Municipal Infrastructure Delivery in Ethiopia: A bottomless pit or an option to reach the Millennium Development Goals?

by

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Abstract: The following paper examines the different options to finance local public infrastructure in Ethiopia based on the assumption that the federal government of Ethiopia will not provide any guarantees for local borrowing. Besides a detailed description of the local public finance system and the capital market in Ethiopia, the paper also sets out some international successful practices in municipal infrastructure financing. Based on the observation of the Ethiopian case and the consideration of the international experiences, the paper has two major pillars that very specifically identify actions required for implementation. On the one hand, the paper recommends a number of feasible arrangements to generate a revenue enhancement of the local authorities in the existing intergovernmental framework. On the other hand, the paper suggests a solution - for creditworthy as well as for potentially creditworthy urban local governments (ULG) - to finance their future demand of public infrastructure together with the national finance institutions as well as the international donors.

JEL Classification: H7; H2; R5.

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