

Public-Private-Partnership in Ethiopia: The Inclusive Modality in Tourism Investment

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Abstract

Public Private Partnership has gradually been becoming an operational concept attracting both Public and Private sectors in Ethiopia. The need for PPP has already been captured as an agenda since 1992 appearing in strategic government documents. Moreover, PPP has been institutionalized by issuing relevant Proclamations based on the priorities of the government. Nevertheless, in spite of the huge potential, the implementation of PPP has been very low in the tourism Industry. Therefore, this study sought to critically assess the alluring promises and the grim realities on the ground to ensure the applicability of PPP initiatives in Ethiopia's tourism. It examined the status of PPP application in tourism sector based on the conventional critical success factors. Hence, both quantitative and qualitative data types were used. Questionnaires and semi-structured interviews were also used. All available government documents and relevant empirical studies on PPP were also used as secondary sources. The method of data analysis used in this study is concurrent mixed method. The findings of the study generally indicate the need for fundamental changes in perceptions and policy directions about PPP across the tourism Industry to co-up with the national, global and regional dynamics. It captures the fact that the concept of PPP is not well understood across the sectors. Moreover, there is lack of awareness on the existing PPP legal frameworks which indicates the need for extensive policy dialogue .It proves the existence of Potential Investment areas in tourism that are appropriate for PPP with a possibility of implementing PPP initiatives inclusive of different stakeholders. Generally it implies that there is a positive attitude toward PPP in the tourism sector and a growing need for it. In spite of the existing potential and commitment to ensure development, it apparently recognizes the existence of restraining factors for PPP in the tourism sector. The mean Ranking and test results have revealed the existing differences between the opinions of the two sectors on major restraining factors that have been contributing to the stagnation of PPP application in the sector. The study found out that all the six restraining factors used in the study are seriously felt by the private actors in tourism indicating the huge task awaiting the Ethiopian government to strategically use private finance and knowledge to ease its burden of providing tourism infrastructure.

Keywords: Public-Private-Partnership, Tourism Infrastructure, Tourism Services and Inclusive PPP

Introduction

Researchers and many authors have given different interpretations to Public-Private Partnerships. Some envisage it as an alliance formed between forces of profit and nonprofit jointly performing toward a common goal (Robinson et al, 2010). Others define it, based on institutional setup in relation to the nature of partners, their relations and the driving objectives as well. Yuan et al (2012) of many attributes, emphasizes the complex nature of partnership and the difficulties as well in a situation away from theoretical thoughts. Yuan et al (2012) attribute the practical complexity of PPP projects in relation to the diverse expectations of stakeholders both in terms of benefit and leadership they assume.

There are also arguments based on the functional role of PPP. Bogdanov (n. d.) explains PPP as, a form of decentralization of roles and responsibilities of public sector formed to assure efficiency involving the Private sector. Dogan and Kouzmin (2004) believe that PPP is a means of minimizing the role and power of governments in the economy by promoting a modified form of privatization (Bramwell and Lane, 1997). Linder (1999) and Middleton (2000) complement this idea by describing PPP as a new approach replacing old time Privatization of public utilities.

There are also definitions of PPP based on its objectives. Zhang (2005) holds that, PPP is an efficient approach in availing public infrastructure with lower risks, lower cost and also help to avoid project delay (Yuan, et al, 2010). The overall reasons that PPP has become popular in all countries is the fact that governments tend to use private sector finance and technical expertise in the construction and sometimes operation of mega projects where normally the public sector is obliged to provide but not capable to finance (Akintoye et al, 2003).

There are also perceptions about PPP related to motives behind institutional missions. The International Monetary Fund refers PPP as a concept having a confusing characteristic to be judged on the basis of what does and what does not PPP constitute (IMF, 2004). The Public sector also looks at PPP as an issue of good governance (FDRE, 2010) sometimes seen to be a rent seeking tool (Jane and Laughlin, 2003). These issues related to PPP have been considered as a critical agenda by United Nations who has developed a tool kit for both

public and Private sector to enhance cooperation and improve governance using PPP (UN, 2008).

With all different interpretations and the prevailing controversies, global experience shows that Public-Private-Partnership is a widely spreading concept well applied in the developed and developing nations reflected in different economic sectors. However, the level of the application and speed of adoption of PPP as a tool of development differs from country to country and from economic sector to economic sector.

As the global economy started to expand requiring huge infrastructural investments, PPP has also become an attractive institutional relation in most of the economic and social sectors including tourism. Tourism is an industry with visible economic and social implications. It is globally known as a demand driven Industry, a demand for social utilities that grows with an increasing income of the society. Internally, tax payers put pressure on their respective governments demanding better social facilities. Similarly, as a means of economic activity competitive interactions with the global community pushes governments to deliver utilities to be consumed by those who demand it on the other way side.

Most of these infrastructural provisions expected to be delivered for the public use are capital intensive and time consuming in terms of return on investment which makes it difficult for the public sector to carry it alone. It sometimes becomes too small in size and yet not attractive to the private sector to invest in both in terms of profit margin and some also being public goods.

Therefore, like in other sectors, Public-Private-Partnership has become a preferred global alternative deployed in the provision of tourism facilities and services by governments. Moreover, it has becoming more important in developing countries that are in a situation that dictates the public sector to be cautious with public sector spending. In light of these things, this study looks into options for the applicability of PPP by identifying possible PPP potential in Ethiopia's tourism sector and the factors hindering its practicability as well.

PPP in its present global context is a recent concept in Ethiopia. The intention for it officially appeared in the draft economic policy during the transition period in 1991 indicating the future direction in the aftermath (Tamirat, 1991). This intention for PPP has been well articulated in the national strategic document issued by the government of Ethiopia in 2010 (FDRE, 2010). In both documents the private sector is highly emphasized as an engine for national development with government promising to facilitate consistent public-private dialogue. There has also been a trend in which each sector has developed policy framework of its own area of responsibility with a defined strategy to uphold the role of the private sector in investment.

Partnership in tourism has been adopted as a useful component of the Ethiopian Tourism policy. Ethiopia's tourism industry naturally stimulates complex relationships and collaborations involving a wide range of actors beyond public and private actors. Recent trends show that there is a growing understanding of the dynamics within the sector which is providing powerful incentives to recognize the interdependencies among industrial players and the motives to engage in formal partnership for joint decision-making in the face of challenges (MoCT, 2009).

The tourism sector in Ethiopia has a policy document that recognizes the importance of PPP in developing infrastructure peculiar to tourism industry (National Tourism Development Policy, 2009). The policy level understanding among different stakeholders has recently evolved in to the stage where the Ethiopian government has shown strong political commitment in implementing the Ethiopian Tourism Development Policy. Currently, an initiative was taken to establish Ethiopian Tourism Organization (ETO) as a potential Institution. It is managed by a Board that brings Public and Private sectors together to manage future partnership initiatives around product development and promotion. Ethiopian Tourism Transformation Council was established as an umbrella institution which intends to give general directions on how to alleviating major bottlenecks that is entangling the implementation of the policy framework with the involvement of the private sector (Council of Ministers of FDRE, 2013).

Conditions which are considered favorable for the emergence of the need for application of PPP modalities in Ethiopia are not basically different from the other developing countries. There is a substantial will in Ethiopian context manifested in the industrial development strategy issued in 2010 explaining the need for cooperation between the Public and private sector. Therefore, this strategy is much cautious focusing on the most ethical private sector and has implicitly shown the kind of PPP that fits the socio-political system. Much more important is that the government of Ethiopia has put two legal frameworks (Proclamations No 649/2009 and No. 769/2012) to promote PPP projects according to set priorities. The PPP has been institutionalized by assuming full and partial responsibilities to Privatization Agency, Ministry of Industry, Ministry of Finance and Economic Development and Ethiopian Procurement agency.

An Overview of PPP in Ethiopia's Tourism Sector

Different management systems that we observe in a contemporary world are traced to a variety of theoretical sources that contributed to the change in the organizational orientation of the public sector. The most popular theoretical origins of the NPM are Decentralization theory and Governance theory (Gruening, 2001).

Decentralization in the context of Public Private Partnership denotes sharing responsibilities, costs and

revenues between Private and Public institutions. Providing public goods is traditionally assumed to be a sole responsibility of the Public sector. In a situation where the intentions of the Public Sector to provide public goods and Services is restrained because of lack of financial, technological and skilled human resource, PPP is a means to transfer risks and responsibilities to the Private sector while responding to the demand for public utilities. Thus, Public-Private-Partnership is an instrument through which the public sector divides its authority and responsibility with the Private sector and in which the latter is bestowed with a role in decision making based on the right and duties captured in the contractual agreement signed.

As a means to meet theoretical objective of good governance, governments have to work with principles of governances that promotes participation, rule of law, transparency, responsiveness, concession oriented, equity and inclusiveness, effectiveness and efficiency and most importantly accountability. It is therefore worth to note that these are principles which are the foundations for the success factors in Public-Private-Partnership. Therefore, PPP has been welcomed as a useful tool designed to ease financial and technical constraints of governments in developed and developing countries instrumental in the provision of tourism infrastructure.

The Perception about the role of PPP in Tourism development has got two dimensions. According to Selin and Chavez (1995), in USA the experience has started in late 1990s when most of social and leisure needs could not be addressed on individual basis and required amalgamation of knowledge, finance and information (Lane and Bramwell, 2000). Similarly Holloway (1991) explains the experience in UK that the public sector was obliged to invite the Private sector for cooperative ventures in tourism infrastructural developments like roads and railways. World Tourism Organization prescribes, Public-Private Partnership as the best mechanism that provides opportunities for destinations to enhance their competitive advantages through diversification of products and expansion of tourism infrastructure (UNWTO, 2012).

However, the prevalence of best practices with the existence of policy document and legal frameworks by themselves could not seem to have been guaranteed the implementation and effectiveness of PPP in the tourism sector as it has been expected. There are a number of reasons described (Asunbonteng, 2011). Among these are having the right perception about PPP and awareness on the existing tourism policy and legal instruments are crucial. Actors in both sectors should be aware of the existing legal frameworks so that these frameworks could be used as instruments to put effective partnership in to place. These could take place through participation and close collaboration of stakeholders throughout the whole process of formulation and implementation.

Evidently, the number of PPP initiatives in the Ethiopia's tourism sector is very much limited as compared to the other sectors. The most commonly known tourism specific initiatives in the last forty years have not been more than two. One of these is a pioneering and the only surviving Public-private-partnership initiative that is based on contractual agreement of Hotel operation and management between the government and Hilton International (Asunbonteng, 2011). The other one is an aborted experience of contract management for protection and management of NetchSar and Omo National Parks. In both cases, the ultimate intention has been the need for increasing efficiency and while the case of park management focuses on the need for risk transfer (Stitching African Parks Foundation, 2007).

The slow progress of the PPP implementation in the tourism sector ignites generic questions. It starts with questions like "which are those public goods that the public sector should provide to the public? And is tourism as an economic sector fit for Public-Private-Partnership to take place? In spite of the prevailing global trend that is moving towards PPP, these questions have been perceived as a source of dilemma that both public and private sectors of Ethiopia are facing in the procurement of public services and promoting investments in public infrastructures related to tourism. Therefore, the main objective of this journal is to ascertain the practical implementation of Tourism investment projects in Ethiopia through PPP. Based on this objective, this journal article answers the following research question

1. How is PPP implemented in Ethiopia with regard to investment in the tourism sector?
2. What potential areas and inclusive modalities in PPP are in place to encourage investment in tourism?
3. What practical implementation challenges are affecting the application of PPP to promote investment in tourism?

The overall intention of this study is to inform both the public and private sector that there is a huge potential for PPP in the tourism sector. Based on the findings, the positive intentions and the undergoing commitments on the part of the public sector is well recognized by the Private Sector. It also informs the Public sector and help move forward to open more opportunities for the private sector with the ultimate goal of Providing tourism facilities and services using the Private money and Knowledge. It also provides the Public sector an opportunity that will help develop strategies to address the question of equity based on the natural and cultural assets of Nations and Nationalities. This in turn can transform the existing effort and create environment for better understanding between both the public and private sector to positively impact on national development thereby ensuring social transformation.

Research Design

Several studies have been done on this area to verify factors attracting both public and private sectors to PPP. Different success and restraining factors were also identified. The researcher has taken these into consideration and made adaptations to the most critical variables to fit with the Ethiopian tourism sector context and to achieve the ultimate goal of the research objective (Teshome, 2014 and Asubonteng, 2011).

For this reason, both descriptive and explanatory research types were used and concurrent mixed method approach was employed. Questionnaires were distributed to respondents from both the public and private purposively selected based on acquaintance to the subject, occupation and professional experience. The socio demographic composition of the respondents indicates that respondents from both sectors are matured in terms of age, well educated and well experienced. As a result, all the collected data was categorized and analyzed using Mann-Whitney U test, cross tabulation, mean rank, content analysis and narration.

Results and Findings

The Perception about the concept of PPP

Table-1: Perception and attitude of respondents (public and Private)

| Variable | Public | | Private | | | Over all Perception & attitude of respondents | | | |
|--|------------|-------|------------|-------|-------|---|-------|-------|-------|
| | No comment | | No comment | | | No comment | | | |
| | Yes | No | Yes | No | No | Yes | No | | |
| The concept of PPP is currently well perceived | 28.8% | 0.0% | 71.2% | 14.3% | 2.4% | 83.3% | 22.3% | 1.1% | 76.6% |
| The existing legal frameworks enhance tourism investment | 35.4% | 47.9% | 16.7% | 9.8% | 65.9% | 24.4% | 23.6% | 56.2% | 20.2% |

Source: Field Survey, 2015

As summarized in Table-1 above, threefold of the total respondents have the feeling that the concept of PPP is not well perceived in the current situation across the tourism sectors and most interestingly, this is reflected within the respective sectors both public and private in which more than 70% of respondents have similar perception. Accordingly, it is perceived from the data that the progress in the application of PPP seems to have been very slow in the tourism sector in particular because of a number of factors related to means of communicating the concept across the industry.

The purpose of analyzing the perception of respondents in relation to the concepts of PPP is to look in to the problems from different angle. The initial conception of this question was based on the observation that most of the actors in the tourism industry have been reflecting confusing ideas and interpretations about the concept. It is so plain and basically different from the way it is perceived in literatures. This could also be created as a result of age long traditional perception of Quasi-Partnership that is prevailing as opposed to the meaning found in conventional literature written on the subject.

The concept is so simplified and usually mistaken for simple “Collaboration” and “Cooperation” between government and the private sector institutions. Though these two are ingredients of the concept of PPP, it is believed that the concept is more complex for it involves risk and commitment. This is reflected in the fact that among the majority of respondents those who gave an example of PPP project on tourism, there are only two who indicated the Great Ethiopian Renaissance Dam to be the prime example. The slow progress observed in the application of PPP in the tourism sector counts among others on the perception of the private sector which is highly dominated by the traditional quasi partnership model. Accordingly, the current reflection of both sectors leads to a conclusion that the concept of PPP is not well perceived across the tourism Industry to the extent needed to promote and enhance PPP.

The Attitude on Existing PPP Legal Frameworks in Tourism Investment

The main purpose of analyzing the position of respondents in relation to their attitude toward the existing legal frameworks is to find out whether the existing legal frameworks are appropriate and helpful for the application of PPP in the tourism sector. For the purpose of this research 100 Photo copies of the two legal frameworks (Proclamation No 649/2009 and No 769/2012) were distributed to respondents to make them examine if the articles and sub articles referring to the PPP could help enhance tourism investment through PPP.

Based on the observation indicated in Table-1 above respondents from both sectors confirm that they have been working in jobs related to PPP and yet they are not aware of the legal instruments in use. The perception about the importance of existing legal framework to help enhance tourism by applying PPP is still not clear which is reflected in the larger number of “No comments” among respondents of both sectors. This could

also be because of many factors. The primary perception is that private sector is either not ready for PPP because of financial and technical requirements or not attracted by the provisions in the existing legal frameworks.

In this case the result shows that, the number of respondents within institution has a slight difference among those who have reflected by confirming that there is a better understanding of the concept (Public 35.4% and Private 23.6%). In the interview made with respondent from private sector, there is a reflection that the existing proclamations still lack clarity in relation to tourism investment and is parochial to some specific sectors (Proclamation No769/2012) still indicating the ambiguity in the open end clauses. Because of these, both the public and private sectors respondents have perceived PPP in the way it benefits parochial and sectoral interests. Additional to these, both soft and hard infrastructural provisions required for PPP projects in tourism are not sufficiently in place to encourage partnership between the two sectors.

However, the bigger picture is that, majority of the respondents from both sectors do not want to comment on this particular issue. Such responses about the legal frameworks are presumably being the outcome of lack of knowledge about the subject or absence of willingness to respond to this particular question.

Awareness on Existing Legal Frameworks

Awareness for the existing legal framework has been considered equally vital to understand that how much both sectors are familiar with it so as to ensure the application of PPP in the sector. The interview made with private sector respondents revealed that the intention of Proclamation No 769/2012 is primarily targeting to prevent corruption rather than promoting PPP in tourism. The choice of better channel of communications also determines access to relevant information both in terms of coverage and understanding. Given these, the observation with regard to the tools of communication used to popularize the two proclamations has indicated that there has been less attention to consultative meetings both during and after formulation. The only tool used was media which is a one way communication.

Based on the data in table-2 below, the private sector seems to have a slightly better awareness of these two legal frameworks than the public sector. However, the bigger picture is that, the number of respondents from public sector who do not have awareness on the two Proclamations is nearly twice of the number of respondents in the private sector. To the contrary, the public sector is supposed to be well aware and be responsible in promoting and executing this proclamation.

Table 2. Summary of respondents' awareness on the existing legal frameworks about PPP

| | | | Observation | | Public | Private | Total |
|--|----|-----------------------------|-----------------------|-------|--------|---------|-------|
| Awareness on Ethiopia's Procurement N649/2009 | on | Ethiopia's Proclamation | No | Count | 25 | 11 | 36 |
| | | | Expected Count | 20.1 | 15.9 | 36.0 | |
| | | | % within institutions | 47.2% | 26.2% | 37.9% | |
| | | | Yes | Count | 28 | 31 | 59 |
| | | | Expected Count | 32.9 | 26.1 | 59.0 | |
| | | | %within institutions | 52.8% | 73.8% | 62.1% | |
| Awareness on Ethiopia's Investment Proclamation No. 769/2012 | on | Ethiopia's Proclamation No. | No | Count | 33 | 21 | 54 |
| | | | Expected Count | 30.1 | 23.9 | 54.0 | |
| | | | %within institutions | 62.3% | 50.0% | 56.8% | |
| | | | Yes | Count | 20 | 21 | 41 |
| | | | Expected Count | 22.9 | 18.1 | 41.0 | |
| | | | %within institutions | 37.7% | 50.0% | 43.2% | |

Source: Fiend Survey, 2015

Attitude towards the Future of PPP in Tourism Sector

The observation of data from questionnaires is crosschecked based on answers given to one comprehensive question with 5 likert scale, intending to comprehend the reality on the ground. Mann-Whitney U test is conducted to find out the difference between the opinions of the respondents from the two sectors on the future possibilities of applying PPP in the tourism industry.

Table 3: Mann-Whitney U test for the differences in perception of respondents from both Public and Private sectors.

| Institution | Mann-Whitney test results | | | | | | |
|-------------|---------------------------|----|----------|-----------|--------------|------------|------|
| | Sample Mean | N | Stand.d. | Mean Rank | Sum of Ranks | Grand mean | Sig. |
| Public | 3.42 | 53 | 0.865 | 54.56 | 2891.50 | | |
| Private | 2.63 | 42 | 1.240 | 38.38 | 1573.00 | 3.07 | .002 |

Source: Field Survey, 2015

The Mean Ranking (Public 54.56 and Private 38.38) indicates that, respondents from public sector have

the lowest mean rank as compared to the private sector. In other words, the Private sector has the greater number of lower scores with regard to the future applicability of PPP in Tourism as compared to the Public sector. This is also supported by the descriptive statistics that reveals the number of respondents with lower score ranging from “No comment” to “Disagree” is 15 and they are also from the private sector. Similarly the Respondents from Public sector who have the greater Mean Rank scored a total of 49 greater ranks (Agree + strongly agree) as compared to that of the Private sector (26). Therefore, the Private sector respondents are fewer optimists than the Public sector indicating the possible challenges.

Additionally, given the p-value of 0.002 ($p < 0.05$) the interpretation of the test result also supports that there is a significant deference between the attitude of the Private sector and Public Sector respondents with regard to the implementation possibilities of PPP in the future. This leads to conclude that, in spite of the existing will and commitment, the attitude difference towards PPP application can be one of the contributing factors to slow the progress of applying PPP in the sector. These could be viewed from the perspective where the private sector has not been clear or is not satisfied with the nature of the provisions in the existing proclamations.

Potential Project Areas in Tourism Sector

Teshome (2014) has verified in his research that the existence of the need for PPP has already been captured in most of the policy documents that have been formulated by respective sectors. The following study has been made having in mind that recommendation of the need for special national PPP Unit to be established with a designated duties and responsibilities. The experience in Kenya (Republic of Kenya, 2013) and Ghana (Government of Ghana, 2011) also supports the creation of this special Unit for PPP to enhance Public-Private-Partnership for the development of the tourism infrastructure.

Asubonteng (2011) has pointed out the existence of untapped potential in tourism which could be exploited by applying PPP in the tourism sector. The Ethiopian national tourism development policy also indicates the vitality and timeliness of Public-Private-Partnership in tourism Investment. Therefore, the following analysis is based on a circumstance where the country has a willing Public and Private sector expecting the forthcoming national PPP Unit with a growing need and intention manifested in the existing institutional set-ups and legal frameworks. These are related to identification of potential project areas appropriate for Public-Private-Partnership with the objective of encouraging future investment in tourism.

The respondents’ opinion has been summarized using Mean Ranking which is based on the mean value of each sector in relation to each potential area for PPP. Accordingly, the observation on the Mean Ranking summary for 10 priority areas listed in Table-5 and 6 that shows there is no big difference on most of the choices of priority areas for PPP in the tourism sector. However in the case of the Public Sector respondents, Theme park Development is taken as a priority area for the Public sector while it is not a big concern for the private sector ranking 12 in the list. In the contrary, City side zoo is found to be a priority area for the Private sector while it stands 13th in the rank of priority areas for the Public sector. The most attracting PPP potential area ranked 1st in both sectors is Domestic and International tourism Promotion.

Table 5: Public sector respondents' priority identification

| Public sector respondents' priority identification | | | | | | |
|--|----|----------|----------|------|-----|-----|
| Variable | N | Mean | Stand.d. | Rank | Min | Max |
| Two star designated Hotel at destination | 51 | 3.078431 | 1.036267 | 7 | 1 | 4 |
| City side wild life Zoo | 52 | 2.769231 | 1.095720 | 13 | 1 | 4 |
| Cultural Villages in City Centers | 52 | 3.134615 | 0.950312 | 6 | 1 | 4 |
| Leasing out the existing Theatre Halls | 51 | 2.431373 | 1.005085 | 15 | 1 | 4 |
| Wild Life Park Protection and Management | 52 | 3.038462 | 1.065714 | 9 | 1 | 4 |
| Theme Park development | 51 | 3.058824 | 0.903588 | 8 | 1 | 4 |
| Exhibition Center | 52 | 3.250000 | 0.90478 | 3 | 1 | 4 |
| Cable Cars around destinations | 53 | 3.150994 | 1.026499 | 5 | 1 | 4 |
| City Park development | 52 | 3.000000 | 0.970143 | 10 | 1 | 4 |
| Domestic and International tourism Promotion | 51 | 3.529412 | 0.924185 | 1 | 1 | 4 |
| Research on tourism development | 52 | 3.230769 | 0.920688 | 4 | 1 | 4 |
| Tourist Safety and Security | 52 | 2.961538 | 1.13693 | 12 | 1 | 4 |
| Tourist Air ambulance service | 52 | 2.730769 | 1.086736 | 14 | 1 | 4 |
| Tourist information center | 52 | 3.000000 | 1.154701 | 10 | 1 | 4 |
| Cultural artifacts production and Training | 53 | 3.339623 | 0.830741 | 2 | 1 | 4 |

Source: Field Survey, 2015

Table 6: Private sector respondents' priority identification

| Private sector respondents' priority identification | | | | | | |
|---|----|----------|----------|------|-----|-----|
| Variable | N | Mean | Stand.d. | Rank | Min | Max |
| Two star designated Hotel at destination | 37 | 3.216261 | 1.031049 | 9 | 1 | 4 |
| City side wild life Zoo | 39 | 3.076923 | 1.060899 | 11 | 1 | 4 |
| Cultural Villages in City Centers | 38 | 3.368421 | 0.882902 | 4 | 1 | 4 |
| Leasing out the existing Theatre Halls | 35 | 2.571429 | 1.144956 | 14 | 1 | 4 |
| Wild Life Park Protection and Management | 40 | 3.500000 | 1.075365 | 5 | 1 | 4 |
| Theme Park development | 40 | 3.000000 | 1.109400 | 12 | 1 | 4 |
| Exhibition Center | 39 | 3.307692 | 0.863099 | 7 | 1 | 4 |
| Cable Cars around destinations | 41 | 3.341463 | 1.039465 | 6 | 1 | 4 |
| City Park development | 41 | 3.121951 | 0.871640 | 10 | 1 | 4 |
| Domestic and International tourism Promotion | 39 | 3.564103 | 0.753758 | 1 | 1 | 4 |
| Research on tourism development | 39 | 3.307692 | 0.922064 | 7 | 1 | 4 |
| Tourist Safety and Security | 39 | 2.717949 | 1.122702 | 13 | 1 | 4 |
| Tourist Air ambulance service | 40 | 2.300000 | 1.136797 | 15 | 1 | 4 |
| Tourist information centre | 40 | 3.500000 | 0.816497 | 2 | 1 | 4 |
| Cultural artefacts production and Training | 41 | 3.463415 | 0.951251 | 3 | 1 | 4 |

Source: Field Survey, 2015

Facilitating public services and utility provisions to the public through Public-Private-Partnership is one of the guiding principles of governance theory. Furthermore UNWTO is promoting PPP as a means of assuring competitiveness of destinations at the local and global market. There is a rising demand for low cost accommodation services in the areas where there are world class tourist products. In contrast to this, these are areas where both private and public sectors have so far not been interested to invest. Accordingly, a hotel and Catering service has been noted by Teshome (2014) as one of potentially favorable investment areas to be promoted by both sectors. However, the data indicates that two star rated hotels are the 9th priority for the private sector while it is 7th for the public sector respondents. Therefore, there will be a seriously growing discrepancy between the supply and demand that could hinder destination developments which otherwise could be addressed using appropriate PPP modalities.

Similarly most of the investment areas have not been explored by both sectors within the perspective of PPP modalities. In addition to the prevailing infrastructural and difficulties related to land management, the public sector still has not shown interest except privatizing the existing tourist facilities. The reason is clearly seen to be associated with fear of risk and lack of clear direction to prioritize the sector. Similarly, private sector respondents pointed out that, the absence of clear legal framework with clear attractive incentives is the major setback that discourages partners. Proclamation 79/2012 does not give clear information on the type of investment in tourism, which the public sector would go for with the private sector.

This is against one of the basic principles of good governance that promotes the need for transforming rules and regulations driven systems in to goal oriented service delivery where the tax payer has been demanding. This also touches upon the need for devising a suitable mechanism of land management within the context of the constitution which has been considered by the private sector as one of the major restraining factors for not initiating projects appropriate for PPP within the existing policy context.

The Mean Ranking score (Table-5) shows that, the public sector respondents are mainly interested in Theme Park development. This is basically because; it is a potential area that requires huge capital and expertise which the public sector is not capable of providing. On the other hand, the private sector seems not to be interested in Theme Park Development because of the fact that there is lack of finance and above all there is no clear legal framework that able to attract financiers to involve in to the modality. Additionally these are products that require a long term projection and operation for return on investment. Those commonly identified areas like domestic and International tourism promotion and building and managing Exhibition centers are also potential areas that involve huge capital as well as risk both in management and return on investment. However, these are areas identified with the most possible potential to attract both sectors for PPP out of the currently emerging necessity.

Looking in to the scenario, in spite of the differences in ranking, there are still common areas of investment where PPP could be applicable in the tourism sector. Most of the common priority areas are new types of tourism infrastructures which can attract FDI. The summary in table-5 and 6 also shows a major shift in the demand for new establishments trying to respond to the dynamic demand at district, regional and even at global level. Therefore, in spite of the existing restraining factors, the most notable observation is that both sectors got better understanding that there are potential investment areas appropriate for PPP in the tourism sector.

Potential Actors and Trends of Inclusive Tourism Investment

The institutional definition of Public and Private sector differs from country to country. The conventional concept of PPP refers to the most common tri-modal approach because of the growing role of the Civil Societies. There are also circumstances where development partners are included and PPP assumes a quadruped approaches (Asubonteng, 2011). The experience in countries like South Africa and South Korea shows that different actors are involved in different PPP projects which have been seen successful.

The practice of good governance is expressed in providing clear direction, managing risks, communicating with symmetry and inclusiveness and opening to change. Hence, the objective of this sub section is to identify the potential actors for inclusive PPP and look in to the possibilities for the development of an Ethiopian Model of PPP in the tourism Industry. This is based on the assumption that there could also be other actors to be included in the Ethiopian context to help enhance infrastructural development in tourism through inclusive PPP arrangements.

In this regard the respondents were asked to express their opinion on identifying potential actors who could be involved in the tourism sector.

Table 7: Observation on inclusiveness of PPP in tourism, (Ethiopian context)

| Variable | Choices of inclusive modality | | |
|-----------------------------------|-------------------------------|------|--------|
| | N | Mode | % |
| Inclusive of Civil Societies | 90 | 2 | 71.10% |
| Community at destinations | 90 | 2 | 98.10% |
| Small and Medium size Enterprises | 90 | 2 | 92.10% |
| religious institutions | 93 | 2 | 89.20% |

Agree =2 and Disagree=1

Source: Field Survey, 2015

As illustrated in Table-7 above, among 90 respondents, 64 (71.1%) of them agree on the possible partnership to be built between the civil societies and the public sector in tourism projects. The rest 26 (28.9%) of respondents did not agree. As compared to the rest of the potential actors partnership with the civil societies are least supported by respondents. Respondents describe Partnership with Civil Societies for PPP purpose from two different perspectives depending on the contextual definition of civil societies in the current socio political context. Some informants describe the existence of Quasi-Partnerships among public sector and affiliated civil society institutions. Civil societies are perceived to be better off in terms of financial position because of the likelihood of political affiliation to the government. Based on this the other perspective is that such kind of PPP arrangement would hinder the application of PPP by crowding out the potential private sector.

Accordingly, governance theory advocates for the necessity to empowering citizens. Teshome (2014) also found out that, there is still a positive attitude for the possibility of including civil societies through PPP in projects to be initiated in other sectors. Moreover, referring to Proclamation No. 769/2012 civil societies are among those who are given legal right to initiate and implement projects in partnership with the Ethiopian government. The result shows that, respondents agree with the possibility of including civil societies in the PPP modality in tourism. Thus, the output of data analysis still leads to a possible conclusion that there is a possibility for the government institutions to develop and implement tourism projects in partnership with the civil societies.

Public Sector Partnership with Communities in Destinations

The data summarized in relation to communities around destinations indicate that 89 (98.1%) of the total respondents agree to the possible inclusive partnership in local tourism infrastructure developments. Among the private sector respondents 39 (100%) have agreed to the possibility of PPP inclusive of the local community. Accordingly, the summary leads to a conclusion that, the public sector can invest on local tourism infrastructure and services in partnership with the local community. Tourism is an industry that demands a huge involvement of local communities around destinations. It largely absorbs labor power with a low-level skill particularly women and youth population. Good governance as one of the prime motives is exercised by the public sector expressed among others in the amount of job created and income generated. Similarly, the Ethiopian Tourism Development Policy (2009) promotes PPP as a tool to create job.

The PPP help to develop local economy on sustainable use of community resources. Possibility of inclusive partnership in local communities is based on non-payment ownership right. The involvement of the local communities in tourism related projects through PPP is necessitated by the default that communities are owners of most of the products including some of the tourist attractions. Partnership for conservation and management of cultural and natural heritages need community involvement at local level to address the question of equity and sustainability which could easily be addressed using PPP.

Therefore, the finding is harmonized with the theoretical concepts of governance that emphasizes the importance of involving communities on the national development processes considering their potential contribution to promote sustainability of investment in tourism infrastructure and protection and management of

heritages. Partnership between the public sector and the community also increases benefits for those at the grassroots particularly to those disadvantaged and marginalized groups.

Public Sector Partnership with Small and Medium Enterprises

The survey result about the possible inclusive modality of SMSE indicates that, 94.1% of respondents from the public sector and 89.7% from private sector agreed on the involvement of SMSE in PPP projects. A majority of interview respondents in the public institution explained that, currently Ministry of Culture and Tourism has been working with Small and Medium Enterprises in Axum and Lalibela financing small scale PPP projects through World Bank projects which indicates a possibility of realizing a localized PPP model to provide utilities to the public.

Therefore it is possible to conclude that, local governments have been working with SME on the basic level model of PPP to fill the existing gap for basic utilities by initiating projects focusing on catering and souvenir production and sales and products around creative Art. Micro finance institutions are lending money to these enterprises while government provides technical support through advising and training. In this regard Ethiopian national tourism development policy document gives directions to encourage organized community based entrepreneurs around destinations to involve in tourism infrastructure development.

There are ambiguous and sometimes contradictory perceptions about public partnership with SME. Public-private-partnerships within this context may lead to perception that existing preferential treatment of SME and thereby cause a distortion of normal business conditions. On the other hand the PPP with the SME is believed to help the Public Sector to transform Indigenous knowledge to dynamic and market oriented Products by encouraging innovation in the tourism Industry. In this case PPP is also a means to pool resources together to be used in Partnership. Therefore PPP is perceived by respondents to be an advantage to both the Public Sector and the SMEs.

Public Sector Partnership with Religious Institutions

This part presents religious institutions by default own and manages most of cultural and religious destinations in Ethiopia. These destinations are so crude in the eyes of the present standard to appeal to International tourists. Development endeavors around these destinations are vital in transforming the socioeconomic benefit to both private and public sectors. One of the most important objectives is to increase the duration of stay of tourists so that the more they stay the more they spend money. Thus, there are enormous potential investments appropriate for PPP and could involve as many partnerships as possible. This is the first bold attempt to test the perception of the majority stakeholders so that all inclusive PPP modality could be considered in the Ethiopian context.

Table 8. Perception of respondents about proposed inclusive modalities of PPP

| Variable | Response | Sectors | | |
|---|----------|---------|---------|-------|
| | | Public | Private | Total |
| PPP in tourism investment inclusive of Religious institutions | Disagree | 6 | 4 | 10 |
| | Agree | 46 | 37 | 83 |
| Total | | 52 | 41 | 93 |

Source: Field Survey, 2015

Table-8 above shows, positive reaction of respondents to the possibility of inclusive modality involving religious institutions. Respondents from the public sector 46 (88.5%) and respondents from private sector 37 (90.2%) agreed to the possibility of inclusive PPP modality involving religious institution. Ethiopian religious institutions are exempted from any form of taxation. By and large in USA religious institutions are considered public goods that are virtually accepted by the government to give a service to the public which the public sector cannot. However, these institutions have got development oriented institutions that could finance development projects to the benefit of people. These projects are inclined to serve as non partisan with humanitarian orientation that goes without compromising national constitutions. There is an experience that religious institutions work in partnership with the public sector to provide public goods like schools, museums and cultural and sport centers (Carolyn etal, 2013).

Nevertheless, some respondents explicitly inform that it violates fundamental constitutional provisions related to the separation of religion and state. Interview held with top management in the public sector totally disagree to this end with a deep concern for possible instability. This is also partially supported by responses from an interview which was made with respondent from religious institution. However, in principle they all agree on the possibilities but further suggest a joint research to be done on the possible alternatives. There is a common understanding among the respondents that there is a possibility of creating inclusive partnership with the religious institutions. Basically, valuing initiatives for research based decision; there could also be some areas where these institutions could involve in one of the PPP modalities. These are investments on international tourism promotion and image building campaigns is the most appropriate area for PPP inclusive of religious institutions at least for the time being.

The overall observation obtained from legal documents, interview and summarized responses from questionnaires all supports the fact that, respondents from both Public and Private sector have a positive attitude to the idea of developing an inclusive modality for Public and Private Partnership in tourism Infrastructure provision.

Restraining Factors of PPP in Tourism Investment

This section examines the practical implementation challenges of PPP in Ethiopian tourism industry. Some of the research variables are adapted from the variables used by Teshome (2014) and adjusted to fit specifically the tourism sector. As shown in Table-9, a comprehensive summary of the descriptive statistics were calculated and analyzed using the mean values of each sector. Mann–Whitney U test is conducted to rank the opinion on restraining factors ranging from “Very high” to “Very low” and determine the extent of differences between the Public and Private sector respondents.

Table 9: Respondents’ perception about the restraining factors

| Variable | Mean | | | Test | |
|---|----------|----------|------------|---------|-------|
| | Public | Private | difference | result | sig |
| Level of awareness for PPP application | 3.615385 | 3.738095 | 0.12271 | 968.500 | 0.217 |
| Prioritization of sectors | 3.150943 | 3.414634 | 0.26369 | 873.500 | 0.077 |
| Conflict of interest among stakeholders | 2.923077 | 2.666667 | 0.25641 | 972.000 | 0.341 |
| Legal frameworks | 2.811321 | 3.071429 | 0.26011 | 937.500 | 0.167 |
| Financial arrangements | 3.076923 | 3.560976 | 0.48406 | 691.500 | 0.002 |
| Fear of risk for return on investment | 2.711538 | 2.634146 | 0.07739 | 1011.00 | 0.659 |

Source: Field Survey, 2015

The summary indicates all restraining factors are felt seriously by the private sector than the public sector in tourism investment except the case of conflict of interest among stakeholders. The most serious restraining factor in both sectors is level of awareness on PPP implementation. It also indicates that, the most serious restraining factors for PPP in the tourism sector as perceived by the public sector respondents are level of awareness, prioritization of sectors and financial arrangements. The private sector respondents on the other hand indicated that the level of awareness about PPP, prioritization of sectors, legal frameworks and financial arrangements are of the serious restraining factors.

The result of the Mean Ranking (Public, 3.076923 and Private, 3.560976) also supports the existing difference in which financial issues are the less felt restraining factor for the public sector respondents with 0.48406 amount of mean difference as compared to the private sector. The implication is that, among the list of restraining factors financial arrangement is the second serious restraining factor for the private sector indicating the existing significant differences in the perception with the public sector.

Given $P < 0.05$, the perception on financial arrangement to be a restraining factor for PPP in tourism investment with a $P = 0.002$ shows that, there is a significant difference between the Public and Private sectors’ opinion. The magnitude of mean differences is in compliment with the test result. This also substantiates the assumption that loan arrangement is the most serious restraining factor for the private sector while it does not look serious for the public sector.

Most interestingly fear of Risk for return on investment is still a restraining factor. However it seems that, it is the least affecting factor for PPP implementation in tourism. These can be either because of considering the potential market with minimum risk or there is still little experience in using tourism related PPP projects as collateral. However, with the existence of non accommodative insurance system that is discouraging the private sector. It is difficult to assume that, the risk factor could be neglected. The outcome of this analysis largely supports Teshome’s (2014) finding in relation to factors attracting private and public sectors.

Apart from this, interview held with public sector respondent revealed that, lack of negotiation skills on the part of the public sector is also a case in point that led to the failure of some PPP projects in tourism. One of the manifestations is the agreement on protection and management contract of Netch Saar National Park signed between Ethiopian Wild Life Authority (EWCA) and African Park, a Dutch based Park management Company. Based on both the Mean Ranking and the test, the overall conclusion leads to the fact that the private sector respondents are more concerned than the public sector confirming that, the restraining factors are still hindering it from contributing to national investment on tourism infrastructure.

Conclusion

The study captured the fact that both public and private sector have got a positive understanding about PPP and the possibilities to implement in tourism sector. However, it also recognizes that there are still gaps in the level of understanding about the concept of PPP across the industry and lack of awareness about the existing legal frameworks both hindering the application of PPP in tourism sector. Therefore, this indicates that there was no sufficient policy dialogue that involved the private sector from the tourism industry that ultimately led the

private sector to conclude the existing legal frameworks to be parochial to agriculture, mining and industry. The finding of the study indicates that, there are diverse investment areas appropriate for PPP in tourism that attracts both the public and private sector. The PPP initiatives on International and Domestic tourism promotion and cultural artifacts production and training are priority areas for both the public and private sectors. Accordingly, there are possibilities to develop inclusive PPP modalities within the Ethiopian contexts that would attract civil societies, local communities, small and medium enterprises and religious institutions as well. However the type of inclusive modality needs to involve all major partners across the tourism industry. There are still restraining factors to PPP in tourism investment in Ethiopia. Of which, lack of awareness about PPP, prioritization of other sectors and financial arrangements are among others. All factors are felt by the private sector than the public sector that made the private sector refrain from making active contributions to national development by investing in tourism. A well designed incentive packages to PPP projects will attract the private sector while lack of mutual trust is still to be considered in the view of appropriate legal assistance.

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