State bets on port to open Addis market

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The government is betting on improved infrastructure to lift trade with Ethiopia as concerns wane over the landlocked neighbour's controlled economy.

Just days after commissioning the construction of Lamu Port – the first phase of the mega Kenya-Southern Sudan-Ethiopia transport corridor – the government on Monday signed another multi-billion shilling financing arrangement with African Development Bank (AfDB) to link northern Kenya with Ethiopia.

Part of the Sh21.63 billion deal signed by Treasury in Nairobi will finance the construction of a road corridor between Kenya and Ethiopia as the remaining portion goes to development of cheap geothermal electricity.

"It is a matter of priority for us to reduce cost of electricity and enhance connectivity with neighbouring countries through improved infrastructure," said Mr Njeru Githae, the acting Finance minister.

"We expect our trade with Ethiopia to grow sharply after the completion of these projects," Mr Githae said, adding that similar corridors have been planned to link the country with Mogadishu and Arusha.

The single largest portion of AfDB loans (**Sh12 billion) will be invested in lifting the 122km Turbi- Moyale road,** the third of the Mombasa-Nairobi-Addis Ababa road corridor to bituminous standard.

The rest of the money, which includes a grant of Sh1.13 billion, will go to Menengai Geothermal Development project, raising the country's production of clean, reliable and affordable electricity by 26 per cent and satisfying the consumption needs of 500,000 households.

The regional bank had earlier funded the first phase of the trans-boundary corridor - the 136km Isiolo- Merille River Road Section – and is also the financier of the feasibility study for the 360km Merille River – Moyale section.

"If these infrastructure projects are implemented as agreed, trade between Kenya and Ethiopia will increase by more than 200 per cent from $62 million in 2009 to $200 million by 2017," said Gabriel Negatu, AfDB's director in charge of the regional resource centre.

These mega transport projects appear to have changed the heart of private sector players who previously avoided Ethiopian controlled economy as a market where they could only make thin profit margins.

Kenya and Ethiopia sign contract on Lamu rail venture
Launch of Sh1.5tn project sets stage for lucrative bids

Just a few months ago, manufacturers of Kenya's top ten exports to Ethiopia - detergents, petroleum re-exports, cooking oil, iron and steel sheets, cosmetics, plastics, and pharmaceutical products –

complained that frequent price controls were making the landlocked neighbour unattractive.

The Ethiopian government is also known to restrict inflow of foreign capital, something that has prevented prospective investors from Kenya entering the 85 million-people market.

When he visited Nairobi two weeks ago, Ethiopian Prime Minister Meles Zenawi was categorical that his government would not liberalise telecommunications, power, finance and logistics industries to foreign capital.

Mr Zenawi also told Kenyan investors that his government would continue to control wholesale and retail businesses.

Kenyans are however invited to partner with Ethiopians in sectors which would results to more jobs for the hosts, Mr Zenawi said.