Creating sustainable public private partnerships through corporate governance in the Sub-Saharan Africa (SSA)

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A B S T R A C T

Governments of Sub Saharan African (SSA) countries have struggled to successfully invest in capital intensive projects. As such, public private partnerships play a key role in redefining the role of Government in the context of infrastructure projects, by focusing on supervision and regulation and moving away from direct ownership and management. Sub Saharan African countries have seen such inclusive partnerships yielding some numerous benefits in different sectors. However, despite the salutary benefits that PPPs have brought in different projects, PPPs in SSA countries are still dogged by a myriad of administrative, technical, financial and legal challenges. These corporate governance related challenges have made it difficult for these SSA governments to glean the full benefits of PPPs. The study is informed by the qualitative methodology with an extensive review of literature. Data was gathered from purposively selected written documents and these documents were analysed using thematic and content analysis techniques. The study established that there are some corporate governance deficiencies in most PPP projects in the SSA countries. Additionally, most of these public projects in the SSA lack adequate good corporate governance attention that is given to the PPP procedures and processes involved. The study therefore recommends that there is need for the full adoption of good corporate governance systems, practices, processes and procedures in the PPPs designing, financing, implementation and operationalisation in SSA.

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Introduction

Since the 1990s, the development community has made recommendations to spur investments in infrastructure and development in the poorest countries (African countries included) through Public Private Partnerships (PPPs). According to Shaoul, Stafford and Stapleton (2012) PPPs as hybrid solutions must be seen and promoted as a way of building back better, stronger, greener infrastructure, by clawing back private capital to infrastructure while creating much needed fiscal room for governments to address multiple other demands in the transportation, power and energy, water and wastewater, telecommunications, healthcare, education and social infrastructure sectors. PPPs are presented not only as a way of bringing the much-needed additional investment to public infrastructure but also as a mechanism for enhancing project management and guaranteeing adequate maintenance, avoiding cycles of construction followed by persistent neglect and high-cost reconstruction.

The trend towards PPPs has continued to take shape with numerous developing nations across the world realising that economic development should not be limited to the framework of either public or private sector, but that the two can work together to accelerate economic development. In light of this, the interest in PPPs is now stronger than ever because they are widely perceived to be instrumental and critical in realisation and achievement of the sustainable development goals (SDGs) as they provide well-planned, well-funded and well-maintained infrastructure and public services (Fourie 2015).

Yescombe (2017) argued that PPPs in SSA are still in a developmental phase although there are indicators that their uses are increasing. Despite that, it can be noted that, over the last two decades P3s have become an increasing source of hope and interest in...
the development of Sub-Saharan Africa (SSA). The years 2000 to 2005 saw a steady growth in both the number and value of PPP projects in SSA, from 29 projects costing US$3.5 billion to 42 projects costing US$8.9 billion. There was a sharp drop in the number of projects from 2005 and especially after the 2007-2008 financial crisis. The number of projects in recent years has hovered between 16 and 18, and total investment, which peaked at US$13.6 billion in 2008, has fallen to around US$11.4 billion (World Bank 2013). This means that the average size of project has increased sharply, from US$212 million in 2005 to US$633 million in 2011.

According to the African Development Bank (ADB) (2020), five Sub-Saharan African countries accounted for more than 50% of all successful activity from 2008 to 2018 and these include South Africa, Ghana, Nigeria, Uganda and Kenya. Several other countries have multiple PPPs in the pipeline e.g., Burkina Faso has 20 and Botswana eight). Additionally, some of the PPPs with great degree of success in Africa include water provision in the Dolphin Coast/ Llembre District Municipality in South Africa, the Toll Road project from South Africa to Mozambique, Maputo port, Mozambique, Multi-Utility Provision in Gabon, Taints Power Purchasing Agreement in Tanzania and Ecotourism in South Africa (Fourie 2015). To further justify the status and the need for PPPs ADB (2020) estimates Africa’s infrastructure financing needs at up to US$170 billion a year by 2025, with an estimated financing gap of up to US$ 68 to US$ 108 billion a year. SSA countries have benefited a lot from PPP arrangements since they help in promoting rules, processes and behaviours that affect the way in which powers are exercised thereby creating transparency/ openness, participation, accountability, effectiveness and coherence as well as fostering technical, social and economic success in the projects.

Despite these salubrious benefits PPPs are argued to have fallen short in meeting the expectations sub-Saharan Africa (SSA) countries. PPPs have been criticised for failing to bring the much-anticipated holistic investments in infrastructure emanating from a myriad of examples and situations. According to the World Bank (2022), before the COVID-19 pandemic, SSA countries were already struggling to structure projects tailored for the private sector and at the same time achieving value for money for the public sector including affordability for users. Additionally, PPPs have fallen short in the achievement of development initiatives attributed to inadequate planning for PPP projects, lengthy and irregular procurement processes, insufficient bulk infrastructure required to support development, differing goals between the private and public sector, bureaucracy and lengthy approval processes, inadequate risk mitigation strategies, high transaction costs, weak governance, lack of transparency and corruption, weak political and legal frameworks, poor institutional environment and support, different organisational cultures and goals, reduced control of public assets, inadequate monitoring and evaluation of the PPP processes, unreliable mechanisms for sharing risks and responsibilities and inconsistencies between resource inputs and quality among other challenges (Leigland, 2020; Muswaka-Zinatsa and Chilunjika, 2020; Juvin, 2014).

The World Bank lists only 16 African countries as having legislation dealing with PPPs. The coverage of the legislation varies greatly from country to country, with South Africa having perhaps the most sophisticated legal and institutional structure (Loxley 2013). There are, apparently, even fewer countries with specialised PPP units than countries with PPP legislation; in fact, only a total of 10, Angola, Egypt, Ghana, Kenya, Malawi, Mauritius, Nigeria, Rwanda, South Africa and Tanzania, appear to exist (World Bank, 2022). Leigland (2020) noted that PPPs do have a small but meaningful role to play, but only if expectations remain modest and projects are subject to transparent evaluation and competition. As such, there is thus a greater need for PPPs to encapsulate and incorporate corporate governance systems, practices, processes, mechanisms and strategies in a bid to do away with the challenges militating against the successful and smooth implementation and operationalisation of the PPPs in SSA. Corporate governance as a system of rules, practices and processes by which institutions or entities are operated, directed and controlled involves balancing the interests of the stakeholders thus providing a framework for attaining a PPP’s objectives. Corporate governance by its nature, encompasses practically every sphere of management, from action plans and internal controls to performance measurement and disclosure practices (Chen, 2022) with the aim of promoting effectiveness, efficiency, transparency, fairness, risk management and accountability in the operationalisation of the PPPs. Since corporate governance covers the areas of environmental awareness, ethical behaviour, corporate strategy, compensation and risk management (Muswaka-Zinatsa and Chilunjika, 2020) it aligns with the key and pertinent aspects of PPPs.

It is against this backdrop that the paper explores the efficacy of corporate governance in creating sustainable PPPs in SSA. As such it identifies the gap that exists with regards to the importance of corporate governance in the PPP projects in SSA countries, as well as how the absence of corporate governance impedes upon sound corporate governance practices and systems in PPP projects. The subject matter is very important as it is the “in-thing” in terms of promoting sustainable alternative ways to finance capital extensive infrastructural programmes and projects in financially constrained SSA governments. The study qualitatively explores the dimensions of the study and it is animated by the following research objectives:

i. To conceptualise and contextualise corporate governance practices and systems and PPPs and in the SSA.

ii. To examine the efficacy of corporate governance in the PPP projects of SSA countries.

By and large, the paper is organised as follows: the first part is the introduction, and the second part is the literature review section which bridges the gap between theoretical and empirical studies. The research methodology section comes third and it explores the methodology that was used in this study. The fourth section is the research findings section which provides the discussions and implications. Lastly, the paper wraps up by proffering the concluding remarks.
Literature Review

This section broadly reviews literature that is related to the research. The section offers the theoretical and conceptual review of literature which is also backed up by the empirical review.

Theoretical and conceptual background

This section provides a review of literature and in doing so it unpacks the theoretical and conceptual background of the study. This section conceptualises PPPs, it also highlights the key characteristics of PPPs; discusses the challenges faced in administering and operationalizing PPPs. Lastly, the section examines the concept of corporate governance and how it relates to PPPs by unpacking aspects of good and bad corporate governance.

Conceptualising Public-Private Partnerships

According to Chilunjika (2023, p.576) PPPs in general can be defined as a long-term contractual relationship between public and private sector entities. In light of this, there is the hybridization of entities in terms of expertise, modes of working and modes management as well as modes of delivering services. These hybrid relationships between the private and public sector players are usually characterised by features such as bundling structures, exchanging resources, sharing responsibility, risks and rewards and are arranged with the aim of providing a public service or asset. In line with this, “a PPP arrangement is seen where the public (a government agency) and the private (private company) sector work together to finance public sector infrastructure projects” (Chilunjika, 2023; Chilunjika, 2018; Jakutyte 2012, p.5). As such, the private sector joins forces with the public sector so that they can work together to complete infrastructure projects.

According to Baxter (2017, p.7), a PPP is a legally constituted relationship between the state or its agencies with private sector firms to provide public goods and services over a specified or indefinite period for mutual benefits. As a result, it becomes a risk-sharing relationship based on a common goal of the public sector and one or more partners from the private and/or voluntary sectors to produce a publicly agreed-upon outcome and/or public service (Basera, Zhou and Chilunjika, 2023; Chilunjika, 2023; Hannola 2013; Grimsey and Lewis 2004). This partnership or agreement “facilitates greater participation by the private sector, as it takes on a greater share of the responsibilities and risks involved in the execution of projects” (Chilunjika, 2023, p.579; Ittmann 2017, p.2). The shared relationship revolves around the need to share risks and to jointly achieve a common infrastructural goal.

Over and above, it can be argued that private participation in areas previously treated as the monopoly of the public sector has made major contributions to increasing the pace of growth and development in the SSA. To support this, Cytonn (2022) asserts that as at 2021, South Africa had 34 PPP projects valued at US$5.6 billion had been completed in South Africa in sectors including health, transport, tourism, water and sanitation, and office accommodation. Other countries that have embraced PPPs include Uganda with 28 projects worth US$1.9 billion reaching final closure as of 2018; Rwanda with 10 PPP projects worth US$694 million in the same period and Kenya with 23 projects worth US$2.9 billion reaching final closure as of 2018 (Cytonn, 2022).

Characteristics of Public-Private Partnerships

According to Chilunjika (2023, p.575), the main characteristics of PPPs include risk sharing between the public and private sectors and long-term collaboration between the parties, while the public sector retains final regulatory responsibility. Using private sector expertise for public sector services means that contracts for services, rather than assets, describe the outputs, rather than the inputs, that the contractor is expected to deliver, and that payments are made based on service delivery. Globally, PPPs have emerged as the main contractual vehicle to facilitate private participation in economic development (Chilunjika, Uwizeyimana and Chilunjika, 2023; Cytonn, 2022; Alexander 2017, p.6). As such, PPPs have given the public sector room to access private entities’ capital to carry out various development projects that would otherwise have taken much longer to put into action, thus allowing the government to focus on important matters such as regulation, policy, and planning and support the private sector to implement development projects.

To this effect, the governments have been afforded the opportunity to deliver high quality projects with international standards for example, the Lekki Expressway project in Nigeria, the Cen Power generation project in Ghana and the Nairobi-Western Bypass in Kenya (Cytonn, 2022; Yescome, 2017). Additionally, by shifting the responsibility for finance away from the public sector PPPs can enable more investment in infrastructure and increased access to infrastructural services as well as allow public sector entities to move large capital expenditure programmes off balance sheet (Chilunjika, 2023; World Bank, 2022).

PPP have also seen risk being transferred from the public to the private sector. According to Cytonn (2020) the private sector has helped the government deliver projects by mitigating risks such as budget overruns, budget completion times and other risks as operational and maintenance risks. This strict adherence to contractual stipulations by most PPPs has assured the government of efficiency in delivery of projects. Additionally, the allocation of risk, and the associated performance rewards and penalties create incentives in the PPP contract that encourage the private partner to achieve efficiency at each stage of the project and to introduce efficiency improvements where possible (Chilunjika, 2023; Chilunjika et al., 2023; World Bank, 2022).

Shaoul et al., (2012) argued that PPPs enjoy fastest construction times, without undue delays hence private entities also benefit from it and also because of the completion of the project starts with the time of exploitation of the project and the payments respectively. In addition, due to the long-term characteristic of the partnerships, partners tend to act in a more cooperative way to each other and
in this case creating additional synergy benefits (Chilunjika, 2023; Mavridou, 2017). Private partners manage complex financial arrangements as well as highly technical tasks more efficiently by using its innovative skills, on the other hand – the public sector preferably controls the legal system, regulation and policies. As a result, a combination of the leading features of both partners produces a higher value. Additionally, the PPP projects are implemented in line with the rules of the economy and are premised on the need to promote cost reduction, increase profitability and create a larger profit margin throughout its operation by the private operator who, after the expiry of the contract, delivers it to the public.

**Challenges faced in administering and operationalizing PPPs**

PPPs also suffer from a myriad of challenges that tend to hamper their progress. To this effect, most of the PPPs in SSA tend to suffer from an acute lack of comprehensive policy, legal and institutional frameworks that provide clear guidelines and procedures for implementation of PPPs. This has affected most PPPs in Tanzania which are concession arrangements for running existing enterprises with limited provisions for rehabilitation and new investments (ADB, 2020). Most infrastructure projects in Tanzania have displayed mixed performance largely due to the complexity of such projects and lack of guidelines on the criteria for public and private sector partnership.

Additionally, most PPPs in SSA tend to falter due to lack of realistic and comprehensive technical, socio-economic and commercial feasibility analysis which leads to poor project design (Muswaka-Zinatsa and Chilunjika, 2020). The dearth in robust and comprehensive feasibility assessments is further compounded by the inadequate enabling environment which includes lack of long-term financing instruments and appropriate risk sharing mechanisms which ultimately lead to insufficient capacity negotiations, procurement, implementation and management of PPPs.

PPPs tend to suffer from bureaucratic red-tape and delays which tends to lengthen approval processes. According to Yescombe (2017) bureaucracy in government systems has led to delays in approvals as applications require to go through different channels, some taking up to six months in order for them to be approved. Moving on, Mavridou (2017) argued that part of the delays in the PPP process are as a result of delays in the procurement of transaction advisors, which eventually affects the kicking off of projects.

PPPs have been affected by inadequate risk mitigation strategies. There is a challenge in identifying suitable projects and gauging the risks involved as well as testing the likelihood of success. There are numerous risks that are encountered during the planning, operationalisation or implementation of the PPPs in SSA. These as noted by Yescombe (2017) include construction risks, usage risks, revenue risks, operating risks, macro-economic risks, regulatory risks and political risks. Hence there is need for a proactive risk assessment and management team that oversees the smooth and timely implementation of the PPPs. According to World Bank (2022), in Kenya there is no specific project implementation team tasked with handling PPPs from start to finish hence the ineffective monitoring and auditing of finances which exposes the projects to risks. By and large, transfer of risk to the private sector is a key element of PPPs, but all risks can never be completely transferred, since the private sector can only take the risks, it can control.

In certain instances, there tend to be an incongruence in the goals between the private and public sector. According to Fourie (2015) while the private sector mainly focuses on obtaining a return on investment, the public sector’s main interest is on protecting the interests of its citizens by creating an enabling regulatory framework as well as engage in projects that benefit the public such as affordable housing PPPs. Similarly, the corporate governance structures of the private sector are fundamentally different to those of the public sector, thus raising questions about the nature of accountability in these hybrid organisations.

The absence of bulk supporting infrastructure also affects the success of PPPs. According to Juvin (2014), a PPP project does not exist in isolation, and may face difficulties if the sector in which it operates is not soundly based in terms of bulk supporting infrastructure. There is need for mutually reinforcing and supporting sectoral systems and processes that sees the full and successful implementation of PPPs. For example, Kenya and Lesotho have limited supporting bulk infrastructure for example, the insufficient sewer lines and drainage systems and poor road networks in areas the development projects are being undertaken, meaning that developers often have to incur costs to develop the infrastructure themselves and this discourages the private sector due to the huge amount required to develop the supporting infrastructure.

PPPs tend to be affected by political interference where the government might interfere and meddle with a PPP project say by putting pressure on a toll road concession not to increase its tolls even though this is allowed in the concessions agreement (Yescombe, 2017). Political interference should come in the form of political support as well as strong consensus of opposition parties. This support is needed from the highest level to ensure that civil servants or other employees of public entities do not obstruct progress because they fear for their jobs.

Cases of corruption have also affected the smooth and successful implementation of PPPs. There have been cases of irregular awarding of tenders which has thus raised speculation, hence causing loss of public confidence in the contracted parties. Similarly, PPPs can create complex principal-agent problems which may facilitate corrupt dealings, pay offs to political cronies and general rent-seeking activities by attenuating the link between the private parties who make important decisions over a project from which they stand to benefit; and the accountability to the taxpayers who foot at least part of the bill and who may be left holding the bag in terms of ultimate liability for the project’s outcome (Chilunjika, 2022, p.289; Chilunjika, 2021, p.315; Mavridou, 2017). In exemplifying this point, Zimbabwe’s PPP with Group Five, a South African-based company to construct the highways in Zimbabwe saw a South African businessman pocketing US$ 300 000 facilitation fee plus the monthly commission after he brokered a deal for
the Zimbabwe National Roads Administration (ZINARA) to secure a loan of US$206 million from the Development Bank of South Africa (DBSA), an amount that is way above the interest ZINARA is paying to DBSA (Chilunjika, 2023, p.323; Chilunjika 2018, p.298).

Understanding the concept of corporate governance

Corporate governance has been defined by Mack (2019) as combination of rules, processes and laws by which entities or organisations are operated, regulated and controlled. Accordingly, Muswaka-Zinatsa and Chilunjika (2020, p.69) argue that good corporate governance is a process that involves creating a balance between social and economic goals while encouraging efficiency in the utilisation of resources, accountable use of power and stewardship, and the alignment of individual, corporate and societal needs. In this vein, issues of transparency, accountability efficiency and effectiveness should take primacy in the public organisations’ thrust to realise economic growth and sustainable development.

Corporate governance as argued by Lutkevich and Lewis (2021) focuses on practices and procedures for ensuring that an entity is run in such a way that it achieves its objectives, while ensuring that stakeholders can have confidence in the systems and processes of the organisation. Corporate governance focuses on enterprise risk management, legal frameworks, strategic planning, accounting and disclosure, oversight and management, discipline and commitment, integrity or decency, accountability, efficiency, effectiveness, transparency and fair and equitable treatment as well as clear organisational strategy as the key building blocks or corporate governance principles or pillars (World Bank, 2022; Chen, 2022; Lutkevich and Lewis, 2021; Mack, 2019). These principles more broadly help the PPPs to demonstrate its ability to comply with all legal and regulatory requirements; operate ethically (i.e. manage behaviour that is governed by moral principles) as well as holistically consider the needs and outcomes of all stakeholders in all strategic and operational decisions (stakeholder primacy). This creates an environment of trust, transparency and accountability necessary for fostering long-term investments, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies (Shleifer and Vishny, 1997).

Having discussed good corporate governance, it is also imperative to briefly examine what bad corporate governance entails and its consequences to the success of PPPs in SSA. Bad corporate governance by its very nature can lead to failure to fulfill or satisfy the PPP goals, withdrawal or loss of support from the stakeholders and community, losses in financial support as well as the ultimate collapse of the PPP (Leigland, 2020). By and large, bad corporate governance is undesirable in the running of PPPs as it runs contrary to the desirable outcomes and objectives of the projects.

Research and Methodology

The study was guided by the interpretive research philosophy whereby it was premised on the assumption that social reality is not singular or objective, but is rather shaped by human experiences and social contexts (ontology), and is therefore best studied within its socio-historic context by reconciling the subjective interpretations of its various participants (epistemology). In a bid to gather in-depth insights into a problem or generate new ideas for research, the study relied on the qualitative research methodology. The research materials and documents were purposively selected for use in the study. The study relied on the extensive review of purposively selected written sources such as journal articles, books, newspapers, government reports among others. Data from these sources was then analysed using textual and content analysis.

Findings And Discussions

This section examines the efficacy of corporate governance in the public private partnership projects in the sub-Saharan Africa. In doing so, it unpacks the essence of corporate governance in enhancing the operationalization of PPPs in the SSA region.

The Efficacy of Corporate Governance in Sub Saharan Africa’s PPP Projects

Since PPPs naturally bring about some checks and balances and accountability issues between the public and private sector entities, introducing corporate governance to the PPP discourse is by and large some icing on top of the cake as it further amplifies and fortifies the sound, robust, effective and efficient operationalisation of PPPs in SSA. As such it is imperative to dissect and unpack how efficacious good corporate governance is to the planning, operationalisation and management of PPPs in SSA. To this effect, corporate governance is very crucial to the PPPs since it is based on a set of rules, by-laws, policies and procedures which ensure the accountability of organisations and helps in establishing a framework for attaining an organisation’s objectives in all spheres of management (Lutkevich and Lewis, 2021). As such, these rules create a well defined and enforced structure that works for the benefit of everyone (that is, private and public sector institutions as well as all the other internal and external stakeholders) concerned by ensuring that the PPP project strictly adheres to acceptable ethical standards, best practices and formal laws. This will enhance transparency, effectiveness efficiency and integrity in the implementation of the PPPs as these frameworks will identify and spell out who has power and accountability and who makes decisions in a PPP.

Corporate governance practices and systems, help to promote disclosure practices, policies and procedures for reconciling conflict of interest, audits, and relationships with stakeholders, checks and balances on decision making as well as contractual and social obligations. This therefore creates sustainable PPPs in SSA which satisfy the needs of the present without jeopardising the ability of future generations to meet their needs (Radebe, 2017). For example, Tanzania has initiated measures to promote green revolution by
adopting the Kilimo Kwanza resolution. The government has partnered with some private research institutions and development partners to modernise agriculture needed for sustained poverty reduction thus contributing to the attainment of Vision 2025 (ADB 2020).

PPPs will continue to play modest but still important roles in the cost-effective provision of infrastructural services in the SSA as long as they are well-structured, appropriately supported and carefully monitored- which are key requirements of corporate governance. Corporate governance will go a long way in promoting increased transparency and efficiency in the use of funds as it advocates for open disclosure of the plans, activities and decisions of the parties to the PPPs. In this vein, the key to increased transparency and reducing opportunities for corrupt practices is the release of information to the public domain, for use in the media and by interested and concerned individuals, non-governmental organisations (NGOs), and the private sector participants themselves (Loxley, 2013). By focusing on transparency, corporate governance will help bring procurement out from behind closed doors as the PPP tender and award process should be based on open competitive bidding following international best procedures. In a bid to enhance transparency, Botswana has a dedicated PPP Unit under the Ministry of Finance and Economic Development tasked with monitoring, coordinating the implementation of the country’s PPP agenda (Olotch, 2021).

As a corporate governance initiative, the existence of strong legal and regulatory frameworks in the PPP discourse can clarify the legal competence to grant concessions, the procurement process, the public authority’s assets that can make the project viable and the rebalancing of tariffs that will make the project economically viable. For instance, the SA PPP sector leads in Africa, as the country has a strong legislative framework implemented by its National Treasury, which manages risks and helps to stabilise returns for private investors having been in existence since mid-2000s. In SA, the Public Finance Management Act of 1999 grants the Treasury extensive powers over PPP projects undertaken by line departments and local governments (World Bank, 2022; Radebe, 2017). As such, through regulations, issued under its powers contained in this Act, the Treasury requires all proposed PPP projects to be revised by it and receive its approval at four different stages thus revealing the rigour, water-tight and thorough oversight functions which is amenable in corporate governance. However, Botswana does not have a PPP law but relies on a PPP Policy and Implementation Framework of 2009.

Corporate governance also deals with honesty, transparency and accountability, which is increasingly expected by the public both in corporate transactions and disclosures (Chilunjika, Uwizeymana and Chilunjika, 2023, p.327; Muswaka-Zinatsa and Chilunjika, 2020). Corporate governance provides the structure through which the PPPs objectives are defined and the means to achieve these goals and performance monitoring are controlled (Muswaka-Zinatsa and Chilunjika, 2020). Transparency in PPPs denotes the way in which the design and initiation of projects, procurement and selection process, should be organised. One purpose of corporate governance is to implement a checks and balances system that minimises conflicts of interest between various stakeholders and with any individual party to PPPs thus engendering openness, probity and accountability in the partnership.

Good corporate governance in PPPs should provide appropriate incentives for the project board and management to pursue objectives that are in the interests of the PPP and its stakeholders and should facilitate effective monitoring. For instance, the Kigali Bulk Water project in Rwanda, received some significant backing from the ADB, the World Bank as well as the private sector players benefited a lot from effective corporate governance mechanisms and monitoring by the private players as well as the three pillars monitoring framework proposed in the ADB’s PPP Framework (ADB, 2020). PPPs are instrumental in creating accountable relations and entities. Accountability in PPPs, therefore, is linked to the specific relationship created and the obligations and requirements accepted by both the government and the private firm (Chilunjika, 2023, p.579; Fourie, 2015). Public managers need to sort out, assess, and address various dimensions of public accountability, integrity and transparency when considering a PPP.

It can be argued that good corporate governance in PPPs supports an effective procurement regime that empowers government institutions to buy goods and services of a higher quality at lower prices (Muswaka-Zinatsa and Chilunjika, 2020). In light of this, it supports mechanisms that secure well-governed projects that elevate the support of society for PPPs, and give policy-makers the confidence they need to provide the necessary political support for the PPP process. Good corporate governance thus leads to well-planned projects which are based on the full agreement of all the parties involved, which are meticulous in properly following ongoing consultations, and which have less chances of unravelling, thereby avoiding costly litigation. A PPP that purchases the raw-materials and other necessary paraphernalia for the PPPs in an open and transparent manner contributes to increased confidence among suppliers regarding the reliability of the administration as a business partner. Lastly, increased competitiveness and higher rates of economic development and growth are intricately linked to efficient PPPs and good corporate governance (Fourie, 2015, p.56). An example of a successful PPP project is the Maputo Corridor Toll Road concession which is the first cross border transport PPP in SSA which links Mozambique which links SA benefited from an effective procurement regime between the partners (Leiglond, 2020).

By and large, it can be noted that sound corporate governance can help PPPs to glean some benefits which include great asset utilisation, innovation, value-for-money, a platform for sector-wide cooperation, financing from the private sector, creating synergy and capacity building, increasing the value of business, better risk allocation, attaining high efficiency and quality, as well as promoting competitiveness and fair competition (Chilunjika, 2023, p.578). In light of this it can be argued that corporate governance in PPPs goes a long way in helping the public sector to develop a more disciplined and commercial approach to infrastructure development, whilst allowing them to retain strategic control of the overall project and services (Chilunjika 2018).
However, it can thus be argued that lack of good corporate governance distorts the transparency, accountability and probity that is expected in the execution of PPP related projects. For example, the Zimbabwean highway infrastructure investment project (Intertoll) which involved the South African company called Group Five and the Zimbabwe National Roads Administration (ZINARA) to construct, refurbish and renovate the trunk roads saw the Zimbabwean Government entering into this arrangement from a disadvantaged position and issues to do with the facilitation fee from the South African broker who helped them secure a loan from the Development Bank of South Africa (DBSA) were not clarified before the deal was finalised. It only came out after the project was being implemented (Chilunjika, 2023, p. 673; Chilunjika, 2023, p. 317; Chilunjika, 2023, p. 579). Upon implementation, the ZINARA realised that, the amortisation of the DBSA facility was proving to be heavy, as it is eroding the total revenues that ZINARA could have used for road infrastructure development and maintenance. Coupled with the high fixed charges, facilitation fees and exchange losses, it was revealed that collections were failing to cover all the monthly dues. This murkiness and lack of due diligence could have been circumvented had corporate governance strategies, systems and practices been fully considered, adopted, operationalized and adhered to.

Additionally, in the absence of sound corporate governance practices and systems PPPs are thought to be more expensive than open financing, as private segments incur more expenses and have high exchange costs (Basera Zhou and Chilunjika, 2023; Chilunjika, 2023; Chilunjika, Uwizeyimana and Chilunjika, 2023). PPPs are prone to deliver inadequate risk allocation, because of the absence of rivalry amid the bidding and being subject to renegotiations that may place the public sector in a weaker position. According to Chilunjika (2023), the most notable “concerns for governments entering PPPs are that the interests of the public and private sectors are not always aligned”. Hence, protecting the interests of the public is often not conducive to private profit. Once a facility or service is leased to a private partner, the private player has certain duties towards shareholders. Therefore, profitability is a crucial component of the duties in question. From the government’s perspective, the misalignment of private and public interests is cause for concern, as adopting a profit-driven model for the provision of certain services jeopardises public interest.

With a PPP partnership, risk is transferred to the private sector and it only realises its investment if the asset performs well. To this effect, failure to adhere to sound corporate governance practices and systems will imply that the project may be unjustifiable where the government postpones paying the private sector, which hampers the quality, nature and pace of the project. In this vein, the public sector should transform its role as an infrastructure provider to a manager of private contractors, thereby guaranteeing a level of service for the public (Basera et al., 2023; Chilunjika 2023; Chilunjika et al., 2023). According to The New Zealand Ministry of Transport (2018:35), “given the difficulty in estimating financial outcomes over long periods, there is a risk that the private sector may go bankrupt or make very large profits”. This can create problems for the government, necessitating it to intervene. In addition, given the length of the relationships created by PPPs, “it is difficult to anticipate all contingencies and some aspects of the contracts may have to be renegotiated at some stage” (Chilunjika, 2023, p.579). As the private sector finances the projects, it is entitled to receive interest from debt repayments. This could lead to “uncertain future interest rate hikes that may negatively impact on the amount of debt to be repaid” (Chilunjika 2018).

Conclusions

In the face of an ever-increasing population, greater demands from society and budgetary constraints, the governments in the SSA face an increasing amount of pressure to deliver new and improved infrastructure projects from transport (road, railways, bridges), education (schools and universities), healthcare (hospitals, clinics and treatment centres), waste management (collection, disposal, waste to energy plants), water (collections, treatment, distribution), as well as government accommodation and defense (Basera et al., 2023; Chilunjika, 2023; Chilunjika, et al., 2023). This is achievable through PPPs. As such, PPPs are characterised by better-quality design and construction, since they focus on the entire life-cycle cost of a project and not simply on their initial construction cost. PPPs also help to introduce expertise and experience which also encourages innovation, resulting in shorter production or construction times, as well as also bring improvements to the construction and facility management processes. “The process helps to reduce government debt and free up public capital to spend on other government services” (Chilunjika 2023).

Additionally, the growth of PPPs has been attributed to the need to increase efficiency in project delivery and operation, reinforce competition and access to advanced technology and the need to reduce government budgetary constraints by accessing private capital among others. As such, well-structured PPPs bring private capital for investment, private sector expertise and commercial management incentives needed for enhancing service provision to users in SSA.

Nonetheless, despite these salubrious benefits that are brought about by PPPs, there seem to be some seemingly insurmountable hurdles in the operationalisation of PPPs in SSA which range from corruption, lack of robust regulatory and institutional frameworks, incongruent goals among others. PPPs in SSA have not been prominent due to institutional decay (flawed rule of law, respect for property rights and contracts), high country and credit risks, economic and financial instability, political interference for control and corruption, inadequate regulatory and inconsistent policy frameworks. To address these lurking challenges, it was noted that there is need to introduce and incorporate corporate governance practices, systems, mechanisms, strategies and processes in the planning, implementation and management of PPPs as it provides a lasting solution to efficient, effective, transparent, accountable and viable PPPs. To that effect, that there is need for the full adoption of good corporate governance systems, practices, processes and procedures in the PPPs designing, financing, implementation/ or operationalisation and management in SSA.
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References


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