

## BOOK REVIEW

# Strategic Issues in Public-Private Partnerships

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*Strategic Issues in Public-Private Partnerships*  
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According to Leland and Read (2012), planners in both the public and private sector generally have positive attitudes about public-private partnerships. However, there are notable differences in individual attitudes about the perceived opportunities and challenges of such collaborative ventures. Age, education, gender, race, political orientation and sector of employment are all found to influence planners' attitudes in ways that are important to the study of cross-sector collaboration and representative bureaucracy.

Based on seven public-private partnership cases from the eco-efficiency Ecoprofit initiative, Hansen and Klewitz (2012) identified three behavioral patterns (hold-up, step-up, and frontrunner) developed by the companies within the partnership. These were the result of an interaction between the companies' green

strategy and their related level of absorptive capacity, which influenced their ability to respond to the handholding processes offered in the partnership. Also, Kaboru (2012) targets policymakers, donors and health systems scientists and ends with a call for more aware and innovative leadership, for increased support of PPM initiatives ...

This book answered many questions. Chapter 1 explains how Governments have been increasingly faced with the dilemma of satisfying greater demand for public infrastructure, while operating with lower budgets and spending power. This dilemma has created a need for public-private partnerships to bridge the gap between government's obligation to its citizens and private organizations' monetary resources. The chapter discusses how the process of creating a successful and mutually beneficial partnership, or concession, is very complicated though, and includes issues of transparency, societal concerns, economic viability and value for money, and safeguarding the public interest. The actual internal workings of a concession itself are complex and require some rate of standardization for consultations, negotiations, financing, and flexibility of service and design.

Chapter 2 details the initial stage of a concession when the government identifies a need for social infrastructure or an opportunity for a mutually beneficial public-private partnership to develop a project. Many projects, depending on the type of infrastructure being produced and maintained, will include many different private entities with differing financial resources and expertise, and this adds to the complexity of the concession negotiation process.

The chapter also explains that most definitions of Public-Private Partnerships emphasize the point that PPPs are established because they benefit both the public sector and the private sector. Many cited authors define PPPs as 'privatization' or contracting-out, however it is noted that there is a big difference between PPPs and privatization. First, in PPPs private and public actors share costs, revenues and different responsibilities, whereas privatization is clearly defined as transferring tasks and responsibilities solely to the private sector, and placing costs and revenues in private hands. This chapter describes the five categories of public-private involvement, as a range of variants have been developed: Build Own Operate Transfer (BOOT), Build Own Operate (BOO), Design Build Finance Maintenance Operate (DBFMO), Build Lease Transfer (BLT), Lease Renovate Operate Transfer (LROT), Build Operate Transfer (BOT) and Design Build Finance Maintain (DBFM). The Build Operate Transfer (BOT) approach has in recent years played a growing role in the implementation of industrial and infrastructure projects such as toll roads, water supply and treatment facilities in both industrialized and developing countries. DBFMO can be defined as the private sector designing, building and financing an asset and providing hard facility management (hard fm) or maintenance services under a long-term agreement. DBFMO is the most often used concession model for social infrastructure projects.

Chapter 3 describes infrastructure concessions and how the competitive tendering procedure is the most common approach for concession contracts. The book describes how although concession contracts are difficult

and complex, it is however assumed that the competitive dialogue (CD) procedure is the most appropriate for the procurement of such projects and a way to remedy any difficulties. The CD procedure assists contracting authorities to procure complex projects because technical specifications and price levels can be defined during the dialogue somewhat better than being predetermined.

The chapter explains how transactions between presentation authorities and service providers are governed by contracts. Long term contracts tend to be need future flexibility and revision due to information shortcomings and transaction expenses. Contracts may also be either "formal" or "informal". The chapter also explains that each country has a different perspective on PPPs and the debate can often be a normative one on the role and relationship of public and private entities. However general policy reform success can be measured on several conditions such as institutional, organizational, cultural, economic and private partnerships. A growing trend is for countries to emulate and adopt certain processes and criteria of another to benefit their own PPP policy and procedure.

Chapter 4 clarifies social infrastructure, which refers to items of physical infrastructure that aid the provision of social, rather than economics or industrial services. In contrast, economic infrastructure supports economic activity and is often characterized by 'user-pays' or demand-based revenue streams. Early PPPs focused on transport infrastructure, which in contrast to social infrastructure, is subject to minimal ongoing change. 'Lessons learned' were later applied to the social infrastructure PPPs that followed but did not necessarily embed provisions to allow for flexible responses to change. The chapter finishes by explaining that with a significant number of social infrastructure PPPs now well into their operating phase, future PPPs can benefit from new perspectives for achieving successful, mutually-beneficial arrangements.

Chapter 5 illuminates how and why flexibility is perhaps the most important criteria when

considering certain social infrastructure. Influx of new population, changing demographics and the associated changes in health requirements, and most importantly the rapidly progressing medical technologies which aid in efficiency and increased out-patient services, all account for the need of flexibility. The UK's experience with the need of newly built hospitals, considering most hospitals were built around or before 1948, shows how complex and therefore challenging PPPs can be when faced with medical infrastructure. Still, the private sectors involvement is necessary for better efficiency and improved hospitals. The greatest asset has been with improving hospitals ability to expand the physical structure, design flexibility, due to increased demand for services. The overall idea expressed in this chapter is that adaptability is crucial to provide adequate medical infrastructure and this is greatly enhanced by the private sector's amount of capital.

Chapter 6 supports how economic conditions weigh heavily on the need for progressive strategies when dealing with new PPPs. The credit crunch has reduced the amount of private investors due to concerns of future debt, and the overall complexity of concessions can also scare investors away. Transparency and partnerships between several private agents is very important to increase overall confidence in the potential of a concession project. Financing such projects is no longer simply an issue of debt and equity, banks and investors in any project are equally as important as the private entity involved in the actual designing and building of the infrastructure. The chapter goes on to note that governments have found they also increasingly have to spend more of their own capital expenses, along with partnering with more private investors, in order for a project to be financially solvent and be carried through to completion, due to changing economic situations.

Chapter 7 demonstrates that the end goal of any PPP is the importance of whichever infrastructure to the public. Any project undertaken has its root in public need, and in keeping with this the public interest must be considered

throughout the entire process. The partnership of governments with private entities can always be seen in a negative way, as the potential for abuse by the private parties to utilize the project only for their own financial gain and profit can make the public interest secondary. The authors clearly point out in this chapter that governments must set up rules and guidelines safeguarding the public interest before even tendering or the initial bidding process of a project. Furthermore, these rules and guidelines not only consider the amount tax payers should pay, and any environmental or social effects the project may have, but also provide the necessity for transparency in all dealings between public and private during the entire project.

Chapter 8 depicts the importance of VFM, or value for money. Value can be seen as servicing the public good and proving a service which is beneficial to the electorate of the public entity which outweighs any financial or societal concerns. The chapter points out though that VFM is very difficult to measure because not only can it be a normative issue, but the length of time most projects take can making predicting future VFM almost impossible as changing societal needs and the financial gain or loss to society of the project in the future can be very hard to assess. Political motives can also decrease VFM given politicians' need to see a project through to completion for their own short term gain, even if the eventual loss of revenue or ineffectiveness of a project is negative for the electorate as a whole. The chapter makes it clear that VFM must be protected by trusting relationships in PPPs, along with transparency and a thorough planning which incorporates rules and guidelines meant to safeguard the public interest. Although this may lead to the risk that a project isn't completed because it does not fulfill these criteria, VFM must be the most important goal when first considering the electorate.

Chapter 9 summarizes the previous chapters' general ideas in the context of ongoing and future concessions and the progressive processes involved in contracts. Worldwide concessions have been instituted more frequently as

governments expenditures have decreased and private venture capitalism has increased. The authors point out that the changing economic situation has however made the need for increasing and more varied private actors, and where capital does not exist loans and debt/equity must be discussed. PPPs can provide an efficient and economic suitable process for the completion of important social infrastructure. Standardization of the entire process has increased the frequency of the concessions, as has hybridizations of other countries' own successes redesigned to fit the internal socioeconomic conditions, such as the adoption of the UK's infrastructure concession processes and other public-private partnership guidelines by many European and other countries. In order for any PPP and the associated project to remain efficient and beneficial to the public interest, transparency, VFM, and financial security must be made increasingly importantly. The core point of the book is that proper execution of any such projects must

involve considering the financial and societal risks of the project, and this is crucial to PPPs being readily accepted by both the public and the private sector as a viable and efficient process for building social infrastructure.

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