Public Private Partnership: New Quest in New Era

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***Abstract*- This literature review covers a wide range of publications (articles, books, reports and government publications) that provide an overview of the wider topic of partnership. The sections of this review comprise: definition of partnership; types of partnership; partnership positive and negative factors, benefits, comparison between partnership, outsourcing, privatization and contract.**

***INDEX TERMS*- Public Private Partnership, Globalization, Public and Private Partners etc**

INTRODUCTION

We live in a global society. It is no longer effective for organizations to work alone. Within the public, private and voluntary sectors, the need for partnership working, often cross-sectoral working or working beyond the boundaries, is recognized as a vital component of success. For the sustainable development organization requires joint movement and collaborative action of several actors from different sectors (Murphy and Bendell, 1997). As a result, *partnerships*, in terms of 'voluntary collaboration between two or more organizations with a jointly defined agenda focused on a discrete, attainable and potentially measurable goal (Long and Arnold, 1995) have been suggested as a path to sustainability (Hartman *et al*., 1999; de Bruijn and Tukker, 2002). As the focus moves away from the centralized, government provision of public services, cross sectoral partnerships involved in service delivery are becoming more common.
In this continuity, over the last two decades, the number of Public–Private Partnerships (PPPs) in both industrialised and emerging economies has increased significantly (World Bank 2008). In general, PPPs are used to provide infrastructure in services such as health, education, prisons, roads, electricity and water, which are traditionally seen as the responsibility of the public sector.
A PPP is a type of inter-organisational relationship (IOR) built on the foundation of new public management with the objective of increasing the efficiency, quality and competitiveness of public sector services while solving macroeconomic problems (Lane 2000). The main objective of PPPs is to achieve value for money (VFM) (Broadbent and Laughlin 2003; Froud 2003) which concerns (and measures) the cost savings to the government achieved through harnessing 'the economies of the private sector' (Bing and Akintoye 2003: 4). The overall aim of this literature review is to provide detail overview about Public Private Partnership.

PUBLIC PRIVATE PARTNERSHIP: MEANING & DEFINITION

The concept of partnership has become widespread around the world as an ideal model for the design of inter organizational relationships (Friend, 2006, p.261).According to Long and Arnold (1995) *partnership* is a voluntary collaboration between two or more organizations with a jointly defined agenda focused on a discrete, attainable and potentially measurable goal. In this support Diamond, Laffin and Liddle (2006), Wettenhall (2007) said that partnership was often not delivered in practice even though it has reflected the importance of collaborative forms of working because sometime it involve conflicts of interest between two parties, cost shifting from one partner to another, and managing risk and uncertainty(Rosenau,1999).

Throughout the evolution of the partnership perspective, the current popular term "Public Private Partnership" conveys the powerful suggestion that collaboration deliver increased efficiency over services (Dunnigan and Pollock 2003; Shaw,2004;Pollock et al.,2001). Authors have different -2 perceptions towards PPP as some said it is a policy approach where some said it is an infrastructural approach and some said it is an urban regeneration approach. but according to John Forrer, James Edwin Kee, Eric Boyer and Kathryn E.Newcomer (2010) public private partnerships are ongoing agreements between government and private sector organizations in which the private organization participates in the decision–making and production of a public good or service that has traditionally been provided by the public sector and in which the private sector shares the risk of that production. In this partnership both parties combine their qualities and in this context Williamson (1985) revealed that major consideration for both sectors in combining their qualities is risk sharing and future uncertainty. So it is a effective economic development strategy which enables accomplishment of economic development objectives neither government nor the private sectors could achieve alone. Moreover, Van Ham and Koppenjan (2001, 598) states that PPP is "a some sort of cooperation between public sector and private sector in which they jointly develop products and services and share risks, costs, and resources which are connected with these products". PPPs reflect a unique relationship between the government and a private firm. While the government retains ultimate responsibility for the delivery of the good or service, it becomes a partner with the private sector in decision making and delivery (Grimsey and Lewis 2004; Yescombe 2007). The government may collaborate with the private developer/service provider in any one of the following ways a) ***As a funding agency:*** providing grant/capital/asset support to the private sector engaged in provision of public service, *on a contractual/non-contractual basis* b) ***As a buyer:*** *b*uying services on a long term basis. c) ***As a coordinator:*** specifying various sectors/forums in which participation by the private sector would be welcome. Further Pamela Bloomfield (2006)Public – private partnership advocates regard market driven competition, shared risk, and transparency as essential prerequisites for successful long-term contracts that achieve their intended purposes and protect the public from excessive risk.

PPP VS OUTSOURCING, PRIVATIZATION & CONTRACTING

According to Jones et al (2010) partnership is completely different from outsourcing, privatization and contracting. Basically *outsourcing* is an effort to achieve greater fiscal control and more efficient service delivery. Government outsourcing is an application of the classic make or buys decision to government operations, even functions that have been the traditional domain of governments. Where as *Privatization* involves the transfer of some activity and its assets that in the past was operated by the public sector to the private sector, through a sale, concession, or some other mechanism In privatization, either a government eliminates direct control and ownership of the function and the delivery of services (full privatization), or it retains some influence by holding stock in the privatized firm. In a traditional, competitive, *contracting*-out approach, government dictates the terms and conditions for service production and delivery. The government agency (the purchaser) defines what it needs, specifies the desired product or service, and then issues a request-for-proposal to allow those in the private (or non profit) sector (vendors) to bid on the good or service being sought.

POSITIVE AND NEGATIVE FACTORS OF PPP

Positive Attractive factors

Risk always exists with public sector partners to deliver and operate desired public facilities and services. They always seek to transfer / share the risk with other partners. In PPP, the public client provides explicit information about risk allocation to confirmed private sector bidders during the contract procurement process for a project (national audit Office, 1999; National Health Service, 1999). Since this must yield greater clarity about project risk, it is likely that the private sector would agree that risk transfer is also a positive factor in its participation in PPP. The fact that risk and reward go hand in hand also suggests that private sector participants may be enthusiastic about securing opportunities to profit from the risk transfer that occurs.

Public sector has terrible and bottomless image in market regarding delivering effective public facilities and services as they are not able to maintain cost which is higher than expectation. PPP corrects this image. Furthermore, Tiong and Anderson, 2003 said that the public sector partner is able to cap its final service costs at pre-determined levels through the concessional agreement made with its private sector counterpart. In this support Bennett, 1998 revealed that the public sector in PPP should be able to substantially reduce administration costs, since it will no longer have day-to-day responsibility for service delivery. Instead, the public client takes on a less intensive role of monitoring the performance of the private Concessionaire and receiving periodic reports.

PPP is attractive to public and private sector participants because it forces a project to service any financial debt from the revenue streams derived from the project itself. The revenue streams may comprise fees paid directly to the concessionaire by users (e.g. toll road fees), or fees paid by government on behalf of all potential users (e.g. fees per hospital patient serviced, or per school pupil accommodated). This non-recourse or limited recourse public funding is an important ingredient of PPP. (Carrick, 2000; Akintoye et al.2001).

According to Downer and Porter, 1992 an attractive feature of PPP method is that it offers both the public client and the private contractor more freedom to select innovative methods in the provision of assets and services. This should lead to time saving by accelerating project development and by avoiding delays in project delivery

Moreover, PPP is seen as attractive in terms of the potential benefits it may bring to local economic development in the region(s) where the facility is built or the services are delivered. Local employment opportunities are enhanced, not only for the direct construction and operational activities associated with the project, but also for ancillary services and businesses established by entrepreneurs eager to exploit the opportunities created by its location (National Audit Office, 2001). Internationally, and particularly in developing countries, PPP is seen as attractive in terms of its capacity to achieve the transfer of technological knowledge to local enterprises.

Negative Attractive factors

According to Morledge and Owen (1998) lack of PPP experience and appropriate skills exists not only in the public sector but also in the private sector. Public project developments under the concept of PPP are quite new. The concept of PPP is comparatively less well understood in countries. In such countries, governments have less experience in alternative ways to finance their projects. The lack of understanding and the need for better training by public officials involved in PPP projects is a major issue. Further, Ezulike et al. (1997) found that there is an extensive amount of time used in contract transactions such as bidding for PPP projects, coupled with much negotiation time between the public sector client, its project advisers, and the private sector consortia and their advisors, over the terms and conditions of the contract. Moreover it has been argued that some PPP projects have had a higher project cost than comparable projects delivered under traditional procurement. The cost of a PPP project itself is claimed to be generally higher than the comparable public sector facility provision through traditional procurement (Ezulike et al., 1997; Birnie, 1999). High project cost might have been caused by the private sector adding a larger profit margin to cover unfamiliar risks, and such premiums may subside as experience is gained. There are some other negative factors include : Leads to higher direct charges to users, Imposes excessive restriction on participation, High risk relying on private sector, Confusion can arise over government objectives and evaluation criteria.

TYPES OF PPP

According to Young Hoon Kwaket al (2009) various types of partnerships have been implemented to reflect different project objectives and requirements. These PPPs generally vary in terms of the degrees of private involvement. At one extreme is the public provision, where the public sector is fully responsible for all aspects of delivering public services; while at the other extreme is the private provision, where the private sector assumes all those responsibilities. As the PPP move from the end of the purely public provision to the other, the degree of private involvement increases. These PPP also vary in terms of finance sources and ownership of properties. A below table reflects the degree of private involvement of five possible PPP:

Types of PPP	Description
Operation-Maintenance (OM)	• The private sector is responsible for all aspects of operation and maintenance. • Although the private sector may not take the responsibility of financing, it may manage a capital investment fund and determine how the fund should be used together with the public sector.
Design-Build-Operate (DBO)	• The private sector is responsible for the design, construction, operation, and maintenance of a project for a specified period prior to handling it over to the public sector
Design-Build-Finance-Operate (DBFO)	• The private sector is responsible for the finance, design, construction, operation, and maintenance of a project. • In nearly all cases, the public sector retains full ownership over the project.
Build-Operate-Transfer (BOT)	• The private sector is responsible for the finance, design, construction, operation, and maintenance of a project for a concession period. • The asset is transferred back to the government at the end of concession period, often at no cost.
Build-Own-Operate (BOO)	• Similar to a BOOT project, but the private sector retains the ownerships of the asset in perpetuity. • The government only agrees to purchase the services produced for a fixed length of time.

PUBLIC PRIVATE PARTNERSHIP: BENEFITS

A public private partnership is formed when public private actors decide to collaborate in order to answer to public needs in the most effective possible way, by sharing resources, risks & benefits (Caisse des Depots, 2003). A variety of definitions on PPP exist: a long term contract arrangement between private &public sector entities (Bing Li et al., 2005);an arrangement between public &private sector investors & businesses which provide a service under a concession for a defined period that would otherwise be provided by the public sector(Leiringer,2006); and a contractual agreement between a public agency(federal, state or local) and a private sector entity(Cuorato,2002).But no generally accepted definition for this type of cooperation has yet been reported (Price Waterhouse Coopers,2004).But it is clear that, in this partnership, public and private sectors come forward with intention to get some benefits.

The major reason for creating PPP is the shifting of risk from government to the private sector as public sector partner consider greater risk associated with the delivery & operation of desired public facilities & services, on other hand private sector consider it positive factor as they are enthusiastic about securing opportunities to profit from the risk transfer that occurs. Furthermore, according to Tiong and Anderson, 2003 the public sector partner is able to cap its final service costs at pre-determined levels through the concessional agreement made with its private sector counterparts and their involvement in public service provision means that the private investment tackles the problem of bottlenecks in demand and supply. In this support Hambros, 1999 thought that PPP approach encourage private sector commercial efficiency to replace public sector bureaucratic inefficiency which leads to delivery of higher quality projects(European Commission,2003) as well as reduce time and cost. Downer and Porter, 1992; Hall, 1998; Utt, 1999 in this support reveals that PPP offers both the public client and the private contractor more freedom to select innovative methods in the provision of assets and services. This should lead to avoiding delays in project delivery. In addition, PPP is seen attractive to both partners because it forces a project to service any financial debt from the revenue streams derived from the project itself. The revenue streams may comprise fees paid directly to the concessionaire by users or fees paid by government on behalf of all potential users (Carrick, 2000: Akintoye et al., 2001).Furthermore, PPPs have the potential effect of economies of scale in long series as well as gains in productivity(MEFI,2005b) as this might permit the development of an integrated solution, such as binding several small projects formerly dealt with under different departments into a single projects.(Government of Nova Scotia,2000).Particularly in developing countries, PPP is attractive which not only bring potential benefits to local economic development in the regions where the facility is built or the services are delivered(National Audit Office2001) but also have capacity to achieve the transfer of technological knowledge to local enterprises.(Nielsen,1997;Trim,2001).

Hence in order to make PPP successful Zhang (2005) in his study suggested five critical success factors: favorable investment environment, economic viability, reliable concessionaire consortium with strong technical strength, sound financial package &appropriate risk allocation via reliable contractual arrangements.

CONCLUSION

PPP is an arrangement between two or more entities that enables them to work cooperatively towards shared or compatible objectives and in which there is some degree of shared authority and responsibility, joint investment of resources, shared risk taking, and mutual benefit. Now a day it's going to be very popularize as it is beneficial for both the partner involve in partnership which alone can't do anything effective. It is very important that every developing country must understand the concept of PPP and implement it for the betterment of country.

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