houses/ IHDP

2.5. Valuation of the PPP model in the housing industry of Addis Ababa

2.5.1. How do you rate the 70/30 arrangement of PPP in the housing development?

(If applicable, please put a “√” mark in the box)

- A. Very effective B. Effective C. Moderate D. Less effective

2.5.2. Do you agree the PPP model implemented in Addis Ababa City Administration is successful?

Please put √ mark in the choices presented below you think appropriate

- A. Strongly Agree B. Agree C. Neutral
D. Disagree E. Strongly Disagree

2.5.3. Do you think global best practices are relevant to enhancing the PPP framework in Addis Ababa?

- A. Strongly Agree B. Agree E. Strongly Disagree
C. Neutral D. Disagree

2.5.4. Do you think Addis Ababa housing development through PPP set clear standards or indicators to measure the success that will be achieved through partnership?

- A. Strongly Agree B. Agree C. Neutral
D. Disagree E. Strongly Disagree

2.5.5. Risk allocation between parties affects the share of contribution by the private partner?

- A. Strongly Agree B. Agree C. Neutral
D. Disagree E. Strongly Disagree

2.5.6. Role of private sector financial capacity in affecting PPP model?

- A. Extremely Significant B. Very Significant C. Moderately Significant
D. Slightly Significant E. Not Significant

2.5.7. As you are engaged in real estate development, how much percentage will you offer if you participate in PPP and the public sector provided land?

Please circle among the choices presented below you are willing to offer

- A. 20 % B. 30% C. 40% D. 50% E. If you have a different suggestion, please specify: -----

THANK YOU!

Appendix B: Interview Guide

Dear Participant:

My name is Girma Birhanu; I am a PhD student at the Addis Ababa University Regional in the College of Social Sciences, Art and Humanities, under the supervision of Dr. Teshome Tafesse (Asst. Prof) and Dr. Tesfaye Zeleke (Assoc. Prof). You are kindly invited to participate in a research project entitled: “Public-Private Partnership as an Innovative Financing Strategy for Housing Development in Addis Ababa”.

The purpose of this interview is to investigate how Public-Private Partnership framework creates enabling condition for private sector to invest in the public sector, does it protect the public interest and nurture the private sector collaboration with the public sector in Addis Ababa, Ethiopia.

It is anticipated that this data will prove valuable, particularly in the development of enhanced PPP policy and regulatory framework, as well as strategies to enhance the provision of affordable housing through partnerships in Addis Ababa. Since the aim of this study is purely academic, there are no inherent risks involved. The interview guarantees confidentiality and anonymity.

The questionnaire is expected to require around 5 to 10 minutes for completion. We appreciate your cooperation and value your input.

Consent form

I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.

I understand that my participation is voluntary and that I am free to withdraw at any time.

I understand my information will be kept confidentially in paper and/or electronic records in accordance with the Data Protection Act.

I freely give my consent to participate in this research study

Name of participant:

Date.....

Signature.....

Company information:

Position held:

Email:

Name of Researcher: Girma Birhanu Abera, Date: -----, Signature.....

Contacts: Girma Birhanu

Department of Regional Urban Local Development

College of Development Studies

Addis Ababa University

Addis Ababa, Ethiopia

Email – newtaste1@gmail.com Mobile- +251913214865

PART A: Demographic Information

Please make a Tick mark in the box

1. Name of Organization.....

2. Experience in your current position/field

5years 6 - 10 years 11 - 15 years 15 years

3. What is your current position in your organization

Consultant

Private Developer

Public Partner

Financer

Any other specify.....

4. Please tick the box that identifies your designation

Chief Executive officer

Project Manager

Legal officer

Project supervisor

If any other specify -----

5. Please tick your professional background

Management/Economics/ Project Management/Construction Management

Engineering/ Interviewing/ Architecture

Other

Part A: Demographics

1. What is your designation?
2. What is your experience in your current position/field
3. What is your education level?
4. What is your current position in the Built environment field/your organization?
5. Is your organization currently implementing PPP housing projects?
6. What is your experience with PPP housing projects?
7. What type of PPP contract is your organization mostly involved?

Part B: PPP readiness assessment

8. When did your company first adopt PPP strategies?
Did you make advance preparation? What sort of preparations?
9. Did your organization carry out housing need feasibility study in an area prior to developing a PPP proposal? Probe: Who did it? Private partner or public?
10. Did you have any PPP Framework when starting up your PPP project?
11. Did you have a group of experts to assess the viability of the project? Probe: Did your projects go through the PPP Unit for assessment? If No, why not?
12. Did you have a group of staff/people who were trained up already to adopt the strategies? Probe: How many had the knowledge?
13. Have your employees undertaken any PPP courses/training to improve their skills into this type of projects?
14. How did you select your private partners? Probe: Competitive selection? Single source?
Why did you use that route?

Part C: Drivers for PPP projects

15. What were the influential factors for adopting PPP in housing delivery in your organization?
16. Did you receive any government support towards the development of your PPP housing projects? Probe: If yes, what support?

Part D: Benefits and critical success factors

17. What are the benefits of employing PPP strategies?
18. What are the critical success factors of the PPP projects in your organization?

Part E: Risks and challenges involved in PPP

19. What major risks did your organization encounter in the course of implementing a HPPP project?
20. How did/do you manage the risks?

Part F: Project management

21. After the completion of the project, how do you deliver the houses for the beneficiaries?
22. What are the types of Public-Private Partnership applied in your city?

Please specify it

-
23. Do you believe the legal frameworks of PPP is creating an enabling condition for the success of PPP?

-
24. Is there transparent stakeholder's participation mechanism in PPP implementation?

-
25. Why do you think PPP is preferred as a funding mechanism for the affordable housing provision?

-
26. Are there risks related to PPP implementation?

-
27. How mutual benefit maintained in the PPP agreement?

28. How PPP partners will be selected for funding affordable housing project?

29. What could be the possible outcomes of PPP as an affordable housing provision strategy?

30. Do you think PPP provides solution for the shortage of affordable housing? and how?

31. How many houses to be constructed thorough PPP agreement in Addis Ababa 2024 to 2025?

32. How many hectares of land allocated for the affordable housing provision?

33. How many private partners involved in the affordable housing provision?

34. Is there in bottlenecks of PPP implementation?

35. How could we mitigate the effects of this bottlenecks on the PPP implementation?

36. Is there a risk identification mechanism?

37. What are the mechanisms of risk identification mechanisms?

38. How could this risk minimized?

39. What other gains achieved in this partnership agreement?

40. What are the current theoretical models of Public-Private Partnerships (PPP) for housing development, and how do they vary across different contexts?

41. How can the existing theoretical frameworks of PPP be adapted or enhanced to better suit the specific needs and challenges of housing development initiatives?

42. What are the key components that should be included in a context-specific theoretical model of PPP for housing development?

43. How can local socio-economic factors, regulatory environments, and stakeholder dynamics be integrated into the theoretical model of PPP for housing development?

44. What case studies or best practices can be used to inform the development of a more context-specific theoretical model of PPP for housing development?

Adapted from (Kavishe, 2017).

END

THANK YOU!

Appendix C: R-Script

R-SCRIPT CFA-SUCCESS.R

By: Girma Birhanu GSR/1653/15

Addis Ababa University

College of Social Science, Humanities, and Arts

Department of Regional Local Development Studies

(2024)

```
##### GIRMA
```

```
#####CFA using lavaan package of R
```

```
library(lavaan)
```

```
library(blavaan)
```

```
library(lavaanPlot)
```

```
library(semPlot)
```

```
#####turn off scientific notation
```

```
Options(scipen = 999)
```

```
#####read in the data set
```

```
library(haven)
```

```
library(readxl)
```

```
GIR_cfa <- read_excel("C:/Users/user1/Desktop/Girma Paper  
I/Revided_Data_203Cases.xlsx")
```

```
#GIR_cfa_STATA <- read_dta("C:/Users/user1/Desktop/Girma Paper I/Girma Data File  
11 11 2024.dta")
```

```
### SUCCESS
```

```
succ_m <- '
```

```
SUC =~ pppoeps + aahbtc + aahbcppps + ppoeps + pptcas + ppicps  
aahbcppps ~~ ppicps  
,
```

```
fit_suc <- cfa(succ_m, data = GIR_cfa) ##### fit the above model  
summary(fit_suc, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the  
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs
```

```
modindices(fit_suc, minimum.value = 10, sort = TRUE)
```

```
semPaths(fit_suc,
```

```
  whatLabels = "std", # Show standardized estimates  
  edge.label.cex = 1, # Adjust label size  
  style = "ram", # "ram" or "tree" layout styles  
  layout = "spring", # Arrange nodes in a circle  
  residuals = FALSE, # Hide residuals if not needed  
  structural = FALSE, # only structural part is plotted  
  color = list(lat = "skyblue", man = "lightgray"),  
  sizeMan = 9, # Node size for manifest variables  
  sizeLat = 9) # Node size for latent variables
```

```
### LEGAL FRAMEWORK
```

```
lfw_m <- '
```

```
LFW =~ pcec + clfw + plfaet + pseps + fvaps + craiaa + seapps + psape  
pcec ~~ clfw
```

```

pseps ~~ fvaps
plfaet ~~ clfw + pcec
'

fit_lfw <- cfa(lfw_m, data = GIR_cfa)          ##### fit the above model
summary(fit_lfw, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs

modindices(fit_lfw, minimum.value = 10, sort = TRUE)

semPaths(fit_lfw,
  whatLabels = "std",    # Show standardized estimates
  edge.label.cex = 1,    # Adjust label size
  style = "ram",         # "ram" or "tree" layout styles
  layout = "spring",     # Arrange nodes in a circle
  residuals = FALSE,     # Hide residuals if not needed
  structural = FALSE,    # only structural part is plotted
  color = list(lat = "skyblue", man = "lightgray"),
  sizeMan = 9,           # Node size for manifest variables
  sizeLat = 9)           # Node size for latent variables

### FINANCIAL AND ECONOMIC SITUATION

fes_m <- '
  FES =~ ivhdas + ipreapp + iaescps + iaiep + impghihs + cehdaps
'

fit_fes <- cfa(fes_m, data = GIR_cfa)          ##### fit the above model

```

```
summary(fit_fes, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs
```

```
modindices(fit_fes, minimum.value = 10, sort = TRUE)
```

```
semPaths(fit_fes,
  whatLabels = "std", # Show standardized estimates
  edge.label.cex = 1, # Adjust label size
  style = "ram", # "ram" or "tree" layout styles
  layout = "spring", # Arrange nodes in a circle
  residuals = FALSE, # Hide residuals if not needed
  structural = FALSE, # only structural part is plotted
  color = list(lat = "skyblue", man = "lightgray"),
  sizeMan = 9, # Node size for manifest variables
  sizeLat = 9) # Node size for latent variables
```

```
### LEADERSHIP
```

```
lsp_m <- '
```

```
  LSP =~ iihppp + irfsc + iwari + ipsdqcps + ptsapps
```

```
  ipsdqcps =~ irfsc + iihppp
```

```
'
```

```
fit_lsp <- cfa(lsp_m, data = GIR_cfa) ##### fit the above model
```

```
summary(fit_lsp, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs
```

```
modindices(fit_lsp, minimum.value = 10, sort = TRUE)
```

```

semPaths(fit_lsp,
  whatLabels = "std", # Show standardized estimates
  edge.label.cex = 1, # Adjust label size
  style = "ram",      # "ram" or "tree" layout styles
  layout = "spring", # Arrange nodes in a circle
  residuals = FALSE, # Hide residuals if not needed
  structural = FALSE, # only structural part is plotted
  color = list(lat = "skyblue", man = "lightgray"),
  sizeMan = 9,       # Node size for manifest variables
  sizeLat = 9)      # Node size for latent variables

```

```

### STAKEHOLDERS' ENGAGEMENT

```

```

ste_m <- '

```

```

  STE =~ spipi + pocaps + ihisp + spiiphd

```

```

fit_ste <- cfa(ste_m, data = GIR_cfa)

```

```

##### fit the above model

```

```

summary(fit_ste, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs

```

```

modindices(fit_ste, minimum.value = 10, sort = TRUE)

```

```

semPaths(fit_ste,

```

```

  whatLabels = "std", # Show standardized estimates

```

```

  edge.label.cex = 1, # Adjust label size

```

```

  style = "ram",      # "ram" or "tree" layout styles

```

```

  layout = "spring", # Arrange nodes in a circle

```

```

residuals = FALSE,    # Hide residuals if not needed
structural = FALSE,   # only structural part is plotted
color = list(lat = "skyblue", man = "lightgray"),
sizeMan = 9,         # Node size for manifest variables
sizeLat = 9)        # Node size for latent variables

```

OPPORTUNITIES

```

opp_m <- '
  OPP =~ ppppeo + pppcec + psipps + iprispe + esappp + fspr
'

fit_opp <- cfa(opp_m, data = GIR_cfa)          ##### fit the above model
summary(fit_opp, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs

modindices(fit_opp, minimum.value = 10, sort = TRUE)

semPaths(fit_opp,
  whatLabels = "std",    # Show standardized estimates
  edge.label.cex = 1,   # Adjust label size
  style = "ram",        # "ram" or "tree" layout styles
  layout = "spring",    # Arrange nodes in a circle
  residuals = FALSE,    # Hide residuals if not needed
  structural = FALSE,   # only structural part is plotted
  color = list(lat = "skyblue", man = "lightgray"),
  sizeMan = 9,         # Node size for manifest variables
  sizeLat = 9)        # Node size for latent variables

```

CHALLENGES

```
chl_m <- '  
  CHL =~ ilfcpi + ilsamci + ipcshpe + ubpspai + rmpppe + itcacahbi + ppple + crsi +  
lcppm + pspmmia + mefcpp + lsapppr  
  ilfcpi ~~ ilsamci  
  crsi ~~ lcppm  
  mefcpp ~~ lsapppr  
  pspmmia ~~ mefcpp  
'  
  
fit_chl <- cfa(chl_m, data = GIR_cfa)          ##### fit the above model  
summary(fit_chl, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display the  
results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives 95% CIs  
  
modindices(fit_chl, minimum.value = 10, sort = TRUE)  
  
semPaths(fit_chl,  
  whatLabels = "std",    # Show standardized estimates  
  edge.label.cex = 1,    # Adjust label size  
  style = "ram",         # "ram" or "tree" layout styles  
  layout = "spring",     # Arrange nodes in a circle  
  residuals = FALSE,     # Hide residuals if not needed  
  structural = FALSE,    # only structural part is plotted  
  color = list(lat = "skyblue", man = "lightgray"),  
  sizeMan = 9,           # Node size for manifest variables  
  sizeLat = 9)          # Node size for latent variables
```

```
#### FINAL MODELS - OPPORTUNITIES AND BOTTLENECKS
```

```
f_model <- '
```

```
  # First-order latent variables
```

```
  SUC =~ pppoeps + aahbtc + aahbcppps + ppoeps + pptcas + ppicps
```

```
  LFW =~ pcec + clfw + plfaet + pseps + fvaps + craiaa + seapps + psape
```

```
  LSP =~ iihppp + irfsc + iwari + ipsdqcps + ptsapps
```

```
  OPP =~ ppppeo + pppcec + psipps + iprispe + esappp + fspr
```

```
  SUC ~ LFW + LSP + OPP
```

```
  pcec ~~ clfw
```

```
  pseps ~~ fvaps
```

```
  clfw ~~ plfaet
```

```
  aahbcppps ~~ ppicps
```

```
  ppoeps ~~ pptcas
```

```
  pcec ~~ plfaet
```

```
  plfaet ~~ ptsapps
```

```
  irfsc ~~ ipsdqcps
```

```
,
```

```
fit_final <- cfa(f_model, data = GIR_cfa) ##### fit the above model
```

```
summary(fit_final, standardized=TRUE, ci=TRUE, fit.measures=TRUE) ##### display  
the results. Standardised = TRUE gives beta values (std.all column), ci=TRUE gives  
95% CIs
```

```
modindices(fit_final, minimum.value = 10, sort = TRUE)
```

```
semPaths(fit_final,
```

```
  whatLabels = "std", # Show standardized estimates
```

```
  edge.label.cex = 1, # Adjust label size
```

```
  style = "ram", # "ram" or "tree" layout styles
```

```
layout = "tree",    # Arrange nodes in a circle
residuals = FALSE,  # Hide residuals if not needed
structural = TRUE,   # only structural part is plotted
color = list(lat = "skyblue", man = "lightgray"),
sizeMan = 9,        # Node size for manifest variables
sizeLat = 9)        # Node size for latent variables
```

Appendix D: Public-Private Partnership-based housing sample contract document

«Project_Name»

«Ref_No»

PPP CONTRACT AGREEMENT

BETWEEN

City Government of Addis Ababa Housing Development and Administration
Bureau

«Contracting_Authority_CA»

AND

Oromia Construction Corporation

« Developer_Party_PP »

«Contract_Date»

DATED

«Contract_Date»

PUBLIC PRIVATE PARTNERSHIP (PPP) AGREEMENT

Between

«Contracting_Authority_CA»

and

«Private_Party_PP»

1. CONTENT

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2. DEFINITIONS.....	3
3. OBJECTIVE.....	7
4. AGREEMENT DOCUMENTS.....	7
5. PROJECT DOCUMENTS.....	7
6. THE METHODS OF INVESTMENT.....	7
7. OBLIGATIONS AND RESPONSIBILITIES OF THE CONTRACTING AUTHORITY.....	10
8. OBLIGATIONS AND RESPONSIBILITIES OF THE PRIVATE PARTY.....	11
9. WARRANTY.....	12
10. DOUBLE RECOVERY AND MITIGATION.....	13
11. HERITAGE OBJECTS AND RESOURCES.....	13
12. DESIGN, CONSTRUCTION, AND DELIVERY.....	13
13. INSURANCE, UNINSURABLE RISK, ECONOMIC TEST, REINSTATEMENT.....	21
14. RELIEF EVENTS, COMPENSATION EVENTS AND FORCE MAJEURE.....	23
15. UNFORESEEABLE DISCRIMINATORY GOVERNMENT CONDUCT AND VARIATIONS.....	27
16. EMPLOYMENT.....	32
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18. INFORMATION AND AUDIT ACCESS.....	38
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«Project Name»

«Ref No»

This Public Private Partnership Agreement (this “Agreement”) is made and entered into by and between

«Contracting_Authority_CA» (hereinafter referred to as “Contracting Authority”) whose address is, in the «CA_Address_Location_Name_Sub_city_and_»;

AND

«Oromia Construction Corporation » (hereinafter referred to as “The Private Party” or “The Private Partner” or “Developer”) whose address is, in «Addis Ababa City, Akaki Kaliti Sub_city_telephone Number +251-114-39-01-75 and_»;

Hereinafter referred collectively “the Parties” and individually as “the “Party”.

PREAMBLE;

WHEREAS, the City Government of Addis Ababa’s has a mission to encourage private sector participation in the Planning, Design, Construction, and Delivery of housing development through Public Private Partnership;

WHEREAS, the Contracting Authority desires to efficiently provide affordable housing to the people through new technology by ensuring an enabling environment and conducive institutional framework for speeding up the realization of housing and urban development goals set in Ethiopia;

WHEREAS, to facilitate the implementation of plans and strategies for the development and construction of housing solutions within the context of Native, Urban, Industrial and Commercial Policies and Strategies of the Federal Democratic Republic of Ethiopia, particularly Addis Ababa;

RECALLING, the PPP Memorandum of Understanding signed on «March 16/2023» by and between the Parties and reached to an agreement to jointly invest and establish a Project Company (Office) for the implementation of this Public Private Partnership Agreement and development of “35 blocks or 4,482 housing units, playing grounds, infrastructures and green area» development in Addis Ababa;

WHEREAS, the unsolicited proposal submitted by the Private Party has been accepted by the City Government of Addis Ababa Public Private Partnership Board and endorsed by City Government of Addis Ababa Cabinet in its ordinary session «CGAA Cabinet PPP Endorsement Date_»;

WHEREAS, the Parties has agreed to execute this Agreement as per the terms and conditions of the contract specified hereunder;

NOW THEREFORE, in consideration of the premises and further consideration of the mutual understandings of Parties herein set forth, this Agreement is entered and signed by and between the Contracting Authority and the Private Party to witness the following terms.

2. DEFINITIONS

In this Agreement, unless the context otherwise requires, the following capitalized terms shall have the meanings assigned to them below and cognate expressions shall have corresponding meanings:

- 2.1. “Access Road” means the Initial Access Road or the Alternative Access Road (as applicable);
- 2.2. “Agreement Date” means the date of signing of this Agreement;
- 2.3. “Applicable Law” means the laws of Ethiopia including but not limited to Proclamation, Regulation, Directives or the decisions of the of the Federal Supreme Court Cassation Division;

- 2.4. **“Working Day”** means any day except a Saturday, Sunday or national public holiday in the Ethiopian Calendar;
- 2.5. **“CGAAHDAB”** means the City Government of Addis Ababa Housing Development and Administration Bureau;
- 2.6. **“CGAAOPPP”** means the City Government of Addis Ababa Office of Public Private Partnership;
- 2.7. **“Contracting Authority”** means CGAAHDAB, a public body mandated to enter into a PPP with the Private Party;
- 2.8. **“CGAA PPP Board”** means the Board established under the Addis Ababa City Government Public Private Partnership Regulation No. 128/2022;
- 2.9. **“Consents”** mean all consents, permits, clearances, authorizations, approvals, rulings, exemptions, registrations, filings, decisions and licenses required to be issued by or made with any responsible authorities in connection with the Project;
- 2.10. **“Construction Period”** means the construction period for the development of the Project Deliverables which shall commence on the Effective Date and end on the date of issuance of the final Performance Certificate;
- 2.11. **“Completion Date”** means the date set forth under the Project Work Schedule (Time and Resource) attached to this Agreement;
- 2.12. **“Compensation Events”** means any breach by the Contracting Authority including a breach of any of the Contracting Authority’s obligations under this Agreement in respect of the Relevant Site/s, and any failure of the Contracting Authority to procure and renew its Consents, save for any breach that constitutes a Contracting Authority Default;
- 2.13. **“Construction Subcontract”** means the contract between the Private Party and the Construction Subcontractor in respect of the Works;
- 2.14. **“Construction Subcontractor”** means being the person/s or organization appointed by the Private Party to undertake the Works;
- 2.15. **“Corrupt Act”** means:
- 2.15.1. offering, giving or agreeing to give to the Contracting Authority or any other organ of state or to any person employed by or on behalf of the Contracting Authority or any other organ of state any gift or consideration of any kind as an inducement or reward:
- 2.15.1.1. for doing or not doing (or for having done or not having done) any act in relation to the obtaining or performance of this Agreement or any other contract with the Contracting Authority or any other organ of state; or
- 2.15.1.2. for showing or not showing favor or disfavor to any person in relation to this Agreement or any other contract with the Contracting Authority or any other organ of state;
- 2.15.2. entering into this Agreement or any other contract with the Contracting Authority or any other organ of state in connection with which commission has been paid or has been agreed to be paid by the Private Party or on its behalf, or to its knowledge, unless before the relevant contract is entered into particulars of any such commission and of the terms and conditions of any such contract for the payment of such commission have been disclosed in writing to the Contracting Authority;
- 2.15.3. committing:
- 2.15.3.1. an offence under any law dealing with bribery, corruption or extortion;

- 2.15.3.2. fraudulent acts in relation to this Agreement or any other contract with the Contracting Authority or any other public body; or
- 2.15.3.3. defrauding or attempting to defraud or conspiring to defraud the Contracting Authority or any other public body;
- 2.16. “**Compensation Date**” means the date being one hundred and eighty (180) days after the Determination Date or such earlier date upon which the Termination Amount is paid;
- 2.17. “**Defects Liability Period**” is the period immediately following the project Completion Date, during which the Private Party is required to remedy defects or faults as instructed by the Contracting Authority;
- 2.18. “**Documents**” means any written memos, letters, records, information and files produced and communicated by the Parties and/or the Project Company (Office) and others in connection with the PPP Project;
- 2.19. “**Effective Date**” the date where the Contracting Authority provides a written notice to the Private Party to take over the site/s and commence construction activities;
- 2.20. “**Project Schedule**” means the project specifications prepared by the Private Party and which includes but not limited to the design, construction schedule, and other project details.
- 2.21. “**Facility**” or “**Facilities**” mean a plot of land to be allocated by the CGAA to the Project Company (Office) to develop, design, finance and administered by the Private Party which consists “35 blocks or 4,482 housing units, playing grounds, infrastructures and green area» located at «Project_Site_Location»;
- 2.22. “**Force Majeure Event**” means the occurrence after the date of the PPP Contract of:
 - 2.22.1. war, civil war, invasion, armed conflict, terrorism or sabotage; or
 - 2.22.2. nuclear, chemical or biological contamination unless the source or the cause of the contamination is the result of the actions of or breach by the Private Party or its sub-contractors; or
 - 2.22.3. Pressure waves caused by devices traveling at supersonic speeds, which directly causes either Party (the “Affected Party”) to be unable to comply with all or a material part of its obligations under this PPP Contract.
- 2.23. “**Good Industry Practice**” means applying, in relation to the manner in which the Works are performed, the standards, practices, methods and procedures conforming to applicable law, and exercising that degree of skill, care, diligence, prudence and foresight that would reasonably and ordinarily be expected from a skilled and experienced person engaged in a similar type of undertaking under similar circumstances in the Country;
- 2.24. “**Hazardous Waste**” means any waste that contains organic or inorganic elements or compounds that may, owing to the inherent physical, chemical or toxicological characteristics of that waste, have a detrimental impact on health and the environment and includes hazardous substances, materials or objects within business waste, residue deposits and residue stockpiles;
- 2.25. “**Public Private Partnership (PPP) Project**” means the provision of the Project Deliverables by the Private Party direct finance, development, design, and construction of “35 blocks or 4,482 housing units, playing grounds, infrastructures and green area», and non-monetary contribution of the Contracting Authority, to be carried out by the Project Company (Office) as per this Agreement.
- 2.26. “**Project Company**” means a Private Limited Company to be established by the Parties jointly, whereby both Parties will share profit, risk and/or loss proportional to their

- investment, in accordance with the laws of the Federal Democratic Republic of Ethiopia for the implementation of the Public-Private Partnership Project.
- 2.27. “**Confidential Information**” means all information received or obtained as a result of entering into or performing this Agreement relating to the Project Company’s and the PPP Project’s finances, clients, intellectual property systems, or affairs of the Parties, as well as the content of the negotiations and discussions between the Parties as contemplated in this Agreement and the details of any dispute which may arise between the parties in connection or as consequence of concluding this Agreement;
- 2.28. “**Long Stop Date**” means the last Working Day of the 12th (twelfth) Contract Month reckoned from the Effective Date as extended in accordance with clause 14.1 (Consequences of a Relief Event) and 14.2 (Consequences of a Compensation Event), clause 14.3 (Force Majeure), or such other date as may be agreed to, in writing, by the Parties, being the date by which the project must have completed, failing which the Contracting Authority shall be entitled to terminate this PPP Agreement in accordance with the provisions of clause 17.2 (Termination for Private Party Default);
- 2.29. “**Lenders**” means any person or organization capable of providing financing to the Private Party under the Financing Agreements;
- 2.30. “**Estimated Project Value**” means the Estimated Project Value of the Agreement specified under Schedule - 2: attached to this Agreement;
- 2.31. “**Public body**” means any ministry, the city administrations or any local government authority or agencies of the federal or regional government of Ethiopia; corporate or statutory body or authority established by relevant laws;
- 2.32. “**Project Assets**” means the equipment, materials, machines, and any other assets provided under this Agreement;
- 2.33. “**Project Site/s**” means the lands allocated by the CGAA for the development of “35 blocks or 4,482 housing units, playing grounds, infrastructures and green area”;
- 2.34. “**Project Deliverables**” means properties (facilities) that the Private Party is required to deliver according to the Output Specification annexed in Schedule - 6:.
- 2.35. “**The Private Party**” or “**The Private Partner**” or “**Developer**” means the party who entered into this Agreement with the Contracting Authority;
- 2.36. “**Project Term**” means the period from the Signature Date to the Completion Date or the Termination Date, whichever occurs first;
- 2.37. “**Termination Date**” means any date of termination of this Agreement before the Completion Date of the Agreement in accordance with this Agreement;
- 2.38. “**Schedules**” means attachments to this Agreement attached to the end forming an integral part thereof;
- 2.39. “**Signature Date**” means the date of signature of this Agreement by the last signing Party;
- 2.40. “**Unforeseeable Conduct**” shall occur if, after the Commencement Date, the Contracting Authority or any Responsible Authority takes any action (including any Change in Law) or fails to carry out its obligations as prescribed by law, the principal effect of which is directly borne by:
- 2.40.1. the Project and not other similar PPP’s;
 - 2.40.2. the Private Party and not other persons; or
 - 2.40.3. parties undertaking PPP’s or similar PPP’s and not other person; and
 - 2.40.4. in respect of which the Private Party is not entitled to any other relief pursuant to any other provision of this PPP Agreement;

- 2.41. "Variations" means any variations to the Agreement;
- 2.42. "VAT" means any value-added tax or any similar tax which is imposed in place of or in addition to such tax.

3. OBJECTIVE

The general objective of this Agreement is to jointly invest in housing developments with 70/30 public private partnership arrangement where the Private Party fully finance the development of "35 blocks or 4,482 housing units, playing grounds and green area» and the Contracting Authority contributes plot/s of lands for the development of "35 blocks or 4,482 housing units, playing grounds, infrastructures and green area». Whereas transfer financial and operational risk to the Private Party and the Project Company (Office) as per the agreement for the common good.

4. AGREEMENT DOCUMENTS

It is agreed and understood that the following documents;

- 4.1. This Agreement;
- 4.2. The proposal submitted by the Private Party;
- 4.3. The concept design negotiated and agreed for construction of "35 blocks or 4,482 housing units, playing grounds and green area»;
- 4.4. Schedule of Work Program prepared and submitted by the Private Party; and
- 4.5. Documents related to Annexes listed at the end page of this Agreement.

Shall be known as "the Agreement Documents" and shall be considered as an integral part of this agreement, which represent the agreement between the Contracting Authority and the Private Party.

5. PROJECT DOCUMENTS

- 5.1. For the consideration mentioned here under the Private Party will upon, subject to the conditions hereto annexed executes, and complete the construction of "35 blocks or 4,482 housing units, playing grounds and green area» and other required materials for the execution of the works described under the Agreement;
- 5.2. The Private Party must manage the Project Documents to ensure that they comply with the provisions of the Agreement;
- 5.3. Without limiting the restrictions on amendments to the Project Documents in clause 5.2 above, the Private Party shall furnish the Contracting Authority with a true and complete copy (including all annexes) of any amendment to any Project Document or of any Project Document not executed by the Signature Date, within twenty-one (21) Working Days of the date of the Private Party's execution of such amendment or Project Document.

6. THE METHODS OF INVESTMENT

- 6.1. The Parties are jointly responsible for:
 - 6.1.1. Establishing the Project Company (Office) office to implement the project; Accordingly:
 - 6.1.1.1. The Parties have agreed that detail structure, representatives, obligations, responsibilities, 70/30 shareholding, expiry period and distribution of Project

- Output Agreement will be addressed in time of Project Company (office) formation on the basis of this Agreement.
- 6.1.1.2. The Parties have agreed to establish a Project Company (office) in less than 2 (two) months after signing of this agreement for the implementation of the PPP Project as per the Schedule 1 attached in this agreement.
 - 6.1.1.3. The Trade Name for the Project Company (Office) will be determined by agreement of the Parties. In case of failure to agree, the Trade Name will be determined by the Contracting Authority.
 - 6.1.1.4. The Project Company (Office) may, upon agreement of the Parties, establish branch or project offices in Ethiopia, Addis Ababa.
 - 6.1.1.5. In all its activities and legitimate rights, the Project Company (Office) shall fully comply with the laws of the Federal Democratic Republic of Ethiopia.
 - 6.1.1.6. In view of the capability and responsibilities given, the representative of the contracting authority in the Project Company (Office) can be multiple organization form City Administration or replaced by another for effective performance of the Project Company.
 - 6.1.1.7. Each party shall use its own cash, asset, industrial property and technology proprietary without collateral claims to invest in the Project Company. Any investment other than cash will need appropriate verification and proof of validation.
 - 6.1.1.8. No Party may use the Project Company's or the other Party's assets as a guarantee for its other investments.
 - 6.1.1.9. The first installment of the investment by the Private Party shall be transferred to the Project Company's account in Ethiopia within 3 (three) months after the signing of this PPP Agreement by obtaining the business license for the Project Company.
 - 6.1.1.10. All pay-in investment has to be completely collected and verified by valid documents and recorded appropriately within 12 (twelve) months to the Project Company's account after the Signing of this Agreement and according to Schedule - 2: (Project Cost, Financial Model, Agreements and Schedules). The Project Company (Office) shall issue proof of investment based on this accounts report.
 - 6.1.1.11. If the amount of investment made by the Parties under this Article falls insufficient during implementation of the PPP Project, the Registered Capital may be increased according to the original ratio under this Article or a new ratio to be determined by agreement of the Parties.
 - 6.1.1.12. The Project Company (Office) shall not reduce its Registered Capital throughout its term.
 - 6.1.1.13. The Private Party may not transfer to a third person, part of its ownership in the Project Company (Office) without consent of the Contracting Authority.
- 6.2. The «35 blocks or 4,482 housing units, playing grounds, infrastructures and green area» shall be designed, constructed by the Private Party with diligent support, monetary and control through the Project Company (Office) in accordance with this Agreement with full supervision and approval of the Contracting Authority and periodic follow-up of CGAAOPPP;

«Project_Name»

«Ref_No»

any other information that may be reasonably required for the purpose of retendering of this Agreement in accordance with clause 65 (Retendering Procedure), save for the Intellectual Property owned by the Private Party.

21.9.3. The disclosures permitted under clauses 21.9.2.5 or 21.9.2.6 may only be made subject to obtaining appropriate confidentiality restrictions consistent with the provisions of this clause from the intended recipients.

21.10. Cost and Expenses

Each Party shall be responsible for paying its own costs and expenses incurred in connection with the negotiation, preparation and execution of this Agreement.

SIGNED by the Parties and witnessed on the following dates and at the following places respectively:

Done in Addis Ababa Ethiopia this day of «Contract_Date».

For and on behalf of the Contracting Authority:

For and on behalf of the Private Party:

Name: _____

Name: _____

Position: _____

Position: _____

Signature: _____

Signature: _____

Date: _____

Date: _____

In the presence of witnesses:

Name: _____

Address: _____

Address: _____

Occupation: _____

Occupation: _____


Date: _____

Date: _____

Name: _____


Name: _____

Appendix F: Letter of Acceptance



Addis Ababa University
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SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY!



Approved


COLLEGE OF DEVELOPMENT STUDIES (CDS)
Institutional Review Board (IRB)

No: 088/10/2024

Ph.D. Proposal Ethical Clearance Certificate

- Student's name:** Girma Birhanu Abera **Gender:** Male **Birth Date:** December 21, 1975
Id No: GSR/1653/15 **E-mail:** newtaste1@gmail.com
- Home Center:** Regional and Local Development Studies **Stream:** Urban Development and Governance
- PhD Dissertation Supervisors:**
Dr Teshome Tafesse teshome.tb@aau.edu.et
Dr. Tesfaye Zeleke tesfaye.zeleke@aau.edu.et
- Title of the Proposal:** PUBLIC PRIVATE PARTNERSHIP AS AN INNOVATIVE FINANCING STRATEGY FOR HOUSING DEVELOPMENT IN ADDIS ABABA
 - Proposal No:** N.A. **Date accepted:** July 26, 2024 **Completed:** September 23, 2024
 - Amendment No (if any):** N.A. **Date:** N.A.
- A Clear Statement of the Decision:** The Academic Commission of the Centre for Regional and Local Development Studies has reviewed this proposal and found it to be in compliance with the University's standards and academic rules. The proposal indicates the requirements of an Ethical Clearance Certificate for data collection and subsequent publication. As a result, the IRB of CDS examined the proposal's content, its associated research tools, and the informed consent of the respondents. The proposal has been deemed eligible for ethical clearance based on these evaluations.
- Decision:** This proposal fulfills the standard requirements described in IRB-CDS Standard operating Procedure (SoP) and ethical clearance is hereby awarded.
- This Certificate is issued upon the Consent of:** IRB-CoDS.

IRB-CoDS



Name: Gudina Abshula (Ph.D.)
Designation: Secretary of IRB-CDS
E-mail: cods.irb@aau.edu.et

Signature: [Signature]
Date: September 25, 2024

This certificate is valid only sealed and signed

Appendix G: Similarity Test Result

Similarity Test

The screenshot shows the Turnitin interface for an assignment. At the top, there is a navigation bar with the Turnitin logo and user information: Asnake Mekuriaw, User Info, Messages, Instructor, English, Community, Help, and Logout. Below this is a secondary navigation bar with buttons for Edit Assignment, GradeMark Report, Students, Libraries, and Discussion. The breadcrumb trail reads: NOW VIEWING: HOME > GIS AND REMOTE SENSING > GIS.

The main heading is "About this page", followed by a brief instruction: "This is your assignment inbox. To view a paper, select the paper's title. To view a Similarity Report, select the paper's Similarity Report icon in the similarity column. A ghosted icon indicates that the Similarity Report has not yet been generated."

Below the text are several controls: a "Submit" button, a search input field, an "All Papers" dropdown menu, a refresh icon, a "Download All" button, and a "Move to" button.

The main content is a table with the following columns: Author, Title, Submission ID, Uploaded, Viewed, Similarity, Flags, and Options. One submission is listed:

<input type="checkbox"/>	Author	Title	Submission ID	Uploaded	Viewed	Similarity	Flags	Options
<input type="checkbox"/>	GIRMA BIRHANU	PhD	2677452419	May 16, 2025		3%	--	...