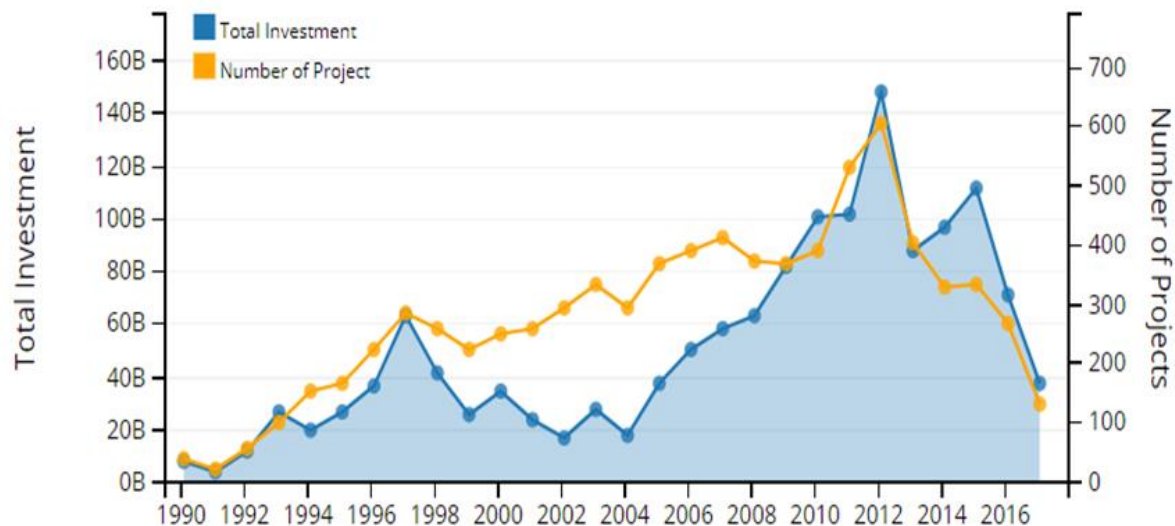


ROOT CAUSES OF CONFLICT AND CONFLICT RESOLUTION MECHANISMS IN PPP: Lessons learned from some Belt and Road countries

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- PPP is defined by the World Bank: “a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance” (World Bank, 2017).
- PPP has been used in more than 85 countries for procuring economic and social infrastructure projects (Regan et al., 2009), such as UK, US, Canada, Australia, China, Hong Kong, etc.



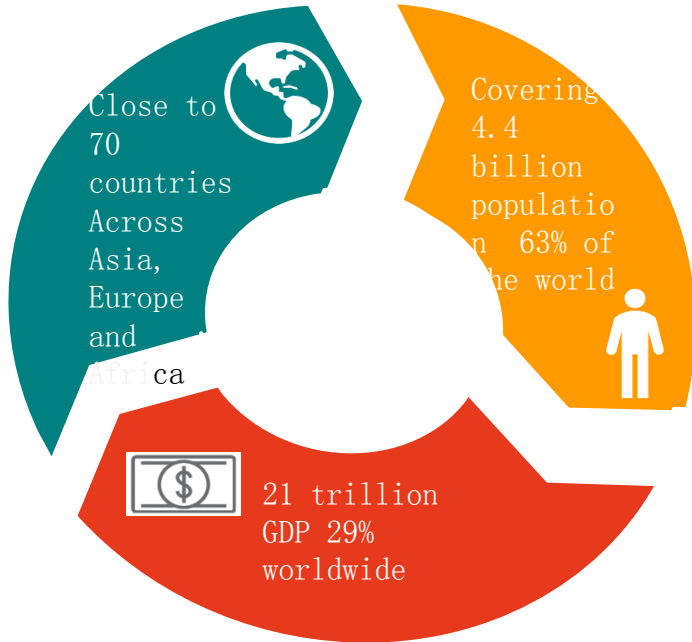
Belt & Road Initiative



Xi chairs One Belt One Road Forum. / People's Daily PH

- In October 2013, the Chinese government put forward the 'Belt and Road' initiative.
- This initiative refers to Silk Road Economic Belt (SREB) and 21st Century Maritime Silk Road (MSR) (NDRC, 2015).
- The primary aim of this development strategy is to promote economic co-operation and an orderly free-flow of economic factors and resources among many countries from different regions including Europe, Middle East, South Asia and Africa (NDRC, 2015).
- Till now, the B&R region spans five continents and includes a total of 66 countries.

The Belt and Road Initiative and its Impact



Belt and Road



One belt, one road

China is pushing to revive its ancient overland and maritime silk routes to Europe. The route connects many land and sea ports over three continents.

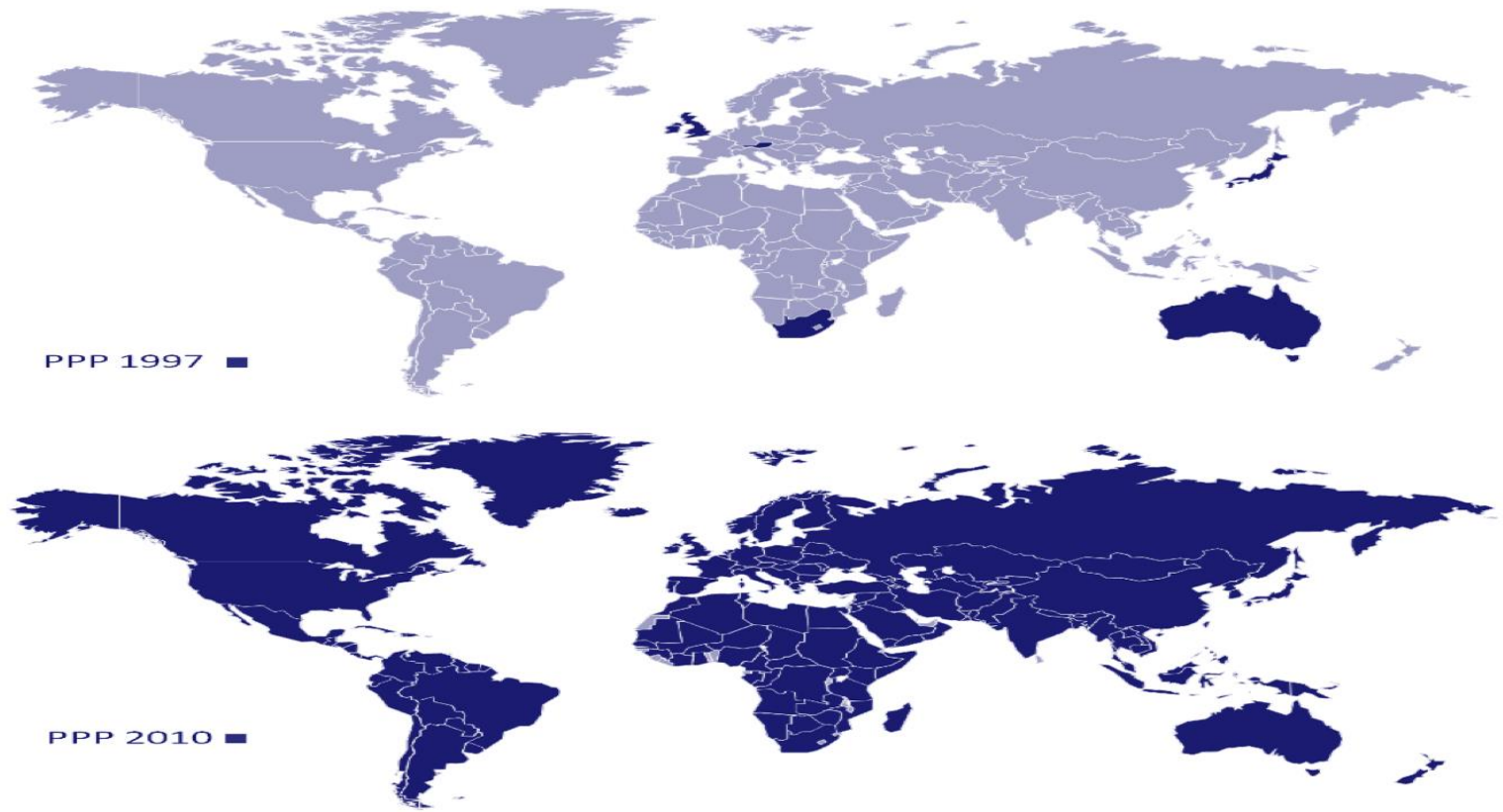


Background of Study

- ❑ Public-Private Partnership has been defined in different ways by researchers, international organization and governments
- ❑ Common feature:
 - ❖ **Sharing of Risks and Responsibilities**
- ❑ Private partner **designs, finances, constructs and operates** a public facility for an agreed concession period
- ❑ Public partner acts as **facilitator** and **enabler**



- Since 1990 the PPP concept has increasingly been adopted by many governments particularly those in Africa and Asia

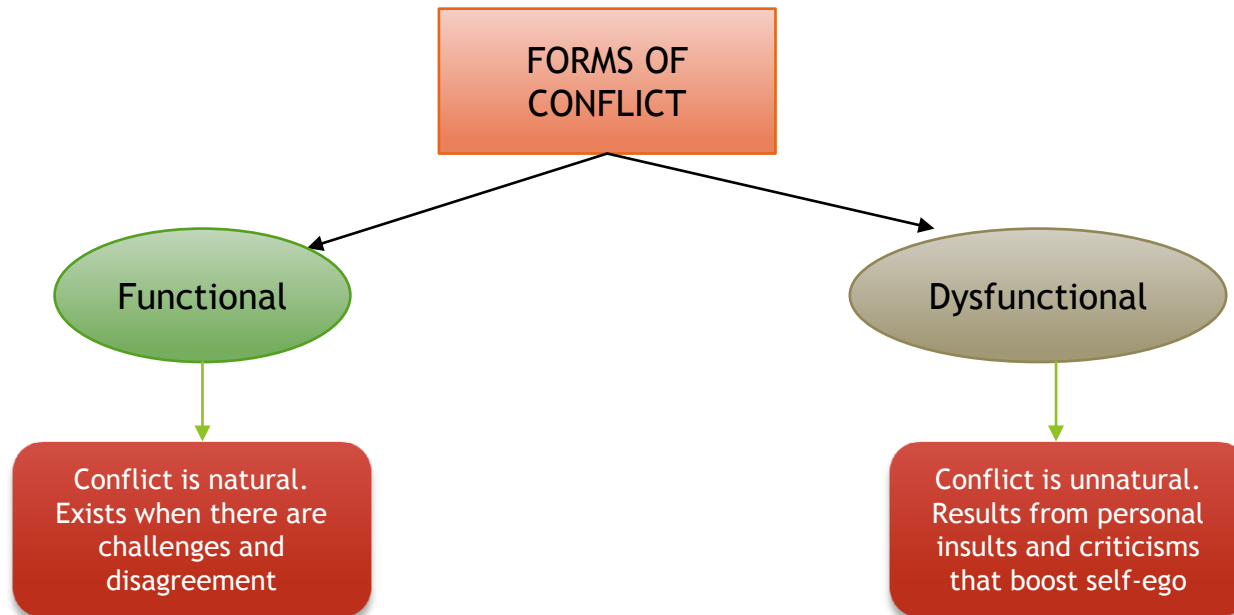


- ❑ Conflict is inevitable in PPP due to **the long term agreement and multiplicity of stakeholders with varying beliefs and interests**
- ❑ Conflict has led to the failure and/or distress of many past projects including:
 - ❖ Bangkok Elevated Transport System - Thailand
 - ❖ The Ngone Bridge Project - Lao PDR
 - ❖ Ghana National Housing Project - Ghana
- ❑ There is therefore the need for a holistic and in-depth investigation into the root causes of conflict in PPP



Conflict Management and their causes

- ❑ Conflict is any divergence of interests, objectives or priorities between individuals, groups or non-conformance to requirement of a task, action or process
- ❑ Two forms of conflict



Research Method

- ❑ Comparative study between Ghana and China
 - ❖ Recent years of increasing collaboration between Ghana and China. E.g Sinohydro project in Ghana
 - ❖ Launch of Chinese Belt and Road Project
- ❑ Pilot Study
 - ❖ Six PPP experts from both countries
- ❑ Two-Stage respondent selection
 - ❖ Purposive sampling with predefined criteria
 - ❖ Snowballing method
- ❑ Questionnaires were sent by emails and/or face to face
 - ❖ China - Beijing, Chengdu, Qingdao and Yibin



Respondents profile

Demographics	Ghana		China	
	No. of replies	Percent (%)	No. of replies	Percent (%)
Sector of PPP				
Research/Academic	11	21.2	7	21.9
Public Sector Organizations	24	46.2	13	40.6
Private Institutions	17	32.7	12	37.5
Total	52	100	32	100
Years of experience				
≤10	27	51.9	11	34.4
11 - 20 years	24	46.2	20	62.5
≥21 years	1	1.9	1	3.1
Total	52	100	32	100

Differences in rankings between Ghana and China

Causes of Conflicts in PPP	Ghana			China			Mann-Whitney U test		
	Mean	Rank	One sample T-test (Sig.)	Mean	Rank	One sample T-test (Sig.)	U statistics	Z	Sig.
Unfair risk allocation	3.46	11	0.00	4.44	1	0.00	338	-4.865	0.00*
Absence of proper communication channel	3.83	5	0.00	4.31	3	0.00	549.5	-2.898	0.00*
Double meanings in output specifications	3.73	6	0.00	3.84	6	0.00	774	-0.572	0.57
Lack of understanding on the roles and responsibilities of parties	4.38	3	0.00	4.41	2	0.00	800.5	-0.324	0.75
Unexpected tariff changes	3.27	13	0.03	3.94	5	0.00	504.5	-3.179	0.00*
Excessive contract variations	4.00	4	0.00	3.78	7	0.00	736	-1.020	0.31
Political interference	4.40	2	0.00	3.09	12	0.54	224	-5.871	0.00*
Ambiguous goals and objectives	3.54	10	0.00	3.56	8	0.00	785	-0.475	0.64
Incomplete transfer of risks	3.19	14	0.11	4.25	4	0.00	339.5	-4.757	0.00*
Personality clashes	2.83	16	0.18	2.97	13	0.88	749	-0.798	0.43
Unrealistic time targets	3.60	8	0.00	2.94	15	0.69	496.5	-3.239	0.00*
Delay in decision makings by parties	4.62	1	0.00	3.13	11	0.44	170.5	-6.471	0.00*
Delay in rectifying defects during service delivery	3.65	7	0.00	3.31	10	0.17	685	-1.411	0.16
Reluctance to seek clarification	2.88	15	0.29	2.94	14	0.69	799.5	-0.322	0.75
Inadequate compensation to displaced persons	3.56	9	0.00	2.66	16	0.08	462	-3.611	0.00*
Unreliable service delivery	3.40	12	0.00	3.50	9	0.00	723	-1.119	0.26

- Factors in **red** are ranked higher in China but lower in Ghana. They relate to poor risk management and communication
- Factors in **green** are ranked higher in Ghana but lower in China. They relate to poor governance and contractual arrangements

Similarities in rankings

Quartiles	Ghana		China	
	Causes of Conflicts in PPPs	Mean	Causes of Conflicts in PPPs	Mean
Upper Quartile (Q ₃) _{Ghana} =3.96 (Q ₃) _{China} = 4.17	Delay in decision makings by parties	4.62	Unfair risk allocation	4.44
	Political interference	4.40	Lack of understanding on the roles and responsibilities of parties	4.41
	Lack of understanding on the roles and responsibilities of parties	4.38	Absence of proper communication channel	4.31
	Excessive contract variations	4.00	Incomplete transfer of risks	4.25
Lower Quartile (Q ₁) _{Ghana} =3.30 (Q ₁) _{China} = 3.00	Unexpected tariff changes	3.27	Personality clashes	2.97
	Incomplete transfer of risks	3.19	Reluctance to seek clarification	2.94
	Reluctance to seek clarification	2.88	Unrealistic time targets	2.94
	Personality clashes	2.83	Inadequate compensation to displaced persons	2.66

- Only one cause of conflict in PPP appeared in the top rankings of Ghana and China

Most suitable conflict resolution mechanism for PPP in Ghana and China

Conflict Resolution Methods in PPP	Ghana		China	
	Frequency	%	Frequency	%
Negotiation	19	36.5	11	34.4
Mediation	10	19.2	8	25
Arbitration	22	42.3	7	21.9
Litigation	1	1.9	6	18.8
Total	52	100	32	100

- Negotiation is the most suitable mechanism in China
- Arbitration is the most preferred resolution mechanism in Ghana

Conclusion

- ❑ Conflict is inevitable in Public-Private Partnership
- ❑ Need for practitioners to identify any potential source of conflict at early stage of PPP project
- ❑ Key causes of conflict
 - ❑ Ghana:
 - ❖ Political interference
 - ❖ Delay in decision makings by parties
 - ❖ Unrealistic time targets
 - ❖ Inadequate compensation to displaced persons
 - ❑ China
 - ❖ Unfair risk allocation
 - ❖ Unexpected tariff changes
 - ❖ Incomplete transfer of risks
 - ❖ Absence of proper communication channel
- ❑ Key conflict resolution mechanisms
 - ❑ Ghana:
 - ❖ Arbitration
 - ❑ China
 - ❖ Negotiation



Root causes of conflict and conflict resolution mechanisms in public-private partnerships: Comparative study between Ghana and China

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ABSTRACT

Conflict is inevitable in public-private partnership (PPP) due to the long-term agreement and multiplicity of stakeholders with varying beliefs and interests. However, a thorough understanding of the root causes of conflict beforehand helps to minimize conflict occurrence, thereby ensuring a smooth PPP process. This paper aims to explore and evaluate the root causes of conflicts in PPPs through a comparative study between Ghana and China. Further, the most suitable conflict resolution mechanisms are explored from the Ghanaian and Chinese perspectives. Results show that cases of conflict ranked higher in Ghana directly relate to poor governance and contract arrangement, whereas cases related to poor risk management and communication are ranked higher in China. Further arbitration and negotiation are the most suitable conflict resolution mechanisms for PPPs in Ghana and China respectively. The outputs of this study inform international private investors interested in PPPs in Africa and China of the possible sources of disputes and resolution mechanisms in PPPs. This will enable international investors to develop strategic measures before entering into the PPP markets of both regions.

1. Introduction

In the construction industry, conflict is inevitable and remains a key risk because of the multiple players with different interests and values (Flyvbjerg, Osofsky, & Osofsky, 2016; Miksa & Miksa, 2014). As defined by Gardner and Simmons (1992), conflict is any divergence of interests, objectives or priorities between individuals, groups or organizations or non-conformance to requirements of a task, action or process. Essentially, conflict arises when there are various differences in two or more beliefs, interests and perceptions (Acharin, Liu Lee, & Man, 2009). Gens (2000) put conflict into two categories: functional and dysfunctional. Functional conflict is natural and it occurs when there are challenges and disagreements on tasks, roles, process and functions. On the contrary, dysfunctional conflict is considered unnatural and results from personal inroads and criticism that boost self-ego instead of improving task performance (Gardner & Simmons, 1992; Gens, 2000). Although, all construction projects that boost self-ego instead of private partnership (PPP) projects are prone to conflict, public-owned or to any other construction project arrangement including the traditional bid build system (Osei-Kyei & Chan, 2015; UNDP, 2017). This is because PPP projects involve a long-term arrangement with

myriad of complex legal arrangements and a large number of stakeholders with multifaceted interests, beliefs and objectives (UNDP, 2017; Zeng, Roehrich, & Lewis, 2008). In addition, the multiplicity of external stakeholders of PPP projects exposes them highly to conflict problems (Zou, Kumaraswamy, Chung, & Wong, 2014). These notwithstanding, many past studies including Ameyaw and Chan (2013); Osei-Kyei and Chan (2017a); He, Wang, Chan, and Cheung (2011); He, Wang, Chan, and Chan (2017a); He, Wang, Chan, and Cheung (2011); He, Chan et al. (2014); Ibrahim, Price, and Dainty (2011); He, Chan et al. (2014) have pointed out that conflict between parties remains a critical risk factor in PPPs. Essentially, in spite of the fact that conflict is critical in PPPs and have caused the distress and failure of many past projects including the Ghana National Housing Project (Ghana); Bangkok Elevated Transport System (BETS) (Thailand); West Cultural Kowloon District (Hong Kong) (BETS) (Thailand); West (Lao PDR), knowledge and empirical evidence on the root causes of conflicts in PPPs have largely been anecdotal and remain thin on the ground. In this regard, there is the need for a holistic and in-depth investigation into the root causes of conflicts in PPPs so that practitioners and implementers will be informed beforehand the possible conflicting factors in PPPs. This will certainly help to avoid a possible poisoning of the PPP process, which could lead to lengthy legal battles, poor value

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Thank You

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