

Public-Private Partnership and Infrastructure: An Adaptation of Economic Theory

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ABSTRACT

The rising prominence of public-private partnerships (PPPs) in policy discourse reflects the growing interest in leveraging both public and private resources to collaboratively develop robust, effective, and sustainable infrastructure. Worldwide, governments are actively engaging with investors, private companies, real estate developers, and insurers through comprehensive agreements aimed at advancing infrastructure projects. This theoretical paper explores the economic behaviours and challenges encountered when public and private sectors engage in PPP initiatives. It concludes that achieving a pareto optimal outcome is most likely when these sectors collaborate yet differentiate their roles across two stages (and rightfully so): the building and operating stages. Furthermore, the study identifies that the most successful strategy to achieve this outcome is for the sector—whether public or private—that demonstrates greater productivity and a lower relative total cost function to initiate the PPP proposals in the building stage.

Keywords: Public-Private Partnership, Infrastructure, Production, Cost, Optimal Strategy