Conceptual Issues in Defining Public Private Partnerships (PPPs)

Nilufa Akhter Khanom

Abstract:
This paper aims to explore the conceptual issues associated with defining Public Private Partnerships (PPPs). There are different definitions for PPPs in the literature on the subject. PPPs are viewed from different angles. These include as a way of managing and governing organisations, as an institutional arrangement for financial relationship, as a development strategy, and also as a language game. The review of different definitions indicates that there is no precise agreed definition of PPP. However, there are common features across the different approaches as well as distinctive features. Several gaps have been identified related to issues of governance, management and policy design of PPPs. This paper offers some suggestions relating to different conceptual issues which emerge in defining PPPs.

Key words: Public Private Partnerships (PPPs), governance, management, and development.

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Nilufa Akhter Khanom
PhD candidate
Faculty of Business and Government
University of Canberra
Phone: + 61 (02) 6201 5326 (w)
E-mail: Nilufa.Khanom@canberra.edu.au    nilufakhanom@yahoo.com.au

Postal Address:
University of Canberra, ACT- 2601
Australia
1. Introduction

Public Private Partnerships (PPPs) have become widely accepted and popular in public sector management. The 1990s has seen the establishment of the PPP as the key tool of public policy across the world (Osborne 2000, p.1) as an outcome of New Public Management (NPM). NPM has shifted the focus of management from public service to service delivery. Since the 1980s, privatisation, market mechanism, contestability in the delivery of public goods and services, deregulation, and reinvention of the role of government were the keywords of New Public Management. At the centre of that NPM was a cut-back of public sector expenditure, a delegation of responsibilities to the private sector and fostering of voluntary engagement of private sector aiming at providing public goods (Mitchell-Weaver and Manning 1991). The principles of NPM encouraged the establishment of Public Private Partnerships (PPPs) as a new management tool.

Now Public Private Partnership (PPP) has become a favourite tool for providing public services and developing society in both developed and developing countries. At the most general level Public Private Partnerships (PPPs) are generally recognised as long term cooperative institutional arrangements between public and private sectors to achieve various purposes. There is a wide range of PPPs with diverse features and involved in different activities. However, very few people agree on what exactly a PPP is and what is its definition. There is no precise and widely accepted definition of PPP and the concept of PPP is still contested.

In this paper I will try to explore different meanings that attached to PPPs, and attempt to identify different features and problems related to different conceptual issues of PPP from different approaches.

2. Debates on the Concept of Public Private Partnerships (PPPs)

There are extensive debates about the concept of PPPs. The debate is whether PPP needs a definition and what constitute a PPP. Some argue that PPP needs to be...
redefined. For example, Hodge and Greve (2007, p. 545) state that ‘there is a need to re-examine the different meanings and definitions given to PPP to find out whether the concept is worth keeping and using for empirical studies’, since a huge number of definition of PPP are to be found (for example, Holland 1984, Huxham 1996, Bennet and Krebs 1994, Sellgren 1990, Stratton 1989, Collin 1998, Stern and Harding 2002, Broadbent and Leaughlin 2003, Webb and Pulle 2002, Klijn and Teisman 2004 & 2005). However, most of them stress different aspects of PPP as they are derived from different contexts and represent different points of view. For example, cooperation between public and private actors with a durable character, risks, and benefits are important features in Klijn and Teismans’s (2004, p. 147) definition; whereas different aspects of PPPs such as ‘long-term cooperative relationships’ and ‘private sector providers of public service’ are found in Greve’s (2003, p. 59) definition. However, some argue that PPP needs no specific definition since the concept is assumed as very clear and most people agree with the general definition, that is PPP is the cooperative activities between public and private sector. For example, William argues that, ‘precise and imprecise definitions of public Private partnerships do not abound because it is assumed that the issue is so transparent that the entity needs no definition’ (William 1997, p.41), though now there are plenty of definitions of PPPs. The debate about its application is whether it is a management or governance tool or a development strategy or a language game. The next part will explore how PPPs are viewed in different approaches in practical.

3. PPPs in Different Approaches

PPP is widely used for different purposes. However, there are divisions among the scholars about the uses of PPP in practice. Some researchers focus on PPP as an inter-organisational arrangement between different institutions in which PPP is used as a governance or management tool; some concentrate on PPP as a development strategy; whereas some think it is a discursive term or a ‘language game’ (Teisman and Klijin 2002). The next part of this paper will explore how the concepts of PPPs are viewed in each of these approaches.
3.1 Public Private Partnership (PPP) - A Tool of Governance or Management

A popular way of defining PPP is as a tool of governance or management. The dominant theme is that PPP provides a novel approach to delivering goods and services to citizens, and the novelty being the mode of managing and governing (Hodge and Greve 2005, p. 3). The authors who utilise this approach to PPP tend to focus on the organisational aspects of the relationship. Most definitions which focus on governance and management tools emphasise that PPPs are either inter-organisational or financial arrangement between the public and private sectors.

There are some common agreements in most PPP literature which focus on inter-organisational arrangements. First, PPP is cooperation between organisations. The second aspect is sharing risks. These are two most important aspects of PPPs. Risk-sharing is viewed as an important incentive for both the public and private sectors, since it is assumed that risk-sharing could benefit both actors. The third prospect is that these types of cooperation can result in some new and better products or services that no single organisation either the public or the private could produce better alone. Finally, it has been noted that in a PPP a partnership involves a longer term commitment which can continue for a number of years, e.g. 10 to 30 years.

One definition of PPP is provided by the Dutch public management scholars Van Ham and Koppenjan (2001, p. 598) with organisational relationship. They identify PPP as ‘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’ through an institutional lens. This definition has several features. First, it underlines cooperation of some durability, where collaboration cannot only take place in short-term contracts. This collaborative feature is supported by Broadbent and Leaughlin (2003, p. 332), Carr (1998, p.1) and Bovaird (2004, p. 199). Second, it emphasises risk-sharing as a vital component. Both parties are in a partnership together have to bear parts of the risks involved. Third, they jointly produce something (a product or a service) and, perhaps implicitly, both stand to gain from mutual effort. Similar features are evident in the definitions of PPPs that are provided by
Klijn and Teisman (2000 and 2005) and Commission on UK Public Private Partnerships (2001), where PPPs are described as ‘sustainable cooperation between public and private actors in which joints and/or services are developed and in which risks, costs and profits are shared’ (Klijn and Teisman 2000 and 2005) and as ‘a risk-sharing relationship between the public private - including voluntary sector to bring about a desired public policy outcome’ (Commission on UK Public Private Partnerships, 2001, p. 2). Stratton’s (1989) definition is very similar; although, Stratton included ‘business and non-profit sectors’ in private sectors. This is also supported by Salamon (1995b).

3.2 Public Private Partnership (PPP) – Tool of Financial Arrangements

Some definitions of PPP stress the financial relationships. There are promises that PPP reduces pressure on government budgets because of using private finance for infrastructures and they also provide better value for money in the provision of public infrastructure. These uses of PPPs are prominent in the literatures on infrastructure building. This mostly include BOT (Build-Operate-Transfer), BOOT (Build-Own-Operate-Transfer) and BOO (Build-Own-Operate). In general the financial arrangements of BOT, the most common of these arrangements, are the project is designed and financed by the private sector, and run and maintained by the private sector for the concession period. The private sector partner receives income from running the infrastructure (e.g. toll road, electricity generation). After the expiry of the concession period, the legal ownership of the project is transferred to the government. Campbell (2001) suggests a definition of PPP focusing on financial arrangements that is ‘a PPP project generally involves the design, construction, financing and maintenance and in some cases operation of public infrastructure or a public facility by the private sector under a long term contract’. (For more definitions, see Blondal 2005, p.19; Webb and Pulle 2002; Savas 2000, & Evans 2003).

There are other modes of financial arrangements in PPPs, in which both public and private actors are involved in financing. Collin (1998) after surveying 117 different public-private partnerships in Sweden defined Public-Private Partnership as an arrangement between a municipality and one or more private firms where all parties were involved in
sharing risks, profit, utilities and investments through joint ownership (Collin 1998, p.79 and Collin & Hansson 2000, x). There are several aspects to this definition. First: it is emphasising on sharing, such as risk sharing, profit sharing, and sharing of utilities. Second, it underlines the joint ownership of organisations in a PPP project. Finally, the most important aspect is the financial investment of all organisations. Similar prospects are found in the definition provided by Sellgren (1990), when PPP is defined with involvement or funding from more than one agency. With the similar view Tillman (1997, p.30) has extended funding partners to include international organisations in a PPP.

3.3 Public Private Partnership (PPP) –A tool of Development Process

Public Private Partnership (PPP) is emerging as a new development arrangement. The prominent arguments are PPPs maximise benefits for development through collaboration (World Bank 1999) and enhanced efficiency (Brinkerhoff 2002). Thus PPP is seen as a significant method of promoting development (Agere 2000, p. 68); and a tool for development (Paoletto 2000, 30).

ADBI studied several public private partnerships programmes in Asia and the Pacific and defines PPP as: ‘collaborative activities among interested groups and actors, based on a mutual recognition of respective strengths and weaknesses, working towards common agreed objectives developed through effective and timely communication’ (ADBI 2000, p. 42). ADBI argues that considering all these components separately, a PPP occurs as a development process when all the aspects appear together (ADBI 2000, p. 43).

There are several features in this definition. First, common objectives - partnerships are undertaken for the purposes of implementing objectives that have been agreed to by the groups involved. The objectives are ideally developed through a process of communication and negotiation that is acceptable to all actors involved. Second, agreement to undertake activities means that there will be specific commitment to undertake activities and these activities will be built on each partner’s strengths. Third,
actions of these PPP will be to overcome weaknesses of each partner - overcoming apparent weaknesses may involve a sharing of expertise, knowledge or experiences by one or more groups amongst the other groups. It also means first recognising the weaknesses. Finally, actors in this process of partnership may include different community groups such as NGOs, local governments, research groups, agriculture and developments institutes, corporations and national governments. Some similar characteristics are evident in the definition that is provided by Bennet and Krebs (1994), when they define PPP as cooperation between actors where they agree to work together towards a specified economic-development objective to develop a local area or the local economy. The World Bank’s definition of PPP is closely aligned to that of the ADBI. The World Bank (1999, p.4) defines PPP as ‘joint initiatives of the public sector in conjunction with the private, for profit and not-for-profit sectors’, also referred to as the government, business and civic organisations. In these partnerships, each of the actors contributes resources (finance, human, technical and intangibles, such as information or political support) and participates in the decision making process.

The notions of development strategy of PPP are covered by Osborne (2001) as he notes that PPP has also become a tool for providing public services and developing civil society in such post communist regimes as Hungary, as well as a mechanism for combating social exclusion and enhancing community development under European Union policy. PPP has traditionally been associated with urban renewal and economic development in the USA Osborne (2001, p.1).

### 3.4 Public Private Partnership (PPP) - a Language Game

Another alternative view of PPP is as a language game. The language of PPP is a game designed to ‘cloud’ other strategies and purposes. One such purpose is privatisation and the encouragement of private providers to supply public services at the expense of public organisations. Privatisation proponent Savas (2000) admits that ‘contracting out’ and ‘privatisation’ are terms that generate opposition quickly and that expression such as ‘alternative delivery system’ or PPPs are more acceptable. Savas (2000) considers
that now PPPs invite more organisations; and enable private organisations to get a market share of public service provision; however, he states that ‘PPPs invite more people and organisations to join the debate’. Some characterise PPPs as ‘a loose term’ (Stern and Harding 2002:127) and ‘just a fashionable word’ (Gibelman and Demone, 1983; Bovaird, 1986; Kettner and Martin, 1989). Thus, Teisman and Klijn (2002), Stern and Harding (2002), Linder (1999), and Savas (2000) writing from different perspectives, all agree that the use of the term ‘public–private partnership’ (PPP) can be seen as a pejorative term like ‘contracting out’ and ‘privatisation’. Greve (2003) sees PPP as an attractive word and argues as ‘there is clearly a danger that the PPP term is just another catchy piece of terminology that governments would like to promote to keep off the attention of the more mundane contracting for public services arrangements’ (Greve 2003, p.60).

4. Review and Discussion

From the review of different approaches of PPPs several issues emerge. There are different opinions as to what is a PPP. There are certain recurrent themes with some variations and some distinct features in different approaches. Several gaps have been identified from the management, governance and policy perspective of PPP. This discussion will analyse the similarities and variations of features of PPP concepts and identify the gaps focusing on the governance, management and policy issues of PPP.

The review of different definitions of PPPs from different approaches depicts some common features. First, cooperation, PPP is always cooperation and collaborative activities between different organisations. Second, public organisations are always involved in partnership with private organisations. These private organisations may include business organisations, not-for profit organisations, development agencies and international organisations. Third, there is commitment in a PPP, where a partnership is arranged for long-term duration. Finally, PPPs result in some specific goods or services. There are some of aspects that are common but vary in nature. These are: financial relationship, sharing activities and involved private actors. The most common and
perhaps the most important aspect is the financial relationship. The nature of financial involvement of different actors may vary. For example, most infrastructure PPPs are financed by the private sector. However, both public and private sectors may be financially involved in a PPP. Especially, different actors such as different government agencies, foreign governments, NGOs, and international donor organisations may be involved as financer in a PPP for poverty alleviation. For example, the government of Bangladesh and different international donor agencies are involved in the Rural Micro-Credit Programme of PKSF for rural poverty alleviation (PKSF Annual Report, 2007).

Risk sharing is mostly common in most PPPs though the mode of application varies. Most definitions with inter-organisational aspect of PPP emphasise risk sharing. However, other approaches such as developmental aspect of PPP mostly focus on resource sharing rather than risk sharing. Resource sharing includes sharing expertise, knowledge, finance, technical supports and even political supports.

Involvement of private actors in PPPs is another aspect which is common with variety of nature. Different approaches of PPP depict that the infrastructure PPPs mostly include business organisations as private actors. However, the development approaches of PPP reveal that the development PPPs may include several types of private actors, such as business organisations, not for profit organisations, NGOs, research organisations, development institutions, international donor agents and even national government.

The only distinctive feature to emerge from the review is the purpose. The main objective of PPPs in most approaches is that they are delivering services and/or producing goods. However, the purpose of development PPP is only development, which is delivering goods and services perhaps for capacity building. These include development of any local area or local community through the development of specific social sector, such as health or education, or alleviate poverty of rural poor people, which are different from infrastructure PPPs.

The concept of PPP as language game reveals absolutely different aspects from other approaches. These are: first, the term PPP is used to get advantages and to avoid
political controversy over other strategies such as privatisation; and second, it is some times misused as a catchy word to attract and get benefits from different partners. This usage of the term PPP means the researcher needs to be careful when identifying and analysing the term PPP.

This review identifies several gaps in different approaches of PPP. There are several gaps exist from the perspective of governance, management and policy design, such as the nature and strength of inter-organisational relationship and existence of inter-organisational policy networks have been identified.

PPP is an inter-organisational corporation. The organisational networks (Rhodes 1997) and the inter-organisational policy networks (Gage 1990) wield a higher degree of functional interaction between organisations through which each organisation and actor could contribute to govern or manage a PPP (Gage 1990). An inter-organisational network such as a partnership board or a forum is essential for a PPP (Wettenhall 2007, p. 395). Thus, the inter-organisational aspects of PPPs raise several questions. These are: what is the nature of inter-organisational relationship, how strong is this relationship and is there any inter-organisational policy network or organisational network exists between different organisations. However, these are not mentioned in different approaches. Similarly from the financial aspect, the question that may arise how are different actors engaged financially in a PPP?

PPP is considered as a tool of governance and management. To examine the governance and management prospects of PPPs it needs to know how PPP relates its process to governance and management. To do this it is important to know what does governance and management mean. Governance comprises the mechanism, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their difference. According to the UNPD (1997)¹, both economic and political aspects of governance emphasise decision making process which affect the economic activities, its relationship with other interested groups and policy formulation. The relationships between the government and other
interest groups as policy community may affect a policy design and implementation (Marsh & Rhodes 1992). Policy community and policy networks have important role in policy design and decision making process (Pross 1992, p. 98). As PPP is desired to bring some policy outcomes (Commission on UK Public Private Partnerships, 2001); thus several questions arise: whether different actors are involved in and how are they involved in decision making process? What is the role of different actors as the part of network? These issues are not clearly evident in different approaches of PPP.

Different definitions of management reveal that management involves: first, the achievement of results; second, personal responsibility and direction by the manager for results being achieved; and third, the achievement will be done cheaply and effectively.

The management approach of PPP raise several questions such as how different actors are involved for achieving specific result, is there any person responsible as a manager or how far each actor responsible for result being achieved. These questions remain unsolved in explaining different conceptual issues of PPPs which result in different challenges of governance. For example, shared decision making (Huxham 1996), governance under NPM (Wettenhall 2001), contribution of different actors to governance (Bloomfield 2006); and management and supervision from the government side (Salamon 1995a, p.103) have been identified as problematic in several PPPs. Therefore, all these aspects of governance and management issues need to be specified in defining different conceptual issues of PPPs.

PPP is argued as a tool for promoting development. The development approach of PPP also raises several questions, such as how the term ‘development’ is defined, for what kind of development does PPP work. If there is any common objective and purpose then how that specific objective or purpose is defined. How do different actors share their resources? These remaining questions make the concept ambiguous.

The concept of PPP as language game arise few other questions. If a PPP is not obvious enough as a PPP, then what are similarities and/or differences between a PPP
and a privatisation or /and a contracting out and how a PPP could be distinguished from a privatisation and a contracting out.

Further, there are some other important issues that might affect a PPP. The political culture, bureaucracy and the legal prospects of a PPP are not mentioned in any approach. The political culture and bureaucracy (see Payne and Nassar 2007) are important for a PPP policy design, since values, tradition, attitude and interest of political parties and government may affect a PPP. Bureaucracy is the main administrative arm of the government to transform the policy into reality. Especially in developing countries the ‘power-seeking’ attitude of the politicians and the ‘rent-seeking’ behaviour of the bureaucrats and lobbying groups (Grindle1991) may affect the PPP policy design and implementation, which needs to be very specific.

The policy community (Pross 1986 &1992) which includes private institutions, foreign governments, donor agency and different pressure groups can play a vital role in a PPP policy development (Pross 1992, p. 98). Different foreign governments and international donor agents might be involved as financer in a PPP especially for developing countries. In this aspect the role of policy community such as donor agents, and networks such as institutional relationships of different agents, and the governance structure also need to be very specific in defining the governance issues of PPP.

5. Suggestions

The discussion has identified several gaps in defining different conceptual issues of PPPs from different approaches. With the focus of those identified issues this paper likes to address several points, which could be helpful to overcome problems related to governance, management and policy design of PPP. The following suggestions relating to different conceptual issues which emerge in defining PPPs are:

1. there might be several categories of PPPs in defining different conceptual issues of PPPs relating to governance, management and policy design. For
example, the definition of a PPP for infrastructure and the definition of a PPP for poverty alleviation may be different based on different types related issues.

2. the common features such as nature of cooperation, inter-organisational arrangements, financial arrangements and commitment should be very precise.

3. governance aspects such as decision making process, and roles and responsibility of different organisations/actors should be specific.

4. roles of different policy communities and policy networks should be evident.

5. the purpose of a PPP should be specific. For example, for a development PPP, the definition of development would be precise in relation to purpose.

6. there should be definite direction for different actors to achieve the result of a PPP.

7. for developing countries the role of political parties, role of political government and bureaucrats, the issue of political culture should be taken into consideration in defining and designing a PPP policy.

6. Conclusion

The concept of PPP is defined by different scholar in different ways. There are extensive debates on the concept of PPP. PPP is viewed in different approaches. These include as a tool of governance and management, as a tool for financial arrangement, as a development strategy and also as a language game.

Different approaches of PPP emerge several features. There are some common features and as well as some distinctive features. However, a number of essential features of PPP are not very specific in defining different conceptual issues of PPP. Most definitions and approaches of PPP remain with several gaps and raise few questions relating to governance, management and policy design of PPP. This paper offers some suggestions which might be helpful in defining different conceptual issues of PPP.
Governance has three basic aspects, such as economic, political and administrative. Economic governance includes decision making processes that affect the economic activities and its relationships with other economics. Political governance is the process of decision making to formulate policy (UNDP 1997).

Management is about getting things done as quickly, cheaply and effectively as possible and usually getting thing done through other people such as through other, workforce and personnel (Pollite and Bouckaert 2000, p. 9) and direction of resources or human efforts towards the achievement of desired goals Hoed (2007, p. 8). French and Saward (1983) define ‘Management’ as the process, activity and carrying out the task of ensuring that a number of diverse activities are performed in such a way that a defined objective is achieved–by the combined efforts of a group of people, which includes the person carrying out the management.

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