

T07P12 / Public-Private Partnerships as Public Policy

Topic : T07 / Policy Design, Policy Analysis, Expertise and Evaluation

Chair : Olivia Jensen (National University of Singapore LKY School of Public Policy)

GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

The growing literature on PPPs has greatly advanced our understanding of the factors that contribute to the successful contracting of PPPs (for example, reviews of critical success factors by Osei-Kyei and Chan 2015 and Ke et al 2009), variables affecting the stability and longevity of individual contracts (Marcelo & House 2016) and the assessment of the 'value for money' of infrastructure procurement through PPP (Mwangi 2016). Theoretical advances in agency theory have informed contract and auction design (see Iossa & Martimort 2015, for a recent extension to a rich literature on the topic).

The unit of analysis in much of this literature is the individual contract, with PPP often defined implicitly as a procurement method, and 'success' construed within the confines of contract terms. While such an approach has yielded interesting and useful results for contract design, tendering etc., it is only one facet of PPP as public policy.

PPP may also be conceived more broadly as a policy instrument employed to achieve particular policy objectives at the sector, regional or national level. Framing PPP as a policy instrument in this way implies that a different approach to evaluation is needed that takes into account several modes of 'success,' including process, goal attainment, distributional outcomes and political consequences (Newman 2014). A growing body of literature on accountability and governance of PPPs draws attention to the challenges of ensuring that PPPs are consistent with mechanisms of democratic accountability (Willems and van Dooren 2016).

In evaluating PPP as public policy, it is necessary to shift the focus from the individual project to the assessment of the impact of PPP on an entire sector, region or country. This shift in perspective raises many new questions, for example about the level of effective competition in PPP procurement, and in the cumulative liabilities of governments engaging in large multi-sector PPP programmes.

This panel seeks to deepen our understanding of PPP as an instrument of public policy and to contribute to the elaboration of meaningful evaluation frameworks for PPP in these terms. The maturation of PPP programmes in the UK, Australia and other pioneers provides an opportunity for evaluation and to draw out lessons for countries that have recently embarked on PPP more recently.

CALL FOR PAPERS

Public-private partnerships may be conceived broadly as a policy instrument employed to achieve particular policy objectives at the sector, regional or national level. Framing PPP as a policy instrument in this way implies that ex ante and ex post evaluation should be conducted at the sector level in addition to the standard analysis carried out at the project level. An evaluation may take into account several modes of 'success,' including process, goal attainment, distributional outcomes and political consequences (Newman 2014). A shift in perspective from the individual contract to the sector raises many new questions, for example about the level of effective competition in PPP procurement; the impact of large single- or multi-sector PPP programmes on the cumulative liabilities of governments; and the operating performance of PPPs over the entire term of contracts.

This panel seeks to deepen our understanding of PPP as an instrument of public policy and to contribute to the elaboration of meaningful evaluation frameworks for PPP in these terms. The maturation of PPP programmes in the UK, Australia and other pioneers provides an opportunity for evaluation and to draw out lessons for countries that have recently embarked on PPP, while the spread of PPP across jurisdictions provides extensive opportunities for comparative analysis.

Particular topics of interest include but are not limited to:

The contribution of PPP to improved access to and quality of infrastructure, utility and social services and other sector-level policy objectives;

Concentration and competition among PPP contractors at the national or global level and implications for programme design;

Distribution of benefits of PPP between government, private actors and citizens;

Evidence of efficiency and other performance outcomes of PPP over the entire contract term and the design of

incentives for efficient ongoing operations and maintenance;

PPP as case of policy transplantation;

The relationship between government capacity and long-term benefit distribution from PPPs.

Submissions of both theoretical and empirical works are welcome for the panel; empirical studies from emerging markets would be especially appreciated.

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Session 1 Public-Private Partnerships as Public Policy

Thursday, June 29th 08:15 to 10:15 (Manasseh Meyer MM 2 - 3)

Discussants

Xun Wu (Hong Kong University of Science and Technology)

Olivia Jensen (National University of Singapore LKY School of Public Policy)

Public-Private Partnership: Empirical Findings in Infrastructure Projects

Matthias Redlich (Competence Centre for Infrastructure at the Institute of Public Finance and Public Management)

Public-Private Partnership (PPP) today is a common public procurement mechanisms to plan, build, operate, maintain and finance infrastructure (European Commission 2004; Grossman 2012; Hill 2003; Hodge/Greve 2005; Rubin/Stankiewicz 2001, Xu/ Morgan 2012). In the last 20 years the phenomenon PPP (Hodge/Greve 2010) therefore has been developed from contested concepts to prevalent practice (Bovaird 2004). Nevertheless, there is often disagreement on the assessments of PPP.

Despite the huge amount of literature published on PPP, there are just few empirical proven findings (Diggs 2012). Reliable evidence can especially be found in high-ranked journals, but these studies often focus on single aspect. Petersen (2011) mentions the categories performance (e.g. Pollock and Price 2008), finance mechanisms (Grimsey and Lewis 2008), technical or legal aspects (Grimsey and Lewis 2002; Bing et al. 2005; Tvarnø, 2006), as well as conceptual and historical formation aspects (Linder 1999; Wettenhall 2003).

Against the background of growing literature on PPP synthesizing results is a 'fundamental scientific activity' (Mulrow, 1994, p. 597). In order to obtain general conclusion, it is important to pool the results of existing empirical studies (Denyer/Tranfield/Smart 2003). Hence, in addition to the traditional approach of conducting new empirical studies, the findings of existing primary studies need to be matched. Therefore a systematic literature review can be a powerful and effective approach (David/Han 2004). Many natural and social science fields also have turned to reviews to address important and pressing questions (2009). David and Han limit their systematic literature review to articles published in high-ranked journals, since they „have been through a review process that acts as a screen for quality, allowing us to distill studies meeting a certain level of conceptual and methodological rigor" (2004: 42).

Focussing on PPP in infrastructure projects the paper is going to present the results of a systematic literature review. The approach of the paper follows the concept of David and Han (2004) and includes elements of Denyer and Tranfield (2009) as well as of Torchia et al. (2013). The review covers the period 2000 to 2015. Thereby 25 articles presenting empirical findings and being published in high-ranked public management journals can be identified. In the categories "accountability", "ability to partnership", "capabilities", performance" and "risk" the paper amalgamate existing data is going to point what is and what is not known with certainty. Thus, demands for further research will be addressed. Additionally, the paper analysis the definition of PPP used in the different papers and will thereby contribute to a common understanding of the term.

'Get what you pay for': The story underneath remunicipalizations in the water sector

Simon Porcher (Sorbonne Business School)

Stéphane SAUSSIÉ (Sorbonne Business School)

Marion Chabrost (Paris school of Economics)

This paper focuses on municipal water services in France, an empirical setting which exhibits a mix of public and private provision and a large number of privatizations and remunicipalizations. Collecting data from 1998 until

2014, we first conclude that there is indeed a remunicipalization trend. If the number of remunicipalization cases is not exceeding so much the number of privatization cases on this period, the population concerned by remunicipalizations is exceeding by far the one concerned by privatizations. In order to understand this trend, we examined the performance differential between public and private water provision *ceteris paribus*. The results show that public management tends to over perform as far as price is concerned while private management is associated with better network performance. The results show a trade-off between prices and investments on the network: lower levels of leakage ratios justify higher prices in private provision. Our results suggest that there are no clear performance gains justifying the observed remunicipalization trend. Other explanations e.g. Political considerations might also play a role.

Cross-sectoral evaluation systems and transformational PPP programs in Latin America: the case of Chile and Peru

Alvaro Artigas (Institut d'Etudes Politiques de Paris (Sciences Po))

Cross-sectoral evaluation systems and transformational PPP programs in Latin America: the case of Chile and Peru

Dr. Alvaro Artigas

Sciences Po Ecole Urbaine

In a context of strong criticism of government failure rather than market failure, PPPs came to be presented in industrialized countries as a viable -and even preferred - alternatives to bureaucratic and inefficient public services that failed to meet the challenge of universal provision (Savas 1982), quality of service, and more recently sustainability imperatives. Whereas the privatization of state-owned firms appeared as the more viable solution (Cavelty and Sute 2009) it participated of the transformation of the State's role in the quest of enhancing the efficiency of the public administration and public service provision while respecting borrowing limits and prevent the escalation of public debt (Levi-Faur 2011) Over time, PPPs have spread into a variety of policy sectors and a plethora of arrangements often receding into its analytical value as a concept (e.g. Linder 2000).

The combination of private management and financing with public support and the sharing of risks and responsibilities becomes an innovative and alternative model account for the sharp rise of the private sector's participation in infrastructural development during the 1990s and to a lesser pace after the 2000s, in Latin America in particular. However, public infrastructure investment in the region still dwarfs private investments, and PPPs are but a fraction of public investment in advanced economies. As a region, Latin America received the largest share of the world private infrastructure investment in recent decades – \$937 billion out of total of around \$2.4 trillion, failing however to sustain the pace after the 2001 Argentinian crisis and PPPs failures. The pervasiveness of inadequate infrastructure in the region and a lack of government commitment to improving it has consistently remained a key barrier to economic growth and human development, irrespective of a clear diagnostic of those areas that could trigger a rapid change (energy, transportation, water provision).

Irrespective of this, the improved ability to undertake PPPs remained a significant change at the policy level and was mostly visible in Chile and Peru -in the Latin American context- currently leading the most infrastructure rankings in the region (MIF 2014, WEF 2015). Our paper will explore, based on a quantitative and qualitative analysis of the development of the energy and water infrastructure in both countries, the process whereby readable yet demanding frameworks for private participation came to materialize for the development of critical urban services (Vittor, J. and Tim S., 2011). It will in particular explore how well-structured evaluation systems were introduced for the energy sector -in particular in the renewable energy subsector- and to a lesser extent for the water sector. It will further explain through a process tracing of policy instruments associated the reasons for this success and sectoral variations.

Factors Influencing the Performance of a Public Private Partnership in the Digital Services

Wahid Abdallah (BRAC Institute of Governance and Development (BIGD))

This paper empirically investigates the performance of a Public-Private-Partnership initiative to spread digital public services in Bangladesh.

The Government of Bangladesh with a view to reach services to the citizens' doorsteps have initiated digitization of a number of services since 2007 at the lowest administrative tier, the Union Councils. However, the public service delivery system at that local level, led by the local political representatives and supported by local government officials, were already plagued by corruption and other forms of misgovernance and inefficiencies and were deemed to be unfit to provide such services. The Government instead introduced a Public-Private Partnership model where a two-member private entrepreneur team would provide a wide array of public services

at a nominal fee, the fee to be set in consultation with the local public administrator. The entrepreneur can also collaborate with the higher order local offices (District or sub-district level offices) to expand the range of the public services they wish to provide. In addition, in order to keep them motivated, the entrepreneurs are allowed to offer private services to the citizens at an unregulated price. The government in exchange has provided them some infrastructural support (electronic equipments) and the monopoly rights to provide the public services at the local level. These service centers are now called Union Digital Centers (UDCs). This is expected to increase access to public service delivery and outreach to a great extent.

In an attempt to assess the performance of the UDCs, the government has conducted a census in 2013. This paper utilises this unique census data to examine three aspects of UDC performances: the success of UDCs in providing public services (measured by number of public services delivered), the outreach of the UDC (measured by number of citizens served per month) and finally, sustainability of the UDC (measured by income per month). We investigated the role of the government support as well as entrepreneur characteristics in determining the UDC performances. We find that government support in the form of number of equipments provided through various programs and initiatives and cooperation from the local public officials has positive impact on the UDC performance. On the other hand, entrepreneurs with high investments and greater visibility perform better. Among others, the gender composition of the team and internet usage of the entrepreneurs significantly affect public service delivery and income, but not outreach. Whereas government promotions are important for public service delivery, private promotion are important for both public services and outreach.

The Rise and Fall (?) of Public-Private Partnerships in Israel's Local Government

Eran Razin (The Hebrew University)

Public private partnerships (PPP) have become a major tool of urban development since the late 20th century, particularly BOT (Build-Operate-Transfer) concessions of various types and the use of municipal land to leverage private development beneficial for the local economy. Their growing popularity was linked to both New Public Management approaches and public finance constraints. However, the 2008 global crisis might have reduced the enthusiasm to implement PPP, either because of evolving critical attitudes towards privatization and risk sharing, or of low interest rates that reduce the need for private sector financing.

Our study of municipal-private partnerships in Israel examines motives for engaging in PPP, the changing balance of economic development versus social services in the composition of projects, conditions for success and lessons from failures and buybacks. In addition to a survey of PPP in municipal service and development projects in the last decade, we examine centrally regulated BOT contracts for sewage treatment plants, and two light rail projects led by the central state: Jerusalem's BOT concession and Tel Aviv's one based on traditional procurement. The study reveals increasing awareness to the weaknesses of PPP, particularly in adjusting to uncertainties, and lower appeal of PPP in an era of low interest rates. However, it does not identify a long-term ideological retreat or a long-term process of "remunicipalization" of local services. Leveraging development by municipal land requires a sufficient amount of municipal land, faces regulatory constraints, and is particularly beneficial where real estate values are high. BOT contracts are unattractive for fiscally sound cities, aware of long-term rigidities of such concessions, but this may change in a context of rising interest rates and increasing pressures on public budgets. BOT contracts are not viable for the weakest municipalities. They are most appealing for cities with medium levels of financial strength that show a greater inclination to engage in PPP that include BOT concessions leveraged by municipal land.

Determinants of Contract Performance in Social Services: Linking Implementation Governance to Institutional Design

Dayashankar Maurya (T A Pai Management Institute)

Research on contracting, the predominant form of public private partnership in social services, has focused on either institutional factors – contract design, administrative structure or implementation factors -trust, capacity, monitoring, competition, accountability- to explain contract performance. But the studies have rarely examined both factors simultaneously. As a result, we know very little about the dynamic relationship between institutional design and implementation governance and its consequent impact on performance.

This paper explores the role implementation governance plays in relationship with institutional design in determining performance in case of National Health Insurance in India, a public private partnership to deliver medical insurance to around 41 million low income families in 28 states, through a conglomeration of private, public and non-profit agencies. The study analyses variation in the performance across three jurisdiction using a multi-case multi-level analysis, with data collected from semi-structured in-depth interviews (42), informal discussions (9) direct observations (6), administrative data, and reports.

The case provides a distinctive opportunity to examine the interaction between institutional design and

implementation governance as the unique design of the scheme controls for factors – contract design, administrative process, capacity and resource availability – known to impact performance. The paper provides unambiguous demonstration of dynamics of interaction between institutional design and implementation governance resulting in varying extents of contract performance. Though the contracts are explicitly defined and extensively detailed, the implementation structure has inbuilt prospects for opportunistic behaviors which is expected to be addressed by implementation governance –that is inter-party relationships and their corresponding interactive dynamics. The implementation governance if congruent to institutional design, encourage conformity of action between parties for implementation leading to outcomes that are in line with a policy's objectives.

Variation in institutional design (implementation structure) demands variation in the implementation governance for it to be congruent. If the required implementation governance is exercised risk of opportunism was controlled and performance maintained. But a poorly aligned implementation governance inflated even the smaller weakness in institutional design to serious performance issues. Thus, besides ensuring appropriate institutional design and implementation governance in the governance design, there is also a clear need to understand the interactions between them and their plausible impact on performance.