The Working of Public Private Partnerships in Local Government: Lessons for Sub-Saharan Africa

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Abstract: Governments across the world have given local authorities more freedom and power to meet the needs of their citizens and communities. Establishing local authorities has been in line with the quest for self-governance in matters that affect their local aspirations. Existing studies acknowledged that while decentralization has increased urbanization and a sense of fulfilment of local community aspirations, it has plunged local administrations in a state of administrative grief caused by constraints of resources to meet rising populations and needs of local communities. To salvage constraints, public private partnerships have been viewed as the immediate rescue option. Little is known on the applicability of PPPs in Local governments in developing economies. The aim of the study was to explore practices associated with PP application in local government setup. Based on an exploratory review, the study provides guidance on use and context of the application PPPs in local government. The outcome of study is important since the administrative grief is enlarging due to COVID-19 effects yet the bulk of citizens that form the bulk in the nation and continue to put pressure on local authorities to deliver service.

Keywords: Administrative grief, COVID-19, Local government, Public private partnerships

1. Introduction

Public administration has manifested several reforms of the last decades. In local government decentralisation has been the most popular reform (Marshall, 2008; Wollmann, 2016). The reform ushered in multi layers of government in developed and developing countries. The devolution of such a nature of governance has been escalated by the increasing interest to implement local economic development (LED) and decentralisation policies have been quite popular in Sub sharan Africa (Tobi & Oikhala, 2021; Resnick, 2021).

A large body of literature suggests that LED and Decentralisation concepts have become popular concepts in the last 50 years. The concept of local economic development (LED) refers to the improvement of material well-being of persons, the distribution of wealth and participation of citizens in their immediate local economy. According to Kindleberger and Herrick (1977) the aim of LED is to enable citizens to make decisions that define their development journey and benefit from their local economy. A range of factors have motivated local governments to engage in local economic development. According to Peterson (1981) the motivation has largely been fiscal and economic problems that arise due to mobility of capital across boundaries of local government from local government to cities or across geographies other than investment of wealth where it was made to benefit the local community (Petterson, 1981).

From a cities perspective, the rationale for LED has been attributed to the need to position cities economically, making them attractive for foreigners for economic activity and settlement (Peterson, 1981). The view leans on the notion that cities compete among each other (Peterson, 1981). The other reasons are that LED is politically popular and the creation of local economic position matters and that local leaders and officials want to do good for their community and as a sense of responsibility for communities they reside (Peterson, 1981). Bowman (1995) notes that local economic development is driven by a fiscal motive. By implication, it is revealed that tax benefit that is derived from a prosperous local economy is a primary motivator of the move by local governments to promote LED policies and strategies. In other studies, Blair, Fitchenbaum and Swaney (1984) locally developed places provide current and future jobs for their residents. Another policy has been decentralisation. According to Smoke (1987) decentralisation like privatisation has been adopted in Africa due to pressure from the international development community. As a policy, decentralisation seeks to limit the role of central government in the affairs of devolved administrative units. In essence decentralisation seeks to assign powers and resources to autonomous local governments, and enable responsive governance through elected councils and other accountability mechanisms and adequate capacity of local governments to meet their responsibilities (Smoke, 1987;9). To deliver decentralisation, three forms have remained popular; financial, institutional and political decentralisation. Financial decentralisation relates with the ability to collect, use, manage and account for local revenues.

2. Literature Review

Political decentralisation is credited for having been one of the key notable reforms. With this form of decentralisation, political processes are organised to enable the selection of local leaders at subnational governments that approve and oversee plans that technocrats execute in delivering services to the local people in the administrative units. Institutional decentralisation refers "to the administrative bodies, systems and mechanisms, both local and intergovernmental, which help to manage and support decentralisation. It also includes mechanisms that link formal government bodies to other key local actors –traditional local authorities, non-governmental organisations, private sector partners..." (Smoke, 1987:10). The objective of decentralisation has largely been the need to improve efficiency, equity, governance, improve development and eradicate poverty (Smoke, 1987).

As a key character of decentralisation, local government is expected to provide infrastructure that is necessary to support local development. In Addition, LGs provide a menu of services including water, primary and secondary education, bus and other public transportation services, fire management services, garbage collection and treatment, parks, enforcement, social assistance, and probation services. Utility services at LGs require a built environment in order to operate and maintain. Much public infrastructure is old and needs to be replaced (Boardman & Moore, 2020:61). While in other spaces the bulk of the infrastructure needs to be extended for the wider population of citizens. The cost of providing new or refurbished infrastructure continues to increase and, at the same time, many voters continue to oppose licence fee and tax increases. Central cash transfers to local governments continue to reduce as populations served by local governments increase.

Notwithstanding in some countries like Uganda, the reduction of central transfers and bans on collection of local revenue has caused enormous stress on service delivery. While other LGs are affected, municipalities and cities are hit hard as their population densities and demands for service delivery tend to be higher than in other LGs' contexts (World Bank, 2018). According to Yang & Liu (2020), the COVID-19 will be likely to increase the gap between "the real expenditure demand of local governments and the relatively limited financing channels will continue to exist and may expand". Accordingly, this will usher and escalate the promotion and adoption of PPPs by governments in service delivery, which will inevitably promote the promotion and application of PPP financing model. Public Private Partnerships (PPPs) are considered to be the new norm attracting iconic status in service delivery (OECD, *nd*: 18, 19). Over the years, governments have set out to improve public service efficiency and effectiveness through use of PPPs. (Hood & McGarvey, 2002). Public Private Partnerships (PPPs) in local government are long-term agreements between a local authority and a private partner that are entered into, with the objective of assuring the financing, construction, renovation and operation of a local public infrastructure or service. PPPs connect the public and private sectors. While Fitzgerald (2004, 2007) argues that a balanced discussion on PPPs exists in rarity, some uniformity is emerging. PPPs have been majorly implemented in the developed world, where the origin of PPPs is traceable (Ball, Heafey & King 2007). PPPs financed by a combination of user fees and government transfers for instance where the stake owns equity in a special purpose vehicle (spv) or situation where government comes in to provide pay when demand risk sets in. While PPPs have been adopted in the developed world and concentrated in the central government service delivery context, the appreciation of value and adoption of PPPs has spread to the developing world and is no longer a neighbour but part of the family of national policy and service delivery options.

3. Theoretical Orientation

The investigation is underpinned by the theory of decentralisation. According to Tiebout (1961) and Mudyarabikwa & Regmi (2014), decentralisation depicts the act of the transfer power to make choices at a level where the masses to be affected by decisions reside. Infact, it is noted that sustainable decentralisation takes three forms, namely political, administrative and fiscal (Conyers, 1984; Prud'Homme, 1995). In line with the decentralisation theory, governments worldwide have largely transferred the power to make choices of citizens at LGs. Jütting, Kauffmann, McDonnell, Osterrieder, Pinaud & Wegner (2004) argue that decentralisation can improve the efficiency of service delivery. Arguably, this is because of the benefits attached to decentralisation arising from the ability of citizens to make decisions that determine the path to how they are governed and prosper (Tiebout,1961). While it was assumed that LGs would become fiscally independent due to fiscal decentralisation, this has not happened despite reducing central transfers to local government, this has not happened.

For instance, Martinez-Vazquez (2011) reveals that while governments score highly on political and administrative decentralisation efforts, they score low on fiscal decentralisation local administrative units and subnational government danger in serving citizens at the grassroots. Countries in conflict and post conflict nature have had more trouble with fiscal decentralisation ills (Jibao & Prichard, 2016). This explains why it was predicted by earlier studies by Rothenberg (1970) predicted that if decentralisation is not implementation in full, then subnational governments are likely to encounter distress. This prediction is confirmed by Shah (2004) that argues that while governments have sought to fully decentralisation, they have largely retained fiscal decentralisation (Muluk, 2021) and where attempts have been made to provide for fiscal decentralisation, sabotage from the Executive arm of government has frustrated efforts of decentralisation (Reinikka, & Svensson, 2004). This has resulted in service delivery deficiency and in some cases negatively affecting the utility of service provision. While calls for the government to extend fiscal decentralisation have become popular, there has been limited attempt to deliver this form of decentralisation. In this nexus, local governments have sought for options among which public private partnerships (PPPs) are being adopted to close the gap in service delivery at local government level. While this has been achieved across the world, most local governments in Sub-Saharan Africa have not adopted PPPs. Some reasons for this trend has been the lack of competence to design, attract and execute PPPs. This paper therefore seeks to provide lessons for implementing PPPs at local government level. To achieve this purpose, the paper is guided by the following research questions, namely; How can public private partnerships be implemented at local government? What are the benefits of public private partnerships at local government? And what are the challenges faced by PPPs in the local government context?

4. Methodological Approach

This study adopted an exploratory design where case study methodology is adopted. A case study approach is employed. The boundaries of the study are limited case studies that reside with information on the applicability of PPPs in a local government context. This approach adopted in this investigation is justified by Seawright & Gerring (2008) who argue that by limiting boundaries for instance to case studies in-depth information rather than providing a representation of a bigger population can be more important. Flyvbjerg (2006) argues that "case study research which is geared primarily to hermeneutic problems which may be of generalized importance in so far as it serves to elucidate the nature of agents' knowledgeability, and thereby their reasons for action, across a wide range of action-contexts." This relates to the *principle of transferability in research*, where research findings of a particular qualitative case study might be theoretically and analytically generalized or transferred to other similar cases or contexts outside the study (Rule & John, 2011; Maree, 2012). Thus, the key issues identified from the comparative analyses of selected PPP case studies provide insights into the understanding of what other local governments with similar contexts should consider in the attempt to adopt public private partnerships in their service delivery models. To collect data, scholarly and documents were reviewed. We started our searches using Google Scholar, EBSCO Host and Science Direct search engines. We further created alerts on Google scholar for alerts on updates in the area of PPPs in local government. The key words used for the searches were PPPs in Local Government, Fiscal Decentralisation and decentralization. We then reviewed abstracts that contained relevant data before we went for full reads of papers that were selected. From the full read of papers, we retrieved data on the applicability of PPPs in Local Government.

5. Results and Discussion

In this section, we provide the results from the review of secondary data on PPPs among local governments.

5.1 Application of PPPs in Local Government

This section provides a comparative analysis of purposefully selected PPP projects from different sectors of local governments at global level. One emerging factor from the case studies discussed below indicate that the PPP projects implemented arose from inadequate funds and capacity by local governments and towns to sustainably provide the basic needs for welfare improvement of the populace. Based on the analysis of case studies summarized in Table 1 on the above case study, it can be deduced that Local Government has potential to raise revenue than existing revenue collections. It is also revealed that one of the assets that can be exploited to raise local revenue and increase opportunities for residents in a local government setting is land. Despite the opportunity that land possesses, this invaluable asset usually remains idle when local governments do not exploit the use of PPPs as one of fourth industrial revolution (4IR) strategic reforms

By use of PPPs, the Malaysian experience indicates that PPPs in land can take the form of lease, develop, own, operate, and transfer (LDOOT). The case study further points to the opportunity of securing PPP investors from the locality where the PPP project is conceptualized and is to be implemented. This is likely to reduce the time lag of sourcing for investors and associated financial closure as businessmen in the local PPP geography are likely to be in possession of funds necessary for the investment. In the case study, the private party was sourced from the same city. From the case study, our analysis reveals that PPP projects can support local governments securing additional revenue from PPP. In the case study, it is noted that the PPP implemented at Kuantan was able to contribute up to RM2.5 million that represents 2.7% of 92 Million total City revenue collected in 2008. This finding supports the views of other existing studies (Forrer *et al.,* 2010; Twinomuhwezi, 2018), that PPPs are pragmatic measures for attracting special technical expertise, funding, and innovations by the government from the potential private sector partners in order to address complex public sector problems.

Case Study 1: Redevelopment of Kuantan Market Area Malaysia through PPP

Kuatan is a town located in Eastern part of Malaysia. The Kuatan City administration wanted to improve the economic attractiveness of Kuatan, a remote town. The council did not have funds to develop land on which market area. Under PPP, the city authority had land that it sought to develop but faced financial constraints. The city's objectives; to explore socio economic investment through privatization by creating business and job opportunities; to spearhead development; to reduce dependency on tax revenue to finance urban services; and to support investment in Kuantan. It is argued that consistent with the city's development path, the city developed a PPP project, code named Kuantan Central Market.

According to Singaravelloo (2017), Kuatan city experienced problems ranging from low economic attractiveness, absence of attractive shopping centres and the inability of the city to develop the area in order to make it attractive for dwellers. By adopting a Lease, Build, Operate and Transfer PPP for a tenure of 15 years, Kuantan was to attract developments that have attracted secondary developments, taxes and revenue for supporting operations of the city administration from both the PPP investor and tenants of the facilities that were built by the developer. However, it can be noted that while PPPs can be used for redevelopment of markets, user fees may be a sensitive area and require both regulation and stakeholder engagement (see Table 2). It is also revealed that land held in trust of local authorities is one of the assets that can be exploited to raise local revenue and increase opportunities for residents in a local government setting. Despite the opportunity that land possesses, this invaluable asset usually remains idle when local governments do not exploit the use of PPPs as one of the fourth industrial revolution (4IR) strategic reforms.

By use of PPPs, the Malaysian experience of the redevelopment of Kuatan market under PPP

Table 1: Summary of PPP for Renovation and Leasing Part of Kuantan Central Market

Kuantan Municipal City	Kuantan is the capital city of the state of Pahang on the east coast of Peninsular Malaysia. In the centre, the modern Sultan Ahmad Shah State Mosque features 5 domes adorned with blue geometric patterns, plus 4 towering minarets. To the east, seafront Taman Teruntum park includes a landscaped garden and the Mini Zoo. Nearby Teluk Cempedak is a surf beach with a raised walkway
Country	Malaysia
City's Development objectives	• to explore socio economic investment through privatization by creating business and job opportunities; to spearhead development; • to reduce dependency on tax revenue to finance urban services; and • to support investment in Kuantan
Problem	• Lack of trade and economic attractiveness of Kuatan Traders operating in environment that was unhealthy and disorganised • Absence of supermarkets, high prices for goods for local citizens crossing border to Singapore to shop, denying Kuantan GDP growth • KMC not willing to spend on improving market due to other priorities
Decision	Redevelop Kuantan under a PPP
Project Name:	Development of Kuatan Centre Point
PPP Type	Lease, Build, Operate and Transfer 15 years
Timing of granting of lease by local authority	Upon completion of delivery of agreed project deliverables
Type of risk transferred to private party	Construction, operate and maintenance risk, fee collection risk
Value of private investment required	RM 15 million
Scope of Project	Renovate the market: construct a new block, renovate the 1st floor of the market and construct 138 petty-trading stalls
Procurement	No competitive bidding but proposals were solicited from existing tenants
Role of Government: party (KMC)	• provide lease for 2-acre plot of land that was initially accommodating a temporary bus station with nine units of food stalls, and 20 units of petty trading stalls • lease facility to install supermarket with 100,000 square feet
Role of the private party (OKSB)	Renovate the market: construct a new block, renovate the 1st floor of the market and construct 138 petty-trading stalls
Benefits of PPP to KMC	• RM39,000 monthly revenues from lease, with revenue from lease account for 2.5% of city administration revenue • Licence revenue from new tenants (figure not provided) • Tax revenue from tenants (figure not provided) • Market place became pleasant attracting jobs and market opportunities
Benefits to private operator	• Established biggest supermarket and enjoyed economies of being the biggest supermarket in Kuantan City • Capital gains could have been achieved when OKSB sold its stake to "The Store", a supermarket chain store
Benefits to community	• Access to products not previously available in country • Pleasant and shopping experience • Neighbouring communities evidenced new development with local landlords renovating and improving their buildings to safeguard against competition with the new shopping complex and safeguard competition from market entry of the Store
Threat to local community of investors	• *Unanticipated:* Competition of complex i.e. attracting relocation of tenants into complex to thrive and safeguard against competition • *Actual*: some tenants relocated to the new complex

Source: Singaravelloo (2010)

indicates that PPPs in land can take the form of lease, develop, own, operate, and transfer (LDOOT). The case study further points to the opportunity of securing PPP investors from the locality where the PPP project is conceptualized and is to be implemented. The PPP was implemented by local developers, a practice that provides opportunities for their dwellers to participate in the benefit of their local economy. By partnering with local private investors for local PPPs, there is a chance to reduce the time lag of sourcing for investors and associated financial closure as businessmen in the local PPP geography are likely to be in possession of funds necessary for the investment. In the case study, the private party was sourced from the same city. From the case study, our analysis reveals that PPP projects can support local governments securing additional revenue from PPP. In the case study, it is noted that the PPP implemented at Kuantan was able to contribute up to RM2.5 million that represents 2.7% of 92 Million total City revenue collected in 2008. This finding supports the views of other existing studies (Forrer et al., 2010; Twinomuhwezi, 2018), that PPPs are pragmatic measures for attracting special technical expertise, funding, and innovations by the government from the potential private sector partners in order to address complex public sector problems.

Case Study 2: Batu Pahat Public Transport PPP in Malaysia

Located in Malaysia, Batu Pahat city is identified as part of the local authorities that have adopted PPPs in service delivery. The authority's objectives were to redevelop existing facilities; provide public transportation; encourage better economic activities around and within the local area; move hawkers in an organised place to avoid obstructing traffic and to improve hygiene of the bus park. While the local government administration wanted to develop the parks, they were limited with funding. Existing studies have further acknowledged funding as one of the most bothersome problems that local governments face in implementing their administrative career of delivering service to their local communities. While federal loans have been adopted in some countries like Malaysia (Singaravelloo, 2017) rising administrative units tend to restrain the volume of loans that can be accessed by local authorities. Worse still, commercial loans at local government level were discouraged while federal loans were not sufficient to achieve the objectives of developing the parks. A decision was made by the local authority to use a PPP approach to develop and expand the parks. A Lease Develop Operate Transfer was adopted. The nature of risk transferred to the private party was majorly change of user fees and delayed payments by tenants coupled with financing, construction and operational risk. The scope of the project included; design and redevelop a 15 storeyed complex with bus bays, food stalls, taxi stands, public parking spaces and offices. The private investor was given 60 years to recoup investment. On the other hand, the role of the local authority was to provide and lease, approve design and develop policy on the use of the complex by taxi, bus operators and hawkers. Both parties secured benefits. The local authority was able to secure a quick source of finance to redevelop the complex, attracted revenue through a revenue sharing model, improved organisation of stakeholders in the market and expanded services for visitors to the complex. It has been argued that there resulted improvements in traffic flows and better organisation of markets for hawkers. Henderson, Yun, Poon & Biwei, (2012) has argued that organising hawkers provides benefits. For instance, it has been argued that hawker centres can act as tourism centres (Henderson et al., 2012). Motala (2008) has also asserted that by organising hawkers may result into organising their capabilities while creating greater chance for organised groups of hawkers to access state and grant support from a wide range of stakeholders.

Table 2: Land Development PPPs in Malaysia

Batu Pahat Country	• The capital of the district Bandar Penggaram, Batu Pahat is located at 1°51'N 102°56'E. It is 239 km (150 miles) from Kuala Lumpur. The next nearest town is Muar which is 50 km (30 miles) Northwest of Batu Pahat. The town of Kluang is located about 52 km (32 miles) to the northeast. Johor Bahru is located about 70 km to 100 km (43 miles to 62 miles) to the southeast of the town. • The district itself borders the districts of Segamat to the north, Kluang to the east, Muar to the west and shares a border in the Southeast with the district of Pontian. The coast of the Straits of Melaka lies to the south. • Renowned for its salted fish in the past, Batu Pahat was formerly known as Bandar Penggaram, which means "town of Salt-makers". In 1893/1894, the present township was founded by Dato' Bentara Luar, Mohamed Salleh bin Perang, acting on the orders of the Sultan of Johor, Sultan Abu Bakar Malaysia.
City's Development objectives	• To redevelop existing facilities to be more organized • To provide public transportation hub in the city • To encourage better economic activities around and within • Building • To move hawkers in an organized place to avoid obstructing traffic • To improve hygiene of the bus park

Table 2 Continued: Land Development PPPs in Malaysia

Problem	• The city existed with an unclean disorganized bus and taxi park. While the administration wanted to redevelop the park, it lacked financial resources. Financing options available such as federal loans and commercial loans since local revenue collections were. Commercial loans at local government were discouraged while federal loans were provided in deficiency of what would be required to develop the park
Decision	• To develop the park using a Public Private Partnership (PPP)
Project Name	• Batu Pahat PPP
PPP Type	• Lease Develop Operate and Transfer
Type of risk transferred to private party	• Change of user fees and delayed payments by tenants
Timing of granting of lease by local authority	• Not provided
Value of private investor required	• Not provided
Scope of Project	• Design and redevelop a 15 storeyed complex with bus bays • Food stalls, taxi stands, public vehicle parking spaces, and offices • Provide design vetted and had to be approved by council
Tenure of Concession	• 60 years
Procurement	• Direct Negotiations with reputable firm
Role of party Government: (council/BPMC)	• Provide land leases • Approve design • Policy on use on complex by taxi, bus operators, hawkers
Role of the private party	• Design and redevelop a 15 storeyed complex with bus bays, food stalls, taxi stands, public vehicle parking spaces, and offices
Benefits of PPP to BPMC	• Quick source of finance to redevelop complex • Revenue sharing model Government Party (60): Private party (40) revenue sharing ratio • Organized bus/tax /market for hawkers • Delivering bus/tax /market services earlier to dwellers
Benefits to private operator	• Eight (08) floors of space measuring in excess of 137,030sq metres in addition to; • 270 units in parking bays • Office space • Government Party (60): Private party (40) revenue sharing ratio • Management fee for managing tenants of the council on 14th Floor • Income from sale of the complex property at end of concession
Benefits to community	• Organized bus/tax /market for hawkers • Improved traffic flow
Threat to local Investors	• Property manager that took over from the private party did not maintain hygiene • Local tenants refused to pay rent over hygiene and in retaliation the property manager did not pay electricity bills and electricity was cut off by the national electricity supplier, disrupting elevators, lifts and air conditioner services • Council sued the property manager for failure to provide services. The defence provided by the property manager was that the council and other tenants were failing to pay rental dues and as a result the manager could not deliver as expected
Solution to challenges	• BPMC and tenants negotiated to pay rental arrears which resulted in reformed relationships and normalcy of operations with reinstatement of electricity by the property manager
Managing Expiry	• Property asset manager was recruited and awarded a contract to manage the post concession period
External forces impacting on PPP relationship	• National Policy requiring that 30% of shops be allocated to locals • Mortgaging of facility by developer was allowed by council to refinance but under clause that Council was not responsible in event of bankruptcy or defaulting on payments • Alternative space was provided to sitting tenants of the complex in the complex neighbourhood during the construction phase. At the end of construction, these tenants refused to go into the complex and chose to stay on • Alternative proceeds were not deposited in a common account • (Escrow) account with both parties as signatories arising accountability problems • There were no penalties for delays in construction by the private developer
Strategy to manage effects of recession	• Negotiation • Disclaimer in mortgage financing by private party

Source: Singaravelloo (2010) with revisions from analysis by authors (2020)

Case Study 3: Busembatia Water PPP in Busembatia Town Council Uganda

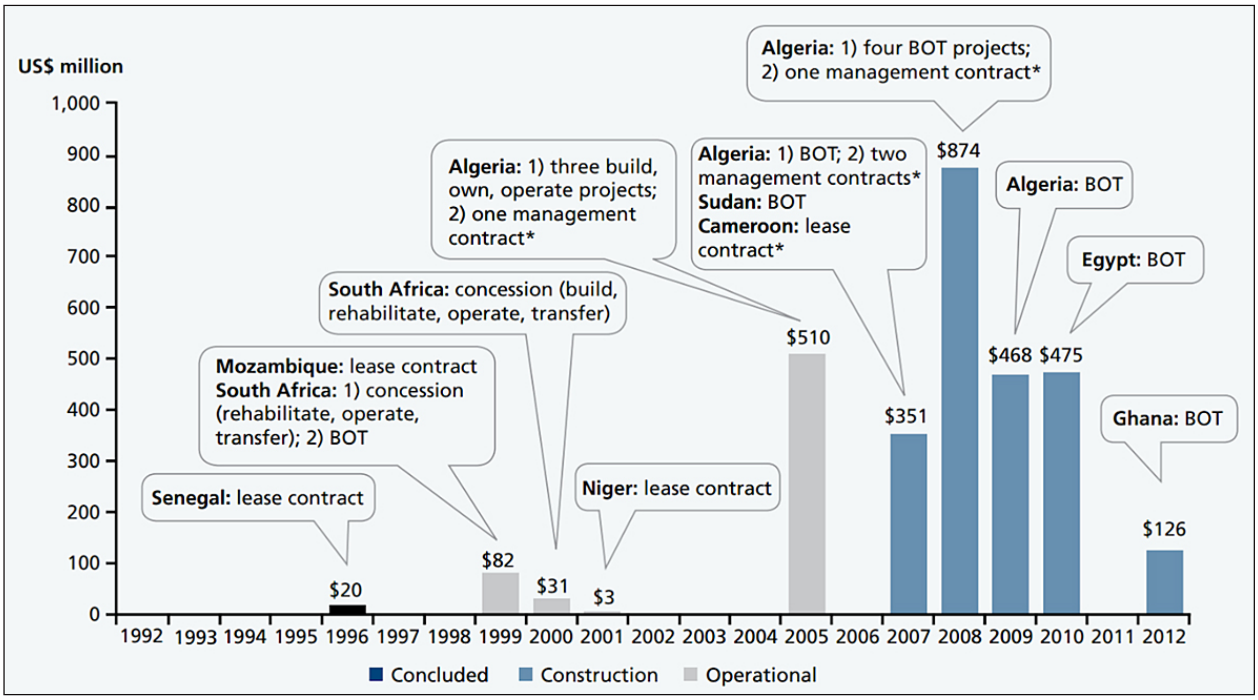
According to World Bank (2014), Brouwer (2014), Andres, Biller, Blades, Bloomgarden, Bright, Escalante & Donchev (2016) and Rice (2015), a water PPP in Busembatia town council was implemented in Eastern Uganda. The water PPP was implemented in line with priorities of the Government of Uganda That aims at improving access and use of safe water and sanitation facilities. It is argued that since water access has to a great extent decentralized, Busembatia Town Council must provide water to its dwellers. According to the World Bank (2014), the government of Uganda under the Busembatia town council awarded a 5-year performance-based contract to Trandint Limited that provided a bid price of USD$270,000. The concession involved new connections, reducing water losses and quality. The concessionaire was able to increase water access at same water tariffs, ensured availability with 24-hour service with 430 new concessions the 1st year of concession. It is also revealed that the commercial banks were not financing such models but with the Busembatia PPP, a local bank DFCU was able to lend USD$100,000 to the concessionaire due to the risk sharing model developed by IFC as the transaction adviser. The trend of private sector involvement both at central and local government level has evolved with the BOTs attracting more private sector spend as green field (lease arrangements) attracting less spend as cited from Figure 1.

From previous studies by the World Bank (2014), PPPs in water have been associated with efficiencies in construction, operation and maintenance. The principle guiding efficiency has been that PPPs do not allow for cost changes like it is with the acquisition using traditional procurement (PPDA, 2003). Accordingly, contracts are allowed to accommodate incremental cost changes during contract implementation of up to 25% of overall contract price. It is also revealed that engaging private operators in water services can result in reduced water losses, coverage and hours of service on a daily basis (World Bank, 2014). However, it is revealed that achieving such efficiency gains in water services requires the adoption of performance-based contracting.

Case Study 4: Lim Town and Minh Duc Town Water Projects in Vietnam

Vietnam is recognised as part of the countries where PPPs have been adopted in devolved governance structures across the country (World Bank, 2013). A design, build, and lease contract was signed by the Vietnam government and the private sector to provide the water needs of the local community. It is revealed by the World Bank (2013) that Lim Town quickly saw the number of connected households

Figure 1: Investment in Water PPPs (1992-2012)



Source: World Bank (2014)

grow from 1,792 to 2,336. It is further revealed that fourteen local full-time and six part-time jobs were generated due to the local PPPs (World Bank, 2013).

Case Study 5: Integrated Solid Waste Management Project (Alandur, Pallavaram and Tambaram Municipalities, Tamil Nadu)

Local government authorities have been faced with the challenge of waste management. In India like elsewhere, there is an increased demand for water services. Through a competitive procurement process, private investors were invited to operate and maintain existing waste management facilities for a tenure of 10 years. In addition, package 2 that involved a Build Operate Transfer (BOT) concession was offered at a tenure of 25 years. The private operators were allowed to charge locals a user fee that incorporated at 3% increase due to inflation. Surplus revenue from the sale of water was to be shared between the private party and local authorities at a ratio of 70:30. Both expenditures rise due to power and rehabilitation of the water system was to be shared by both the private and local authorities. The employee costs arising due to the PPP transition arrangement were to be borne by the private party. The fees provided by parties were discounted by 12%. The bidder with the highest net present value was awarded the concession. The benefits that are expected at the end of the concession are new expanded infrastructure without investment such as reservoirs, developed water distribution network cost savings on both operating and capital expenditure.

6. Implications of Applicability PPPs in Local Government

Our case-study analysis demonstrates that the PPPs are applicable to local government context.

6.1 Types and Applicability of PPPs in Local Government

By exploring the working of PPPs, this study identified Lease Develop Operate and Transfer, and management concessions (rehabilitate, operate and maintain as popular PPP types implemented in the local government context. Although these models are popular, this study concludes that the choice of whether PPP is a green field or brown field will usually determine the PPP type. In essence this study finds that where green field projects are to be implemented PPPs will usually take the form of Build Operate and Transfer (BOT). On the other hand, if the PPP type are brownfield, the form of partnerships will usually take the form of a management concession to rehabilitate, operate and maintain (ROM) or lease, operate, and maintain (LOM) or lease design and redevelop, operate, maintain and transfer (LDROMT). The study also points to the fact that where the local government has the land, LDROMT has been implemented and created value for both the local government administration and dwellers. Drawing from existing works, we also conclude that sectors that have attracted and are likely to continue attracting PPPs in local government are water, waste management, land, environment, accommodation, education, transport and tourism. Notwithstanding, other sectors like energy especially the off-grid solutions are likely to attract PPP investment.

7. Benefits of PPPs in Local Government

The study observes that PPPs at local government level are quite beneficial in-service agenda. The analysis indicates that PPPs can assist Local Governments to install new or refurbish infrastructural assets that can consequently motivate new development in areas that were traditionally remote. By attracting new infrastructural development, PPPs can attract new businesses, access to services that may not have been traditionally available. Reflections on the Kuantan Market development case study, by developing the market and construction of market complex, competition increased, attracting new investors to rent the complex and bringing services closer to citizens. By attracting new business as the SPV, there is an enlarged tax base that increases taxes payable to the local authority. This study further notes that if PPPs projects are awarded to competent local private sector players, local economic development (LED) can be promoted. However, the success of such assumption is based on how well risks are identified, shared and contractual safeguards must be put in place to ensure equal gains for the local people, authority, and private players.

Yang & Quin (2017) asserts that PPPs in China have been adopted to reduce the huge debt stock held by local governments. By engaging PPPs in service delivery at local government level, exposure to debt risk can be reduced as a consequence it has been argued that Western countries and China have and continue to adopt PPPs as an alternative route in service delivery at local government level (Yang et al., 2017). Martimort & Pouyet (2008) and Maskin & Tirole (2008) argue that the adoption of PPPs in service delivery provides a new mechanism for funding critical infrastructure that provides relief for already stressed budgets and limited local revenue funding sources. Other benefits that PPPs derive from While LGs have faced financial constraints at acquiring infrastructure for instance for water, waste management etcetera, LGs spread the risk of operating and maintaining infrastructure installed for service delivery. It can be deduced from the analysis of case studies; the PPPs can provide benefits in improving service delivery in the local government context. In the case studies from Malaysia, PPPs in markets and transport provided revenue with one PPP contributing to 2.7% of annual revenue collections. PPPs can help local government administration to spur development in areas where development lagged, while in some cases promoting local economic development as technology delivered by the private party may provide competition and demonstration effects that may motivate local developers to improve their customer offering in avoidance of a potential to lose customers. In the case of Redevelopment of Kuantan Market Area in Malaysia, it is revealed that the redevelopment of the market and construction of new complexes resulted in tenants shifting businesses from local shops to the complex. In turn local building owners in the face of competition upgraded their buildings. In this case study it is also revealed that shoppers that used to cross the borders to shop in Singapore would now shop in Malaysia. This trend may have assisted Malaysians to reduce costs of travel. While Singapore is in close proximity with Malaysia, every penny saved in business matters.

In the water sector PPP in Busembatia – Uganda, it is revealed that PPPs in local government administration usually do not provide only direct but can provide powerful indirect benefits. In this case study, it is revealed that by providing a management lease contract to a private water company to increase water assets as the primary objective resulted in other benefits. For instance, it is revealed that communities were able to start other income generating projects like poultry that were hardly possible with lack of sustainable water supply sources. Children were able to bathe before going to school thereby improving aspects of hygiene and sanitation of pupils in the area (IFC, 2013).

Investments at local government can provide employment opportunities. Directly, PPPs provide jobs to persons employed in managing operations of the concession, while services offered such as parks, markets provide working space for other investments by locals, creating indirect opportunities. By providing employment, PPPs enable local governments to reduce unemployment challenges which consequently can result in reduction in crime rate and improved livelihoods of citizens and dwellers in the local government context. Access to private capital (Liu & Wilkinson, 2014). It has been argued that local governments have great plans but usually lack the finance to implement such plans. In the developed world, municipality bonds have cushioned limits of cash transfers. But in the developing world such as sub-Saharan Africa capital markets have not yet matured to accommodate municipality bonds as a medium- and long-term source of capital budget financing for LGs. PPPs have been therefore adopted to provide capital finance for instance in the case of Kuantan the private party was able to provide capital injection of RM 15 million. This acted as a strategy to improve local economic development at local government. It also provides new opportunities in terms of small medium enterprise (SME) to expand at local government. This helps the local authorities to work hand in hand with local and international investors.

It can be deducted from PPPs at local government that PPPs provide employment opportunities for dwellers at local government level. From the case study in Vietnam Minh Duc Town, over 10 jobs were created for the local people. While the number of jobs may appear insignificant, other studies by the World Bank (2018) indicate that when PPPs are involved in public service delivery, they can deliver hundreds of jobs. Existing literature points to self-sacrifice through suicide, increased crime rate, gang participation (and violence), disease as outcomes of unemployment (Cramer, 2010). We argue that by seizing the opportunity of employment that PPPs provide, local administrators can reduce pressure on policing, health services that should be controlled by the opportunity of unemployment.

Consistent in this view, PPPs at local government level stimulate public investment. According to Resnick (2017) such public investments stimulate growth of rural towns that in turn can increase demand for agricultural products produced in surrounding rural areas, thus increasing rural incomes. Based on the comparative analysis we further retrieve insights that point that successful PPPs not only deliver intended outcomes but may deliver additional positive impact. For instance, in the Busembatia water PPP in Uganda, the water PPP that was aimed at delivering water quality and access, provided water that became an input for poultry farming since poultry, reduced school absenteeism as water was available for bathing by pupils, who were traditionally chased from school for not bathing. By staying in school without interruptions, school outcomes such as pass grades are argued to have improved.

8. Challenges Faced by PPPs in Local Government

Despite the benefits that PPPs deliver at local government level, PPPs at local government are prone to challenges. While existing literature identifies both user and government pay models in PPP concessions and operationalisation, this study finds that the user fee pay model is more appropriate for the local government context. According to Shang & Aziz (2020) user fees are demand based. Under the user fee payment mechanism, the user of the service pays for it directly. On the other hand, government pay models are where a government or public entity pays for the service produced by the private party and consumes citizens as users. The key performance criteria for the public party is ensuring that the service contracted for is available for use according to agreed prescribed times (Shang et al., 2020; Jin, Zhang & Song, 2020). There has been significant evidence on the uptake of PPPs in service delivery (World Bank, 2016; Tshombe & Molokwane, 2016; Nduhura, 2019; Twinomuhwezi, 2018; Nuwagaba, 2019). Ministries Departments Agencies (MDAs) have implemented PPPs on a large scale (Nduhura, 2019; Twinomuhwezi; 2018; Nuwagaba; 2019; Nsasira, Basheka, & Oluka, 2013; Higton & Clark, 2005; Vagliasindi, 2012) have made attempts to implement PPPs to resolve constraints impeding service delivery. The uptake of PPPs has been motivated by various reasons: earlier delivery of public services (Nduhura, 2019), demonstration effects that enable public administration to improve service delivery (World Bank, 2016), improved quality and speed of service deliver, innovation, technical expertise, benefits of tax incentives and effects on economy due to service delivered by private sector players (Khatleli, 2020).

User pay models are identified as popular payment mechanisms for local governments. This is because they are demand based. Since local governments are faced with financial constraints unlike Ministries, Departments and Agencies (MDAs) they are also unlikely to possess capacity to pay for services enjoyed by citizens and dwellers. The study notes that however attempts to increase user fees are likely to result in resistance. However, this can be managed through negotiations and stakeholder engagement where the citizens of the local community are a key stakeholder. Where user fees are unaffordable in the short term, the local authority should explore options to provide subsidies in the user fees paid to access and consume service.

The analysis of the study also points to the view that external shocks such as economic recessions may negatively impact on the PPP concession. For instance, revenue may fall below forecasted and inability to pay user fees or delays in payments due to effects of a bad economy. In such cases there would be a need for renegotiations. For instance, in Malaysia's Kuantan complex, the inventor negotiated with authority to take up space and renegotiations of rate to make them affordable in prevailing market conditions. While this can be done, it may impact on the return on investment and concession period. As an incentive, the authority should trade off extension of concession period with the reduction of fees for users. Such practices have for instance, been implemented in Uganda's' Bujagali HPP where tariffs were reduced for an extension of BOOT concession from 30 to 35 years (Nduhura, 2019).

The study further notes that the existing global attack by COVID-19 that has resulted in lockdowns is likely to manifest as a challenge to PPPs both at central and local government. Such lockdowns are aimed at avoiding spread of COVID-19 that is claiming lives. Lock down has come with restrictions on mobility that are reducing general aggregate demand for goods and services across the world. This situation exposes PPP concessions to risk of backlogs of arrears, reduced demand and associated demand risk exposing further some concessionaires to the big deep, bankruptcy. Resorting to win-win negotiations that take into mutual interests of both the users and private parties can help to keep PPP concessions afloat. While negotiations are key to securing short and medium-term outcomes, consideration of bailouts for PPP concessionaires at central government level cannot be ruled out if concession firms or rather SPVs are to stay competitive as argued.

The study also notes that PPP knowledge capacity constraints exist at local government level (World Bank, 2016; Twinomuhwezi, 2018). While private developers lack financial capacity, local administrators also lack capacity to identify and design pipeline projects alongside the inability to develop well-structured concessions and negotiations. By developing partnerships with strategic partners such as the World Bank and credible transaction advisers.

The culture of late payments is common with user pay public sector models. While this is common, it may not be tolerated when the management of the public facility reverts to the private sector. This is due to at times loan repayment schedules that are fixed and any failure to comply resulting in fines in form of additional interest that erodes the rate of return for the private party. From the case of the Kuantan market redevelopment area, it has been observed that late payments negatively impacted on operations and maintenance of the facility. In this case the property manager did not pay electricity bills and electricity was cut off by the national electricity supplier, disrupting elevators, lifts and air conditioner services. This resulted in legal suits against the property manager by the council. Notably in their defence, the property manager argued that the failure by tenants to pay their dues in time had frustrated their efforts of maintaining the facility to a level desired by the tenants and council. However, through negotiations, the tenants were able to make payment thus enabling the reconnection of electricity as well as restoration of hygiene. It can also be deduced that each party must meet their obligations if PPPs are to succeed at LG by securing support from the local government in the form of co-enforcement of administrative requirements by users of PPP services or facilities.

Other studies have pointed to capacity gaps in developing PPP pipeline projects at local government level. There is also a view that local government officials are usually unfamiliar with the management of PPPs alongside adoption of PPPs in a context where the legal and regulatory framework remains immature.

Local governments are known to be faced with unpredictable economic conditions (Singaravelloo, 2017). As cited in the case of Buatan, due to economic recessions, some blocks at the local market complex (Singaravelloo, 2017) remained empty hence negatively impacting on return of investment for the private party. This view with the view of Shrestha, Chan, Aibinu, Chen and Martek (2017) assert that economic conditions in which PPPs operate are also unpredictable and unstable, and thus make PPPs risky ventures. Other challenges have been cited. For instance, in a review of PPP projects associated within two water supply plants, two sewage treatment plants, two power supply plants, two highway projects, and two bridge projects (Xu, Yeung & Jiang, 2014) it is argued that administration at local government level has been critiqued for giving excessive guarantees.

Existing studies have blamed the uptake and success of PPPs generally on the lack of an enabling legal and regulatory framework (Ndandiko, 2006; Hodge & Greeve, 2007; Liu, Love, Davis & Smith, 2015). In Uganda like other sub-Saharan countries Kenya, Tanzania, Rwanda, South Africa, Botswana effort has been made to develop and implement policies, laws and regulations to support PPP implementation. For instance, in Uganda, the PPP Policy was passed in 2010, PPP Act came into force in 2015 while regulations were developed in 2018 and now being implemented. While MDAs continue to submit and implement PPP projects, PPP implementation at local government level is lacking despite an increasing view that PPPs would deliver greater impact at local government due to the massive that such administrations serve.

It is further revealed that while local governments are familiar with "the type of guarantees" to provide to the private investor, they are often unsure of the "amount" that should be given as guarantee (Xu et al., 2016). This has resulted in what is termed as "benefiting the private investors" as the government provides them with too many guarantees. By giving excessive guarantees the private party can become complacent in delivery while expecting high returns from investment due to guaranteed protection of the local government (Wibowo, 2004).

The dilemma affecting the continuity of service delivery in local government has been on the rise. While solutions have existed, the knowledge to apply known solutions has been constrained. This study has provided insights on the applicability of PPPs in local government delivery and how they can be used to quash the administrative grief that exists in the minds and hearts of public administrators. The study provides disclosure of some types of PPPs that are commonly applicable to the local government context and how they can be implemented across sectors for infrastructural development and service delivery in developing economies. Interestingly, we further note that PPPs are more needed and applicable to most central government sectors such as transport, energy, water, waste management, telecommunications and other unexploited natural resources such as idle urban land for delivery and addition of unique value. In the comparative analyses made on case studies, it was revealed that PPPs are not only vital in the provision of extra funding and capacity for overcoming budgetary and capacity constraints but also in reducing administrative grief that exist in local governments.

Besides, this study reveals that PPP projects and agreements are commonly characterized by information asymmetry and mistrust, which partners take advantage of to avoid fiscal check-and-balances (Engel, Fischer & Galetovic, 2020) and exploit other stakeholders. The exploitative behaviour mainly by the private party is a common transaction vice, which is an outcome of information asymmetry in the PPP implementation processes. In view of this, the current study recommends for sensitization and capacity building of local government staff on the working of PPPs. Governments are also advised to adopt win-win mentality in PPP agreements by ensuring clarity and simplicity of terms and conditions contained therein. To enhance sustainability of PPP projects, opportunities for flexibility in their implementation should be provided while insuring them against environmental, economic and political risks and uncertainties for resilience amidst unprecedented shocks like the COVID-19, which has taken the world by storm (WHO, 2020).

It is also important for local governments to provide and acquire all the necessary support to enhance effectiveness in the implementation of PPP projects or policies. This can be done by attracting political support from the ruling wing; enforcement of action points agreed upon by PPP concessionaires to regulate the performance of projects. The study findings provide knowledge on PPPs, which is not only vital for better understanding of the working of PPPs in government but also providing lessons on how administrative grief can be mitigated. The information generated on PPP adoption contributes to the possibility of optimal service delivery at local government where the majority of citizens reside and position their future hopes with optimism. Finally, this paper contributes to future compendiums of the practice PPPs in Local government that are currently lacking in developing countries.

By developing the capacity of local government administrators to understand, design and implement PPPs as a tool to service delivery, public administrators at this critical tier of government can be able to create and maintain infrastructure while delivering efficient and effective public services to the citizens. National, regional, and municipal governments must be aware of the expectations of the society they serve. Public projects (for example, public utilities, roads, and schools) must deliver a service at a certain expected level of quality, but if they involve private investors, they must also meet the expected financial payback from the invested capital.

9. Conclusion and Recommendations

Public private partnerships remain an important alternative public sector delivery option for governments. We have reviewed the rationale for PPPs in Local Government. The study has revealed that PPPs have been adopted in local government to spur local economic development and deliver services amidst budgetary deficits that continue to frustrate service delivery. The paper has reviewed the adoption of PPPs across local governments and from different countries and sectors and concludes that PPPs are applicable in markets, waste management, exploitation of idle land, transport and accommodation. Across these sectors, we note that PPPs have delivered benefits such as increased local revenue, created employment, improved quality and attracted in some instances reversal of trade from foreign geographies to local geography, thus contributing to local economic development, an anchor for realising fiscal decentralisation. We further note that user pay rather than availability payment models are more popular and successful. Perhaps this could be due to lack of revenue for local government administration to subsidise or make payments for users of services delivered by PPPs. Like any public service delivery intervention, we note that PPPs are faced with challenges in the local government context. We generally opine that most challenges arise due to lack of citizen engagement and awareness. To manage the challenges we advocate for the need to involve citizens from the idea generation to implementation and perhaps exit. By involving citizens at the grassroots, PPP can attract commitment to and ownership by the local communities that constitute customers of the services provided by the PPP facility.

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