An investigation into the factors hindering the growth of public-private partnerships in Zimbabwe [1]

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INTRODUCTION AND BACKGROUND

Zimbabwe has faced serious social, economic and political challenges since the late 1990s. The crisis reached its peak in 2008 when the national currency collapsed under a hyperinflationary environment which government failed to contain. As the economic crisis escalated the ability of the government to infrastructure development in water, transport, energy, health, telecoms and other sectors was seriously compromised. With the formation of the unity government in 2009 an aura of stability was ushered in and there was hope the country can finally embark on the road to economic recovery. The government faced massive funding challenges given its strained relationships with international creditors and the massive recurrent expenditure estimated to be consuming between 75 to 90% of government revenue. Given these funding constraints the government has looked to public-private partnerships as a way to fund infrastructure development and rehabilitation. The government still has a number of key state enterprises which could be key to the pursuit of public-private partnerships. At the inception of the unity government workshops were held to build awareness of public-private partnerships among both the public and private sectors. However, despite the zeal for public-private partnerships not much has been achieved to date in that area. This raises an important question as to why the hesitance by both the public and private sector and also what are the critical challenges in general that have to be addressed to satisfy the concerns of the parties.

PROBLEM STATEMENT

The general state of infrastructure in Zimbabwe is in decay. The road network is one clear evidence of this decay. Zimbabwe also face acute shortages of power characterized by long hours of load shedding and the water and sewage infrastructure in towns is in dire need of renewal. However, the capacity of the central government and the local governments to undertake these projects is severely constrained. With limited access to

[1] How to cite this paper: Halimani, D.; Dzapasi, F.D.; Mavaza, T. (2020). An investigation into the factors hindering the growth of public-private partnerships in Zimbabwe; *PM World Journal*, Vol. IX, Issue VII, July.

international finance government need innovative ways to fund the infrastructure growth and renewal. Public-Private Partnerships are one of the innovative ways to fund infrastructure. However, there remains little appetite for such a method despite its success in other countries. Therefore there is need to investigate the likely factors contributing to inertia in public-private partnerships in Zimbabwe.

RESEARCH OBJECTIVES

The thrust of this research paper is to identify and discuss the factors hindering the growth of public-private partnerships in Zimbabwe.

RESEARCH METHODOLOGY

The research methodology was largely qualitative in approach. The research process involved a series of interviews conducted within Zimbabwe involving representatives of the public sector, the private sector and civil society. However, its important from the onset to mention that given the limited resources, the researcher was not able to work with a statistically representative sample with the likely implication that analysis of the responses must be observed with care.

LITERATURE REVIEW

Definition of Public-Private Partnership

Van Ham and Koppenjam define public-private partnership as a co-operation of some sort between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products. This definition shows the long-term nature of PPPs and risk sharing nature of PPPs. Collin and Harrison define PPPs as an arrangement between a municipality and one or more private firms where all parties share risks, profit, utilities and investment through a joint ownership of an organization. In terms of financial arrangements public-private partnerships can take the form of BOT(build-own-transfer), BOOT(build-own-operate-transfer) and sale and lease back arrangements where local governments sell their buildings and then rent them back on a 20 to 30 year contract from a financial organization (Greeve:5). Another definition by Campbell (2001) provides that a project generally involves the design, construction, financing and maintenance (and in some cases operation) of public infrastructure or a public facility by the private sector under a long-term contract.

Benefits of Public-Private Partnerships

Osborne (2000) observes that PPPs have become a tool for providing public services and providing a civil society in post-communist societies and also as a mechanism for combating social exclusion and enhancing community development. Furthermore PPPs play an important role in urban renewal and downtown economic development. Hodge and Greeve (2005) argue that PPPs provide public sector services more cheaply and quickly with reduced pressure on government budgets. They argue further that PPPs strengthens monitoring and accountability which enhances stronger business and investor confidence. Moreover PPPs provide innovative financing alternatives to government mandated fiscal year spending restrictions and they have created high quality projects and brought risk sharing to the risk-averse public sector.

Levy (2011) identifies the following as some of the benefits of embracing public-private partnerships:

a) They free public funds for other uses. Here it is argued that by having private players design and construct new roads, bridges or hospitals the limited state resources can be allocated to other important areas.

b) PPPs reduce risk to the public sector. In this respect cost overruns are moved to the private sector when carefully scripted agreements are formed. Some public projects require a series of fiscal funding to be completed resulting in inflation related cost increases.

c) Mobilizing other financial sources. The public sector depends heavily on the state for funding whereas the private sector can secure funding from many other sources, both domestic and international sources as it is attractive in terms of rate of return.

d) Increasing efficiency of operation. The private sector has the flexibility to introduce some efficiencies that the public sector may have difficulty in doing because of political, financial or other reasons.

e) Achieving lower maintenance costs. This is because a private consortium designs and constructs and operates and maintains the facility during the term of the agreement and they tend to build high quality features into the projects to lower future maintenance costs which results in the state inheriting high quality facility.

DATA AND RESEARCH METHODS

The research process involved a series of interviews conducted within Zimbabwe with representatives of the public sector, the private sector and civil society which includes

NGOs researchers from universities. Preference was given to people with knowledge and experience of public-private partnerships. In cases of face to face interviews respondents were also asked to fill in a standardized questionnaire. The questions asked sought to identify challenges or obstacles that slow down the development of PPPs.

RESULTS AND ANALYSIS

This research mainly sought to identify the challenges hindering the growth of PPPs in Zimbabwe. The respondents that were interviewed are active in public administration, private companies and non-governmental organizations and research think tanks and universities. The answers which the sample respondents gave are interpreted according to the professional sector of respondents and the level of knowledge respondents claim to have about PPPs.

Classification of respondents

The sectoral distribution

A total of 60 respondents were interviewed. The differentiation of respondents according to the sector they work in allowed the researcher to underline the different perceptions of PPPs especially in relation to challenges from a private sector perspective and public sector perspective. The table shows that half of the respondents are employed in public institutions while the other half work in private companies or NGOs.

Table 1.1

	Frequency	Percent
Public Sector	25	41.7
Private Sector	20	33
NGOs and Universities	15	25
Total	60	100

Degree of Knowledge on PPPs

An overview of the respondents' degree of knowledge indicate that 40% were a little familiar with PPPs and while 28% indicated that they knew quite a lot about PPPs and 32% showed they knew very much.

Challenges to the development of PPPs

The benefits likely to accrue through the pursuit of PPPs have already been stated. However, certain barriers exist which impacts negatively on the implementation of PPPs. Such negative factors were identified by respondents and can be put into two groups namely soft obstacles and hard obstacles. Soft obstacles deal with lack of knowledge, experience or political will. Hard obstacles refer to the inadequate institutional and legal framework in a country.

The Soft obstacles

The results of the interviews carried out show that political obstacles dominate in terms of being the most prominent. The political challenges explain the small number of PPPs in Zimbabwe. The public sector has little confidence in the private sector and this is vindicated by the lack of political will to develop PPP structures (see table 1.2 below).

Table 1.2 Respondent's opinion about the lack of political will as barrier to the implementation of PPPs

Evaluation by the respondents of the lack of political will as a factor that may explain the absence (or the little number) of PPPs in Zimbabwe		**Sectors in which respondents are primarily active**		
		Public sector (25)	Private Sector (20)	NGOs, University (15)
Strongly disagree	Frequency	5	0	0
	Percent	20%	0%	0%
Disagree	Frequency	7	4	5
	Percent	28%	20%	33.3%
Agree	Frequency	9	8	3
	Percent	36%	40%	20%
Strongly Agree	Frequency	4	8	7
	Percent	16%	40%	46.7%
Total	Frequency	25	20	15
	Percent	100%	100%	100%

Another challenge identified is the lack of knowledge and experience on how to structure PPP structures. About 80% of respondents identify the lack of knowledge and experience as an important factor in explaining the low development of PPP structures. 68% identified corruption as a challenge to the development of PPPs. This in turn led to the general reluctance to develop PPPs. This perception was generally among the private sector and NGOs.

The Hard obstacles

The national legal and institutional frameworks were identified as a main cause of the low development of PPPs. The table below shows response to the question: Are the existing institutional and legal infrastructure adequately developed in the country to facilitate the creation of PPPs?

Table 1.3

Are the existing framework (ie institutional and legal infrastructure sufficiently developed in the country to allow the creation of PPPs		Sectors in which respondents are primarily active		
		Public Sector	Private Sector	NGOs, Universities
Yes	Frequency	15	7	5
	Percent	64%	35%	33.3%
No	Frequency	6	11	8
	Percent	24%	55%	53.3%
Don't Know	Frequency	3	3	3
	Percent	12%	15%	20%
Total	Frequency Percent	20 100%	20 100%	15 100%

CONCLUSION AND RECOMMENDATIONS

This paper primarily focused on identifying challenges hindering the growth of PPPs in Zimbabwe by interviewing players from the public sector, private sector, non-governmental organizations and researchers within universities. Some of the challenged identified by the interviewees include lack of knowledge and experience about PPPs, lack of political will, inadequate institutional and legal framework and corruption.

As a result of the above identified challenges there is need for government and the private sector to meet and iron out their differences in relation to PPPs. The government must strive to put in place an adequate institutional and legal framework that inspires confidence. There is also need for specialized teams of PPP experts to educate both the private and public sectors on issues to do with PPPs. There is also need of high political recognition and political will on the extent to which Zimbabwe wants to pursue PPPs as an alternative funding method.

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