



## Public-Private Partnerships for Major Projects in Afghanistan: The Role of Regional Cooperation in their Implementation

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### Abstract

*Public–Private Partnership (PPP) is a long-term contract between private enterprises and governments for providing public assets or services, in which the private sector assumes substantial risk, manages the project, and bears all associated responsibilities and costs. In essence, PPP refers to an agreement between public institutions—either central or local units—and private investors, whereby the latter undertakes the financing, construction, or procurement of a portion of a public service or facility and later manages it.*

*The purpose of this research is to identify the sectors in which PPP-based investment can positively influence national and regional development, and to examine regional examples, cooperation, and opportunities in this regard, offering necessary recommendations.*

*This is a qualitative–descriptive study that relies on secondary data collected from credible books, journals, reports, previous studies, and publications from regional and international institutions and organizations.*

*The findings show that Afghanistan urgently needs the implementation of major projects in five key sectors—infrastructure, water and energy, health, tourism, and mining. At the same time, regional countries can play a constructive role by providing financial assistance, technical expertise, capacity building and transfer of skills, establishing free-trade areas, promoting bilateral and multilateral cooperation, extending diplomatic support, and contributing to policy and planning frameworks. Collectively, such collaboration could help alleviate unemployment in Afghanistan, boost GDP, and pave the way towards economic stability.*

### Keywords

Public–Private Partnership (PPP), Regional Cooperation, Infrastructure, Tourism, Mining, Health, Energy

### Introduction

Various indicators are employed to measure economic strength. Some of these rely on a country's own resources, while others require collaboration among different actors—individuals, organizations, states, or regional institutions—for their implementation. The presence of investors and regional economic relations creates excellent opportunities for executing regional development projects (World Bank, 2020), particularly when regional cooperation exists to address shared challenges and optimize the use of available resources.

Public–Private Partnership (PPP) is regarded as a highly effective mechanism and an excellent method for financing, implementing, and managing public infrastructure projects worldwide through private sector participation. In such partnerships, the private sector combines its capital,

experience, and innovation with the public sector's social objectives, thereby improving the quality of service delivery and reducing the fiscal burden on governments (World Bank, 2023).

PPP is considered a priority for developing and underdeveloped countries, as it facilitates project implementation and ensures long-term benefits. Through this approach, these countries can provide broader services to society and, in cooperation with governments, move toward achieving sustainable and long-term gains (Leigland, 2018).

Since the public-private partnership is a relatively new approach compared to traditional project implementation methods, effective utilization of this mechanism requires a sound understanding of contract financing structures, legal frameworks, bidding and procurement methods, fundamental contractual principles, risk allocation mechanisms, and investment models (Umar et al., 2019). When planning a regional economic project, it is essential to begin by identifying key partners, clearly defining project objectives, and resolving financial and technical issues. A well-defined regional economic cooperation framework can serve as an effective means of supporting such projects. In this regard, national economic development authorities or regional research and strategy centers can, through their initiatives, provide an effective platform for collaboration and communication.

According to Iossa & Martimort (2015), PPP refers to a contract between public entities—central or local—and private investors, under which the private party undertakes the financing, construction, or procurement of a particular component and the later assumes responsibility for its management. The World Bank defines PPP as a long-term contract between a public authority and a private entity for the provision of public assets or services, wherein the private party assumes significant risks and operational responsibilities (Stella, 2020).

The findings of Fay et al. (2018) indicate that PPP investment represents around 10% of annual investment in physical and social infrastructure in developing countries, compared to 3% globally.

### **Problem Statement**

Many countries lack sufficient budgets, technical skills, and adequate financing for the successful implementation of large-scale projects or are reluctant to allocate public funds to long-term ventures. Hence, PPP becomes an optimal alternative for project implementation. Afghanistan, being a developing country, faces similar constraints in terms of skilled labor, resources, and financing for large-scale economic projects. Therefore, it is advisable to implement certain key projects jointly with regional partners and investors through PPP to achieve economic resilience. This study aims to shed light on the benefits of PPP and highlight potential large-scale projects that can be conducted and implemented through regional cooperation and investment.

### **Research Objectives**

This study seeks to achieve the following objectives:

1. To identify those sectors in Afghanistan in which PPP-based investment can positively influence national and regional development.
2. To analyze regional and global examples of PPP, assess regional cooperation and opportunities, and provide relevant recommendations.

### **Research Questions**

1. Which sectors could benefit from PPP-based investment in Afghanistan, positively affecting national and regional development?
2. What are the best regional and international examples of PPP, and what opportunities exist for regional cooperation in Afghanistan's project implementation?

### **Significance of the Study**

Research on public-private partnerships can identify potential financing opportunities for major public projects in developing or least-developed countries and serve as a valuable guide for leveraging such opportunities effectively. Based on the analysis of collected data, this study aims to clarify the current status of PPP in Afghanistan. The research is valuable because it provides a platform for identifying projects that require large-scale investment and regional cooperation, while also proposing possible approaches and mechanisms that can assist the government in designing an appropriate PPP policy.

### **Review of Literature**

Public-Private Partnerships (PPPs) are considered an important tool for addressing the infrastructure deficit in Afghanistan (World Bank, 2020). Since 2016, the Afghan government has sought to promote economic growth through PPPs, strengthen key infrastructure, attract domestic and international investments, and improve the quality of public services (Ministry of Finance, Afghanistan, 2017). The success of PPPs is not solely dependent on national policy; regional cooperation is also essential, as it can provide financial support, technical expertise, and facilitate the transfer of skills and knowledge (Indeo, 2025).

In Afghanistan, the PPP Law was enacted in 2016 and was revised in 2018 to align with international standards (Ministry of Finance, Afghanistan, 2019). However, the implementation of this law has faced numerous challenges, including low capacity of relevant institutions, political instability, poor security and law and order situation (Amiri & Clarke, 2021).

For the successful development of PPPs, certain factors must be considered. Strong political support from the government is essential for the continuity of projects and reducing political risks (Sahibzada, 2023). Likewise, an appropriate allocation of financial and operational risks increases the feasibility of project implementation (Ollero & Singh, 2023). Good governance practices, such as transparency and accountability in project management, enhance the confidence of stakeholders (World Bank, 2023). Sufficient financial resources are also vital for initiating and sustaining projects (World Bank, 2020).

Regional cooperation can play a significant role in the implementation of PPP projects. Joint energy and transport projects strengthen regional connectivity (Chowdhury & Erdenebileg, 2020). Neighboring countries can contribute technical expertise and share best practices in terms of transfer of skills and knowledge (JICA, 2023). Regional banks and development agencies can also provide substantial financial support (ADB, 2023; UNECA, 2020).

Regional Cooperation refers to a process in which neighboring countries within a shared geographical space collaborate, either formally or informally, to achieve common objectives, address shared challenges, and promote regional stability and development, while fully respecting national sovereignty and maintaining mutual respect among participating states (Smith, 2019).

### **Research Gap**

Having a thorough look at the studies related to PPP, it was found that those studies were conducted in countries other than Afghanistan which mainly focused on the factors that were necessary for the successful implementation of PPP, alongside discovering the obstacles that have hindered the successful employment of PPPs in various countries. Based on the literature review and to the best of the authors' knowledge, there was a lack of study aiming to identifying those sectors in Afghanistan in which PPP based investment could positively influence national and regional development. Hence, this study was conducted to bridge the mentioned gap.

### **Research Methodology**

This is a descriptive study in nature which was conducted in a qualitative manner. As far as the data is concerned, secondary data was utilized for the purpose of achieving the objectives of this study. The secondary data used in the study was gathered from various credible sources which include research articles, books and published reports of national and international institutions and organizations. As, it is a qualitative study, thematic analysis technique was employed wherein the aforementioned sources were thoroughly checked and reviewed in order to identify those sectors of Afghanistan where PPP could be successfully implemented alongside gathering the best regional and international examples of PPP.

### **Findings and Discussion**

Some projects, due to their complex nature, high costs, and lack of professional expertise, are best implemented through Public-Private Partnerships. PPP allows the use of private-sector innovation, operational experience, and technical capacity, while facilitating the transfer of skill between private entities, state enterprises, and governments.

This research identified five major sectors in Afghanistan that are suitable for PPP-based regional cooperation and investment:

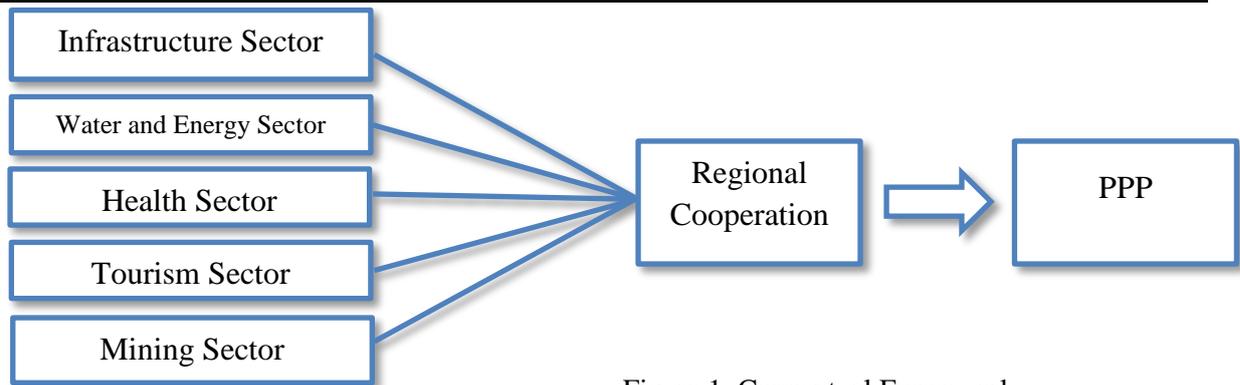


Figure 1: Conceptual Framework

**1. Infrastructure Sector**

This is one of the most crucial sectors requiring investment in Afghanistan. It includes building national highways, transit roads, large bridges, tunnels, urban transit systems (metro, railway lines), airports, and customs or trade terminals. As Afghanistan is a developing country and the government of Afghanistan has experienced budget deficits during the last two decades or so, it has not been able to build the required infrastructure throughout the country due to its lack of adequate financing, technical skills, poor law and order situation and other factors that has hindered the economic development of Afghanistan. After the take over of the Afghan government by the Islamic Emirate of Afghanistan back in August 2021, the country has experienced peace and stability, the law and order situation has improved and keeping in mind the fact that Afghanistan holds a key role in regional connectivity, PPP based investment in the infrastructure sector can definitely bring national and regional development. Successful PPP examples include Indira Gandhi International Airport (Delhi), Chhatrapati Shivaji International Airport (Mumbai), and Cochin Airport (India) (Phuyal, 2023). Such projects require massive funding and benefit from regional cooperation, as PPP helps distribute risks and improve cost management and project efficiency

**2. Water and Energy Sector**

The second major sector suitable for PPP and regional cooperation is water and energy. This includes hydropower, solar, wind energy, water storage, and wastewater management. These projects demand modern technology and highly skilled experts. The private sector is motivated to invest in Afghanistan due to consistent revenue streams. Successful examples include South Africa’s Renewable Energy Independent Power Producer Procurement Program (REIPPPP) (Alexandre Rongé, 2024) and Morocco’s Noor Solar Complex, one of the largest solar power facilities in the world (World Bank, 2023).

**3. Health Sector**

The third major sector is health, covering hospitals, diagnostic centers, and telemedicine programs. A notable PPP example is the Queen Elizabeth Hospital in Birmingham, UK, built through PPP (Pollock, Price & Player, 2007). This sector requires substantial investment to combine private-sector efficiency with improved patient-care systems.

**4. Tourism Sector**

The fourth sector is tourism and cultural heritage. It includes historical sites, monuments, museums, cultural programs, resorts, hotels, restaurants, and exhibitions. Investment in this sector enhances foreign tourism, cultural exchange, and local economic development. An example is the restoration of Gobindgarh Fort in Amritsar, India, under a PPP framework (Ministry of Tourism, India, 2018).

**5. Mining Sector**

Investment in mining has enormous potential to boost Afghanistan’s economic growth. It includes both resource extraction and capacity-building for technical labor. As mining requires substantial capital and expertise, PPP is a suitable approach. A successful example is Mongolia’s Oyu Tolgoi copper and gold mine, developed jointly by the Mongolian government and Turquoise Hill Resources (IMF, 2021).

**Regional Cooperation Mechanisms**

Regional countries can cooperate with Afghanistan in the five sectors mentioned above through various mechanisms:

1. **Financial Support** – Through grants, long-term loans, or investment opportunities in exchange for services. Regional development banks and financial institutions such as the Asian Development Bank (ADB) and the World Bank can play major roles (Tavares, 2020).
2. **Technical Expertise** – Regional countries with advanced economies can provide technical know-how in project design, implementation, monitoring, and evaluation (Chaturvedi et al., 2012).
3. **Capacity Building and Skills Transfer** – Regional partners can conduct training programs for Afghan workers and officials, as seen in Japan’s JICA cooperation programs in Southeast Asia (JICA Annual Report, 2023; UNDP, 2017).
4. **Establishment of Free Trade Areas (FTA)** – Enabling cross-border investment and trade through agreements such as the South Asian Free Trade Area (SAFTA), promoting economic integration and investor confidence (Bhagwati & Panagariya, 1996).
5. **Bilateral and Multilateral Cooperation** – Joint ventures between regional countries can share risks and benefits, strengthening regional unity (Keohane, 2005).
6. **Diplomatic Support** – Neighboring states can advocate for Afghanistan in international financial and development forums, similar to how Gulf Cooperation Council (GCC) countries support regional initiatives (World Economic Forum, 2022).
7. **Policy and Planning Support** – Regional countries with successful PPP experience can share best practices in investment attraction, regulation, and project management (Booth & Cammack, 2013).

### **Conclusion**

This study revolves around two key dimensions:

1. Identifying priority sectors for implementing large-scale projects through PPP.
  2. Highlighting mechanisms for attracting regional cooperation to implement these projects.
- Currently, Afghanistan urgently needs PPP-based projects in five critical sectors: infrastructure, water and energy, health, tourism, and mining. Regional countries can play a constructive role through financing, technical knowledge, capacity development, free-trade facilitation, bilateral and multilateral cooperation, diplomatic advocacy, and policymaking assistance. Such collaboration can significantly reduce unemployment, increase GDP, and promote economic stability in Afghanistan.

### **Recommendations**

1. Since PPP is a relatively new concept in Afghanistan, the government should initially select one pilot sector to test and implement a PPP framework.
2. The Afghan government should establish a clear, transparent, and enforceable legal and administrative framework for PPP to create investor confidence.
3. The government should seek regional and international financing, including cooperation with the ADB, World Bank, and other development institutions, to ensure long-term project funding.
4. Strengthening regional diplomatic cooperation can foster both economic and technical collaboration.
5. The government must design accountability, evaluation, and risk-sharing mechanisms to prevent corruption and enhance trust in PPP projects.
6. Regional countries should support Afghanistan by providing financing, technical training, and experience-sharing.
7. Regional partners should advocate for Afghanistan in international donor and investor forums to attract global confidence.
8. Researchers should further study other sectors requiring investment, identifying potential challenges, opportunities, benefits, and strategies for improvement.

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