

# Comparing the private sector partners' perspectives on procuring public-private partnership infrastructure projects in Ghana and Hong Kong

Robert Osei-Kyei,  
School of Computing Engineering and Mathematics, Western Sydney University, Sydney, Australia  
(email: [r.osei-kyei@westernsydney.edu.au](mailto:r.osei-kyei@westernsydney.edu.au))

Albert P.C. Chan,  
Department of Building and Real Estate, The Hong Kong Polytechnic University, Kowloon, Hong Kong

Srinath Perera,  
School of Computing Engineering and Mathematics, Western Sydney University, Sydney, Australia

Ayirebi Danso,  
Department of Construction Technology and Management, Kwame Nkrumah University of Science and Technology, Kumasi, Ghana

Xiaohua Jin,  
School of Computing Engineering and Mathematics, Western Sydney University, Sydney, Australia

## Abstract

The private sector partner is a key party to public-private partnership project, however very little research has been conducted to explore the private sector partners' perspective in PPP implementation. In this regard, this paper aims to compare the views of the private sector partner on procuring PPP projects in Ghana and Hong Kong. Semi-structured interviews were conducted with PPP practitioners of senior authority in private sector organizations in Ghana and Hong Kong. The interviews covered critical issues in PPP implementation; these include: reasons for engaging in PPPs; success criteria; critical success factors; external stakeholder management and training and education in PPPs. The interview findings show that 'adequate returns on investment' was considered by both groups of interviewees as the reason for engaging in PPP arrangement. 'Profitability' and 'project completed on time' were mentioned by both groups of interviewees as their success criteria for PPP projects. On the CSFs for PPPs, external stakeholder management and training and education in PPPs, no response was found to have been mentioned by both groups of interviewees. The outputs of this study add to the international best practice framework for PPPs. They inform public institutions and agencies of the expectations of private sector partners in PPP arrangement in Africa and Asia. It is hoped that the results will improve the strategic approach of public institutions in PPP arrangements.

**Keywords: Public-private partnership; Interviews, Ghana; Hong Kong; Private sector partner**

## 1. Introduction

Public-Private Partnership which is known as “PPP” has become very popular in recent times among both developing and developed countries (Osei-Kyei and Chan, 2015; Cui et al. 2018). Although PPP offers a lot of benefits to governments and private developers, there has been many reported disadvantages associated with this concept. Some of the disadvantages include, lengthy procurement process; high cost of transactions and complexity of contracts (Li et al. 2005). Nevertheless, PPP continues to remain a major tool for governments to bridge their huge infrastructure gaps as well as meet the rapid urbanization growth rate.

Among the project stakeholders in PPP arrangement, the private sector partner plays a significant role in the implementation of projects (Yuan et al. 2009). In PPP arrangement, the private sector partner is mostly called the consortium or project company. It consists of several private firms such as Engineering and Management firm, legal firm, facility management company, operation and maintenance firm and financial institutions. The private partner or consortium is solely responsible for the design, finance, construction and operation of the public facility. Despite, the significant role that the private partner plays in PPP arrangement, very few studies have holistically explored the perspectives of the private sector partner in PPP implementations. In fact, majority of past studies in PPP have always sought the views of the public sector (Osei-Kyei and Chan, 2018), with little or no consideration for the private sector partner. Furthermore, most of the implications provided by past studies on critical issues such as critical success factors (CSFs) and risk management have been discussed with much emphasis on the public sector or government. In this regard, considering that PPP projects cannot progress without the substantial inputs of the private sector partner or consortium, there is the need for more research to be conducted focusing on the private sector. Apparently, there should be a holistic assessment of the views of the private sector partner in PPP practices.

Against this background, this research paper aims to explore and examine the views of the private sector partner on the practices of PPPs in Ghana and Hong Kong. The areas of PPP practices that this study aim to capture the private sector’s views include: 1) motivations for engaging in PPPs; 2) success measures for PPP projects; 3) CSFs for PPP projects; 4) external stakeholder management in PPPs and 5) training and education in PPPs. It is hoped that the outputs of the study will inform governments and public-sector departments of the expectations of the private sector partner in PPPs. Further, the findings add substantially to the existing but limited knowledge on the international best practices for PPPs.

## 2. Research Methodology

A qualitative approach, i.e. interviews was adopted for this study. This approach was adopted because it yields insightful information and provides in-depth assessment of problems compared to other research methods such as the questionnaire survey. A total of nine interviews (i.e. 5 from Ghana and 4 from Hong Kong) were conducted. An interview session lasted between 45 and 60 minutes. Interviewees were selected based on their in-depth knowledge and experience in PPPs in Ghana or Hong Kong. Further, the interviewees came from private sector organizations, who are actively involved in PPP projects in Ghana or Hong Kong. Table 1 presents the detailed background of interviewees from Ghana and Hong Kong. The qualitative data obtained were transcribed and analyzed using the content analysis (i.e. thematic analysis technique). The findings were then summarized in descriptive statistics as shown in Tables 2 to 6.

*Table 1 Background of private sector interviewees from Ghana and Hong Kong*

Country	Interviewee	Position	Organization	Activities and experiences of interviewee
Ghana	GPR1	Senior Structural Engineer	International private firm	Involved in on-going market PPP projects and consultancy services
	GPR2	Senior Quantity Surveyor	Local consultancy firm	Involved in on-going PPP projects and engaged in training programmes

	GPR3	Project Manager	International E&M firm	Engaged in on-going PPP projects and participated in training programs
	GPR4	Legal Practitioner/ Procurement Manager	Private law firm	Involved in feasibility studies of on-going PPP projects
	GPR5	PPP Financial Analyst	International private organization	Engaged in the pre-feasibility studies of water PPPs and sanitation projects
Hong Kong	HPR1	Senior legal advisor	Australian law firm working in Hong Kong	Provided legal advice and consultancy to private investors both in Hong Kong and overseas
	HPR2	Managing Partner	Local law firm	Involved in previous and on-going PPP projects as legal advisor to consortium
	HPR3	Senior Commercial Manager	Local construction firm	Involved in many previous PPP projects in South East Asian countries including India and on-going projects in Hong Kong
	HPR4	Procurement Manager	Local E&M firm	Participated in on-going PPP projects and have bid for projects in other Asian

## 3. Results and Discussion

### 3.1 Motivations for engaging in PPPs

Eight different responses were mentioned by the interviewees from both countries. Among the responses, only ‘adequate returns on investments’ was mentioned by interviewees from both jurisdictions.

#### 3.1.1 Adequate returns on investments

PPP can provide good investment returns compared to the traditional bid-build projects, if project cost and risk are properly managed (Cheung et al., 2009). It is therefore not surprising that the private sector interviewees from both jurisdictions mentioned this reason.

Interviewee GPR1 from Ghana lamented that,

*“[...] essentially PPP offers us a long-term investment opportunity which could yield reasonable profit when managed properly... though the traditional bid-build public projects are profitable, the PPP is a kind of investment which could give better long-term profit than the traditionally procured construction projects”*

In support of this perspective, GPR4 explained that,

*“Public facilities mostly have long term demand, which gives good revenue and returns ... at times the profit may not come from the demand, but the high prices charge for public services. I must add that tax holdings and exemptions reduce the cost and brings adequate returns”*

Importantly, the Ghana government mostly assists private investors with tax exemptions and loans. These therefore reduce the costs and financial risks, thereby enabling the investor to generate adequate returns on investments. From Hong Kong’s perspective, Interviewee HPR2 mentioned that most PPP projects initiated in Hong Kong have high and long-term demand, which enable investors to recoup their investment returns earlier. He further explained that Hong Kong generally has low levels of risks particularly for financial risk, and this minimizes the cost of project financing.

#### 3.1.2 Penetrate the public-sector market

Essentially, PPP offers the private sector the opportunity to manage and operate public facilities. It

enables the private investor to tap on the demand of the public sector which is often long term in nature and very high. Interviewee GPR3 and GPR4 lamented that the public-sector market is very lucrative and have many incentives. They explained that partnering the public sector to procure public facilities reduces the cost of advertisements. Moreover, resources such as lands, utilities and labour are mostly readily available to the investor.

### **3.1.3 Long term business**

Long term business was mentioned frequently by the Hong Kong interviewees. PPP arrangements particularly for construction projects mostly spans over thirty years. This offers a long-term business investment to the private investor. Essentially, Interviewee HPR1 stressed out that,

*“[...] PPP actually offers us long term business agenda compared to the other procurement methods... I will always go for PPP because it feels like you are secured of a lifetime job or business [...]”*

### **3.1.4 Creativity and innovation**

Creativity and innovation was also mentioned by the private partners in Hong Kong. Interviewee HPR3 explained that unlike the traditional bid-build projects, PPP enables the private consortium to adopt innovative and creative approaches in delivering the public facility. He further mentioned that adopting innovative techniques reduce construction and operational costs. Moreover, innovation enhances the private partners’ skill and expertise in delivering the public facility.

## **3.2 Success measures for PPP**

Seven different criteria were mentioned by interviewees from both countries. Among the seven responses, ‘profitability’ and ‘project completed on time’ were mentioned by interviewees from both countries.

### **3.2.1 Profitability**

As explained by Osei-Kyei et al. (2016), profitability as a success criterion for PPP projects denotes a continuous income/profit received during the project operation. Generally, private investors anticipate making adequate returns when engaging in PPP arrangements, thus it is not very surprising that profit is one of their critical criterion. As explained by Interviewee GPR2 from Ghana,

*“[...] profit is crucial to the private sector. This is because PPP investment is very costly from bidding to operational stages. Also, the risks involved in Ghana are very high, so we (private investors) cannot invest our money and just break even. It is not appropriate”.*

Interviewee GPR3 further added that PPP is a business investment to the private investor therefore profit will be the major criteria to determine its success. In support of these perspectives, Interviewees GPR4 and GPR5 mentioned that private investors tend to lose confidence in the local PPP market, if adequate profit is not achieved. The private partners in Hong Kong shared similar assertions with their Ghanaian counterparts. Interviewee HPR3 and HPR4 explained that in general business investment, investors put more emphasis on the internal rate of returns when determining the success of their investments. They further elaborated that it is only non-profit organizations who will not consider profit on investments as success criterion.

### **3.2.2 Project completed on time**

It is also unsurprising that ‘project completed on time’ was mentioned by interviewees from both sides. This is because in PPP project arrangement, time has a direct link with profit. When a project is constructed on or before time, it enables the investor to recoup its returns earlier. Interviewee GPR5

from Ghana explained that,

*“[...] you know that time is money; when projects are completed faster, we (private investors) get the opportunity to recoup our investment returns earlier. I must also add that interest rate increases with time so the earlier you recoup the money and pay the loan the better”*

In support of this view, Interviewee HPR1 from Hong Kong mentioned that time is essential in any investment because the investors mostly acquire debt loans, thus it becomes advantageous to pay the loan earlier due to the increase in interest rate.

### **3.2.3 User satisfaction**

This criterion generally implies that the public/user fully appreciate the delivery of services and realizes the benefits of the PPP project. Interviewees GPR2 and GPR3 explained that in as much as private investors want their profit and returns; they must ensure that the users of the public facility are sufficiently satisfied with their service delivery. They further emphasized that it is when all parties' including users' objectives are met that PPP projects could be deemed successful.

### **3.2.4 Meeting outputs specification**

Meeting output specification refers to adherence to output requirements given by the public client (Osei-Kyei et al. 2016). In most cases, meeting the output standards of projects is related to enhancing the quality of the project (Chan and Chan, 2004). As explained by Interviewee GPR1,

*“[...] PPP is a win-win principle, so it therefore the private sector's responsibility to make the public client's satisfied with the project output. In this regard, the output specifications given by the public client should be met”*

### **3.2.5 Effective risk management**

Among responses from Hong Kong, 'effective risk management' was mentioned twice by the interviewees. Osei-Kyei et al. (2016) explained that effective risk management refers to the proper identification, allocation and mitigation of PPP projects risks.

Interviewees HPR1 and HPR4 elaborated that PPP projects success cannot be determined, without considering whether risks were properly identified and completely transferred to the best party. They further explained that most at times, during the latter part of the project cycle, the public-sector transfers risks which were initially meant to be treated by them to the private partner. Essentially, such practice affects the successful delivery of the project because the private sector may not have the capacity to manage those risks properly.

## **3.3 Critical Success Factors for PPPs**

Twelve different CSFs for PPPs were mentioned by the private partners from both countries.

This question received many responses. This supports assertions by Osei-Kyei and Chan (2015) that many critical measures contribute to the successful implementation of PPP projects. Essentially, no response was found to have been mentioned by interviewees from both countries. Among responses from Ghana, 'transparency and competition', 'public awareness and education' and 'streamline of approval process' were mentioned frequently by the interviewees.

### **3.3.1 Transparency and competition in PPPs**

Transparency and competition in PPPs is important in achieving value for money (Cheung et al. 2009). More importantly, it reduces the allegations of corruption by the general public. Interviewee

GPR1 explained that transparency is very critical in Ghana because investors are beginning to lose confidence in the procurement system given the numerous allegations of corrupt practices against senior public officials. He further reiterated that public officials are not very open on information and issues when public facilities are procured through PPPs. Interviewee GPR2 added that,

*“[...] the tendering process has to be competitive enough so that value for money could be achieved. Proper assessment should also be done during the evaluation process [...]”*

Interviewee GPR2 further explained that,

*“[...] politicians should stay away from the PPP process and allow the technocrats to do the job. They should not impose their favourites on the process but allow proper assessments to be done to select the right private partner”*

These assertions from the interviewees clearly demonstrate how the private sector partner considers transparency and competition in PPP to be critical towards achieving value for money.

### **3.3.2 Public awareness and education**

Considering that the PPP concept is still developing in Ghana (Osei-Kyei and Chan, 2016), public awareness and education is very essential. Importantly, awareness and education are needed to enhance the general public’s support for PPP projects. Interviewees GPR4 and GPR5 elaborated that the PPP concept is at the infancy stage and more importantly, many Ghanaians have negative perception with respect to PPP investments because of past experiences and failed projects. Thus, they emphasized that the government should introduce more public awareness programmes to improve the cooperation between the public and PPP investors.

### **3.3.3 Streamline of approval process**

Approvals from authorities in PPP project implementation are necessary to facilitate checks and balance throughout the procurement process. The number of approvals required before PPP projects can be implemented varies among countries. Some developing countries including Ghana have very clumsy approval process which can deter investors. Interviewee GPR5 lamented that,

*“[...] I must be sincere that the approval process stipulated in the National policy on PPPs really discourages investors [...] our (Ghana) system is already bureaucratic, so coupling it with long approvals is really disheartening!!”*

In support of this view, Interviewee GPR4 explained that,

*“[...] honestly, the procedure for obtaining approvals for PPP projects in Ghana is too cumbersome. The procedure will always discourage investors and in fact it has happened to couple of investors that I know [...] If there could be a one stop approval unit that will help; rather than moving from one level to another. Though the approvals are to ensure transparency and checks, it will be more appealing if other measures are adopted to ensure transparency [...]”*

Assertions from the interviewees demonstrate that private investors may decide not to commit into an arrangement which have lengthy approval process. Thus, it is very important for the Ghana government to consider reviewing the approval process for PPP transactions.

### **3.3.4 Political support**

Interviewee GPR3 explained that,

*“[...] there should be adequate political support for PPP arrangement irrespective of the political*

*party in administration. For example, if political party A signs an agreement; when party B takes over the administration, their government must ensure the sanctity of the contract. Essentially, they should not try to amend the agreements to make things difficult for the private investor [...]*”

He further maintained that, “[...] PPP projects should not be politically tagged as it is often seen”

### **3.3.5 Competent transaction advisor**

Interviewee GPR1 mentioned that employing a competent transaction advisor is very important in PPP procurement because transaction advisors mostly act on behalf of the project parties during competitive negotiations. He reiterated that if the transaction advisor is not efficient it becomes difficult for parties to engage in fruitful negotiations.

### **3.3.6 Building a cordial relationship**

Cordial relationship is very important in developing successful PPP projects considering the lengthy nature of the arrangement. Interviewee GPR5 explained that,

*“[...] ensuring a cordial relationship in PPPs is crucial because one party (investor) is coming into the relationship with a business mind-set, whereas another (public sector) is entering the relationship with a bureaucratic system. Importantly, the bonding of these two parties is essential to ensure a successful relationship”*

Cordial relationship can be built through several measures including trust and clear objectives of both parties.

### **3.3.7 Clear and achievable government objectives**

Mostly, before PPP projects commence, the government would have established its specific objectives which need to be achieved by the private sector. However, such objectives need to be very clear so that the private investor can adopt appropriate mechanism to achieve the specific objectives. Interviewee HPR3 explained that the public sector needs to be very clear on its objectives so that investors are not left in an uncertain situation. In support of this view, HPR2 maintained that,

*“[...] when the government has a very clear objective it really helps to properly deliver the project to meet stakeholders’ expectation. Is like going to hospital and you are not able to clearly tell the physician what the problem is, obviously no matter how good the physician is, he will find it difficult to give you the suitable medication [...] that is exactly how PPP operates, the public client should be clear so that negotiations can be properly done and agreed [...]*”

### **3.3.8 Flexible specifications, terms and conditions of contracts**

Flexible specifications, terms and conditions have a relation with creativity and innovation in PPP projects. Flexibility allows the private partner to adopt sophisticated approach in delivering the project to meet stakeholder’s satisfaction. HPR2 emphasized that strict terms and conditions demotivate investors in engaging in fruitful negotiations with the public client. He further pointed out that some terms and conditions are not logical for any private investments. In accordance with this view, HPR3 added that,

*“The conditions of contract should not be so strict; it should be flexible to allow the private sector get more room to operate [...] unfortunately some of the projects initiated by the government require very strict and rigid parameters which make the private investor very uncomfortable and even prevent others from bidding future projects”*

## 3.4 External stakeholder management in PPPs

Five different measures were mentioned by interviewees from both countries. Surprisingly, none of the responses was mentioned by interviewees from both countries. Among responses from Ghana ‘community meetings with chiefs’ was mentioned by three interviewees.

### 3.4.1. Community meetings with chiefs

Because users or commuters form key external stakeholders in PPPs, it is very essential for investors to engage in series of meetings with the commuters or local chiefs.

In Ghana, local chiefs play crucial role in local development. Many commuters respect and value their chiefs such that anything the chief says becomes final. In this regard, to effectively manage external stakeholders particularly commuters, it is ideal to meet the chief of the locality. Interviewees GPR1 and GPR2 explained that meeting the chief of the locality is better because the commuters have so much respect for them and more importantly, the chiefs assist in engaging the local people.

### 3.4.2. Consultation with trade unions and associations

Trade unions and other local associations also play major role in PPP implementation in Ghana. Essentially, their support and cooperation reduce the social risks associated with PPP projects.

Interviewee GPR4 explained that,

*“[...] we (private sector organization) engage the trade unions and various associations through series of meetings. We explain to them how the project will be delivered to meet their satisfaction”*

He further added that,

*“[...] it is important to make them feel part of the procurement process [...]”*

These assertions indicate that the private sector partners in Ghana try as much as possible to manage and engage external stakeholders through several approaches particularly through local chiefs and associations.

### 3.4.3. Public sector responsibility

In Hong Kong, two different responses were mentioned by the interviewees. Among the responses, ‘public sector’s responsibility’ was frequently mentioned. The other measure is openness and transparency to the public. The interviewees maintained that managing external stakeholders in PPPs is not necessarily the responsibility of the investor but that of the public department. Essentially, Interviewees HPR3 asserted that,

*“[...] is sometimes difficult in managing external stakeholders from the private sectors side [...] in fact this has to be done before putting the project in the market”*

In support of this, Interviewee HPR2 added that,

*“[...] it is really frustrating when the government wants the private sector to rather engage the local community [...] it is the public authority’s responsibility to take such initiative in managing the external stakeholders”*

Interviewee HPR1 also reiterated that,



*“[...] when managing external stakeholders, the private partner has limited role to play and it is the public authority that has to take that responsibility instead of shifting it to the investor [...]”*

These lamentations clearly point out the fact that in Hong Kong, public institutions are in better position to manage external stakeholders than investors.

### **3.5 Training and education in PPPs**

Five different responses were given by the interviewees from both countries. Importantly, none of the responses was mentioned by interviewees from both countries.

#### **3.5.1. Courses and seminars organized by professional bodies and no official training**

In Ghana, the interviewees mentioned ‘courses and seminars organized by professional bodies’ and ‘no official training’. Most of employees in the private sector organizations are members of professional bodies including the Ghana Institution of Engineers and Ghana Institute of Surveyors. These professional organizations organize courses and seminars on PPPs where staff from the private organizations take advantage of.

Interviewee GPR2 and GPR3 mentioned that they make sure that their employees attend seminars and courses organized by their various associations. They further lamented that although it comes with a cost, they consider it very relevant and impactful. Interviewees GPR4 and GPR5 indicated that they do not have any official training for their employees with respect to PPP practice. They mentioned that because the concept is still growing, they are planning of a training programme for their staff but that will be in the long term.

#### **3.5.2. Overseas exposure**

Three measures were mentioned by interviewees from Hong Kong. Among the responses, ‘overseas exposure’ was mentioned frequently. The other measures include ‘occupational health and safety training’ and ‘training on customer services’. Overseas exposure allows staff to be equipped with knowledge on the international best practice of PPPs. Further, it enables them to know the procedures adopted by other private institutions in other countries. On the occupational health and safety training, Interviewee HPR4 explained that health and safety training are conducted specifically for complex projects which pose several health hazards to staff. Based on these assertions, it is observable that private sector partners in Hong Kong adopt more training measures in PPPs compared to their Ghanaian counterparts.

## **4. Conclusions**

This paper has explored the perceptions of the private sector on PPP implementation practice in Ghana and Hong Kong by means of semi-structured interviews. The major issues explored include CSFs for PPP, motivations for engaging in PPPs, success measures, external stakeholder engagement and training. From the interview findings ‘adequate returns on investment’ was considered by both groups of interviewees as the reason for engaging in PPP arrangement. ‘Profitability’ and ‘project completed on time’ were mentioned by both groups of interviewees as their success criteria for PPP projects. On the CSFs for PPPs, external stakeholder management and training and education in PPPs, no response was found to have been mentioned by both groups of interviewees.

## **5. Acknowledgement**

This study forms of part of a broad research project entitled “A Best practice framework for PPP implementation in Ghana” from which other papers have been published sharing the same

methodology but different objectives and findings

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