

Improving role of the government towards successful implementation of Public Private Partnerships (PPPs)

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Introduction

Construction industry plays a significant role in the economy which generates both employment and wealth. Government being the major employer in the construction industry, Public Private Partnerships (PPPs) has been the mostly used procurement method in public infrastructure procurement (Zhang, 2005). PPPs can be defined as a long-term contract between a private entity and the government for providing a public infrastructure in which the private entity bears financial risk.

PPPs transfers the public infrastructure development and its related services to the private sector giving responsibility for design, construction, maintenance and finance, with the public party as the customer or the direct user (Walker & Smith, 1995). Further to Zhang and Kumaraswamy (2001), one of the key purposes of PPP is to handover contract responsibility for the infrastructure project to the private sector, in order to increase efficiency, effectiveness, cost reliability and financial security. There are different classifications for PPPs in worldwide. The purposes may vary according to the background of the country and the specific interests of the government infrastructure (Walker & Smith, 1995). In some cases, PPP terms a wide range of measures whereby government tasks are outsourced to private partners, and risk is shared between the public and private sectors to achieve about desired results.

The willingness of financiers and lenders to invest government infrastructure projects depends significantly on the government environment where these infrastructure projects operated (Busler, 2014). Infrastructure projects are not pursued by private parties which are in an environment where government authority is viewed as poor credit quality and contracts that cannot be enforceable easily. For PPP infrastructure project schemes to success there has to be favorable political policies, legal policies, economic feasibility and favorable commercial environments for the private party participation.

PPP projects were implemented all around the world over the past decades within a vast range of projects in infrastructure such as ports, power plants, railways, telecommunication networks, bridges, water supply, and other services of information technology and other infrastructure projects (Anderson, 2012). In Sri Lankan context PPPs has recorded a significant usage during last few years.

Even though the government plays significant role in PPP projects, many studies have focused on the critical success factors of PPPs and the associated risks. Therefore, the matters solely relating to the government role in PPPs in Sri Lanka is a significant matter to be researched.

The aim of the research is to develop a framework to improve government role towards successful PPP implementation. Following objectives are set in order to achieve the above aim;

- to examine the PPP as a tool for procuring government infrastructure
- to identify the government role, responsibilities and its impact in PPP projects
- to identify the current issues relating to the government role of PPP projects
- to investigate strategies to overcome the identified issues of government role in PPP projects

Methodology

A qualitative approach was adopted for this research with semi structured interviews. Interviews were carried out in two stages as; preliminary expert interviews and detailed expert interviews. As the first step of the data collection preliminary interviews were carried out with three (03) experienced professionals in the construction industry in order to identify the responsibilities of government in PPPs. The data from the preliminary interviews were analyzed using content analysis. The detailed expert interview guidelines were developed using the findings of preliminary interviews. Main objectives of the detailed expert interviews were to identify the issues of government role in PPPs and strategies to improve government role in PPPs. 10 detailed interviews were carried out among construction industry experts including the three experts involved in preliminary interviews. Purposive sampling was used to select the sample of respondents due to the complexity of the research problem. Therefore the members of the sample were chosen in relation to the following criterion;

- professionals who are having more than 10 years of experience in the construction industry with significant involvements in contract administration in infrastructure projects.
- professionals who have involved in contract administration in at least one public private partnership based infrastructure project.

Details of the respondents are presented in Table 1. After obtaining data from interviews, concept identification and data reduction were done by using Nvivo software. Data analysis was based on examining, classifying and arranging evidence to assess whether the evidence supports the initial plans of the study. Code-based content analysis enabled to find similar perceptions under a

particular concept and consider its significance rather than the actual content of the segment.

Table 1 Details of the respondents

Designation	No. of years of experience	No. of PPP projects involved
Contract Manager	18	2
Contract Manager	20	3
Contract Administrator	21	2
Chief Quantity Surveyor	16	1
Project Manager	17	1
Project Director	21	1
Chief Quantity Surveyor	15	1
Project Manager	16	1
Chief Operations Officer	25	1
Programme Director	23	2

Results and discussion

The government has responsibility in solving a wide range of issues in PPPs. Private Participation in infrastructure development requires the government to continue to play a key role in planning, policy formulation and regulatory matters according to the expert's opinion. All the interviewees identified that following responsibilities have to be fulfilled by government in Sri Lanka in PPPs.

Table 2 Responsibilities of the government

1. Enable commercial viability of the PPP project
2. Provide more confidence to investors and lenders
3. Keep better insight to protect the public interest
4. Keep favorable commercial environments for the private party participation
5. Reduce the fear of the private party considering various involved risks

There are legal, social, economic, political and administrative issues involved in PPP projects. The government has responsibility in overcoming a wide range of issues in PPPs to establish a successful PPP project. The identified issues of the government role are presented in Table 3.

Table 3 Issues of government role relating to PPPs

1. Complex decision making
2. Inadequate domestic capital markets
3. Inadequate legal and regulatory framework
4. Issues with the communication central government and local authorities
5. Issues with the public interest towards PPP projects
6. Lack of capacity of the government
7. lack of clear government commitment and objectives
8. Lack of competition
9. Lack of mechanisms to attract long term finance from private sector

Table 3 Continued.

10. Lack of protection to the finance lenders
11. Less credibility of government policies
12. Political instability
13. Poor management of risk
14. Poorly defined PPP policies
15. The delays when approving permits by the government
16. Transparency of the PPP project
17. Wide gaps between private and public party expectations

The government has responsibility in overcoming a wide range of issues in PPPs to establish a successful PPP project. According to the findings, the identified solutions to overcome these issues are as follows (See Table 4).

Table 4 Strategies to improve government role

1. Creation of an PPP enabling environment
2. Establishing risk based approval system
3. Establishment of clear regulations for PPP
4. Establishment of high level committee
5. Formulation of a strong PPP policy framework
6. Implementing legal and regulatory framework
7. Taking legal actions to delaying payments by officials
8. Using one stop shops to improve coordination of government

The developed framework is shown in Figure 1 which consists with the findings of the research in order to improve government role in PPPs.

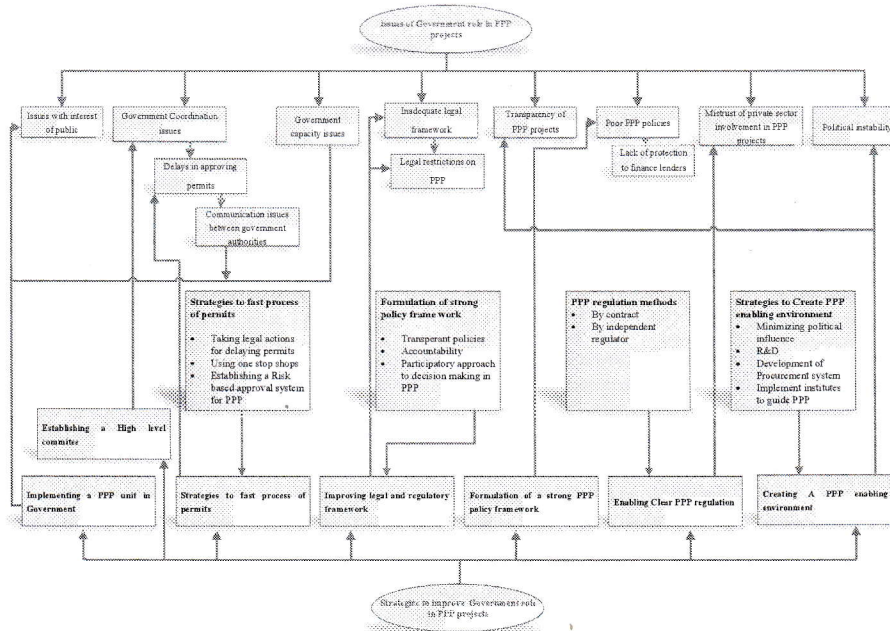


Figure 1 Framework to improve government role towards successful PPP implementation

Conclusion

PPPs have become the most prominent alternative procurement method used in infrastructure development in Sri Lanka. Therefore, it is important to take actions to improve government role towards successful PPP projects. This research was aimed to develop a framework to improve government role towards successful PPP implementation. The findings of this research revealed that there are critical issues relating to the role of the government which are resulting in poor progress in PPPs.

Be concerned about the research findings, followings recommendations can be made for improving government role towards successful PPP projects in Sri Lanka. The PPP concept is quite new to the current Sri Lankan context but it is rapidly expanding in world infrastructure projects. Establishing a clear legitimate institutional framework supported by reputed authorities is an important recommendation for the government. The government should ensure public awareness of the costs, benefits and potential risks of PPPs and other conventional procurements. Understanding of the PPP project is important and this requires active discussion engagement with stakeholders, end-users in proposed project. Key institutional and government roles and responsibilities have to be maintained. This needs that procuring authorities, PPP Unit, the central budget of the country, construction sector regulators are assigned with clear mandates and enough resources to confirm a prudent PPP procurement process and strong lines of accountability. Government should ensure that all significant and important regulation affecting the operation and the process of the PPP is clear, transparent and enforced.

Keywords – Government role, infrastructure, PPPs, procurement, strategies.

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