

Does Sustainability Need Inclusive Public–Private Partnership?—Analysis based on a Case of Targeted Poverty Alleviation in China

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Abstract: Partnership is an important carrier to achieve goals of sustainable development. On the basis of the ideas of inclusive growth and collaborative governance, and the model of inclusive business and inclusive partnership, using the research method of case analysis, this paper answers the applicability of inclusive public–private partnership (PPP) to sustainability. Because inclusive PPPs focus on the long-term poverty-alleviation mechanism, it is more conducive to reach sustainable goals. The poverty alleviation case of Evergrande Group in Dafang county of Guizhou province further verifies the advantages of inclusive PPP to sustainability. Additionally, if we integrate the advantages of inclusive and traditional PPP, we can make a partnership more efficient.

Keywords: Inclusive PPP, Sustainability, Poverty alleviation.

1. Introduction

Achieving sustainability is a critical socioeconomic objective for each government. Poverty eradication is the primary mission to achieve sustainability. One of the important reasons for China's remarkable achievements in poverty alleviation is that the government fully mobilized all social forces to actively participate in it, forming different kinds of partnerships between government, markets, and society. We thus observed that sustainability, including poverty reduction, requires a more extensive partnership between the government, the private sector, and social organizations. In this article, this kind of partnership is inclusive PPP, which is the carrier of achieving sustainable-development-goals (SDGs).

In economics, inclusiveness both maintain sustainable economic growth, and reduce the risk of the inequality of opportunity to promote social equity and inclusiveness. Inclusive PPP is usually a partnership between government and private sector, and social organizations that serve vulnerable groups. This article focuses on analyzing inclusive PPP in response to poverty, which is because poverty eradication is a very complex issue, including a series of sustainability issues such as ecological environment, energy, industry, infrastructure, and education. The purpose of this study was to illustrate the applicability of inclusive PPPs in solving sustainability problems by analyzing inclusive PPP's characteristics and their advantages in solving sustainability problems, combined with a case of targeted poverty alleviation in China.

2. Theoretical basis of inclusive PPP

Inclusive PPP is derived from in-depth research on inclusive growth, inclusive business, and partnerships, and collaborative governance issues. There are three kinds of views on the theoretical connotation of inclusive growth: (1) equal opportunities, which emphasizes the establishment of an inclusive system to provide a wide range of opportunities and ensure that growth benefits are widely shared by the public through maintaining long-term economic growth; (2) propoor growth, which proposes that inclusive growth should reduce inequality, including both income and nonincome inequality, and solve institutional poverty; and (3) sustainable growth, emphasizing both the speed and quality of economic growth, and pursuing the balance of economic growth, the environment, and structural adjustment during the growth process. The inclusive-business model is usually defined as “a kind of profitable business activity involving the poor as employees, suppliers, consumers, or

distributors, and expanding the development opportunities of vulnerable groups in developing countries in various ways". The idea behind inclusive business is that poverty eradication can be achieved through business with the poor. Janelle Plummer pointed out that "inclusive partnership refers to a partnership that aims to serve the poor, including a wider range of participants". Inclusive partnerships can take advantage of each sector's strengths and overcome inherent weaknesses through co-operation.

Collaborative-Governance theory also provide theoretical basis for the inclusive PPP. Collaborative governance is conducive for the public sector to mobilize private-sector resources and professional capacity at different levels to achieve certain social goals. Some researchers described collaborative governance as a formal activity, "involving joint activities, joint structures, and shared resources". Because of the various causes of poverty and the complexity of governance, it is necessary for the government to introduce the idea of collaborative governance. Co-operation between the government and private enterprises and social organizations is a way of collaborative governance, which is the internal logic of inclusive PPP.

3. Poverty-reduction advantages of inclusive PPP

3.1 Comparison between traditional and inclusive PPP

Table 1. Comparison between traditional and inclusive PPPs

| | Inclusive PPPs | Traditional PPPs |
|-------------------------------|---|---|
| Project objectives | Diversified objectives, special focus on sustainability. | Provision of specific infrastructure and public services. |
| Participants | Governments, for-profit enterprises, NGOs, international organizations, communities, and corporate social responsibility (CSR). | Government and for-profit enterprises. |
| Implementation procedure | Flexible. | Regulated by strict legal policies. |
| Operation pattern | Flexible. | BOT, BOO, TOT, ROT, DBFO, O & M, and MC. |
| Enterprise target | For- or not-for-profit CSR activities. | For-profit enterprises. |
| Poverty-alleviation mechanism | Paying more attention to participation of the poor with targeted, inclusive, and long-term mechanisms. | Except for propoor projects, the poor have less direct participation. |

Compared with the traditional PPP, the inclusive PPPs are more flexible, with more participants, focus on sustainability, maybe not for profit. While, part of the inclusive PPPs are implemented through traditional PPP. For example, China has implemented a large number of traditional PPP projects in transportation, water, energy, medical service, education, environment, and other industries in poor areas.

3.2 Main characteristics of inclusive PPP

3.2.1 Targeting vulnerable groups or communities

Taking poverty as an example, the main features of the poor are low and unstable income, low levels of education and social participation, and vulnerability to returning to poverty. Inclusive PPP projects pay more attention to the dominant market position of the poor, and give them the opportunity to participate and develop. During project design, the interests of the poor are included in the core boundary conditions of the project. In the project-implementation stage, inclusive PPPs encourage and support the poor to participate in project operation and supervision, help them increase their income, and fully consider their satisfaction.

3.2.2 Broad participants

Traditional PPPs are composed of public entities and formally established for-profit enterprises, while inclusive PPPs include not only for-profit enterprises, but also NGOs, local communities, international and research institutions, rural-collective organizations, corporate-social-responsibility

activities, individuals, and other stakeholders. Inclusive PPPs cover more stakeholders or partners, which is convenient for gathering more resources and achieving social objectives with the project as the carrier.

3.2.3 Long-Term Poverty-Alleviation Mechanism

A crucial risk of poverty-alleviation projects is the poor's return to poverty after the completion of the projects. Inclusive PPP is more conducive to building a long-term poverty-alleviation mechanism. Inclusive PPPs include the poor as business partners in the value chain, which effectively introduces social forces and uses the market mechanism to bring a better value of agricultural products and sustainable benefits for the poor.

3.3 Disadvantages of poor areas in implementing traditional PPP

On the one hand, there are fragile ecological environments, insufficient infrastructure, underdeveloped industries, weak consumer-payment ability, conservative poor residents, and less efficient governance in most poor areas. On the other hand, propoor projects generally have the characteristics of being long-term, and having a lower profit level and high investment risk, which results in greater uncertainty and is less attractive to private entities. In addition, governments in poor areas are in a disadvantageous financial status, facing serious budgetary constraints. The above factors are inherent disadvantages of poor areas in implementing traditional PPP projects.

3.4 Potential risks of implementing traditional PPPs in poor areas

Because of the complex causes of poverty, it is very difficult to design effective poverty-reduction projects. Without an appropriate environment (such as a good institutional system) and appropriate project structure, PPP may not be able to improve service delivery to the poor, but instead deepen the existing structural disparity of society. If a PPP project does not take the demand and participation of the poor as an important performance indicator at the beginning, it is easy to marginalize the poor, making it difficult to achieve the goal of poverty reduction.

Therefore, the project objective of inclusive PPP is more targeted and precise, which can help empower the poor and increase their income. Inclusive PPP is more flexible, which is very conducive to gathering more social resources to solve the poverty problem. The mechanism of poverty reduction is lasting, which is more helpful to permanently allowing the poor to come out of poverty. On the other hand, the profit incentive mechanism and regulatory mechanism of traditional PPPs, which are more market-oriented, can also be adopted by some inclusive PPPs.

4. Case of Evergrande Group's poverty-alleviation project in Dafang County

4.1 Research methods

This article mainly uses a case study as its research method, which is an important empirical analysis. Analysis of the specific case helps us to understand the context and operation mechanism of the project, and obtain useful inspiration. The reasons for choosing Evergrande Group's "Dafang poverty alleviation" are as follows: First, this project is comprehensive and can help readers understand the whole picture of Chinese enterprises' pairing-assistance mode, which includes the industry-chain building, relocation, education, transfer of labor force, and special security. Second, this project is not a traditional PPP project in China, but it is very inclusive. Third, the project has a long-term mechanism for poverty alleviation. During the research process, the authors consulted with a large number of documents and materials, investigated the project on the spot, and interviewed the relevant staff and poor farmers in Dafang county and Bijie. The authors understand the background, project design, operation process, and the encountered difficulties and problems in the implementation process; the obtained information is presented in the following case analysis.

4.2 Case overview

It is said that the poorest province in China is Guizhou, and the poorest area in Guizhou is Bijie. Dafang county is the largest poverty-stricken county in the Bijie area. The Evergrande Group started to help Dafang county on 1 December 2015, and donated RMB 3 billion in three years. The transaction structure of the project is as follows:

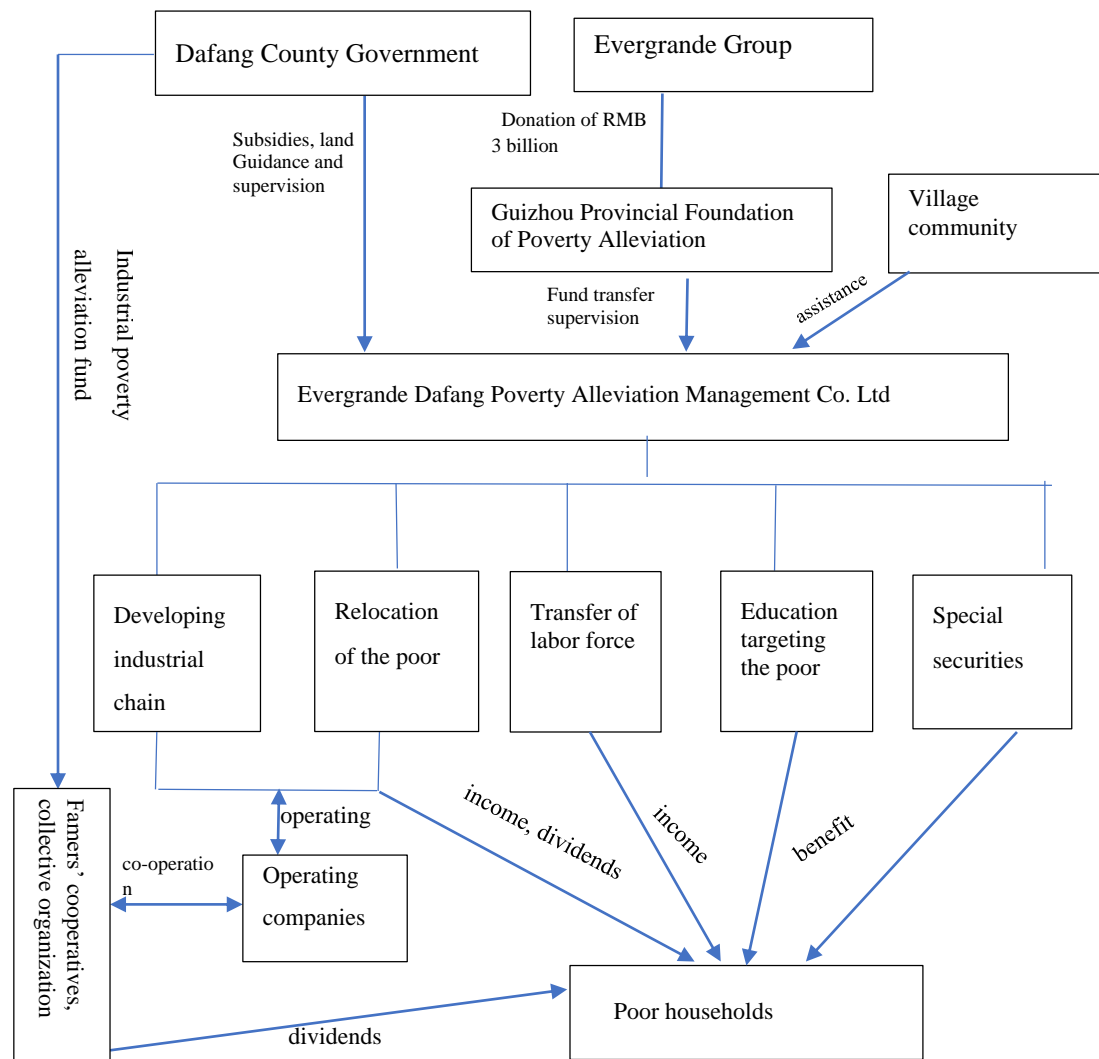


Figure 1: Transaction structure of Evergrande Group's poverty-alleviation project in Dafang

4.3 Case study

The following is analysis of the case from the perspective of a more inclusive partnership between government and enterprises.

4.3.1 Clear inclusive goals

The goal of the project is very clear, that is, ensuring that both Dafang county and every poor household are out of poverty through the partnership between the government of Dafang county, the Evergrande Group, and other participants, within the planned time and under existing standards. The Evergrande Group also independently developed the Bijie targeted-poverty-alleviation data survey and collection system, and formulated different assistance programs for different poverty-stricken households with different causes.

4.3.2 Multiple project participants

The main participants of the poverty-alleviation project are the government of Dafang county, the Evergrande Group, the Guizhou Provincial Foundation of Poverty Alleviation, related operation companies, farmer co-operatives, poor households, and village communities.

4.3.3 Perfect industrial-chain and market-oriented endogenous poverty-alleviation mechanism

Developing an industrial chain is the most critical and successful part of the co-operation project. Developing a local agriculture chain is the most important means for hemopoietic poverty alleviation. This project develops characteristic local industries in accordance with local conditions, and promotes

the hemopoietic function of the poor through the market-oriented mechanism, so that the poor can expand reproduction and truly embark on the road out of poverty. Taking the vegetable-planting as an example, first, the government and Evergrande Group jointly funded the construction vegetable greenhouses to carry out large-scale planting. Second, the Evergrande Group introduced leading enterprises in the industry and jointly built a seedling center. Next, the seedling center carries out planting-technology- and management-method training for farmers. Vegetable greenhouses are then authorized to poor households and operated by co-operatives or powerful leading enterprises, which lead smaller enterprises. Qualified agricultural products produced by small enterprises are purchased by leading enterprises. In this way, the industrial chain is formed through the mode of “company + co-operatives + base + farmer”, and the mechanism of poor households’ continuous poverty alleviation is also formed.

4.3.4 Participation and benefit mechanism of poor households

The project focused on creating a market-oriented endogenous industry-poverty-alleviation mechanism through supporting industries, which has opened up a series of benefit channels for poor households: (1) income from working in agricultural production bases or other supporting industries; (2) shop rental income, the net rents from attached commercial facilities of the relocation project is distributed among relocated households; (4) income from contracted-land transfers, part of the poor households can transfer the original land to agricultural production bases to gain income; (5) poor households that can self-develop can obtain the operating income through managing vegetable greenhouses, raising cattle, and characteristic industries or shops; and (6) poor households that have no related production conditions or capacity can input their capital or assets as shares of operation companies, poverty-alleviation enterprises, and professional farmer co-operatives, and gain dividends.

5. Discussion

5.1 Mutually beneficial partnership

The government is responsible for the formulation of poverty-reduction strategies and policies, with the advantages of motivating and co-ordinating various resources, which made full use of the advantages of all parties, and achieved the social-policy objectives. The Evergrande Group’s corporate reputation and social image were improved, which injected new momentum into the long-term development of the enterprise. Operators of vegetable-greenhouse, cattle-raising, and characteristic-industrial bases are mostly local competitive co-operatives, small enterprises, or industry-leading enterprises. They have rich experience in operation and management, and can obtain operation income through the platform built by the project. Of course, the poor are the biggest beneficiaries. Therefore, this inclusive partnership between government and enterprises can create greater social value than the traditional PPP model.

5.2 CSR Participation is a more effective inclusive PPP model

The implementation of inclusive PPP projects involving corporate social responsibility in poverty-stricken areas is an effective way to overcome the disadvantages of implementing traditional PPPs in underdeveloped areas. We should actively advocate that partnerships between private enterprises’ CSR activity and the government deeply participate in poverty alleviation, transferring funds, technologies, and industrial chains to poverty-stricken areas, increasing employment, and completely eliminating poverty through market mechanisms.

5.3 Inclusive partnerships are conducive to improving governance level

In this case, the Evergrande Group and the government formed an effective co-operation and communication mechanism in order to promote the implementation of the project. In this innovative partnership, the government is not only the policy maker and regulator, but also the practitioner of the new partnership and the discoverer of new social governance mechanisms.

6. Conclusion and suggestion

Compared with the traditional PPP model, the inclusive PPP model pays more attention to the development of the endogenous power of the poor, is more conducive to the establishment of a

long-term poverty alleviation mechanism. The Evergrande Group's CSR action in Dafang county is based on the concept of inclusive PPP, and has been comprehensively promoting the inclusive growth of a county through the form of corporate support. The successful implementation of this project has accumulated valuable experience for other countries and regions.

The Evergrande Group provides free assistance in this project, and after the completion of all facilities, property rights are transferred to the relevant government departments for asset management. Furthermore, the value-added ability of the assets depends on the operation and management ability of government departments and relevant state-owned enterprises. If the project is not well-managed, it not only affects the sustainable livelihood of poor people, but also increases the government's fiscal expenditure. Therefore, this research suggests that the advantages of inclusive and traditional PPP should be combined to solve the above problems. Traditional PPPs have the advantages of applying reasonable risk-benefit-distribution and incentive-compatibility mechanisms between partners through long-term contracts. Combining the two can achieve better sustainability for inclusive PPP projects, and truly bring the poor steadily out of poverty. When it comes to similar situations to this case, if a donor has the ability to operate, commercial assets can be operated by the donor with social responsibility; otherwise, the operating company should be selected in a competitive way, and the project may be operated in O & M mode (management contract), so as to improve the economic and social value of the project.

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