Public-private partnerships, a new organizational structure for the governance of public goods and services

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Abstract
Since the 1980s, public-private partnerships (PPP) are stirring a growing interest among scholars, governments and international institutions. In its modern version, the PPP concept is ambiguous for two reasons: given the diversity of contractual arrangements as well as the multiplicity of objectives for which a PPP is used, there is no broad consensus around the concept; moreover, the private sector has always been involved in the delivery of public services and infrastructure projects. Hence, what constitutes a PPP and how is this form of cooperation new?

In order to shed light on the concept of PPP, this paper categorizes the definitions found in the literature according to three lines of reasoning focusing respectively on the managerial, financial and macroeconomic dimensions and implications of PPPs. The allocation of risks and responsibilities between the public and the private sectors are clearly outlined when considering the types of PPP agreements which are again built around three criteria: the nature of the relationship between the public and the private sector, the objective of the agreement and the identity of the assets’ owner and/or the service manager.

Keywords
Public-private partnerships, hybrid organizational structure, austerity, efficiency, social welfare.

1- INTRODUCTION

The economic size of government\textsuperscript{1} has long fueled the debate between the proponents of interventionism and the advocates of “laissez-faire”. However, with the evolution of state systems in Western countries during the twentieth century, the concept of public governance has changed, more so since the 1980’s. Indeed, governance is no longer perceived as a coercive process that falls under the sole responsibility of the State but is now defined in terms of an interaction between the government, markets and the civil society (Hodge and Greve, \textsuperscript{1} The economic size of government is a term used to describe the share of the public sector in the economy’s GDP or to refer to the extent of government policies and market regulations.)
A PPP is a hybrid structure which lies between the traditional provision of public goods and services by the government and pure privatization. From a managerial perspective, a PPP is a long term contractual arrangement where the public and private sectors share the design, the financing, the provision and the management of a public service or an infrastructure project (Mazouz, Facal and Viola, 2008). Thus, resorting to a PPP for the delivery of public services is dictated by an economic calculation that focuses on efficiency and the search for an optimal social welfare, treading over the ideological “quarrel” around private or public property.

Alongside this shift in public economics thinking, the growing interest in the partnership model was and still is practically due to increased budget deficits and worsening public debts in most developed and developing countries: as PPPs rally private and public inputs, they are believed to relieve governments from budgetary pressures while satisfying the increasing social demand for public goods and services of better quality. Also, given the significant impact of infrastructure on economic growth through improved productivity and increased competitiveness, international institutions encourage the use of PPP and see it as a socio-economic development tool.

To evaluate the performance of PPP markets, it is useful to remove the ambiguity around what is meant by PPP. Indeed, given the diversity of contractual arrangements as well as the multiplicity of objectives for which a PPP is used, there is no broad consensus around the concept (Hodge and Greve, 2009). In fact, PPP legislation and regulations across countries and even across sectors within the same country do not adhere to a unique definition of what is a

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2 “New Public Management” refers to government policies for modernizing the public sector in view of a greater cost-efficiency.
PPP. Moreover, the private sector has always been involved in the delivery of public services and infrastructure projects, particularly through outsourcing contracts (De Bettignies and Ross, 2004). Hence, what constitutes a PPP and how is this form of cooperation new?

In order to shed light on the concept of PPP, this paper categorizes the definitions found in the literature according to three lines of reasoning focusing respectively on the managerial, financial and macroeconomic dimensions and implications of PPPs. The allocation of risk and responsibilities between the public and the private sectors are clearly outlined when considering the types of PPP agreements which are again built around three criteria: the nature of the relationship between the public and the private sector, the objective of the agreement and the identity of the assets’ owner and/or the service manager.

**2- PPP DEFINITIONS**

In its modern version, the partnership model stems from a quest for a managerial structure that would guarantee a more effective and efficient provision of public services. Thus, beyond purely ideological considerations, a PPP is an organizational innovation which is based on the sharing of responsibilities and risks between the public and the private sectors, each taking charge of what it does best, with the objective of maximizing social welfare under budgetary constraints.

However, even when adopting this new approach, there is no precise understanding on what is considered to be a PPP agreement as each public good or service or infrastructure project has unique characteristics requiring different contractual arrangements regarding the allocation of responsibilities. Nevertheless, definitions found in the literature can be classified according to three analytical orientations, namely, those emphasizing the gains from this new organizational structure, those focusing on its effect on public finances and those concerned with its macroeconomic implications on growth and development (Hodge and Greve, 2007) (Table 1).

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2.1- PPP, a new organizational structure

The term "public-private partnership" is vague as it may designate in its widest meaning any activity conducted jointly by the public and the private sectors. However, cooperation between governments and private enterprises is not a recent phenomenon. Throughout history, it has taken many forms and has produced mixed results, which has always fueled the economic and ideological debates about its spectrum, its consequences and even its necessity (Hodge and Greve, 2007).

For classical and neo-classical economists who favor free markets, government intervention is only justified when markets fail. For instance, because of their characteristics, namely non-rivalry and non-excludability\(^4\), public goods and services raise issues such as the "free rider" problem\(^5\). Therefore, private firms seeking maximum profit are hardly interested in producing such goods. For socialists who promote social ownership of the means of production, the role of the public sector is to control, to a more or lesser degree, the production and distribution of goods and services for the common good.

Yet, since the collapse of communist regimes, the vision of the welfare state is losing its popularity. On the other hand, the inefficiency of governments and the failure of privatizations in capitalist economies led to a reorientation of the debate. Now the controversy is no longer about who should be exclusively responsible for the delivery of all public services but how to organize the delivery and management of a particular service, given its complexity, such as to maximize the difference between social benefits and social costs.

In other words, from a managerial perspective, the interest is to find the optimal organizational structure for the delivery of each public service or infrastructure project. Thus, should the service or the infrastructure project be carried by the government alone or by a private firm alone or by a public/private mix in the form of a PPP for instance?

The choice between these three organizational structures gets complicated because PPP characteristics are project-specific. However, the common features frequently identified in

\(^4\) Public goods are non-rivalrous and non-excludable meaning respectively that their consumption by an individual does not reduce their availability to others and that it is not possible to prevent individuals from their use.

\(^5\) A free rider is an individual benefiting from a good or a service without paying for its use.
conceptual models, by analogy to the common characteristics of hybrid private structures such as franchises for example, are: the sharing of the financing, the construction and the management of a public service or an infrastructure project between the public sector and the private sector, resource pooling, the contractual relationship and the long-term risk transfer to the private partner as well as the implications of sharing the gains on the social benefits and costs of the transaction (Engel, Fischer and Galetovic, 2009; Iossa and Martimort, 2008). More generally, the definitions of PPPs encompass three elements: the allocation of responsibilities and risks, the relationship between partners based on respect and mutual trust, and time or length of contract, since, for it to be qualified as a partnership, the contract between the public sector and the private sector should exist over the long term (Mazouz, Facal and Viola, 2008).

In conformity with the Private Finance Initiative (PFI) launched in the UK in 1992, in recent literature PPPs are referred to as contracts between the two sectors where, unlike procurement contracts, the private partner’s involvement is not limited to one task and where, unlike delegation contracts, the private partner is remunerated by the public authority and not by the users of the service. Procurement contracts are short-term agreements where the private partner’s involvement is limited to either building the infrastructure or managing the service. Delegation contracts are agreements where the private partner is in charge of the construction and/or the management of the service and bears the operational risk since he is paid directly by the users. The term “PPP” in this classification is used in its narrow sense to refer to a new form of agreement designed such as to optimize the projects risks since each partner will be responsible of executing the task that he is best capable of (Saussier, 2012).

It is also worth noting a point of view which holds that the term "partnership" is a modernized or a less controversial expression that can disguise a less popular vocabulary, that of "privatization". But still, some authors consider it as an alternative to the use of the term "outsourcing contracts" where the state manages as well the competition among the private firms for their entry into the public markets (Greve, 2003).

2.2- PPP, a new financial tool

Increasingly alarming public deficits and debts are forcing governments to take restrictive measures and tighten the reins on public spending in order to avoid the dangers of inflation. For
example, In the Euro area, the Stability and Growth Pact sets the limit on government deficit at 3% of GDP and the maximum level of public debt at 60% of GDP; in the UK, the authorities have set up an austerity program based on two principles calling, on one hand, for a balanced primary budget where current expenditures are financed through tax revenues and allowing, on the other hand, for sustainable investment expenditures which alone can be financed by public borrowing that must not exceed 40% of GDP; in the United States, recent budget reforms are based on automatic spending cuts and the reintroduction of the limit on the federal debt which was lifted since the 2008 financial crisis\(^6\); in developing countries, sovereign debt restructuring policies and practices by the international financial institutions are conditioned by the restoration of the debt sustainability through the implementation of national austerity programs.

However, fiscal austerity is problematic: as it is difficult to reduce current expenditures, only capital expenditures, which promise future revenue given the economic growth and the improved productivity they generate, will be sacrificed\(^7\). Consequently, the quality of the services will decline and the infrastructure will deteriorate causing not only a capital loss but also opportunity costs which are not accounted for in the budget. Coupled with difficult economic conditions, this deterioration might push the poorest citizens to default on their bills, in which case the gap between the revenues collected by the government and the maintenance costs will further expand worsening the deficit (Estache, 2006).

PPPs remedy this problem since, while relieving governments from their budget constraints, they guarantee the financing of investments that are necessary for the provision of public services of better quality and the development and the upgrading of the infrastructures (Kwack, Chih and Ibbs, 2009).

Furthermore, the use of PPPs helps smooth out expenditures which are spread over the duration of the project. Thus, budget deficits due to costly investments during the construction phase are avoided. It is true that the state itself could spread the costs of the delivery of public services or the execution of infrastructure projects over several years by choosing to undertake

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\(^6\) Congressional Budget Office, 2013, "The Budget and Economic Outlook: Fiscal years 2013 to 2023".

\(^7\) The impact of infrastructure on economic growth and productivity will be discussed in the following section.
some projects while delaying the launch of others. However, this strategy of prioritizing is not the best as it often does not meet the social demand (Marty, Voisin and Trosa, 2006)\textsuperscript{8}.

Aside from the decrease in public investment and maintenance expenditures\textsuperscript{9}, the value added created by the private partners promises a significant increase in tax revenues. Indeed, the benefits of private companies are subject to taxation while such tax revenues would not be generated when the public sector provides the services itself. Besides, as infrastructure improves productivity and growth, the resulting increase in consumption spending and private investment will boost revenues from indirect taxes (Estache, Speciale and Beredas, 2005). Finally, the sale and/or lease of assets by the government to private companies is also another source of revenue.

To these budgetary gains are added the benefits from the transfer of expertise from the private to the public sector. The partnership experience promises to improve the performance of civil servants through the exchange of knowledge and skills in various fields such as information technology or management (Farrer, Kee, Newcomer et al, 2010).

In view of these considerations, the definitions adopted by the public authorities of countries that have resorted to PPPs stress their financial implications on the budget: PPPs alleviate budgetary pressures and guarantee an efficient provision of public services since, given their dual role as builders and managers, the private partners will be motivated to optimize costs over the life of the projects such as to maximize the returns on their investments. From this perspective, PPPs are seen as financial tools for the provision and management of public services enabling governments to satisfy an increasing social demand while complying with budgetary constraints.

2.3- PPP, a new development tool

Since the 1990s, numerous research papers have examined the impact of the quantity and quality of public infrastructure on welfare. While empirical results are not unanimous, still, the

\textsuperscript{8} Marty, Voisin and Trosa illustrate the effect of a PPP agreement for the construction and the management of four hospitals on capital expenditures.

\textsuperscript{9} While assets purchased by the governments are integrated in the public accounts and therefore appear in the budget, their deconsolidation under a PPP facilitates compliance with the fiscal constraints. This deconsolidation however is conditioned by the rules of public accounting in each country (Marty, Voisin and Trosa, 2006).
majority of studies report a significant contribution of infrastructure to economic growth, although this impact vary across countries. Moreover, several investigations initiated by the World Bank highlight the opportunity cost of the lack of investment in infrastructure in terms of productivity and growth in developing countries. Opportunity costs estimates are based on the elasticity of GDP relative to the quantity and the quality of the infrastructure. Elasticity varies between 0.14 and 1.12 across countries, sectors and time, suggesting that infrastructure improvements would substantially reduce the number of people living below the poverty line, even where the figures are low. Other results show that poor infrastructure may cause a 1 to 3% loss of economic growth in the long run (Briceno-Garmendia, Estache and Shafik, 2004) (Estache, 2010).

Infrastructure contributes to economic development because it benefits both households and businesses. Indeed, good services in the energy, transport, telecommunication and water sectors improve directly the quality of life of households and contribute indirectly to increased social welfare because they reduce production costs which in turn promotes the expansion of markets and, therefore, increases competitiveness and economic growth (Prud'homme, 2005) (Figure 1).

International institutions, namely the IMF, the World Bank, the OECD and the Asian Development Bank, emphasize the advantages of integrating PPPs into national economic development strategies. Indeed, given the cost of infrastructure on one hand and the importance of its quality and accessibility on the other hand, these institutions continue to promote the pooling of financial and managerial public and private resources. Moreover, in the framework of the Millennium Development Goals adopted in 2000 by 193 Member States of the UN and at least 23 international organizations, the public/private mix is considered to be the best formula to ensure an equitable socio-economic development provided that the allocation of responsibilities and risks is subjected to a rigorous assessment and transparent regulations (Khan, 2005).

In this context, PPPs become a tool for economic and social development since the private firms’ financial resources and know-how associated to the government’s control over the required specifications will allow for the provision of public services and infrastructure of better quality at lower costs.
Figure 1. The contribution of infrastructure to economic development

Source: Prud'homme, 2005.
### Table 1. Examples of PPP definitions

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<tr>
<th>Source</th>
<th>Definition</th>
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<tr>
<td><strong>PPPs: A new organizational structure</strong></td>
<td>A public-private partnership [is] a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.</td>
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<tr>
<td>Canadian Council for Public-Private Partnerships</td>
<td>A cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products.</td>
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<td>Brinkerhoff, J., 2002, “Government-Nonprofit Partnership: A Defining Framework”, <em>Public Administration and Development</em>, Vol. 22, No.1.</td>
<td>The Private Finance Initiative is a form of public-private partnership that combines procurement, where the public sector purchases capital items from the private sector, with an extension of contracting-out, where public services are contracted from the private sector… Private Finance Initiative contracts are generally long term arrangements involving public expenditure over extended periods, often for 30 years or more. The public sector does not have to find the money up-front to meet the initial capital costs.</td>
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<tr>
<td><strong>PPPs: A new financial tool</strong></td>
<td>Public Private Partnerships (PPPs) are way of delivering and funding public services</td>
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OCDE, Public Governance and Territorial Development, Public
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<th>Source</th>
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<td>Management Committee, 2011, “From Lessons to Principles for the use of Public-Private Partnerships”, 32nd Annual Meeting of Working Party of Senior Budget Officials, Luxembourg.</td>
<td>using a capital asset where project risks are shared between the public and private sector. A PPP is here defined as a long term agreement between the government and a private partner where the service delivery objectives of the government are aligned with the profit objectives of the private partner.</td>
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<tr>
<td>The World Bank</td>
<td>Broadly, PPP refers to arrangements, typically medium to long term, between the public and private sectors whereby part of the services or works that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services… Public private partnerships (PPPs) in infrastructure can be a means to enabling the development or improvement of energy, water, transport and telecommunications and information technology through the participation of private and government entities. Where governments are facing aging infrastructure and require more efficient services, a partnership with the private sector can help foster new solutions, including clean technology.</td>
</tr>
<tr>
<td>Osborne S., 2000, “Public-Private Partnerships: Theory and Practice”, New York: Routledge.</td>
<td>PPPs have been central to national and state government initiatives to regenerate local urban communities, as well as often arising out of community-led attempts to deal with the crisis of government in American communities.</td>
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</table>
3- TYPES OF PPP

As for the definitions of the partnership concept, there exists several ways of classifying the contractual arrangements between the state and private companies. In the following sections, we examine three typologies based respectively on the degree of coordination between partners, on the purpose for which a PPP is mounted and on the identity of the assets’ owner and/or the service manager.

3.1- A typology based on the degree of coordination

By analogy to hybrid organizational alternatives between private companies, the typology of partnerships can be built around the degree of coordination between the public and the private sectors. Under this criterion, PPPs are classified according to the complementarity of the partners’ resources.

The joint organization of the supply and management of public services takes forms ranging from informal relationships to complete fusions. In this context, Schaeffer and Loveridge distinguish four types of cooperation: Leader-Follower relationships, exchange relationships, joint ventures and partnerships (Schaeffer and Loveridge, 2002).

In a Leader-Follower relationship, the public sector will assume a leadership role when it initiates the development of infrastructure in order to attract private investment; the government authorities may also be followers when they decide to build specific infrastructures at the request of private companies without which the latter would do not commit additional investments that would contribute to the local economic expansion.

In an exchange relationship, public authorities are in turn buyers or sellers. For example, local authorities might buy the services of a private company to take over the provision of a public service while retaining responsibility of monitoring its quality vis-à-vis citizens; this exchange is managed through sub-contracting. Otherwise, they can decide to sell some site-specific attributes (infrastructure, equipment or labor) to private companies in return of which the latter would commit to additional investments and job creation to benefit the community.

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10 Schaeffer and Loveridge refer to a strategy called "tax increment financing" used in several countries where, through infrastructure projects, the public authorities create favorable conditions for private investment in order to increase the value of real estate and property-tax revenues.

11 The authors give the example of the creation by the State of Michigan of an educational technology center at the request of General Motors who had expressed interest in increasing production and hiring new employees under the condition that they have the required technical qualifications.
In a joint venture, cooperation is built around a specific project that requires the pooling of complementary resources and the sharing of functions and risks. Both sectors cooperate with regard the decisions and the transactions that are exclusively related to the project, thus the relationship is of limited duration. Otherwise, the partners retain their independence.

By contrast, in partnerships, the parties define the general purpose of their cooperation and therefore agree to work together while remaining conducive to extend the relationship in case new development opportunities arise. The risks from their joint activities are either shared or borne solely by one partner.

3.2- A typology based on the purpose of the partnership

In practice, the classification of PPPs according to the purpose for which the relationship is formed distinguishes, for instance, between a partnership formed for the construction of an infrastructure which requires significant financial commitments and one aimed at designing a local public policy.

In this context, according to Hodge and Greve, there are five families of partnerships involving a relationship that develops between the government and the private sector targeting a precise objective. The five types of PPPs are: institutional relationships involving joint production and risk sharing, long-term contracts related to the construction and management of infrastructure, public policy networks with relationships created among stakeholders, civil society and community development partnerships and partnerships for urban renewal and economic development (Hodge and Greve, 2007).

Each of these families includes sub-types of arrangements classified in turn according to the identity of the partners (partnerships with the civil society or private companies...), the nature of the relationship (contract or power sharing or collaboration...), the objectives of the relationship (economic objectives to promote productivity and development or social objectives...), the partners’ market position (supply, demand, or mixed partnerships) or the nature of the cooperation (upstream, downstream or mixed partnerships) (Bovaird, 2004).
3.3- A TYPOLOGY BASED ON THE IDENTITY OF THE ASSETS’ OWNER AND/OR THE SERVICE MANAGER

With regard long-term contracts for the construction and management of infrastructure, the World Bank categorizes PPPs into four types according to the risk borne by the private sector. PPPs options include: "management and lease contracts, "concessions", "greenfield projects" and "divestitures" (Figure 2). The characteristics of each of these options are described in Box 1 as per the World Bank’s glossary.

It is worth noting that the range of contracts classified as PPPs according to the World Bank goes beyond the PFI definition of what constitutes a PPP in the UK as it includes divestitures. It also includes delegation contracts which are not considered as PPPs in France for instance (Marty, Voisin et Trosa, 2006)\(^\text{12}\).

Figure 2. The World Bank classification of PPPs

\[\text{Source: Delmon, 2010}\]

\(^{12}\) For a comparison between the types of PPP as defined by the World Bank and their French equivalents see Marty, Voisin and Trosa, 2006.
Box 1. Types of PPP as classified by the World Bank

**Management and Lease Contracts** - A private entity takes over the management of a state-owned enterprise for a fixed period while ownership and investment decisions remain with the state. There are two subclasses of management and lease contracts:

- **management contract** - The government pays a private operator to manage the facility. The operational risk remains with the government.
- **lease contract** - The government leases the assets to a private operator for a fee. The private operator takes on the operational risk.

**Concessions** - A private entity takes over the management of a state-owned enterprise for a given period during which it also assumes significant investment risk. The database classifies concessions according to the following categories:

- **rehabilitate, operate, and transfer (ROT)**: A private sponsor rehabilitates an existing facility, then operates and maintains the facility at its own risk for the contract period.
- **rehabilitate, lease or rent, and transfer (RLT)**: A private sponsor rehabilitates an existing facility at its own risk, leases or rents the facility from the government owner, then operates and maintains the facility at its own risk for the contract period.
- **build, rehabilitate, operate, and transfer (BROT)**: A private developer builds an add-on to an existing facility or completes a partially built facility and rehabilitates existing assets, then operates and maintains the facility at its own risk for the contract period.

**Greenfield Projects** - A private entity or a public-private joint venture builds and operates a new facility for the period specified in the project contract. The facility may return to the public sector at the end of the concession period. The database classifies greenfield projects under the following categories:

- **build, lease, and transfer (BLT)**: A private sponsor builds a new facility largely at its own risk, transfers ownership to the government, leases the facility from the government and operates it at its own risk up to the expiry of the lease. The government usually provides revenue guarantees through long-term take-or-pay contracts for bulk supply facilities or minimum traffic revenue guarantees.
- **build, operate, and transfer (BOT)**: A private sponsor builds a new facility at its own risk, operates the facility at its own risk, and then transfers the facility to the government at the end of the contract period. The private sponsor may or may not have the ownership of the assets during the contract period. The government usually provides revenue guarantees through long-term take-or-pay contracts for bulk supply facilities or minimum traffic revenue guarantees.
- **build, own, and operate (BOO)**: A private sponsor builds a new facility at its own risk, then owns and operates the facility at its own risk. The government usually provides revenue guarantees through long-term take-or-pay contracts for bulk supply facilities or minimum traffic revenue guarantees.
- **merchant**: A private sponsor builds a new facility in a liberalized market in which the government provides no revenue guarantees. The private developer assumes construction, operating, and market risk for the project (for example, a merchant power plant).
- **rental**: Electricity utilities or governments rent mobile power plants from private sponsors for periods ranging from 1 year to 15 years. A private sponsor places a new facility at its own risk, owns and
operates the facility at its own risk during the contract period. The government usually provides revenue guarantees through short term purchase agreements such as power purchase agreement for bulk supply facilities.

**Divestitures** - A private entity buys an equity stake in a state-owned enterprise through an asset sale, public offering, or mass privatization program. The database classifies divestitures in two categories:

- **full**: The government transfers 100% of the equity in the state-owned company to private entities (operator, institutional investors, and the like).
- **partial**: The government transfers part of the equity in the state-owned company to private entities (operator, institutional investors, and the like). The private stake may or may not imply private management of the facility.


Each type of PPP has its advantages and disadvantages. The optimal option for a specific project depends on the targeted objective and on the risks stemming from the partners’ behavior or from political, economic and institutional exogenous factors (Marty, Voisin and Trosa, 2006). For example, when private funding is required to reduce budgetary pressures, “greenfield projects” are best; however, in “greenfield projects”, the operational risk shifts back to the public sector in case demand is insufficient since the government has to provide revenue guarantees. If the partnership aims at improving the infrastructure management and requires the technical expertise of the private sector, "management contracts " would be preferred; but under “management contracts” the assets design might hinder management methods and the private partner is confronted with expropriation concerns (Hart, 2003) (Bentz, Grout and Halonen, 2011).

**4- CONCLUSION**

PPPs are long term agreements between the public and the private sectors for the delivery of public services and infrastructure where the allocation of risks, responsibilities and rewards is based on the respective comparative advantages of each partner. Although the PPP definitions in the literature encompass common elements, the contours of the concept remain unclear because of the diversity of contractual arrangements that can be classified under this label.

Theoretically, unlike the traditional forms of contractual relationships between the public authorities and private firms, PPPs entrust the private partner with both the construction and the management of public services and infrastructure. This dual role is supposed to guarantee an efficient delivery since it motivates the private partner to optimize costs over the duration of the project and to innovate such as to maximize the returns on his investments. Moreover, under a PPP, the public
authorities purchase from their private partner the service itself whereas as in traditional contracting forms they buy the assets, the construction of which would have been assigned to a private firm. Therefore, the government retains the control over the required specifications with regard the quantity and the quality of the service which reduces the risk of a poor performance by the private partner and protects the users’ interests (Engel, Fischer and Galetovic, 2011).

In practice, the World Bank subscribes to a definition of a wider nature with regard what qualifies as a PPP. Four types of contractual relationships between the public and the private sectors, ranging from management contracts to pure privatization, fall within this definition. They are classified according to the extent of the involvement of private actors in public markets. However, legislation and regulations across countries do not adhere to the same definition of what is a PPP nor to the same typology.

Despite an extensive literature on the benefits of the partnership model, the expansion of PPP markets remained shy. In fact, the use of this new organizational structure, though promising, was not always massive nor everywhere successful. Indeed the determinants of success or failure of PPPs continue to raise various issues surrounding their efficiency.

Harmonious cooperation requires first an understanding of the objectives for which the relationship was tied and a clear allocation of responsibilities between partners. Having summed up what PPPs are, comprehensive micro and macro evaluation methods to assess their social benefits and costs have yet to be conceived to conclude how, why, when and where they would score as the optimal organizational structure for the delivery of public services and infrastructures.
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