Enhancing International Public-Private Partnerships by Entering New Markets like Asia and Africa

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Abstract

This article attempts to provide some effective models for implementing this kind of collaboration involving the public and private sectors, starting with the distinctions that exist globally concerning the formation of "public-private partnerships". China, India, and South Africa have emerged in the past ten years, as global leaders within the "public-private partnerships" field, as they view it as a crucial tool for the development of infrastructure. Even though these regions encounter project failure factors when implementing projects in "public-private partnership", they can support "public-private partnership" growth through efficient risk management and the creation of various tools that promote "public-private collaboration".

Key words: public-private partnership, China, India, South Africa
J.E.L. classification: F53, F63, G28

1. Introduction

Successful "public-private partnerships" (PPPs) and those that have yielded no benefits can be observed globally. Furthermore, some contracts work, but not as well as they should. For these collaborations to realize their full potential, some adjustments are required. A prevalent issue in "public-private partnerships" is poor risk sharing and ignorance about success criteria, which contribute to some of the failures of these kinds of agreements. A well-planned project will succeed, but to realize its full potential, it also needs supportive legislation, effective supervision, and certain financial, environmental, and social requirements.

Throughout the past 20 years, certain "public-private partnership programs" have gotten stronger, while others have stagnated. Programs have also expanded into new countries, namely China, India, and South Africa. Compared to many industrialized nations, the top markets among emerging economies, including China and, recently, India, have gone far further in involving the private sector in infrastructure creation and maintenance. Initiatives for delegating some tasks to private businesses are also being carried out in Africa as well as in Asia. The increasing popularity concerning "public-private partnerships" in recent years makes it pertinent to examine how they have developed in Asia and Africa. "Public-private partnerships" have become less important in Europe and the US but are becoming more important in the regions mentioned above.

2. Theoretical background

„By utilizing the resources of a commercial partner, public-private partnerships offer innovative approaches to finance public initiatives. They are lengthy agreements among the governmental and private sectors" (Amovici et al., 2020). "Public-private partnership" has demonstrated capabilities to reduce whole-life costs, lessen the financial load on the public sector, enhance risk control and services for infrastructure, and promote lasting partnerships that foster accountability and transparency (Wang et al., 2020). Two key features that set "public-private partnership" projects apart from other forms of finance are owned by the private entity involved in the project: timely delivery of investments and budgetary constraints (Nastase et al., 2022). There isn't just one "public-private partnership" structure that works. A government's "public-private partnership" structure usually changes over time, frequently in reaction to particular difficulties the program is encountering. The "public-private partnership policy" must be stated clearly to build a framework for "public-private partnerships" in government. Different "public-private partnership policy" variations are used in different nations. There are numerous configuration options for a "public-private partnership" frame. The possibilities available are frequently determined by the legal framework of the nation and the norms that direct the creation of institutions, policies, and regulations (World Bank, 2022).

The local government, which the PPP contract refers to as the "public sector" is required to assu me a governance role for the duration of the asset given that one of the "public-private partnerships" objectives is to change the role of government from one of implementer to governor. The effectiveness of the public sector's entire life cycle management, which can be seen in the oversight, delegation, cooperation, negotiation, and direction of the private sector to provide the best value for money during the whole life cycle, affects "public-private partnership infrastructure initiatives" in a major way (Wang et al., 2020). "Public-private partnership" is more important because many governments, in both rich and developing nations, urgently require long-term planning to deal with the growing urbanization, population increase, and deterioration of the environment. Numerous countries have demonstrated insufficient financing or resources, even when it comes to safeguarding public health during pandemics. This adds credence to the idea that "public-private partnership" is a wise development strategy. The "private sector" can require financial assistance and government backing in isolated cases, as demonstrated by the COVID-19 global pandemic. As a result, these partnerships benefit both parties. (Jayasena et al., 2022).

3. Research methodology

We employed the qualitative approach of article analysis and interpretation to better understand the fundamentals of "public-private partnerships" and institution reports to illustrate the development of "public-private partnerships" in two different regions to conduct this study. The approach worked well for the goal of showcasing "public-private partnerships" growth in China, India, and South Africa, showing how these countries have climbed to the top places in the implementation of this type of partnership in recent years.

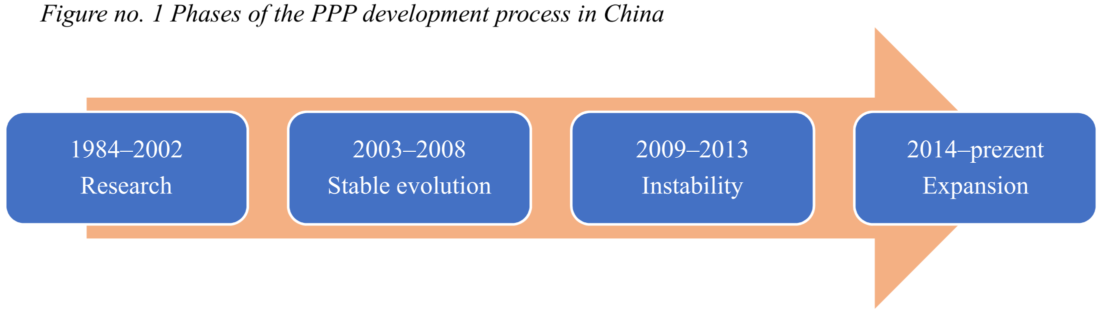
4. Findings

4.1. "Public-private partnership" in Asia

4.1.1. "Public-private partnership" in China

China first launched "public-private partnerships" in the 1980s. In the mid-1990s, these partnerships were officially implemented and refined on a broader scale. During this time, the "public-private partnership" development went through several stages, during which unstable variables periodically occurred. (Cheng Z. et al., 2016). Figure No. 1 will illustrate the many phases that the "public-private partnership" underwent in tandem with the shift in China's macroeconomic environment.

Figure no. 1 Phases of the PPP development process in China



Source: processing after (Zhang et al., 2019)

Until the end of 2018, 8,649 "public-private partnership projects" had been verified by the Ministry of Finance, and several institutions, regulations, and guidelines had been regularly published. There were 8788 "public-private partnership projects" in China as of the end of January 2019 (Luo, 2022). 10,312 "public-private partnership projects" totaling 16.4 trillion yuan in investment were filed in the "National PPP Integrated Information Platform's Project Management Database" during 2021's first half. These nationwide initiatives span 19 different fields, such as energy, transportation, conservation of water, sustainability and preservation, municipal technology, comprehensive urban development, forestry, agriculture, and science and technology. (CPPPC, 2022). A total of 10,034 "public-private partnerships" were in place by the end of 2021, according to data obtained through the "Center for Government Cooperation and Social Capital" (Gong, 2022).

Currently, in China, an ordinary "public-private partnership project" goes through four stages in its entirety: the beginning, bidding, execution, and transfer. The selection of the private partner through the auction procedure is a prerequisite for a "public-private partnership project" to proceed to the execution stage. In the implementation phase, which might last up to 30 years, the financial structure plays a critical role in determining the project's success. The central government of China is not required to actively finance "public-private partnership projects" since local governments are in charge of providing infrastructure in the country. Consequently, local governments and private partners serve as the primary funding sources for "public-private partnership projects", with the payment mechanism often determining the investment share (Zhang et al., 2019).

"Public-private partnership projects" have developed quickly in China due to several elements that are crucial to the achievement of this kind of collaboration. Due to vigorous promotion by both the federal and local governments, "public-private partnership projects" have experienced tremendous growth. However, many "public-private partnership projects" encounter several implementation challenges and are not carried out in a way that satisfies the interests of both partners. (Yang et al., 2022).

Table No. 1 lists the elements that affect whether a public-private collaboration in China is successful or unsuccessful.

Table no. 1. The elements that make a public-private collaboration succeed or fail in China

Nr. Crt.	Principal elements influencing PPP's success in China	Principal elements influencing PPP's failure PPP in China
1	A constant state of the economy	Absence of a supportive institutional setting
2	An open and effective procurement procedure	A lack of confidence between the public and private sectors
3	A favorable social and political climate	Inadequate level of market competition
4	Intelligent government oversight	Excessive government meddling
5	Efficient distribution and exchange of risks	Inadequate research on the feasibility
6	Trustworthy and superior services	Insufficient project planning by the government
7	Service fulfillment	A lack of funds
8	Collaborations and long-term connections	Unsuitable supervision
9	Project's financial performance	An imprecise forecast of the level of production

Source: processing after (Yang et al., 2022; Cheng et al., 2021)

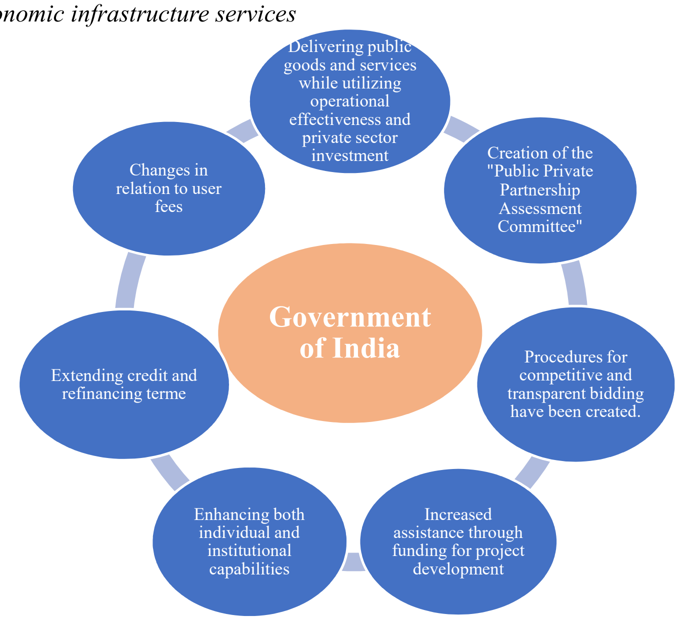
To address the growing problems with its execution, the Ministry of Finance and other ministries published a set of instructions on promoting the approved development of "public-private partnerships". These guidelines mandated that local governments successfully attract social capital and improve the standard of supply at all levels. (Yang et al., 2022).

4.1.2. "Public-private partnership" in India

The Indian economy over recent years has experienced robust growth in the majority of its sectors. The nation's infrastructure, including its highways, ports, airports, urban bus and metro systems, health care facilities, and educational facilities, must be developed to ensure equitable and sustainable growth. As a result, the Indian government has concentrated on creating some tools and initiatives that will allow "public-private partnerships" to encourage investment from the private sector in this country. These are essential for driving investment in modern infrastructure, ensuring that the focus is on delivering services and facilitating the effective operation as well as upkeep of both new and old assets during their lifetimes (ADB, 2022). India has shortcomings in terms of funding capability in addition to a huge infrastructure deficit. "Public-private partnerships" can bridge the financial gap and fulfill demands. The majority of "public-private partnership projects" are managed and funded by the private sector, removing the necessity for the government to get funding from borrowing or its sources of revenue (taxes). This is a benefit in countries like India where the public sector's capacity to acquire funds is constrained.

"Public-private partnerships" free up funds for the public sector, allowing for more capital spending and easier access to infrastructure resources (Begum and Kumar, 2021). India has developed one of the biggest "public-private partnership programs" worldwide over the past ten years and established itself as an innovator in the field of public-private cooperation by methodically launching a "public-private partnership program" for the supply of high-priority public services and facilities (DEA, 2023). As a result, a complex ecosystem of organizations, developers, investors, sources of capital, rules, and processes has emerged for "public-private partnerships". "Public-private partnership" growth trends, particularly in the previous ten years, support the need for an extensive policy structure that establishes the guidelines for carrying out more projects across a range of industries to support the country's goals for equitable growth (World Bank, 2022). Enhancing the quality and standard of social and economic infrastructure services throughout the nation is a top priority for the Indian government, the measures taken by the Indian government, are particularly shown in Figure No. 2.

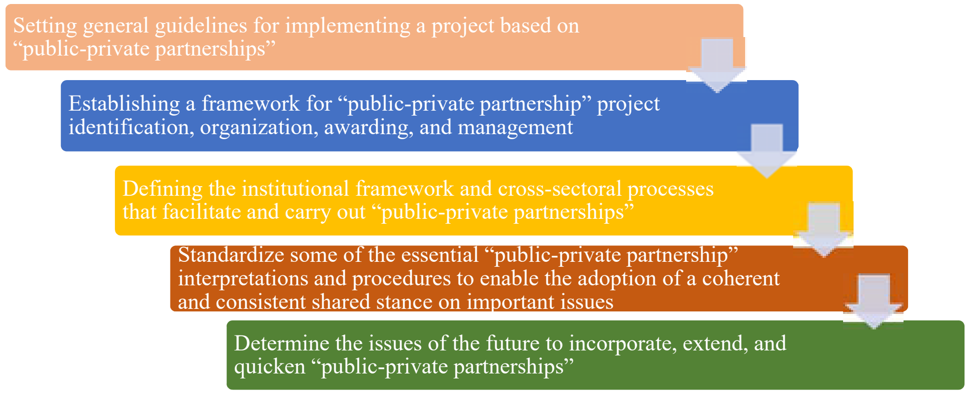
Figure no. 2 The Indian government's initiatives to raise the standard and enhance the quality of social and economic infrastructure services



Source: processing after (World Bank, 2022)

"The National Public-private partnership Strategy" in India seeks to enable this development of the "public-private partnership" approach's application consistently and efficiently, through the initiatives shown in Figure No. 3

Figure no. 3 The Indian government's initiatives to increase the usage of PPPs



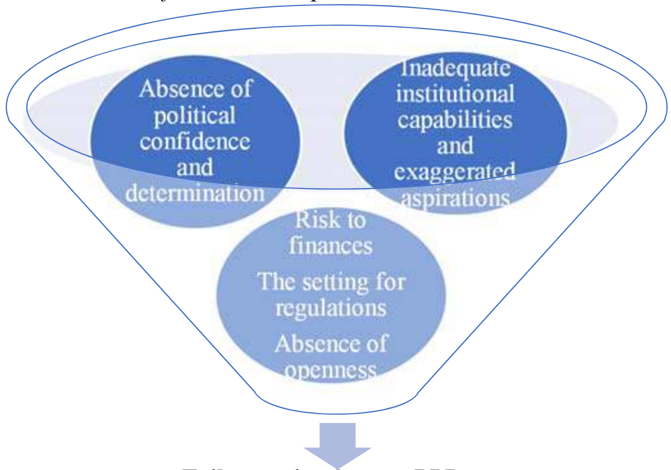
Source: processing after (DEA, 2011)

The "public-private partnership strategy" enhances limited resources, fosters greater competition, and aids in both efficiency and cost reduction. The success that "public-private partnership" has brought about in the road and transportation industry may now be used to measure its benefits. "Public-private partnerships" have replaced other development options as the standard in many industries in less than ten years. "Public-private partnership" is used to improve other infrastructure sectors, such as ports, railroads, airports, and aviation. (MHUA, 2023)

4.2. "Public-private partnership" in Africa

In Africa, "public-private partnerships" are becoming more widely recognized as a crucial tool for planning, developing, funding, and/or managing infrastructure that was previously provided by the public sector. Many African governments are stepping up their efforts to promote "public-private partnerships" because of the public sector's inadequate resources, mounting pressure on government finances, and worries about the effectiveness of services provided by state-run businesses and organizations (ICA, 2023). "Public-private partnerships" will accelerate the expansion of the continent's economy and make it easier for the private sector to participate in the policy-making process (AUDA, 2021). In Africa, "public-private partnerships" are becoming more widely considered by the private sector as a useful means of reducing some of the risks related to individually financed and managed enterprises. Some of the obstacles causing delays and difficulty can be removed by working with public sector partners (ICA, 2023). The business sector has faced several obstacles when it comes to participating in "public-private partnerships", listed in Figure No. 4.

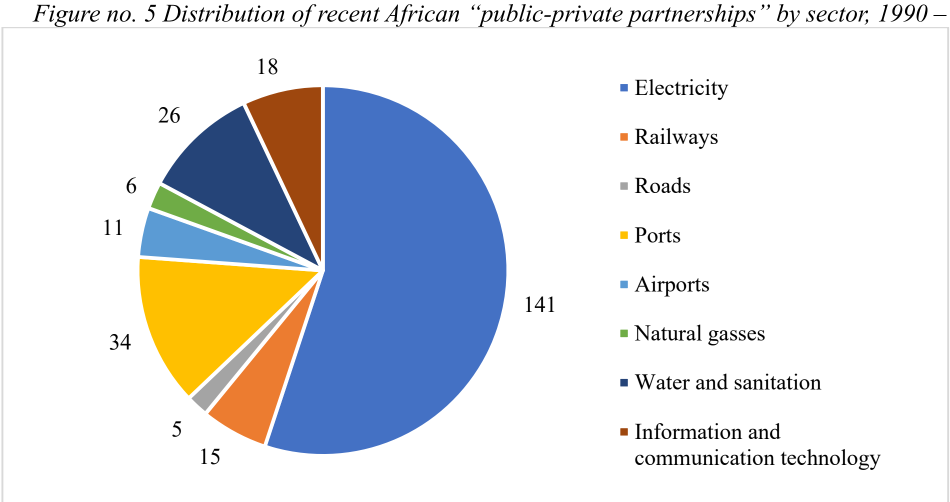
Figure no. 4 Barriers to Africa's PPP Implementation



Source: processing after (ICA, 2021)

There is a clear preference in Africa for the electrical sector when it comes to the areas where "public-private partnerships" should be developed as can be seen in Figure No. 5

Figure no. 5 Distribution of recent African "public-private partnerships" by sector, 1990 – 2019



Source: processing after (UNECA, 2020)

Additionally, a significant interest in funding transportation infrastructure, airports, railroads, and ports is evident. More than half of all successful "public-private partnership" initiatives from 2008 to 2018 took place in five African states: South Africa, Morocco, Nigeria, Egypt, and Ghana. Many more nations, like Burkina Faso (20) and Botswana (8), are engaged in numerous "public-private partnerships" (UNECA, 2020). With 84 "public-private partnerships" overall, South Africa leads the continent, ahead of Nigeria with 42. Some of Africa's oldest "public-private partnership projects" are being carried out in Nigeria, like the "Tinapa Business and Leisure Resort in Cross Rivers State", the "Muhammad Domestic Airport Project in Lagos", and several port terminal concessions. Kenya has witnessed the "public-private partnership" model's success in many industries, notably the construction of Africa's first sizable hydropower "public-private partnership", the "Bujagali Hydroelectric Plant". Morocco has invested a total of \$18.245 billion in "public-private partnerships", while South Africa has invested the most, at \$21.218 billion (CABC, 2020).

South Africa is known for its well-regarded "public-private partnership program" and for only having to pay small amounts of money to cover contingent liabilities associated with PPPs. Along with having a competent "public-private partnership" unit that has demonstrated effectiveness in assessing and managing future obligations, South Africa also benefits from relatively solid public sector governance. Furthermore, the nation's robust economy has benefited it as well. Growing economies raise tax revenues and consumer fee income for governments, which might be utilized for financing "public-private partnership" support services. This implies that there is a decreased likelihood of warranties being used and contracts being ended. (UNECA, 2021).

Treasury Regulation 16 is the law governing "public-private partnerships" at federal and local levels. Regulation 16 lays down institutional roles, standards, and approvals for the "public-private partnership process" (World Bank, 2023). To ensure that a "public-private arrangement" in South Africa is successful, the government considers many factors, including who is responsible for approving the idea for a PPP contract, the contract's potential obligations, whether the National Treasury will be part of the project, and, if so, which department, the phases of project preparation, and the elements in the process that the National Treasury must authorize for the project to proceed, how the public would be informed about the planned "public-private partnership" and its prospective obligations through government financial reports and other papers (UNECA, 2021).

A comprehensive "Public-private partnerships manual" outlines "public-private partnership" procedures and institutional duties. The manual offers comprehensive information at each stage of the "public-private partnership" procedure, broken down into discrete modules, and explains how Treasury laws should be understood. The handbook's modules are available for individual updates and are published on National Treasury practice notes. Regarding the requirement for project services, the public sector additionally takes on future obligations in "public-private partnerships" wherein the project company's primary source of income is customer fees. Contracting organizations are required to locate and assess "public-private partnership projects", oversee the bidding process, and choose the winner of the bid by adhering to the comprehensive instructions and specifications (such as typical documents and checkpoints for every phase) outlined in the manuals. Contracting organizations are required to locate and assess "public-private partnership projects", oversee the bidding process, and choose the winner of the bid by adhering to the comprehensive instructions and specifications (such as typical documents and checkpoints for every phase) outlined in the manuals (World Bank, 2023).

The African Development Bank projects that by 2025, the continent's infrastructure funding requirements might reach up to $170 billion annually, leaving a $68 to $108 billion annual financial deficit. "Public-private partnerships" are expected to play a major role in bridging this gap (AUDA, 2021).

5. Conclusions

This study achieved its goal by tracing the development of "public-private partnerships" across Asia and Africa, regions where through the enthusiasm over the previous ten years, the number of these collaborations between the public and commercial sectors has increased. The primary outcome of the study was achieved through the implementation of a research methodology that brought to light the current development state of "public-private partnerships" on both continents. This included an emphasis on the regulation of these partnerships, the fields in which they are developing, the factors that contribute to their success, and the risks that each region faces.

Regarding the regulation of the "public-private partnership", there are particularities of each region. In China, the Ministry of Finance is the entity that disseminates advice for the advancement of "public-private partnerships" but local governments bear the responsibility of directly financing projects. In India, the government has concentrated on developing a supportive environment for the growth of "public-private partnerships" and encouraging private investments through a variety of strategies. In Africa, South Africa is the best-performing country for "public-private partnerships". It has an effective program, the government carefully considers every aspect, and it has laws that govern partnerships at both the local and national levels. Although the focus on different sectors varies depending on the shortcomings they face and whether a "public-private partnership" can be the cost-effective solution, interest can be seen in the following areas generally: energy, transportation, ports, airports, trains, water and sanitation, education, health, and technology. Even though governments can intervene promptly to create development-friendly environments, allocate and share risks effectively, ensure that tasks are completed, and ensure project profitability, there are still factors that can lead to "public-private partnership" failures, such as mistrust between partners, a lack of transparency, and irrational expectations.

Concerning the study's limitations, we should emphasize that the information presented here is restricted to "public-private partnerships" in two areas, although these kinds of partnerships exist globally. This may point the way for future research endeavors. As for my contributions, the study that was done presents some effective models of implementation, which contributes to the enrichment of information about the concept.

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