

# International Best Practices and Models on Public and Private Partnership (PPP): Drawing on the Policy Lessons for the Transport Sector in Samoa

Jasem Al Hammadi, Mohammad Habibur Rahman and Rafia Naz.

Environment Agency Abu Dhabi, Mohammed Bin Rashid School of Government, National University of Samoa

## Abstract

*This study examines the public private partnership models and best practices in the United Arab Emirates (UAE) and in other countries to draw policy implications for the Local Samoa Transport. The purpose is to understand the challenges from the international best practices, document the current status and identify challenges that require policy discourse in the Samoan context.*

**Keywords:** PPP, Local Samoa Transport, Government, International Best Practices

## Introduction

### **Definitions for the Purpose of the Research**

Several models and formats of partnerships exist between public and private partners which are unique to the project requirements and subject to governmental approvals. Below are some of the widely used models in the transport sector within the international context.

- build–own–operate (BOO),
- build–operate–transfer (BOT), and
- Build–own–operate–transfer (BOOT).

Build–own–operate (BOO) was traditionally a widespread model used for PPP projects. In this type of project, the public entity sells a project to the private company that will then finance, build, own, and operate the project in its sole capacity (Cheung, 2009). However, the public entity may include certain clauses to ensure the legitimate use of property for a specified period. Build–operate–transfer (BOT) is known as a less popular form of PPP projects (Cheung, 2009). It is used when handling large-scale construction or infrastructure such as roads, highways, and rail networks (Osei-Kyei and Chan, 2015). A simple BOT example can be a commercial retail space in the downtown (Alhashemi, 2008). The government allocates the land, shares approval of the plan, designs and participates in funding of the project. On the other hand, private partner is entrusted to finance the remaining amount (Alhashemi, 2008). Once the formalities are in place, the private partner builds the retail space, leases it out, and ensures its maintenance for a stipulated period after which the space will be transferred back to the government. Thus, the ownership of this project belongs to the government (Alhashemi, 2008). The build–own–operate–transfer (BOOT) model primarily indicates that the private firm is made responsible to develop, build, own, operate and later transfer the project back. Thus, the building ownership, remains with the public entity and does not get transferred to the private partner (Alhashemi, 2008).

PPP-driven models are particularly useful for capital-demanding investments in infrastructural projects such as transport networks over land or water or the construction of manmade structures such as buildings, hospitals, hotels, schools, universities, stadiums, community centers, docks, ports and roads. The PPP models mentioned above are especially popular in the transport sector worldwide (Trujillo et al, 2018; Osei-Kyei and Chan, 2015; Sharma, 2007). Given their relevance and use in the research context of Samoa (Almarri and Abu-Hijleh, 2017), implications will be drawn for the local transport sector in present study.

### **Conceptualizing PPP**

PPP projects are getting increasingly popular because they allow governments to offer public services in time while utilizing private firms' resources. This cooperation between private and public sectors can vary from project to project and from sector to sector. Both the public and private entities tend

to choose this kind of cooperation based on their respective competencies, financial resources, technical expertise, and the economic and business viability of the project (Osei-Kyei and Chan, 2015). A formal contract that governs all the terms and conditions is usually employed to formalize such unions between public and private partners prior to commencement of any project (Alhashemi, 2008). The main purpose served by these unions is usually innovation, development, or an investment over a pre-specified time period for the overall welfare of the general population. Scholars argue that governments tend to rely on PPP for the infrastructure needs such as hospitals, transport systems, road networks, sewage, waste management as well as construction of streets, buildings and commercial premises (Zhang et al, 2017). Over the years, PPP has been also envisaged as being a funding tool and a common theme of sharing risk as well as improvements of innovation (Kolesnikov et al, 2018). It is a system of policy transfer that has a role in commercial interest and industrial strategies.

### **Advantages of PPPs**

Previous scholarships have discussed the many advantages of PPP projects that are going to be highlighted in this section. It is evident that a lot of interest has been garnered by PPP projects in both the academic and practitioner domains over the recent years. The early researches in PPP projects indicate that PPP projects were promoted towards private investments in public facilities and services (Askar and Gab-Allah 2002). These facilities and services were often necessary for the public, but to provide for them using public funds would have put undue burden on the government's financial status. Therefore, to make the most of the situation within the given constraints, the government provided what the general public required without having to pay for it and, in doing so, were also successful in opening up business opportunities and revenue-generating streams for the private sector. With the increased interest in PPP in different countries, the advantages associated with public and private partnerships projects have gradually become more obvious. These include the relief of financial and administrative pressure, reduction in system inefficiencies, provision of business options for the private entities, promotion of growth and employment and, finally, the allocation of government funds to high-priority causes such as education, healthcare, social welfare, defense, pension, etc. The PPP approach also establishes cost certainty before the commencement of the project. PPP is a particular approach to funding a segment of transportation or environmental infrastructure (Zhang et al, 2017). Apart from this, Osei-Kyei and Chan (2016) highlighted that, public sector is able to supply incentives for the private sectors to maintain a proper budget and time frame for a project. Development management is another perceived benefit of PPP projects—the private entities tend to accelerate progress and complete the work within the stipulated deadlines as they do not depend on the scarce sovereign resources (Cheung et al, 2012; Kolesnikov et al, 2018). Furthermore, the use of the private sector's capital, initiative, and practical knowledge not only improves the operating efficiency but also reduces the project overhead, construction, and scheduling costs. In addition to their financial benefits, PPP projects also allow for risk identification, categorization, and mitigation (Robert et al, 2014). The private sector is more efficient in service delivery and the procurement of assets and supplies; thus, allowing for better identification, prioritization, management, and control of risks factors. For instance, private contractor may take up a risk of constructing buildings, not knowing whether it will pass the usability criteria (Cheung, 2009), and the government may end up approving an environmentally risky project (Cheung et al, 2012; Robert et al, 2014). Therefore, PPP projects allow risk sharing between both private and public parties, which should be encouraged in under – researched contexts such as the Samoa transport, a gap this current study sought to address.

As the Public Private Partnership is a relatively new concept new in Pacific region and in Samoa, so it will be ideal to study the best practices of different countries (Alhashemi, 2008) and adapt them to the Samoan context in order to examine the most suitable way forward for boosting the uptake of PPP projects by the private partners and Government in the local transport sector.

### **Challenges in PPP Projects**

PPP projects also pose certain challenges in addition to their benefits, and scholars have remarked that both the public and private partner must navigate these challenges to ensure the project's success. Particularly, Marques, and Berg (2011) were among the first to summarize some of the main the issues associated with PPP projects: (1) time costs, i.e., the amount of time required from the initial public sector assessment phase to the finalizing and signing of the contract, which may take 2–5 years; (2) transaction costs, which could be attributed to the lengthy negotiation and documentation process which may cost both the entities money and effort; (3) limited exposure due to the lack of access to or scope of the private sector, resulting in a small number of bidders showing up for the final rounds and the more capable partners left behind; (4) excessive risk exposure because, regardless of how competent the private entity is, the amount of risk the government can shift is not quantifiable; and (5) over budgeting due to cost inflations and market fluctuations amid the bidding process, which may lead to the government sector underpaying or overpaying the private sector and the private partner having no protection from the uncertainty and risks related to the market. The impact of risks on a PPP project's objectives and completion are quite defined due to economic, legal, demographics and social variables which may be further complicated due to time and commitment requirements owing to the involvement of both public and private stakeholders (Cheung, 2009). Hence, both the PPP parties need to have mutual trust and develop understanding, to ensure project timely completion, and enable the project to generate better financial, political, and social outcomes (Zhang, 2005; Cheung, 2009; Verhoest et al, 2015). Another challenge which may cause the failure of PPP projects is the need to deal with private partners. While managing PPP projects, the public entity must assess to verify that the private partners are sufficiently evaluated to ensure that they have the skills, expertise, and financial capabilities required to take up and complete the projects. For instance, the London Underground (Shaoul, 2002). Therefore, to avoid such costly mistakes, it's high time that PPP projects are managed using a constructive framework that's based on international best practices, a gap that the current study sought to address.

In the PPP contracts, the main concern for government entities is the timely procurement of good-quality assets or services with pre-specified requirements to be considered throughout the contract period (Cheung, 2009; Wu and Huang, 2015). Studies advocate for the notion that in order to promote PPP on a general scale, the governments should make efforts to regulate sector and industries but allowing enough flexibility to allow innovation and bring enhanced services to the end users (Cheung, 2009; Wu and Huang, 2015; Almarri and Abu-Hijleh, 2017). However, scholarships have also advocated that the government exercises governance and maintains checks to ensure quality and be ready to step in if any necessities are warranted (Cheung, 2009; Kolesnikov et. al, 2018; Wang et al, 2018). An efficient procurement process is crucial to shorten time consumed in negotiating and closing a deal. It may also reduce the transaction costs and promote the overall goodwill of the PPP. Research also suggests that the successful implementation of PPP requires a feasible and politically stable environment, which in turn relies on the stability and calibre of the host government (Sharma, 2007). Social, economic, and political issues that are beyond the private sector's domain should be handled and regulated by the government. In the case of any unintentional violation or breach of contract, the private sector entity or individual should be duly compensated by the government. Uncertain political and social environments have resulted in some failed PPP transportation projects, such as failed railway lines; for e.g., frequent changes in the governments of south Asian giants such as China and India have resulted in cancellation of many new PPP projects (Rwelamila et al, 2015; Song et al, 2018).

### **International Best Practices (IBPs)**

The previous section highlighted the importance of PPP and its role in a country's economy. According to scholars Almarri and Blackwell (2014) and Dulaimi et al (2010), some of the advantages associated

with PPP projects such as the improved allocation of public funds, risk management, and capacity building, have been investigated in developed nations such as the US and UK. However, there is still a lack of research on the role of international best practices specifically in the context of Samoa. Reviewing the literature indicated that best practices vary across country, sector, industry, and projects. The international best practices research for PPP projects have been quite robust including both conceptual and empirical work. Both the public and private parties tend to develop mutual understanding and have established several differing long-term aims. For example, Sharma (2007) identified the IBPs for public entities in competitive tendering and negotiations for build–operate–transfer (BOT) projects to be based on the project’s business and technical feasibility, a stable macro environment, and favourable legal frameworks. However, Sharma’s (2007) study only covered selected economies in Asia and did not include BOOT and other models of PPP that are evident in the transport sector (Almarri 2017). Likewise, Wang and his colleagues (2018) reviewed the IBPs for PPP projects, but the literature review was limited to the public administration sector only. Nevertheless, identifying factors from international best practices is crucial for development of an efficient and workable PPP protocol (Almarri, 2017). In lieu of the same, Kwak and his colleagues (2009) noted that it is not possible to list out workable international best practices, as they vary from project to project and context to context. However, research argues that generally speaking, it appears that main factors which are likely to attribute to a project failure or success can be crystalized to five main aspects namely (1) governmental initiatives, such as competence and the establishing of a regulatory mechanism, (2) the private sector’s skills and experience, (3) appropriate risk allocation between the PPP members, (4) project deliverables, and (5) a sound financial package. These aspects are further discussed below in relation to the best practices in different countries.

### **Establishment of a Regulatory Mechanism**

Considering the relative importance of a regulatory and legal framework that encourages transparency and accountability is imperative for the success of any project. PPP contracts have already garnered a lot of attention in recent years especially in Western countries such as the United Kingdom, Australia and the Schengen states. These success stories provide useful examples for developing countries to reform the structure of their government projects. Even studies conducted in developing nations have indicated that the availability of a regulatory mechanism is important to promote the participation of private sectors in PPP (Zhang, 2005; Verhoest et al., 2015; Osei-Kyei and Chan, 2016). From all the existing studies, it is clear that such a framework needs to comply with the context regulatory system and be adaptable to reflect the key lessons learnt and the expertise gained if any. Thus, is it presumed that to promote collaboration between small-and medium-sized enterprises and allow PPP projects to leverage the technical expertise of the private sector, the government should take all the necessary measures to safeguard the interests of the public and private entities and maintain a transparent regulatory system which promotes economic activity. It should be noted that the federal authority in the United Arab Emirates (UAE) issued a law for PPP governance in 2015, but it was implemented only in 2017 after the UAE cabinet passed the resolution (The UAE Official Website, 2020). Given the size and scope of PPP projects, the current study provides the ideal opportunity to measure the implementation and effectiveness of the PPP law that is aimed at encouraging the private sector to participate in the development of projects and increase its investments in different fields. However, the focus of the current study is on the PPP projects of the transport sector in the local Samoan Transport sector.

### **Risk Sharing**

Most of the PPP models commonly include guidelines on legal issues such as policies, institutional requirements, and stakeholders’ needs (Alhashemi, 2008). A review of several studies has indicated that another critical IBP that needs to be considered for the success of any PPP project is that of risk assessment, including appropriate allocation and mitigation procedures (Osei-Kyei et al, 2018; Ameyaw and Chan, 2016). The transfer of risk to private entity from the public partner is one of the

most reoccurring and quite apparent best practice in the PPP projects examined in international contexts (Alhashemi, 2008). Let us consider an example from the Australian transport sector (Cheung, 2009). The construction of Cross City Tunnel project in Queensland was a huge project, but it was managed through the use of PPP project without the government having to pitch in any of its own funding. It is worthwhile to mention that the scale and scope of the Cross City Tunnel project kept its implementation at bay for nearly 20 years due to issues with the traffic, toll fares, and motorway connectivity (Cheung, 2009). One of the main reasons that kept Queensland government from taking up the project was that it did not rely on the delivery method of generating revenues as compared to the more popular traditional approaches. By transferring risk to a local private consortium, the government was finally able to compete in the market and offer the project to public users in 2005 (Chan et al, 2008). Along the same lines, it is expected that, through the systematic implementation of risk sharing in Samoan based transport sector PPP projects, not only will the number of PPPs tendered increase but there will also be more awareness on the development of Key Performance Indicators (KPIs) for PPPs as well as provide increased value to the end users. On the other hand, several studies have indicated that the risk allocation between project stakeholders is one of the most cited best practice to boost confidence in PPP initiatives (Loosemore and Cheng, 2015; Matyushkina et al, 2016). Similar views were advocated by the Dulaimi and his colleagues (2010) who studied local PPP projects in the UAE. Thus, it was propositioned that, “sharing of risks” is one of the key factors to increase the allocation of projects among private entities and encourage the participation of SMEs.

### **Clarity on the Scope of the Project and key Deliverables**

A review of several studies (Ameyaw and Chan, 2016; Hodge and Greve, 2017; Zhang et al, 2017) indicated that it is necessary to obtain clarity on the project briefs and outcomes of the international best practices that have been adapted by developed economies to ensure the successful implementation of PPP projects. Indeed, defining the project scope and brief is considered one of the key stages for the successful execution of PPP projects. This is because every stakeholder involved in the project needs to have clarity about the goals that are to be achieved and the approach that is to be employed. The PPP project briefing and clarifying process is different from traditional projects because it helps in understanding the program, deliverables, user expectations, risk management strategy, and payment mechanism (Kolesnikov et al, 2018). A typical PPP project in any given nation or sector usually involves different private firms, contractors or even sub-contractors for specific requirements. Hence, to encourage private sector participation and SME collaborations in PPP projects, it is proposed that clarifying the project scope and deliverables should be considered a priority (Alhashemi, 2008). Moreover, given the international and local appeal of the study context, i.e., the Local Samoan Transport sector, and that project briefs are vague at times, clarifying the project requirements and adopting them as a benchmark becomes more relevant. A clear project brief can enable one to avoid the consequences of inappropriate risk sharing between the parties, reduced flexibility, hidden costs, and compromised accountability. Furthermore, the involvement of the end users in the brief development and clarification provides an ideal opportunity to address and draft the output specifications in an accurate and precise manner. This is even more relevant to the transport sector, wherein the performance requirements usually last for longer durations, sometimes 5–10 years. Therefore, it is plausible that clarity on a project brief and its outcomes in the international best practices that have been adapted by developed economies helps ensure the successful implementation of PPP projects, and this may be the case for the local Samoa Transport as well.

### **Competence of Private Members in PPP**

With time, PPP projects are anticipated to experience more growth worldwide. This is because, firstly, the private sector is more in touch with the general public end user due to its societal position and ease of access and will, hence, gain clearer insights about the needs of the public sector client over time (Ghobadian, 2004; Cheung, 2009). Secondly, the private sector has more to offer than the public sector in terms of technology, knowledge, and skills due to these companies’ extensive experiences in

the real-time market, thereby enabling them to provide better quality of facilities and services. The competence and technical expertise of the private entities have been found to be important factors for the allotment of PPP projects to SME companies (Kolesnikov et al, 2018; Almarri, 2017). This indicates that upskilling the private sector and building their capacities would help governments deliver their projects in the most efficient ways. Efficiency with any PPP project is expected when the private party involved is experienced and has reputation in the market for doing projects on similar scale. Furthermore, the availability of working capital and technical expertise needed for such projects also plays a huge role in whether the PPP outputs are delivered on time and within the pre-specified budget. Thus, it is propositioned that the skills and experience of private entities will foster technical excellence and innovation in the PPP projects. This is because, by drawing from its technical knowledge and vast experiences, a competent private entity also integrates all of its project phases under a single enterprise system that covers initiating, planning, leading, cost and time estimation, resource allocation, labour division, work breakdown structures, and other necessary project documentations (Sanni, 2016). One more major advantage of using private entities in PPP partnerships is that most of the PPP solutions require a high level of capital investment for the establishment of big scale projects such as buildings, schools, hospitals and road networks. The financing of such projects by the private sector has allowed many mega projects to commence earlier than the stipulated time period, which also means that they were completed early (Kolesnikov et al, 2018).

### **Availability of Funding**

Handling the development and scope of projects, especially PPP projects, requires organization and commitment from the public entities involved. These public entities are not always expected to provide funding for the PPP projects, but one of their primary roles while managing PPP projects is to ensure that the appropriate project financing options exist to attract private sector investment. According to Jovanic and Sredojevic (2017), a stable macroeconomic environment is critical to make case for a successful PPP project. Availability of attractive and flexible financial instruments such as debt and equity credits, security and hedge funds is considered to be vital sources of capital for private firms looking to fund the PPP projects in the long run (Ismail, 2013). In another study by Sanni (2016), the “availability of financial markets” emerged as one of the key reasons for successful development of PPP projects in Sub-Saharan nations such as Nigeria and Ghana. Along the same lines, Ismail (2013) remarked that “easy access to funds/financial markets” was credited with the successful development and implementation of several PPP projects across Malaysia. Many researchers (Zhang et al, 2017; Almarri, 2017; Kolesnikov et al, 2018; Wang et al, 2019) have found that the availability of funds is correlated to the uptake of PPP projects by the private entities. Relating it to current study’s context, the stable political system and favourable economic conditions in Samoa should attract leading financial institutions and international banks to collaborate and invest in PPP projects across the country. Hence, it is suggested that “ensuring funding availability” should be adopted as an international best practice as it is likely to encourage further collaboration between the private and public sectors. Furthermore, it will also contribute to the development of technical excellence by promoting employment opportunities. Overall, to increase the involvement of the private sector in PPPs, encourage the participation of SMEs, and foster technical excellence in the execution of PPP projects, exploring the suggested IBPs at length was one of the primary objectives of the present study. The detailed review of the empirical evidence in previous works indicates that, to create an environment that supports product and process innovation, PPP projects must adapt the five main IBPs mentioned above.

### **Methodology**

This study has undertaken an exploratory review of the secondary literature sourced from mainly journals and the Government of Samoa website. Primary data has not been collected. Discussion and policy implications are derived from the secondary sources/reviews.

### **Discussion: Context of Study: PPP in Local Samoa Transport**

Samoa is a Polynesian island country consisting of two main islands, Savai'i and Upolu, two of the smaller inhabited islands, Manono and Apolima, as well as several small uninhabited islands including the Aleipata Islands (Nu'utele, Nu'ulua, Fanuatapu and Namua). The capital city of Samoa is Apia and it follows the parliamentary democracy and is a member of the Commonwealth of Nations<sup>4</sup>. With reference to the Samoan economy, it has been traditionally reliant on development aid, family remittances from overseas, tourism, agriculture, and fishing, with a nominal Gross Domestic Product (GDP) of \$844 million. Approximately ninety (90) percent (%) of exports are from the agricultural sector which includes fishing, fish, coconut oil, nonu products, and taro. The manufacturing sector on the other hand, contributes twenty-two (22) % of the GDP and less than six (6) % of the work force, whilst the service sector attributes for nearly two-thirds of GDP and engages approximately fifty (50) % of the labour force. The other sector which is growing is the tourism sector, making up twenty-five (25) % of the GDP. Samoa is susceptible to storms. In September, 2009, the economy was struck by an earthquake and the follow-on tsunami ruthlessly impaired the economy and the nearby American Samoa, disrupting transportation and power generation, with a resulting death toll of two hundred (200). In December, 2012 as well, widespread flooding and wind damage from Tropical Cyclone Evan endangered the lives of four (4) people, displaced over six thousand (6,000), and spoiled or demolished a projected number i.e: one thousand and five hundred (1,500) homes on Samoa's Upolu Island. The Government of Samoa continues on its deregulation journey, encouraging investment, and continues fiscal discipline, while at the same time maintains its commitment in protecting the environment. The foreign reserves of the economy are relatively fit and inflation is low, but external debt is approximately forty-five (45) % of GDP. Samoa has become the one hundred and fifty-fifth (155<sup>th</sup>) member of the World Trade Organization in May, 2012, and proceeded from being a least developed country status in January, 2014 (CIA World Fact book, 2020).

With reference to the context of the local Samoa Transport industry, the Government of Samoa considers that a competent, highly synchronized and well succeeded transport system is an indispensable pre-requisite for continued economic growth for the nation. The Transport Sector Plan (TSP) 2013-2018 delivers the essential whole of sector framework which sets the basis of monitoring the development and funding of the sector in the next five years that is consistent with the general policy objective as stipulated by the Ministry of Works Transport and Infrastructure ((MWTI), 2019a). The Strategy for the Development of Samoa (SDS) for the period 2016/17–2019/20 stipulates in Key Outcome 10: Transport Systems and Networks Improved as one of the main outcomes.<sup>5</sup> Samoa's susceptibility to natural disasters has been a major concern given that approximately seventy (70) % of the population, the transport infrastructure, including the main international airport and seaports, are all situated in low lying coastal areas. The key goals and strategies therefore of the Plan are the unswerving responses to this exposure to minimise infrastructure destructions and interruptions to the movement of people, goods and trade; to advance safety and security in-lieu with best practices for all transport service providers and users; to progress proficiency and competitiveness including outsourcing to and partnerships with the private sector; to confirm augmented and sustainable funding for transport infrastructure maintenance and; to assimilate environmental sustainability, climate change adaptation and energy efficiency into all transport infrastructure planning, design and construction (MWTI, 2019a). The Transport Sector Plan 2013 – 2018 has been the first for Samoa. The transport sector is one of the fourteen (14) key sectors of the Samoan economy and emanates under the Infrastructure Broad Sector. The transport sector covers land, maritime and air transport which is

---

<sup>4</sup>[https://en.wikipedia.org/wiki/Economy\\_of\\_Samoa](https://en.wikipedia.org/wiki/Economy_of_Samoa)

<sup>5</sup>Strategy for the Development of Samoa (SDS) for the period 2016/17–2019/20. Available from: <http://extwprlegs1.fao.org/docs/pdf/sao165879.pdf>

parallel with the classification under the International Standards on Industrial Classification (ISIC). The MWTI is the principal agency in the sector and is chiefly answerable for policy, planning and regulatory functions and oversight of the sector. Other agencies in the sector are the Samoa Airport Authority (SAA), the Land Transport Authority (LTA), the Samoa Ports Authority (SPA) as well as public and private operators of maritime (shipping) and aviation (airline) services (MWTI, 2019a). The transport and communication sector contribution to GDP at market prices exhibited a noteworthy growth of eighty-nine (89) % (\$85 million to \$162 million) from 2001 to 2012 (MWTI, 2019b). The total annual running costs (operational plus salaries) for key agencies MWTI, LTA, SPA, SAA, and SSC in the financial year (FY) 2012/13 were \$ 69.08 million. The key challenges for the sector as identified in MWTI (2019a) were as follows: (a) to endorse strong leadership and commitment from the Chief Executive Officers and senior management officers of the sector agencies; (b) to progress coordination and communication among sector agencies in implementing the TSP; (c) to develop strong partnerships between government, the private sector and donors, to achieve the goals and outcomes of the TSP thereby contributing to the achievement of its vision “a sustainable, efficient, safe and environmentally responsible transport network that supports Samoa’s economic and social development and contributes to improving the quality of life for all Samoans” (MWTI, 2019a, p.28). In the Transport Sector Plan 2013 – 2018, Sector Analysis Volume II Report, funding for road construction and maintenance was presented as a major challenge to the public sector, predominantly resulting from the budget constraints enforced by the requirements for debt service payments. It was indicated in the report that the significance of exploring further prospects for private sector participation was predominant to be able to recover costs via user-pays fees in the construction of new roads (MWTI, 2019b).

Now Samoa has had a very resilient emphasis on economic and social development, which has been accomplished by its Public Bodies that deliver quality services. The Ministry of Public Enterprises (MPE) was established in August, 2015 by the appointment of the Cabinet. The MPE intends to make a noteworthy influence on Samoa’s economic growth through strategic leadership and oversight of the Public Bodies. At the moment, there are twenty-eight (28) Public Bodies under the management of the MPE, stretching from the Electric Power Corporation to the Samoa Ports Authority. The MPE plays a dynamic role in certifying that all Government Public Bodies conform with the Public Bodies (Performance and Accountability) Act 2001. With the institution of the MPE, explicit emphasis has been on augmenting the financial performance and compliance of all Public Bodies to progress and heighten the services to the public<sup>6</sup>. In 2017, the first Corporate Plan 2017 – 2020 was circulated by the Hon. Lautafi Fio Selafi Purcell, the Minister for Public Enterprise<sup>7</sup>. The Corporate Plan outlined the strategic goals and intentions for the period until 2020, and was aligned with the Strategy for the Development of Samoa (SDS). The first step towards meeting the objectives of the Corporate Plan 2017 – 2020 was to upsurge the MPE’s familiarity about PPPs. Since the MPE had diminutive preceding know-how with PPPs, a knowledge partner was recognized that could inaugurate PPP Practices and transfer knowledge to the MPE. The MPE acknowledged a number of experts that had involvement with the World Bank PPP program, and contracted a PPP specialist, Dr. Ronny Carbonell, and Accredited Training Organization (ATO) Cybiant to support with the enactment of the PPP Best Practices. The principal objective was to transfer knowledge about the structure and the set-up of PPPs, and ascertain virtuous practices and procedures that could permit the Government of Samoa to discover and evaluate PPP projects. The MPE unquestionably forged ahead with the realization of Goal 4 that is; effective identification, implementation and monitoring of PPP and Privatization programs with backing from the Asian Development Bank (ADB) in developing a training programme for MPE workforce in Samoa<sup>8</sup>. Over a period of 12 months, sequences of three weeks of trainings were

---

<sup>6</sup> For more information on the MPE please see: <https://www.mpe.gov.ws/>

<sup>7</sup> The full Corporate Plan 2017 -2020 is available at: <https://www.mpe.gov.ws/publications/>

<sup>8</sup> [https://www.cybiant.com/resources/public-private-partnerships-samoa/#\\_ftn2](https://www.cybiant.com/resources/public-private-partnerships-samoa/#_ftn2)



conducted in Samoa, using the certification programme that had been developed by APMG-International. APMG (APM Group) International is the most reputable global accreditation and examination institute<sup>9</sup>. The first batch included thirty (30) participants in the three day PPP Foundation programme in 2018. A nominated group successively embarked on the 'Practitioner' courses, which delivered in-depth and professional knowledge. Both the PPP Preparation and PPP Execution courses were piloted in Samoa in 2019, with the support of the Asian Development Bank<sup>10</sup>. The courses were presented by Cybiant, the first training organization in Asia that embraced the PPP programme, and which became an Accredited Training Organization (ATO)<sup>11</sup>. The PPP certification programme was settled in August, 2019. Samoa has been the first Pacific country that had hosted the structural programme that transferred knowledge about PPPs based on the APMG-International and World Bank programme. The MPE training contenders were the first in the Pacific Region to be bestowed the "Certified PPP Professional" designation. In the progression, Samoa has become the lead model in the Pacific Region to showcase the significance and paybacks of PPPs<sup>12</sup>.

The Ministry for Public Enterprises (2017) has stated that a PPP is more like an agreement linking Government and the private partner that would be working together in a structure, where either all or most of the risks which were customarily born by the Government under the traditional public procurement, could be transferred to the private partner to manage the cost effectively in a duration that classically should be long term in nature, for example 15-40 years or more. It also states that the Government can be exemplified by the "Government agency" i.e: State owned enterprises (SOE), Ministries or departments, whilst the private partner can be signified by a private business. The context in which the PPP model is framed states that it differs from the traditional public procurement, mainly because it can package all or maximum risks in the partnership such as in design, construction, finance, maintenance and often operation, with the focus on service results being delivered by the private partner. It was further stated that the selection of the PPP model is reflective of the risks allocated between the Government and the private partner. The selection of the PPP model is also dependent upon the nature of the project, market conditions for third parties including contractors and suppliers, financial market conditions, and notably the enthusiasms for risk assessment in the public and private sectors (The Ministry for Public Enterprises, 2017). The PPP models include the following:

1. Design Build (DB) or construction management: In this model, the design and construction are anticipated by the private partner, and all financing obligations are handled by the Government which is analogous to the traditional public procurement system. This is reflected in cases where reimbursements are restricted from long-term maintenance and asset management (The Ministry for Public Enterprises, 2017).
2. Design Build Finance (DBF): In this model, the construction funding is added to the private partner under the DB model, and the Government refinances the project at considerable accomplishment of construction. This helps the Government to defer payments to the private partner, particularly in cases where the Government has financial restrictions (The Ministry for Public Enterprises, 2017).
3. Design Build Finance Maintain (DBFM): This is the most predominant PPP model where the private partner shoulders the risks of design, construct, maintain, rehabilitate and financing the asset for a long period of time, and turns management's back to Government in a prescribed condition. As most risks are transferred to the private partner and this model tends to produce

---

<sup>9</sup> More information about the certification program is available at: <https://apmg-international.com/product/ppp-certification-program>

<sup>10</sup> [https://www.cybiant.com/resources/public-private-partnerships-samoa/#\\_ftn2](https://www.cybiant.com/resources/public-private-partnerships-samoa/#_ftn2)

<sup>11</sup> More information about the different PPP education programs: <https://www.cybiant.com/public-private-partnerships-training/>

<sup>12</sup> [https://www.cybiant.com/resources/public-private-partnerships-samoa/#\\_ftn2](https://www.cybiant.com/resources/public-private-partnerships-samoa/#_ftn2)

supreme welfares to the Government in the form of efficiency and innovation (The Ministry for Public Enterprises, 2017).

4. Design, Build, Finance, Maintain and Operate (DBFMO): This is a model where an operating function is added to the private partner under the DBFM model, subsequently as the operation and maintenance functions are highly integrated (The Ministry for Public Enterprises, 2017).
5. Outsourcing of Operations, facility maintenance, and/or rehabilitation: This is the case of contracting-out whereby the Government describes characteristics of the project (new or to replace an expiring arrangement) and contracts it out to a private partner to perform the core services (The Ministry for Public Enterprises, 2017).
6. Performance-based maintenance: The private partner sustains the current public infrastructure in line with the indicated performance levels. For example, the private partner is contracted by the Government to maintain a section of the road network to specified standards, such as with respect to smoothness and rutting etc, and is paid a regular service fee (e.g. quarterly). The service fee is halted if performance standards are not met (The Ministry for Public Enterprises, 2017).
7. Operations and maintenance (O&M): The private partner sustains and manoeuvres the existing public infrastructure to deliver services to the indicated performance requirements. For example, a private partner is contracted by the Government to operate and uphold an existing hydro-electric plant to produce electricity in harmony with the protocols set out in the contract. The private partner is paid a regular service fee (e.g. quarterly) by the Government and as applicable, a payment to cover the operating costs. These payments are abated to the extent that contractual performance standards are not met (The Ministry for Public Enterprises, 2017).
8. Joint Venture between the Government and the private partner: An institutionalized PPP model (mixed companies) implies the formation of an entity held conjointly by the Government itself or a Government agency, and a private business to perform a task for the benefit of the public, and in doing so, all or most of the risks are to be performed by the private business involved. Example, Pacific Forum Line (PFL) Group jointly owned by PFL Samoa and Neptune Pacific Line, and Virgin Samoa jointly owned by Government and Virgin Australia (The Ministry for Public Enterprises, 2017).

The Ministry for Public Enterprises (2017) also stipulates the PPP framework which is designed so that the following accrued paybacks are recognized:

- Greater efficiency in the use of resources over the lifespan of the asset as the private partner has an enticement to consider the long-term repercussions of the costs of design, construction or expansion.
- Whole-life and optimum asset management can be fortified via setting a stable price, or an indexed maintenance budget (with penalties if event maintenance is not executed) in the contract.
- Capital at risk to certify virtuous performance that echoes explicit exposure of capital to long term performance risks, which then gives the private partner an enticement to design and build the asset on time and within budget, and to confirm that it will perform and be available.
- Transparency and scrutiny mirrors the benefits of having a prompt and advanced planning, which necessitates full analysis of the project's long-term risks and costs, generating a more educated and convincing debate on project model, and places focus on outputs and results rather than inputs.
- Strong long-term affinity of interest imitates the long-term nature of the contract, which differs from the traditional procurement contracts where the Government entices to nit-pick decisions and carries much of the associated risks.

The description of the PPP Framework frequently follows the classic process for developing and implementing PPPs that is advanced planning, procurement, and contract negotiation. Samoa has

been well placed to achieve the prospective paybacks of PPPs as in addition to developing and implementing PPP Guidelines, it already has put in place a range of corresponding measures to advance infrastructure performance, such as an independent multi sector regulator and a Ministry to screen the performances and governance of SOEs. While there is certainly scope to expressively augment regulatory, corporate governance and SOE performance monitoring in Samoa, the fundamentals already exist (Ministry for Public Enterprises, 2017).

The MPE which has been tasked with heightening Samoa's PPP is now better certified to do so, with two public servants that have completed a year-long certification programme. MPE's Assistant Chief Executive Officer, Fogapoa Samoa, and the Principal Privatisation Analyst, August Ah Yen, are the first Samoans, and among the first in the region, to become Certified PPP Professionals. Mr. Samoa stated that PPP's "are a more modern approach to developing major projects, especially in infrastructure, which is why the Government is choosing to upskill in this field"<sup>13</sup>. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) highlights the challenges of PPP's in Samoa including: difficulty of the PPP paralleled to the Samoan private sector capacity and enthusiasm of the Government Ministries and SOEs to agree the PPP programmes, mainly when such a PPP aims at the heart of the corporation's existence.<sup>14</sup>

### **Drawing on the Possibilities of PPP for Local Samoa Transport**

#### **Case 1: Success of the Government of Samoa and Australia's Virgin Blue**

The last model employed by the Ministry for Public Enterprises (2017) is the Joint Venture model in which the Government joins with the private partner. This has been evident via the joint venture amid the Government of Samoa and Australia's Virgin Blue, a low-cost carrier, which spun an annual \$7.5 million government subsidy into a \$6.9 million profit in only two years. The International Finance Corporation (IFC) served as the lead advisor for the innovative PPP, which recognized a new national airline, Virgin Samoa (formerly Polynesian Blue), and restructured the existing flagship carrier. The agreement was signed in September, 2005. By 2009, 243,000 people received enhanced airline service, and consumers saved \$57.7 million in cheap airfares between 2005 and 2009. The joint venture agreement allowed Polynesian Blue to take over the international routes and the restructured flagship carrier, Polynesian Airlines, to operate regional and local flights. Under the agreement, the international aviation investor managed and operated the new airline, provided the fleet capacity as well as commercial and managerial oversight whilst the government provided traffic rights, operational support, flight operations personnel, and other productive assets. The government also took the lead in discussing local contracts, mobilizing stakeholder support, and championing the business. The model was designed to take lead of the international partner's cost structure, leverage marketing and distribution fortes, and exploit profitability. Meaningfully, the structure permitted a low-cost carrier to participate, a first in airline privatization<sup>15</sup>. From a profitable and executive perspective, stakeholder management can expedite efficacious project execution (Manowong and Ogunlana, 2010) in terms of time, costs, and quality. Active stakeholder management has been established as preventing delays and augmented costs that may occur (Harris, 2010). Stakeholder management has also superiorly ensured the successful implementation of PPP projects, and this is the case for the local Samoa Transport.

---

<sup>13</sup> <https://www.samoobserver.ws/category/article/55776>

<sup>14</sup> <https://www.unescap.org/sites/default/files/Samoa%20PPT.pdf>

<sup>15</sup> <http://documents1.worldbank.org/curated/en/474741468188942746/pdf/96932-BRI-PUBLIC-PPPStories-Samoa-VirginSamoaAirlines.pdf>

## **Case 2: Success of the Contracting out of Public Works Department (PWD)**

The fifth model of PPP as advocated by the Ministry for Public Enterprises (2017) is the outsourcing or contracting out. Samoa's triumph in contracting out to the private sector the functions of PWD is one of the most fruitful reforms to elevate infrastructure; advance the effectiveness of public expenditure; and upsurge the overall employment, productivity, and capability in a Pacific island economy in the preceding 20 years. This reform has ensued in the formation of nearly thirty (30) new Samoan road construction and maintenance companies. Therefore, directly and secondarily, the reform has steered to the formation of more than two thousand (2,000) new jobs, making this a leading illustration of the supremacy of PPPs to endorse economic development and upsurge employment. Prior to the reform, much of the work was undertaken incompetently by the PWD, or by foreign companies under contract. All construction and maintenance now in Samoa is outsourced to Samoan companies, which are satisfactorily prolific and profitable and in present times foreign firms now scuffle to contest. This landmark reform validates that contracting out to the private sector progresses productivity and results in significant gains in employment. This landmark reform was attained through patience in scheming and undertaking the reform, as well as all-encompassing and lengthy implementation were the keys to success. The PWD reform took nearly a decade to implement fully, and required the assurance and support of the Prime Minister, cabinet, and civil service. Careful planning and extensive consultation were crucial to obtaining support for such radical reform<sup>16</sup>. These have been the very drivers of the success of the PPP in Samoa.

### **Implications**

PPPs are on a roll in Samoa. With the augmented political support given to this initiative, coupled with the explicit frameworks from the MPE and the momentum of capacity building has evidently showcased the success of the PPP model. This is further complemented via strong stakeholder management, well designed negotiation process and clear frameworks that are crucial to achieving sustainable solutions as witnessed in the PPP successes.

### **Conclusion**

PPPs have grown in popularity in Samoa and the Government has flexibly adopted this to achieve success. The successes have been showcased and improvements have been highlighted. Based on the available research on international best practices, this paper presented an analysis of the PPP literature. It has been documented in Samoa that the public and private sector actors can develop mutually beneficial and economically viable solutions to benefit the transport industry in particular and the population of Samoa at large. Ultimately, outsourcing and joint ventures have remained a highly significant and valued approach for sinking cost, accessing talent and taking lead of skills and capability.

### **References**

- Alhashemi, M.Y., 2008. "Critical Success & Failure Factors for Public Private Partnership Projects in the UAE." Doctoral dissertation, The British University in Dubai (BUiD)).
- Almarri, K., 2019. "Perceptions of the attractive factors for adopting public-private partnerships in the UAE". *International Journal of Construction Management* 19(1):57-64.
- Almarri, K. and Abu-Hijleh, B. 2017. "Critical Success Factors for Public Private Partnerships in the UAE Construction Industry-A Comparative Analysis between the UAE and the UK". *Journal of Engineering, Project & Production Management* 7(1).

---

<sup>16</sup> <https://www.adb.org/sites/default/files/publication/190073/samoa-jobs-ppp-reform.pdf>

- Almarri, K., and Blackwell, P. 2014. "Improving risk sharing and investment appraisal for PPP procurement success in large green projects". *Procedia-Social and Behavioral Sciences* 119: 847–856.
- Ameyaw, E. E., and Chan, A. P. 2016. "Critical success factors for public–private partnership in water supply projects". *Facilities*, 34(3/4), 124–160.  
<https://www.emeraldinsight.com/doi/abs/10.1108/F-04-2014-0034>.
- Askar, M., and Gab-Allah, A. 2002. "Problems facing parties involved in build operate, and transport projects in Egypt". *Journal of Management Engineering* 18(4), 173–178.
- Chan, A. P. C. and Osei-Kyei, R. 2008. "Public sector's perspective on implementing public – private partnership (PPP) policy in Ghana and Hong Kong". *Journal of Facilities Management* 16(2): 175–196.
- Cheung, E. 2009. "Developing a best practice framework for implementing public private partnerships (PPP) in Hong Kong." Doctoral dissertation, Queensland University of Technology.
- Cheung, E., Chan, A. P., and Kajewski, S. 2012. "Factors contributing to successful public private partnership projects." *Journal of Facilities Management* 10 (1): 45-58.
- CIA World fact book. 2020. Retrieved from:  
[https://theodora.com/wfbcurrent/samoa/samoa\\_economy.html](https://theodora.com/wfbcurrent/samoa/samoa_economy.html)
- Dulaimi, M. F., Alhashemi, M., Ling, F. Y. Y., and Kumaraswamy, M. 2010. "The execution of public–private partnership projects in the UAE". *Construction Management and Economics* 28(4): 393–402.
- Ghobadian, A., Gallea, D., O'Regan, N., and Viney, H. 2004. "PPP: The instrument for transforming the public services". *Public Private Partnerships: Policy and Experience*. 1–12.
- Harris, F. (ed.) 2010. "A Historical Overview of Stakeholder Management", In: CHINYIO, E. A. O., P. ed/eds. *Construction Stakeholder Management*. Chichester: Backwell Publishing Ltd. pp. 41-55.
- Hodge, G. A., and Greve, C. 2017. "On public–private partnership performance: A contemporary review". *Public Works Management & Policy*, 22(1): 55–78.  
<https://journals.sagepub.com/doi/abs/10.1177/1087724X16657830>
- Ismail, S. 2013. "Drivers of value for money public private partnership projects in Malaysia". *Asian Review of Accounting* 21 (3): 241–256. <https://doi.org/10.1108/ARA-06-2013-0042>
- Jovanic, T. and Sredojevic, S. 2017. "Strengthening the determinants of the local government capacities for the successful PPP implementation in the Western Balkans." In *The Political Economy of Local Regulation* (pp. 237–254). London, UK: Palgrave Macmillan.  
[https://link.springer.com/chapter/10.1057/978-1-137-58828-9\\_13](https://link.springer.com/chapter/10.1057/978-1-137-58828-9_13)
- Kolesnikov, Y. A., Pavlyuk, A. V., Radachinsky, Y. N., and Rodionova, N.D. 2018. *Problems of implementation of public-private partnership in Russia*. Available at:  
<https://www.um.edu.mt/library/oar/handle/123456789/33956>
- Kwak, Y.H., Chih, Y. and Ibbs, C.W. 2009. "Towards a comprehensive understanding of public private partnerships for infrastructure development". *California Management Review* 51(2): 51-78.
- Loosemore, M. and Cheung, E. 2015. "Implementing systems thinking to manage risk in public private partnership projects". *International Journal of Project Management* 33(6): 1325–1334.  
<https://www.sciencedirect.com/science/article/pii/S0263786315000381>
- Manowong, E., and Ogunlana, S. (eds.) 2010. "Strategies and Tactics for Managing Construction Stakeholders", In: Chinyiao, E. A. O., P. ed/eds. *Construction Stakeholder Management*. Chichester: Backwell Publishing Ltd. pp. 121-137.
- Matyushkina, I., Igolnikova, I., Pogonysheva, D., Mikhaleva, O., Fetshchenko, V. and Shchelikova, N. 2016. "The innovative and budgetary region development based on the public-private partnership mechanism". *International Journal of Economics and Financial Issues* 6(1S), 195–199. <https://dergipark.org.tr/ijefi/issue/31979/352568>
- May, & Marques, R & Berg, S. 2010. "Risks, Contracts and Private Sector Participation in Infrastructure." *Journal of Construction Engineering and Management* 137. Doi: 10.1061/(ASCE)CO.1943-7862.0000347.

- Ministry for Public Enterprises. 2017. "Public Private Partnership Handbook". Retrieved from: <https://www.mpe.gov.ws/wp-content/uploads/2017/04/PPP-HandbookFINAL-28-03-17-v2-1.pdf>
- Ministry of Works Transport and Infrastructure. 2019a. *Transport Sector Plan 2013 – 2018 Volume I*. Available from: <https://www.mof.gov.ws/wp-content/uploads/2019/09/TSP-Volume-I-Final.pdf>
- Ministry of Works Transport and Infrastructure. 2019b. *Transport Sector Plan 2013 – 2018. Sector Analysis Volume II*. Retrieved from: <https://www.mof.gov.ws/wp-content/uploads/2019/09/TSP-Volume-II-Final-withoutKPIs.pdf>
- Osei-Kyei, R. and Chan, A. P. 2015. "Review of studies on the critical success factors for public– private partnership (PPP) projects from 1990 to 2013". *International Journal of Project Management*, 33(6): 1335–1346. <https://www.sciencedirect.com/science/article/pii/S0263786315000411>
- Robert, O. K., Dansoh, A., and Ofori–Kuragu, J. K. 2014. "Reasons for adopting public–private partnership (PPP) for construction projects in Ghana". *International Journal of Construction Management*, 14(4): 227–238.
- Rwelamila, P. D., Fewings, P., and Henjewe, C. 2015. "Addressing the missing link in PPP projects: What constitutes the public?" *Journal of Management in Engineering* 31(5): 04014085
- Sanni, A. O. 2016. "Factors determining the success of public private partnership projects in Nigeria". *Construction Economics and Building* 16(2): 42–55.
- Shaoul, J. 2002. "New developments: A financial appraisal of the London underground public private partnership". *Public Money and Management* 22(2): 53–60.
- Sharma, S. 2007. "Exploring best practices in public–private partnership (PPP) in e-government through select Asian case studies". *The International Information & Library Review* 39(3– 4): 203–210.
- Song, J., Hu, Y., and Feng, Z. 2018. "Factors influencing early termination of PPP projects in China". *Journal of Management in Engineering* 34(1): 05017008.
- The United Arab Emirates Government portal, <https://u.ae/en#/> (Accessed 18 November 2020).
- Trujillo, L., Inchausti-Sintes, F., Campos, J. and Marique-de-Lara-Peñate, C.A., 2018. "Explaining success and failures in PPP transport projects: an economics approach". *European Journal of Transport and Infrastructure Research*. 18 (4). doi:10.18757/ejtir.2018.18.4.3266
- Verhoest, K., Petersen, O. H., Scherrer, W., and Soeipto, R. M. 2015. "How do governments support the development of public private partnerships? Measuring and comparing PPP governmental support in 20 European countries". *Transport Reviews*, 35(2): 118–139. <https://www.tandfonline.com/doi/abs/10.1080/01441647.2014.993746>
- Verhoest, K., Petersen, O. H., Scherrer, W., and Soeipto, R. M. 2015. "How do governments support the development of public private partnerships? Measuring and comparing PPP governmental support in 20 European countries". *Transport Reviews*, 35(2): 118–139. <https://www.tandfonline.com/doi/abs/10.1080/01441647.2014.993746>
- Wang, H., Liu, Y., Xiong, W., and Zhu, D. 2019. "Government support programs and private investments in PPP Markets". *International Public Management Journal*, 22(3): 499–523.
- Wang, H., Xiong, W., Wu, G., and Zhu, D. 2018. "Public–private partnership in public administration discipline: A literature review". *Public Management Review*, 20(2): 293–316. Available at: <https://www.tandfonline.com/doi/abs/10.1080/14719037.2017.1313445>
- Wu, S., and Huang, X. 2015. "PPP development in China and abroad and its restricting factors". *Journal of Development-Oriented Finance Research*, (1), 12.
- Zhang, X., Griffith, J., Pershing, J., Sun, J., Malakoff, L., Marsland, W., Peters, K., and Field, E. 2017. Strengthening organizational capacity and practices for high-performing nonprofit organizations: Evidence from the national assessment of the social innovation fund – A public-private partnership. *Public Administration Quarterly*, 41(3). [https://www.nationalservice.gov/sites/default/files/evidenceexchange/JA\\_1\\_Zhang\\_et\\_al\\_508.pdf](https://www.nationalservice.gov/sites/default/files/evidenceexchange/JA_1_Zhang_et_al_508.pdf)

Zhang, X. 2005. "Criteria for selecting the private-sector partner in public-private partnerships".  
*Journal of construction engineering and management*, 131(6): 631-644.