

# Developing Infrastructure through Public Private Partnerships; Understanding the Elements of the Enabling Environment

Salman Ahmad<sup>1</sup>, Shahnawaz Khan<sup>2</sup>, Shah Wali Khan<sup>3</sup>

## Abstract

*This conceptual paper is chiefly concerned with developing our understanding about the nature of Public Private Partnerships (PPP) for procuring social and economic infrastructure and the enabling factors required for their operationalization, particularly within the context of developing countries. The paper provides an (academic) overview about the rationales and governing mechanisms through which PPP have been adopted in different parts of the world. This allows us to develop a critique about the enabling environment within which PPP programs might foster, particularly within developing countries. These perspectives are then used as a theoretical base for analyzing the Government of Khyber Pakhtunkhwa's PPP Act (GoKPK PPP Act, 2014) in order to understand how PPP may be established within KPK as a major public infrastructure procurement route. We conclude that Pakistan in general and KPK in particular lack a proper vision for establishing PPP. In particular, the key enabling elements of expertise (in PPP), regulatory mechanisms, inter-organizational and cross-sectoral trust and long-term project planning are gravely missing, which would impede operationalization of GoKPK policy on PPP.*

*"Today, the private sector is the engine of growth for many countries and expansion of the private sector has become a central theme in the development agenda of many of those countries." (Asian Development Bank Institute (ADB), 2007, p.15)*

**Keywords:** Infrastructure, public private partnership, enabling environment

## 1. Introduction

Public Private Partnerships or PPP as is commonly referred to across the globe, has become an important means for governments to procure public infrastructure. The most well known type of PPP involves private finance for the provision of public infrastructures under contractual terms, in which the procuring government department receives infrastructure and post-construction maintenance and operational services from a consortium of private sector companies. The private contractors would usually receive periodic payments (also called unitary charge) from the procuring government department, which are linked to the performance of the former with respect to the

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1 Assistant Professor: Institute of Management Sciences, Peshawar

2 Assistant Professor: Institute of Management Sciences, Peshawar

3 Assistant Professor: Institute of Management Sciences, Peshawar

project outputs specified by the department. In some cases, the private sector could instead receive remuneration through users' charges, such as in privately operated toll roads. PPP contracts are normally long-term from fifteen to thirty years and in some cases even going beyond this time frame.

In the recent past, adoption of PPP in developed as well as in developing countries has been widespread (Vries, 2013). For example between 1985 and 2004 there were about 2100 PPP projects world-wide with a capital value of about \$887 billion<sup>4</sup> (Kwak, Chih, & Ibbs, 2009). Whereas of October 2010, the number of planned and funded PPP projects world-wide had increased to more than 3,000, with an accumulated capital worth of about \$1,445 billion (Public Works Financing, 2011). The UK, which is recognised as an international leader in the use of PPP (Gerrard, 2010; KPMG, 2010), 10-15 percent of annual public sector capital spending is made through these schemes having delivered over the last two decades hundreds of important public sector infrastructure projects such as hospitals, housing, prisons, roads and schools, worth more than GBP 50 billion (HMT, 2012). According to the World Bank, PPP investments in developing countries increased during 2004/08 by 308 percent (World Bank, 2010, p. 24). Currently, PPPs are used in more than 134 developing countries contributing about 15–20 percent of total infrastructure investment (IEG, 2012). Within Pakistan also, there are a very few PPP projects within the energy and education sectors with the provincial government of the Punjab perhaps leading the pathways facilitating more PPPs (Malik, 2013). However, at the central and provincial levels, legislations are being formulated for developing PPP in Pakistan (ECC, 2010; GoKPK, 2014).

This paper seeks to develop our understanding about what is the nature of PPP and how is their application regulated particularly within developing countries? The paper is structured as follows: Section 2 provides an academic perspective about the nature of PPP and their application within different regions of the world, with a focus on examples from developed as well as developing countries. This analysis is based upon a review of peer-reviewed articles published in international journals of repute, particularly certain accounting and public policy journals that have been frequently publishing PPP-related research papers in the recent past (e.g., *Accounting, Auditing and Accountability Journal*, *Critical Perspectives on Accounting*, *Financial Accountability and Management*, *Public Administration*, *Public Money and Management*, etc). Moreover, we also review PPP-related (research) reports published by multilateral organisations<sup>5</sup>, e.g. the World Bank, ADB<sup>6</sup>, PPIAF<sup>7</sup>, etc. The articles and reports were mainly identified through key-words search within electronic journal databases as well as through snowballing, and key-word search in Google scholar. The final section (Section 3) provides our conclusion with respect to the GoKPK PPP Act.

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4 United States Dollar

5 Particularly those multilateral organisations that have been instrumental in implementing PPPs within the developing countries.

6 Asian Development Bank

7 Public Private Infrastructure Advisory Facility

## **2. Nature and Applications of PPP**

The principal feature of PPP as acclaimed by the governments presently using or proposing these models is that the private sector gets involved in the delivery of public infrastructure as the main financiers. This arguably would allow more public sector projects than what could be funded through government capital alone, and at the same time, project management and execution could improve as the private capital comes to be at risk (Broadbent, Gill, & Laughlin, 2004; HMT, 1995). The latter rationale is a translation of the ideological belief of the governments pursuing PPP that the private sector is a 'reservoir of good practices' and as such, by involving the private sector's good practices in delivering public services through PPP schemes, value for money (VfM) could be achieved (Broadbent & Laughlin, 2005; Jupe, 2011). This rationale is chiefly based on the idea that through PPP, project risks could be transferred to the private sector as they are the main providers of capital having the repayments tied to their performance against the contractual obligations (Pollock, Shaoul, & Vickers, 2002; Grimsey & Lewis, 2005; Rangel & Galende, 2010; Spackman, 2002). Thus the emerging and dominant (political) justification for PPP is that it could provide VfM through risk transfer (Broadbent et al., 2004; Maguire & Malinovich, 2004; McQuaid & Scherrer, 2010). In this section we analyse the application of PPP in different developed and developing countries, in order to construct an academic critique about the underlying rationales and enabling environment, which could foster or otherwise PPPs.

### **2.1. PPP in Developed Countries**

Within the developed countries, research has identified different government reasons and technologies for pursuing PPP. For example, in Australia, Maguire and Malinovich (2004) suggest that government reasons for PPP have evolved over the past two decades. Maguire and Malinovich (2004) posit that the PPP schemes initiated during the 1980s were mainly used as off-balance sheet arrangements for financing infrastructure projects. However, in 1990s the government's PPP policy shifted towards focusing on a high level of risk transfer to the private sector and the unitary payments were linked to the availability of the services. The authors recognise that these second generation PPPs led to an even more emphasis by the successive government on achieving VfM through optimal risk transfer, greater focus on whole-life costing and deployment of management control systems for assessing VfM.

Within the context of New Zealand, Newberry and Pallot (2003) argue that through certain financial legislations and fiscal targets government's borrowing capacity was constrained and hence its ability to deliver services through conventional means. This encouraged the New Zealand government to pursue PPP for developing public

infrastructure, which could not be accomplished through conventional borrowing or traditional privatisation. In Spain also, several legislative and accounting reforms were introduced during late 1990s by government such as provision of participative loans for the private sector, which encouraged the public and private sectors to establish PPPs (Acerete, Shaoul, Stafford, & Stapleton, 2010). Fiscal pressures have also been reported by Vecchi, Hellowell, and Longo (2010) in an under-invested Italian health sector leading to an adoption of PPP. Vecchi et al. (2010) note that the Italian government supported PPP for bridging the investment gap in the health sector, as under the EU<sup>8</sup> accounting rules the upfront cost of PPP does not score against the public sector debt.

Burke and Demirag (2015) note that PPP was introduced in Ireland in 1999, with a considerable use of the schemes in the roads sector. The authors observe that establishment of advisory groups on PPP, off-balance sheet accounting and involvement of several foreign firms with international expertise, have been the key factors that facilitated the operationalising of government's policy on PPP. From a UK perspective, Broadbent and Laughlin (1999, 2004) argue that PPP was introduced by the Conservative government in early 1990s primarily in response to a shortage of resources for infrastructure investment, whilst there was a considerable backlog of maintenance and repairs in the existing infrastructure. Amidst the situation of an under-invested infrastructure, the UK government of the 1990s also had to meet certain macro fiscal targets primarily through restricting government borrowing (Broadbent & Laughlin, 1999). Heald and Georgiou (2011) and Hodges and Mellett (2012), while commenting on the evolution of PPP-accounting within UK, claim that the (off-balance sheet) accounting for PPP reflect government's bias towards using them for capital expenditure in order to avoid escalation of government debt. However, the successive government of Tony Blair took PPP forward under an ideological context of modernising and improving VfM in public service delivery (Broadbent & Laughlin 2004, 2005).

It follows from the above discussion that the underlying policy narrative for PPP within developed countries could be becoming more dominated by VfM rhetoric, nevertheless, their use has been driven primarily by macro-fiscal objectives of controlled borrowings amidst pressures to develop infrastructure. Especially during recession or under tight fiscal controls, PPP would appeal to government as elected officials wish to demonstrate that they are fulfilling electoral promises thorough doing more infrastructure projects. We also learn that PPPs can be made useable for achieving the fiscal goals of governments (i.e., meeting low-debt targets and more infrastructure investments) through constructing accounting mechanisms that provide for off-balance

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8 *European Union*

sheet treatment of the underlying projects' assets and liabilities. Thus the implementation of PPP would arguably need political will (Broadbent & Laughlin, 2004) and regulatory frameworks that could enable its adoption by government departments (Connolly, Reeves, & Wall, 2009).

In recent years, the infrastructure deficit has become the most glaring deficit that governments around the world have to deal with. The gap between infrastructure needs and the resources governments possess to meet those needs is ever growing and this is more true for developing countries. Many developing countries across the globe, and even more so in South Asia, have congested roads, bridges in need of repair, poorly maintained transit systems and recreational facilities, and deteriorated hospitals, schools, and waste treatment facilities all in urgent need of rehabilitation and repair (ADBI, 2007). Governments promise many new projects to close the gap, but often do not or cannot find the funding to follow through on their promises. These problems, in turn, impose large costs on society, from lower productivity to reduced competitiveness to an increased number of road and industrial accidents. There is no question that this infrastructure deficit is impeding South Asia's growth (ibid).

In this context it can be understood that the needs of developing countries for developing infrastructure are vast, but could be addressed through various combinations of partnerships. Particularly where government in developing countries have come to recognize that the state alone has failed to meet developmental goals, innovative partnerships have been sought in an effort to deliver services through what can be termed as the third way (Jupe, 2011; Koven & Strother, 2005).

## **2.2. PPP in Developing Countries**

For developing countries in particular, the rationalities that call for PPP are often different than developed countries. As observed above (see Section 2.1), whereas in developed countries PPP are pursued for VfM or off-balance sheet financing of infrastructure, developing countries need for PPP arise for building infrastructure that is poor. According to the ADB, electricity, water, road, rail, airports, and port services are poor throughout the South Asian region (ADBI, 2007). Poor infrastructure is often a reflection of several constraints developing countries face, for example, insufficient public funds, poor planning, weak analysis underpinning project selection, corruption, and also, infrastructure assets are often poorly maintained (IEG, 2012). It is argued that lack of access to adequate finance is the main reason for developing countries to adopt PPP (IOB, 2013). Thus, in practice most PPPs within developing countries are motivated for financial reasons in order to mobilize additional resources that enable the execution of large public programmes (ibid). For example, the government of Pakistan decided to implement PPP in education because they did not

have the resources to “accomplish the gigantic task of providing quality education and meeting the targets of the Millennium Development Goals” (Malik, 2013). The Lebanese government considered PPP in telecom because they wanted to reform public enterprise but lacked financial resources (Jamali, 2004). De Jong, Mu, Stead, Ma, and Xi (2010) state that the use of PPP in (large) infrastructure projects in China has mainly risen because the government had insufficient financial resources.

Moreover, government failures in developing countries can be equally relevant to pursue PPPs if the adequate provision of public goods is at stake (IOB, 2013). Government may meet the cost of new infrastructure by increasing taxes, borrowing from capital markets, appropriating expenditures from present and future budgets, and with financial assistance from multilateral development agencies. However, raising money by taxation and borrowing attract deadweight costs and there is an opportunity cost with budget substitution. Also, government’s borrowing often gets severely restricted by the existing (international) lenders, thus restricting their capacity to initiate capital intensive projects.

PPPs can help overcome these challenges faced by developing countries by mobilizing private sector sources, helping improve on-time and on-budget implementation, and ensuring adequate maintenance (ADBI, 2007; IEG, 2012). As far as meeting the financial requirements for infrastructure is concerned, PPPs enable the public sector to spread the cost of infrastructure investment over the lifetime of the project, much as homeowners do when they take out home loans (mortgages) (ADBI, 2007; ASEAN, 2014). This way governments avoid the upfront large capital investment, and projects which otherwise could not be initiated because of unavailability of government capital, can be pursued through PPP. Politically motivated deferred maintenance imposes huge costs in the long run, for example, early intervention costs about 20 percent less than maintenance postponed to the last quarter of a road’s life (ADBI, 2007). This implies that continual deferral of maintenance results in generally worse financial outcomes. PPPs can mitigate these problems as well by transferring certain construction and maintenance risks to a private partner (*ibid*). Arguably, PPPs can also bring efficiency in infrastructure projects, mainly in terms of delivering on-time and on-budget assets, as the unitary payments are linked to the availability of the new assets. In this way the availability risk gets transferred to the private sector (ADBI, 2007; HMT, 2006; IEG, 2012).

Nevertheless, implementation of PPP in developing countries requires a certain enabling environment. Government authorities need to be capable of developing sector reform policies and assessing fiscal risks associated with PPPs. They should also base their decisions about government (conventional) procurement versus PPP on comprehensive VfM assessments and have impartial transaction advisory at hand

to make PPP deals bankable and sustainable (IEG, 2012). Koven and Strother (2005) argue that governance and institutional capacity are the primary two factors that impinge on the ability of developing countries to develop PPP (p. 226). Moreover, Koven and Strother (2005) also recognise political risk as a major impediment to PPP in developing countries. Five components of political risk have been cited by these authors; the danger of 1) violence or war, 2) currency restrictions, 3) contract interference, 4) expropriation, and 5) unfair regulatory environments.

This inevitably call governments of developing countries to work towards development of certain key enabling factors for PPP: (i) building consensus for PPPs particularly within the policy-making circles and development of clear accounting rules for PPP transactions, (ii) implementing sector reform (with PPP reference), (iii) introducing the needed regulatory regime and legal framework for PPPs, including effective mechanisms for dispute resolution, (iv) building up institutions (of expertise) to manage the PPPs' process, (v) building capacity through trainings and development of PPP-specific official body of guidelines on procurement and bidding, risk transfer, VfM assessment and project management, (vi) improving governance and anti-corruption measures for PPPs, (vii) increasing access to long-term finance through domestic (and international) financial markets, and (viii) provide policy and legal certainty to investors through clear market (financial) incentives. These suggest that PPPs require their own infrastructure which would consume significant efforts, time and resources of government and the allied bodies (Ahmad, 2014; ASEAN, 2014; IEG, 2012; IOB, 2013; OECD, 2012; USAID, 2013).

In terms of developing countries, Asia is probably the most polarized when it comes to PPP activity with countries like India, Singapore and China forging ahead with new and innovative infrastructure while others such as Mongolia, Bangladesh and Pakistan make steps on the PPP ladder (Kenny and Lavanchy, 2013). According to the ADB, the Asia and Pacific region requires infrastructure investment of at least \$8 trillion until 2020, 68 percent of which will be for new capacity and 32 percent for maintaining and replacing existing infrastructure (ADB, 2007). Available funding from traditional sources falls far short of the investment need and therefore the regional governments could consider a greater role for PPPs in procuring infrastructure and identifying and addressing impediments to the development of PPP transactions (Husain, 2015). Below we discuss some examples from developing countries, mainly from Asian region, where PPP have been adopted when government capital was lacking for developing the needed infrastructure.

### *2.2.1. PPP Examples in Developing Countries*

In the aftermath of the global financial crisis when food prices began to rise,

like several other countries panic and violence erupted in India as well, as citizens rioted to protest soaring costs. With wheat a basic staple of nutrition in India, the Punjab State Grain Silos is a project that was called hugely important. It not only provided a real alternative to future food shortages but was also a replicable model that can and is already being adopted by other countries concerned about storage and feeding their growing populations (Kenny & Lavanchy, 2013). As one of India's prime grain producers which also faced critical shortage of storage capacity, the state government of Punjab engaged with multilateral organisation to advise on a pilot PPP scheme that would develop state-of-the-art, long-term storage silos with a capacity for 50,000 metric tons. Subsequently, a 30-year PPP (concession) contract was awarded by government to a large Indian grain exporting, commodity trading and handling company. The new silos ensured that, on a yearly basis, 500,000 of India's poorest will receive better nutrition (ibid).

Within the context of India another noticeable PPP example for building social infrastructure is of community sanitation. It is reported that one-hundred thirty million households in India lack latrines (ibid). Under a PPP arrangement that involved partnership between local government (providing water, sewerage connection, access to land and funds for construction), NGOs (responsible for construction and management) and communities of slum dwellers (involved in assessing demand), the project delivered sanitation schemes worth over \$7.2 million, resulting in the construction of over 230 toilet blocks, serving an estimated 230,000 slum dwellers in the states of Maharashtra and Tamil Nadu (ibid).

Within the energy sector, something that is currently perhaps of utmost importance for consideration by the Government of Pakistan, Indonesia and Thailand have adopted PPP models. Thailand is underway developing a PPP-based 1,600 megawatt (MW) gas turbine combined-cycle power generation plant in the Nong Saeng district of the Saraburi Province. The plant is aimed at responding to increasing power demand in a country associated with robust economic growth. It aims to provide reliable and least-cost power to prevent supply shortfalls, promote efficient combined cycle technology and base load alternatives to coal-fired generation. The energy sector PPP in Indonesia involves building a new 2,000 MW coal-fired power plant in Central Java, in order to keep up with growing electricity demand and to attract further private investment into the country. The plant will improve access to electricity to 7.5 million people and mobilize over \$3 billion in investment. The project is also the first to benefit from a new form of government guarantee provided by the Indonesia Infrastructure Guarantee Fund (IIGF), established not only to guarantee PPP projects, but also to provide consistent risk assessment of PPP projects (ibid).

Another noticeable case of PPP is the development of a partnership between

government officials and private sector shippers to upgrade efficiency in the South Korean port city of Pusan (Koven & Stother, 2005). In the early 1990s, this was identified as a high priority of the South Korean government as the Pusan port handled about 90% of port trade, and in 1998 was ranked as the fifth largest container port in the world. To improve the performance of the Pusan port, government officials concluded that better information was needed in regard to equipment availability, cargo losses/damages, and the availability of cargo pickup times. Each of these factors was dependent on accurate and timely flow of vital information. To address the problem of poor information flows, the Korean government acquired state-of-the-art computer hardware and software between 1989 and 1990. This equipment was used in the creation of a new electronic information system termed electronic development interchange (EDI). The private sector, on the other hand, cooperated in the establishment of a public-private entity, the Korea Logistics Network Corporation (KL-Net). This company attracted investment from certain big companies such as Hyundai Merchant Marine, and others. By virtue of their investment, the private corporations became fully involved in KL-Net operations. From the perspective of improving port performance, the partnership is viewed as a great success and a model for others in developing countries (Koven & Stother, 2004).

In Malaysia, PPPs were officially launched by government under the 9th Malaysia Plan. In 2009, a new unit under the Prime Minister's Department known as Privatisation and Private Finance Initiative Unit was established, currently known as 3PU. 3PU is the core agency with the responsibility to coordinate the Privatisation and the PPP projects. At present, the Malaysian government is undertaking 52 projects in the construction stage with an estimated value of RM62.7b, mainly in the transport sector, followed by energy and water supply and management sectors (PwC, 2012).

Jordan's first PPP was the rehabilitation and expansion of Queen Alia International Airport (QAIA), the country's largest airport and one of only two international gateways into the kingdom. The project secured \$900 million of private investment, with certain multilateral organisations taking lead role as lenders, joined by another six commercial banks. QAIA is not only the Middle East's first full airport PPP (concession), but the first to use Shariah-compliant (Islamic) finance. The new airport, expected to have created 23,000 jobs, has allowed Jordan's importance as a tourist and economic center to grow. The government has been released from subsidizing the airport and is now earning concession fees, which reached \$71.7 million in 2011 (Kenny & Lavanchy, 2013). China has also undertaken major PPP projects in the transport sector for developing subways in five major metropolitan areas, with a combined value of over a Yuan 100 billion (De Jong et al., 2010).

From a theoretical standpoint, three major findings emerge from the above anal-

yses of PPPs in developing countries. One, both social and economic infrastructure projects need attention of the governments, as the citizens lack the basic (social) infrastructure that could deliver good quality of life (e.g., supply of grain and sanitation facilities in India), while at the same time economic infrastructure, particularly in the transport sector (e.g., ports in Korea, subways in China, airport in Jordan), also needs capital intervention. Two, the examples clearly demonstrate that PPP were primarily initiated because of lack of conventional funding for the projects. So the governments of developing countries have to have a proper vision for what projects need to be initiated and then PPP models may be used to access private capital for bridging the investment gap. Three, in almost all the cases reviewed in this sub-section, there was inevitably a significant role of some multilateral organization(s), that facilitated the respective government either as a lender (e.g. ADB in the case of Thailand power project; IDB<sup>9</sup> and IFC served as lenders for the QAIA in Jordan), and/or as a PPP advisor and implementation partner (e.g. IFC<sup>10</sup> acted as an advisor to government in the Punjab State Grain Silos, the Central Java power project in Indonesian and, the QAIA project in Jordan; the World Bank Group performs PPP projects evaluations of and on for their client countries). On the basis of these findings we now turn in the next section to discuss the potential factors necessary for development of PPP within KPK.

### 3. Concluding Remarks: Developing PPP in KPK

PPP have been recognized worldwide as an essential mode of public service delivery. They could attract private capital investment, increase efficiency through the profit motivation of the private sector, and help reform sectors through the reallocation of roles and risks. Particularly within developing countries, PPP are in use for bridging investment gaps for developing the much needed social and economic infrastructure. In this sense, PPPs could provide alternative financing opportunities to the governments of developing countries, to pursue capital intensive (infrastructure) projects which otherwise could not be initiated due to lack of government capital.

The GoKPK has also promulgated legislation for adopting PPP to develop the social and economic infrastructure of the province (GoKPK, 2014). The PPP Act (GoKPK, 2014) was enacted by the provincial assembly in 2014 and was supposed to come into force at once. However, as we have learnt in this paper, PPPs require certain enabling environment in which they could foster (see above, Section 2.1 and 2.2), which, in the case of the KPK government is recognised to be limited (USAID, 2013).

While the GoKPK's PPP Act (2014) has been developed in line with the PPP

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9 *Islamic Development Bank*

10 *IFC stands for International Finance Corporation, a member of the World Bank Group.*

framework suggested for the province by the USAID (USAID, 2013), however, the institutional and regulatory elements that form the enabling environment for PPP cannot be operationalised through merely a single document of an Act. Instead, the GoKPK would need to perform detailed deliberations with the relevant academic and expert individuals and bodies (including multilateral organisations), in order to develop the appropriate institutional capacity and regulatory elements for PPP. For example, the Act (GoKPK, 2014) requires the provincial government to immediately setup a PPP Committee, a PPP Unit under the Planning and Development Department, and a PPP Node within the government departments, all with a primary purpose to promote, facilitate, coordinate and oversee the use of PPPs (see Chapter-II of the Act). However, building such bodies of expertise for PPP would require the government to first develop consensus on the approach with the relevant partners (such as PPP consultants, academics and senior accountants, as well as potential private sector partners).

Another area where the GoKPK would need to work further is for clearly describing the standard operating procedures (SoPs) for PPP contracting. While the Act (GoKPK, 2014) provides certain definitions, descriptions and details in this regard in Chapter-VIII, however there needs to be developed standardised contracting procedures and official body of PPP-related decision-making guidelines which could facilitate departments-level procurement decision making. For example, the UK government has been producing a bulk of official guidelines on PPP contracting and VfM decision-making and also on post-contract project management (Ahmad, 2014), which lacks in the KPK context. While the Act (GoKPK, 2014) relates risk transfer and risk assessment in PPP contracts with VfM, however, it does not provide for the assessment criteria and neither does the Act provide a framework for risk allocations and transfer. These guidelines the GoKPK could only develop through jointly working with academics and relevant experts (i.e., accountants, senior bankers and project consultants), as well as with multilateral organisations which carry vast experiences with (successful) PPPs.

A very important and relevant point with regard to risk allocation and risk transfer criteria for PPP are the accounting rules. The Act (GoKPK, 2014) does not provide any guidelines or directions about what accounting (and departments' budgeting) rules will have to be followed (or developed) for PPP projects. Instead, ironically in the Act this has been left at the discretion of the department-level decision making within PPP Node. Without a clear accounting and regulatory framework, vague rules would only render PPP transactions discriminatory, non-transparent, thus losing the confidence of potential financiers and non-government partners. This has been observed in China, where the absence of legal safeguards had driven private players

away from serious commitment to PPP projects (De Jong et al., 2010).

For the GoKPK to develop an active PPP market, they should also note that devising clever (financial) incentives to push contractors towards certain behaviour deserves more attention in PPP projects. Moreover, a market for PPP investors has to be bolstered with legal frameworks for dispute resolutions and for addressing issues of non-transparency or corruption in PPP deals, as the absence of legal safeguards would drive private players away from such schemes (De Jong et al., 2010).

Above all, political commitments and continuity of initiatives is a major concern in Pakistan. It is not certain and neither assuring in any way whether PPP initiatives by the incumbent KPK government would carry forward after the next general elections. In such uncertain political environment, one wonders why private sector would be willing to take stakes in such deals? In this regard we would suggest that PPP policy making and implementation should be seated in a body of permanent status that also has minimal political intervention or influence. One option could be that PPP policy making and implementation should be seated within the State Bank of Pakistan, which could develop and implement regional PPP models for each province. Or, a provincial level PPP body may be established under an ordinance, independent of political influence, but directly accountable to the Public Accounts Committee.

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