

PUBLIC PRIVATE PARTNERSHIPS: A COMPREHENSIVE SURVEY OF LITERATURE .

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3. INTRODUCTION.

This paper is a thematic review of the corpus of literature on Public Private Partnerships. I begin with the objectives of the review (Hart, 2008); and move to the process followed and difficulties encountered on the way. Constructing a map of extant literature (Creswell, 1994) as comprising of Conceptual, Empirical, Policy and Journalistic work, I use this map first to situate my research (Blaxter, Hughes, & Tight, 2002) (Hart, 2008); next to critique the available literature (Hart, 2008). The critique guides us into the research gap that I aspire to fill (Locke & Golden-Biddle, 1997) (Locke & Golden-Biddle, 2007). One of my contributions is a comprehensive conceptual framework of Public Interest and Accountability, Private Profit and Efficiency and Organizational Design aspects for the analysis and evaluation of PPPs. I demonstrate its utility by reviewing extant literature using this framework.

3.1. OBJECTIVES OF LITERATURE REVIEW.

In line with Hart's dictum that "the literature review has no single purpose" (2008), I detail the objectives of my literature review as follows.

▪ TO PROVIDE AN OVERVIEW.

My first purpose is to provide an overview of the literature. I hope to present a clear and balanced picture of the history and chronology of PPP literature, the issues highlighted, and the principal concepts, terms and theories (Creswell, 1994) (Hart, 2008). I seek to synthesize ideas in the literature, explicate arguments and questions that have engaged researchers, and identify important intellectual traditions that have guided it (Marshall & Rossman, 2006, p. 26) (Hart, 2008, p. 187). In Section. 3.4. I construct an exhaustive map of extant literature to provide a visual display of the body of research on PPPs, a burgeoning corpus that I categorize as Conceptual, Empirical, Policy and Journalistic work. This provides

the precedent for further work and the starting point for my own (Locke & Golden-Biddle, 1997) (Locke & Golden-Biddle, 2007) (Hart, 2008, p. 175).

- TO IDENTIFY A RESEARCH GAP.

The objective of analysis is not only to understand, but to find the gap in the literature so as to justify my work's legitimacy, provide evidence for its significance to scholarship, practice and policy, "even produce a new synthesis" (Hart, 2008, p. 109) (Marshall & Rossman, 2006). Hart states: "One of the main reasons for writing a review is to make a proposal for the research you intend to do. In each part of your methodological story, you are aiming to make a recommendation for your research. What you are required to do, therefore, is to make a compelling case for your research, that your research will in some way make a contribution to our understanding of some phenomenon (2008, pp. 173-4). With this view, in Section. 3.3. I comment on the work done to date, its trends, gaps, fallacies and failures, and the overall direction of my work in relation to earlier foundational work, in order to situate my contribution within the ongoing discourse about PPPs (Hart, 2008, p. 187) (Marshall & Rossman, 2006).

- TO SHOWCASE MY CONTRIBUTION.

I see PPP literature as having evolved in four independent disciplinary traditions, Economics, Public Policy, Organization Theory, and Finance/Law. One of my contributions to the body of PPP knowledge is to draw connections and associations between these separate tracks, thereby discovering family resemblances and common ground in heterogeneous literatures. Given the amount of information, some organizing and classification is necessary to provide a 'descriptive foundation' for future evaluation and assessment and to map ideas to make different connections (Hart, 2008, p. 143) (Marshall & Rossman, 2006, p. 26). This I attempt through a comprehensive conceptual framework. Using the principle of 'synthesized coherence' (Locke & Golden-Biddle, 1997, p. 1030) I review the work on PPPs to show that it can be broadly classified under three overarching themes: Public Interest & Accountability, Private Profit and Efficiency, and Organizational Design. Thus I use the literature review to draw attention to consensus between traditions not typically cited together, impose order on a kaleidoscopic body of thought and exhibit how my proposed framework can demonstrably be used to draw together disparate research under an integrative thematic arrangement. In this, the review is a forerunner to the data analysis chapter that

demonstrates the efficacy of the same framework to empirically analyze a case in real policy scenario. There is a symbiotic relationship between the thematic review and the conceptual framework; in showcasing the literature through this three-pronged integrative framework, I simultaneously employ the review to showcase my contribution.

3.2. THE PROCESS OF SYSTEMATIC REVIEW.

Marshall & Rossman describe a literature review as ‘a conversation between the researcher and related literature’ (2006, p. 43). In this process I was guided by two questions: ‘What previous research can be drawn upon to frame my interests? How do I relate the scholarship to real-life observations?’ In conceptualizing the research problem, I attempted to locate it in a tradition of theory and related research, at first intuitively, but later exploring the literature to identify a framework of theory.

▪ The Research Question.

The starting point of my literature review was my research question. The growing importance of Public Private Partnerships in the policy landscape of India and internationally is an observable phenomenon. For a practitioner, it becomes important to implement effective partnerships, while scholarly interest is intrigued by so prevalent a practice. Despite the extraordinary diversity of opinions on almost every aspect of PPPs, there is universal unanimity in conceding its significance (Allan, 2001) (Coghill & Woodward, 2005). But further foray into understanding them leads to a realisation that, despite a surge of interest from the 1980s onwards, neither theory nor practice has resolved the ‘what & how’ of effective PPPs- this has persisted equally an intellectual and practical puzzle. The review was therefore the starting point of a comprehensive understanding the PPP process in a grounded context.

▪ Scope of the Review.

The first query was of course: What to read? “A key strategy here for the researcher, particularly one working in fields where written resources are restricted, is to exploit as many possible sources and venues for reading as are feasible.” (Blaxter, Hughes, & Tight, 2002, p. 101). I classified the available literature on PPPs into Scholarly work (Conceptual and Empirical), Policy literature and Journalistic work. The variety of material enabled a rigorous

triangulation, at source level and at a higher level, between scholarship and praxis ; at the stages of both literature review and data analysis. Given that the sweep of scholarship on PPPS covers journal articles, theses and dissertations, working papers, discussion papers, conference papers and unpublished work, my endeavour was to provide as complete a view as possible of literature covering PPPS in general and infrastructure-civil aviation PPPS in particular; sourcing from books (Grimsey & Lewis, 2004) (Hodge & Greve, 2005), journals [Accounting, Organizations and Society, International Journal of Industrial Organization, Journal of Law Economics & Organization, Public Administration Review] online databases [Jstor, Proquest, Canadian Public Policy Collection] and conference proceedings [Third International Conference on Public Policy and Management, CPP, IIMB 2008; Conference de Montreal 2008; French State Council Workshop on PPPS, Paris, October 2004]. Scholarly work on sectors that fall outside the ambit of my particular interest, (such as school education, R&D PPPS) are not included in the review though they formed part of my reading. These have however been incorporated in the inclusive list provided in the Appendix 1 to the Literature Survey.

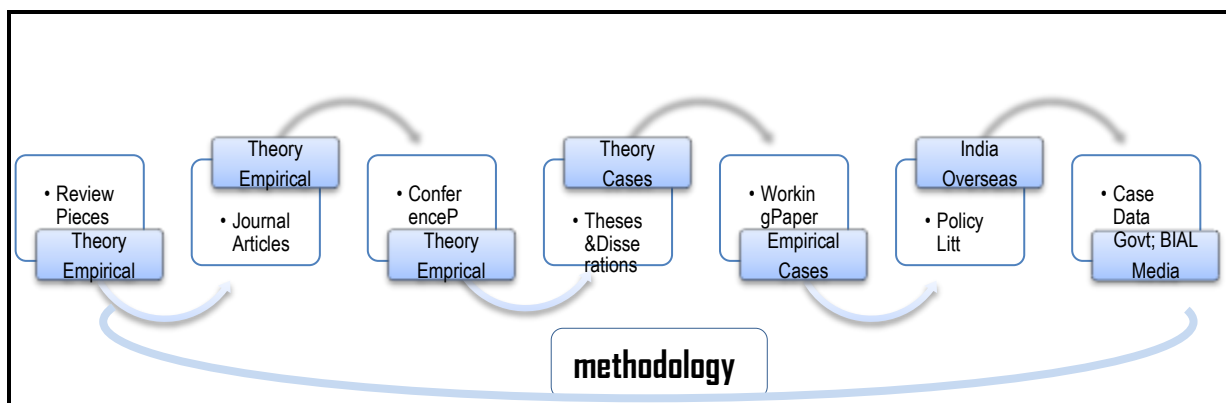
As part of my research, I also uncovered available Policy Literature on Infrastructure, Public Private Partnerships and Civil Aviation in particular and relevant material on areas such as Land Acquisition, Finance, and so on, sourced from Government departments, Court records, and Indian, Trans-national and International organization websites. This vast corpus includes hand-collected Government Documents, Acts, Rules, Policy Announcements, Planning Commission documents, Presentations, Reviews, Court Judgments of Supreme Court & Subordinate Courts (manupatra.com), Legislative Debates (hand-collected and sourced from the websites of Loksabha & Rajyasabha), and Committee Reports and publications of organizations such as the World Bank, IMF and OECD and PPP websites of countries such as India, UK and Canada. As an awardee of the Graduate Student Exchange Program Fellowship, I spent six months in Montreal, Canada that I utilized to access the resources of McGill and Concordia Universities and PPPQuebec, Government of Quebec, Canada.

There is extensive media coverage in the form of newspaper reports, articles in periodicals, editorials, media debates and press releases in financial, popular and electronic media. These were hand-collected and sourced from respective websites) These bodies of Policy and Journalistic work are indicated in this chapter but discussed in detail in subsequent chapters that contain the context and policy scenarios and case analysis.

▪ Prioritizing the Literature.

I was “baffled and enthralled” (Blaxter, Hughes, & Tight, 2002) by the scope and variety of the literature available. I early set about prioritising my reading, following Creswell’s (1994) advice, adapted to availability and convenience. I began with review pieces, as these gave me a broad sense of the terrain. Stand-alone literature reviews on PPPs are rare, so I also examined introductory pieces to books and journals (Rosenau, 1999) (Greve & Hodge, 2005) (Grimsey & Lewis, 2005) and literature reviews in theses and dissertations (Allan, 2001) (Kamath, 2006). I then moved on to Books, Conference Papers, Theses and Dissertations, Working Papers, in that order, which led to the research agenda of examining policy literature, Indian and overseas, as the final step before investigating the case data. My aim was “to read a range of views, exploring both the founding thinkers or the great names of the field and the diversity of current opinions” (Blaxter, Hughes, & Tight, 2002, p. 101).

FIGURE 2:1: PRIORITIZING THE LITERATURE.



▪ Iteration, Integration and Reflexive Reading.

Early on, I was advised to read the literature ‘with a sense of the data’. The principles followed in the review process were iteration, integration and reflexivity. The iterative

process was only partly a deliberate choice; it followed naturally from the case study method that involved a constant back and forth movement between the theoretical scholarship, empirical work, policy literature and case data (Juriado & Gustafsson, 2007, p. 55). The emerging dialectic between these multiple literatures became the underpinning of the entire analysis. Integration entailed viewing the field as a contested terrain, where different views and positions are possible. In line with the 'synthesized coherence' described by Locke & Golden-Biddle, (1997), I related different writings to one another; highlighted their similarities, differences and contradictions; categorized literatures chronologically, thematically and by relevance; and sought the general principles underlying papers, literatures or bodies of thought. Reflexivity involved revisiting scholarship repeatedly to refine my ideas and relate it to my research questions, linking description with personal response and opinion (Blaxter, Hughes, & Tight, 2002, p. 115).

- Reading on Method.

I relied on "reading about method as well as subject," (Blaxter, Hughes, & Tight, 2002, p. 117), on the "methods themselves or on other people's experience of applying them" (p. 103). The relative newness of the topic as well as my own academic inexperience led me to look for methodological approaches in the theoretical and empirical papers that I reviewed. I reviewed methodology literature both at the stage of working on the research proposal, the methodology chapter and iteratively at different stages like literature review, data analysis and so on. The repertoire on these included methodological texts (Blaxter, Hughes, & Tight, 2002) (Creswell, 1994) (Hart, 2008), (Locke & Golden-Biddle, 2007) (Marshall & Rossman, 2006) methods journals (How to Iterate Between Data and Theory in Case Study Research: A typology of Processes of iteration) (Locke & Golden-Biddle, 1997), reports on methodology in published research (Acar, Guo, & Yang, 2008) (Kamath, 2006) (Abdel-Aziz & Russell, 2001), and confessional accounts (Peters, 1997).

3.3. PPP LITERATURE: A CRITIQUE.

We begin our review of literature with some comments on the nature of the extant literature on PPPS.

- A Young Tradition.

As PPPs are a recent entrant in the public policy space, scholarship about the phenomenon is still nascent. Grimsey & Lewis state: “The literature on public-private partnerships is relatively new, and the earliest article we have included in the volume was published in 1988” (2005, p. xiii). Though research interest in ‘mixed enterprises’ can be traced back to 1980 (AlSultan, 1980), attention was intermittent and sparse (Fosler & Berger, 1982) (Langton, 1983) (Brooks, Liebman, & Schelling, 1984) until the surge of interest from the 1990s to today. The implication of newness is that considerable scholarship is devoted to understanding foundational questions such as “What is a PPP?” “What is the rationale for a PPP?” (Hood C. , 1995) (Linder, 1999) (Linder & Rosenau, 2000) (Gerrard, 2001) (Greve & Hodge, 2005) (Coghill & Woodward, 2005) (Grimsey & Lewis, 2005); and on distinguishing PPPs from other similar arrangements. We can in fact track the emergent phenomenon chronologically over an evolving body of thought on its various avatars, beginning with privatization (Starr, 1988), construction projects (Ward, Chapman, & Curtis, 1991), long-term contracting (Campbell & Harris, 1993) and Competitive Tendering and Contracting (Domberger & Rimmer, 1994). Its newness also means it is too early to arrive at firm conclusions (Evans & Bowman, 2005), and much research is necessarily speculative in nature.

- Consensus on Significance of PPPs.

Scholarly accord on most aspects of PPPs is uncommon, so the rare area of consensus deserves mention. There is near-universal agreement, among theoreticians and practitioners alike, on the significance of the PPP phenomenon (Teisman & Klijn, 2002, p. 198). They recognise its political popularity: “PPP issues are on the top of the political decision makers’ agendas” (Glachant & Saussier, 2006, p. 1); its welfare function: “Many observers appreciate that the one feature all PPPs have in common is a shared responsibility for infrastructure policy and its implementation, as this affects citizens (Rosenau, 1999); its global presence: “PPP’s have gained wide interest around the world; they are enjoying a global resurgence in popularity (Hodge & Greve, 2007, p. 545); and its public policy impact: “In short, public-private partnership has everything going for it and it is considered as one of the most important new horizontal forms of governance in the modern network society (Klijn & Teisman, 2005, p. 95).

Even sceptics reluctantly concede its inevitability: “Whether or not they were ‘born in sin’, PPPs are now spreading worldwide... they can play a useful role in enhancing the efficient provision of services that were previously supplied solely by the public sector. (Sadka, 2007, p. 467); and financial sense “PPPs are hailed as the main alternative to contracting out and privatization, and thus they are seen as a qualitative jump ahead in the effort to combine the strong sides of the public sector and the private sector (Hodge & Greve, 2007, p. 545). Practitioners wax eloquent on its utility: “Let me say at the outset that partnerships between the public and private sector are a cornerstone of the government’s modernisation programme for Britain. They are central to our drive to modernise our key public services. Such partnerships are here and they are here to stay” (Alan Milburn, Secretary of State for Health, UK September 1999 in (Flinders, 2005, p. 216).

For some PPPs are a matter of ideological conviction “Perhaps the time has come for PPPs to take a more prominent place on the political agenda” (Coghill & Woodward, 2005) ; its practice is incumbent on governments “the advantages offered by public-private partnerships have now been demonstrated beyond any reasonable doubt. Indeed, the potential gains from their adoption and use are now so firmly established that it is incumbent on virtually every jurisdiction to explore how they can best use this significant public-sector innovation” (Allan, 2001, pp. 1-4).

Others more soberly recognise its academic value: “Many articles and papers - including this one - are devoted to the study of PPPs because the concept promises a new way of managing and governing organizations that produce public services. (Hodge & Greve, 2007, p. 545). “Lying between market and public solutions, PPPs are often viewed as a good way to avoid market and public failures in order to finance and operate public services. At the same time, there is negative feedback on the experience in less developed countries as well as in developed countries. This mixed context gives rise to exciting theoretical and empirical questions” (Glachant & Saussier, 2006, p. 1). This conviction on the importance of PPPs is a major motivation for researchers in the area.

- Versatility of PPPs.

If enthralled by the potential of PPPs, research is bewildered by its variety. An assortment of arrangements goes by the name of PPPs, making it 'a broad church of many families' (Hodge & Greve, 2007, p. 546). PPPs are an inclusive term, encompassing an array of arrangements that include institutional cooperation for risk sharing, long-term infrastructure contracting, loose public policy networks, civil society and community development, urban renewal and downtown economic development (Hodge & Greve, 2007, p. 547). Sectorally, the PPP lends itself equally to multiple sectors, such as infrastructure, railways, electricity, water supply and sanitation, waste management and urban transportation in France (Grimsey & Lewis, 2005); healthcare, prisons and transport in UK (Owen & Merna, 1997) ; transport, private prisons, welfare provision, health and medicinal services, and a range of community activities such as schooling, urban regeneration and environmental policy in the USA (Martin, 2005) (Boardman, Poschmann, & Vining, 2005). PPPs also come in a wide variety of organisational forms, such as the BOT, BOOT, JVs and so on, a veritable 'alphabet soup of acronyms' (Greve & Hodge, 2005). While this versatility and flexibility is the strength of the PPP arrangement, it poses significant challenges of terminology and adhocism for the researcher.

- Strong Contextuality.

Related to the versatility is the strong contextuality of a PPP. Analysts repeatedly emphasise that a PPP cannot be divorced from its context. Though the technique works almost everywhere, essential differences exist between the conditions and challenges in different geographies and sectors of application (SCHARLE, 2002, p. 228). The contextual embeddedness of the PPP is such that political and economic conditions, extant institutions, and prevailing cultural practices all play a role in shaping its design and determining its success (Grimsey & Lewis, 2005) (PESSOA, 2008, p. 314). Therefore, it would be inappropriate to prescribe a *model* arrangement between the public and private entity in a PPP project. Because these projects are becoming popular in many fields, they are implemented in a variety of circumstances and uncertainties, so each case has to be examined, designed, and executed with a close reference to its environment (Sadka, 2007, p. 468). For a researcher, no general theory of PPPs would be meaningful if it fails to distinguish among political systems and the structural variety of institutional or national contexts (Starr, 1988, p. 13). Real world arrangements for infrastructure service provision

are complex. The most appropriate arrangements for one infrastructure service depends on the social and economic conditions of each country and on the features of the sector. Therefore, the analysis should be made on a case by case basis. And no general rules should be applied. (Beato & Vives, 1996, p. 14).

- Cross-disciplinary without Cross-fertilization.

The researcher mapping the terrain of public private partnerships has to cast her disciplinary net wide afield. PPPs have evoked interest from academic disciplines as varied as Public Policy, Economics, Organization Theory, Finance, and Law. Grimsey & Lewis note that the literature on PPPs 'straddles the economics-engineering divide', and 'overlaps with that on public policy' (2005, pp. xiii-xiv). Yet these disciplines have moved on independent trajectories, with little cross-fertilization between them. As late as 2005, two key volumes on PPPs draw on two unrelated research domains, engineering-economics (Grimsey & Lewis, 2005) and public policy-public finance (Hodge & Greve, 2005). The thematic focus of the literatures is also different. Public Policy engages with issues such as Accountability (Acar, Guo, & Yang, 2008); Politics (Coghill & Woodward, 2005) (Flinders, 2005) ; Regulation (Stewart-Smith, 1995) ; Stakeholder Management (El-Gohary, Osman, & El-Diraby, 2006); Economics is interested in Public Goods (Besley & Ghatak, 2006) macro-economic impact (Fourie & Burger, 2000) ; Organization Theory looks at PPPs through the Transactional Cost framework (Williamson, 1999) (Parker & Hartley, 2003) Strategic Alliances, Networks (Ojha, 2008), Trust and Collaboration (Campbell & Harris, 1993); Finance is interested in Governance structures, Dispute Resolution (Gould & Durrant, 1998) and financial instruments (Yescombe, c2007) and Law in Contract Design and Legal instruments. (Evans & Bowman, 2005) (Daniels & Trebilcock, 1996). Even when their interests overlap, as for instance in Risk Management (Grimsey & Lewis, 2002) (Hodge G. A., 2004) (Ward, Chapman, & Curtis, 1991) or more nuanced aspects such as non-contractibility (Campbell & Harris, 1993) (Engel, Fischler, & Galetovic, 1997) (Gould & Durrant, 1998) (Besley & Ghatak, 2001) (Hart, 2003) they often speak dissimilar languages.

Fidelity to exclusive theoretical lenses and discrete vocabularies, loses policymakers the opportunity to benefit from a more catholic viewpoint. Scharle observes that it would be useful to augment existing PPP literature with considerations from other disciplines such as

sociology, psychology or political science to arrive at new and neutral perspectives (2002, p. 227), but such an integration has not been attempted. Often, the world of policy and practice is the loser, for it cannot have the luxury of ignoring solutions and best practices, regardless of their disciplinary source.

- Theory-Practice Divide.

PPPs are a field where ‘theory has still to catch up with practice’ (Allan, 2001). Politicians policymakers, financiers and corporate managers have already gone ahead and implemented PPPs, even as scholarship is grappling with preliminary questions. The causes and manifestations of this divide are several. First, there is a paucity of empirical work, despite the recent increase in case studies, mostly theses and dissertations. “The pace of experience with partnership is rapid. Partnerships between the public and private for-profit sector to fulfil public functions are on the increase. But to date, organized assessments of partnering performance have been piecemeal and incomplete. Until scholarly research catches up, evidence will remain anecdotal and spotty (Linder & Rosenau, 2000, pp. 1-2). Second, the available work is mostly developed country oriented. Third, theory and practice seem to be following different trajectories. Up to a point, they share similar concerns, for example, funding arrangements, regulation, and so on. Nevertheless, at some point theory and practice appear to part ways, and the field-level concerns of practitioners - land acquisition, public accountability status of PPPs, political risk, managing the political-business nexus- are ignored in research. There is apparently a conscious shying away from issues of praxis. Even Grimsey & Lewis’s comprehensive volume sidesteps the corpus of practitioner literature. “There is a large number of government reports and documents on PPPs, but for reasons of length and content, as they are aimed at practitioners and those submitting bids and tenders, these or extracts from them are excluded. Also omitted are the numerous articles dealing with the accounting issues and tax treatment of PPPs” (2005, pp. xiii-xiv). So, anything that might interest the public or private actor who is actually in the business of forging partnerships is excluded in this scholarly mainstreaming exercise. Fourth, there is variance between not just the concerns, but also the vocabulary of academic scholarship and policy and journalistic literature on PPPs. The intrinsic complexity of PPPs is compounded by intricate formulae (Hart, 2003) (Besley & Ghatak, 2001). Despite the

realisation that “sound theory does not always translate easily into sound policy” (Stiglitz & Wallsten, 1999, p. 55), little attempt is made to redress this gap.

- Lack of clarity.

Despite a global resurgence in popularity, there is much confusion around notions of partnership. Allan uncovers seven different definitions of a PPP (2001, pp. 7-8) Lord Trevor Smith (2003, 593) notes: ‘PICs are neither one thing nor another, lacking any vigorous definition, existing in a limbo between the old public corporations and the business firms’, while PFI projects are little more than a ‘bastard form of organisation’. The versatility and contextuality of PPPs make generalization difficult; and since Linder’s illuminating exposition of PPPs as a ‘grammar of multiple meanings’, researchers have been divided in their thinking about PPPs as a tool of governance (Hodge & Greve, 2005) a network organization (Ojha, 2008), a language game (Savas, 2000) (Teisman & Klijn, 2002, p. 197), a novel alternative service delivery mechanism (Allan, 2001) or a historical evolution. (Wettenhall, 2005), to name but a few. The term is used in slightly different ways by different writers with the result that a precise definition of common agreement is elusive, and ‘few people agree on what a PPP actually is’ (Hodge & Greve, 2005, p. 1). Many who want to be associated with the new fashionable ‘hurrah word’ use the term without attempting to define it with any precision. Wide interpretations believe that almost any organizational innovation with public and private elements is a PPP (Greve & Hodge, 2005) (Hodge & Greve, 2005); for others there is only one acceptable application-the private funding of public infrastructure. Many public-private arrangements are labelled partnerships though they lack the essential characteristics of equitable sharing of risk, reward and decision-making (Wettenhall, 2005, p. 22) (Mitchell-Weaver & Manning, 1991-92, p. 49).

This presents a paradox whereby, while agreeing on the significance of the PPP, scholars are divided about its nature. The lack of clarity has important consequences. As every writer has her own understanding of what a PPP is and its rationale, each paper on the subject, whatever its main theme or focus may be, always has its own definition to offer, along with a rationale for its utility in policy. These perspectives are not uniform; they differ from each other at times in subtle, and at times in explicit ways. Though a variety in perspectives or opinions is normal in research, regarding PPPs there is inconsistency in the comprehension of

even fundamental concepts. The ‘eye of the beholder’ syndrome is so stark as to baffle the reader. Add to this the tangled understandings of policy makers and media persons, and we have a jumbled disarray of mixed meanings.

Much scholarly effort is devoted to finely distinguishing the PPP from a host of public provisioning arrangements on the one hand; and distinguishing one type of PPP from the others on the other. While thus engaged, the very real issues that PPPs involve, both at a conceptual level and in practice, are lost sight of. Any light that research and theory may throw on the means of forging successful partnerships is lost, and praxis bumbles along in many directions, up the familiar path of trial and error. Unfortunately, trial and error involves too big a price to pay, not just in financial terms but also in terms of public credibility and welfare.

- Polarization of Views.

The lack of clarity subjects the PPP to much policy rhetoric and polarized debate (Bertels & Vredenberg, 2004), akin to the sloganism that accompanied its cousins in the broader privatization debate: corporatization, privatization, marketization, agentification, and NPM (Mitchell-Weaver & Manning, 1991-92, p. 48). Colourful language with an air of advertisement and salesmanship describes PPP as a ‘marriage made in heaven’ (Greve & Hodge, 2005, p. 8). Supporters of PPPs claim that they will provide public sector services efficiently and inexpensively, reduce pressure on government budgets, strengthen monitoring and accountability and evoke business and investor confidence. “All the evidence that I have ever read on PPPs has been positive,” argued a minister in the Australasian government (Hodge & Greve, 2007, p. 551). Stinging critics, on the other hand, describe it as a ‘Problem, Problem, Problem’ (Greve & Hodge, 2005, p. 8) ‘yet again screwing the taxpayer’ with private promoters caricatured as ‘evil bandits running away with all the loot’ (Bowman (2001 cited in (Greve & Hodge, 2005, p. 8)). Failures are highlighted, success stories rarely get a good press (Harris, 1998:11). Enthusiasts and detractors display equal fervour, fuelled by ideology or ignorance (Fourie & Burger, 2000, p. 305) (KAUL & MENDOZA, p. 78). Serious evidence on the accuracy of the claims and counter-claims is lacking, discussion descends into sloganeering that confuses rather than clarifies. In many countries PPPs are implemented by governments who do not properly understand its nature

and implications. Considering the massive financial commitments being made, serious examination into the costs and gains of PPPs is demanded in the public interest (Greve & Hodge, 2005, p. 9). A clear understanding of the characteristics of the PPP and its variations, a flexibility to adjust to particular needs and situations, and reflection on the lessons of historical public-private liaisons (Wettenhall, 2005, p. 37) are required to avoid failures and a tarnished reputation for the PPP concept.

- Nature of Empirical Tradition.

The ideological polarization, coupled with the inherent versatility and contextuality of the PPP phenomenon leads a schismatic research orientation. At a conceptual level, almost every description or claim can be countered with an opposing claim; every query has a reply that in turn can be questioned. The danger of research founded on speculation and adhocism is very real, and this begs the need for a strong empirical tradition. There is a portfolio of international empirical evidence on PPPs yields contradictory conclusions. Positive commentators include Pollitt in UK who samples ten cases (Pollitt, 2002 in (Greve & Hodge, 2005, p. 9) and five cases audited by the National Audit Office and concludes that 'it seems difficult to avoid a positive overall assessment' (Pollitt, 2005, p. 226) (Hodge & Greve, 2007, p. 550). On the other side, empirical work of Monbiot (2000) in UK, Walker & Walker (2000) in Australia, Davidson (2004, p15) leads them to conclude that public interest is sacrificed at the altar of accounting jugglery and powerful vested interests (Greve & Hodge, 2005, p. 9). More recent experience is reviewed by Boardman, Poschmann & Vining (2005) in North America, Shaoul (2005) in UK, and Fitzgerald (2004), English (2005) and Hodge (2005) in Australasia. Their findings are cautionary, pointing to governance failure primarily influenced by the ideological morass of the PPP rationale (Hodge & Greve, 2005).

Overall, it seems that the economic and financial benefits and costs of PPPs are still subject to uncertainty (Greve & Hodge, 2005) (Hodge & Greve, 2007). Research interest is skewed, most literature relates to the issues of Finance and Contractual Law, and recent theses on Trust and Collaboration, the focus on public policy issues is much less. Far more debate is needed to discuss the ways in which long-term public interests can best be protected and nurtured in the light of experience, particularly noting citizen concerns around low PPP transparency and high deal complexity. Exclusionary and fragmented focus on one or other

aspect of a PPP obstructs a balanced and holistic perspective. Literature also largely tends to ignore process issues, a serious lacuna given that PPPs are conditioned by the patterns and procedures of governmental decision-making. Finally, the extant literature is largely developed country oriented. Though one can often find echoes of the Indian experience, the need for research grounded in the developing country, particularly Indian experience, is vital in view of the strong contextuality of PPPs (Mitchell-Weaver & Manning, 1991-92, pp. 60,62).

- An Appraisal of Different Conceptual Frameworks for the Study of PPPs.

Considering the divergence of research perspectives, it is not surprising that only a few conceptual frameworks are available to assist us in better understanding and analyzing PPPs. We examine and assess some frameworks below.

Greve and Hodge (2005) suggest adopting the primary variables of organizational and financial relationships to explore the relationship between the types of organization and policy areas. This framework assists in studying the possible organizational and financial factors influencing different types of services. This framework is a good starting point for analysis, it provides for sectoral differences while centering on two key dimensions of organization and finance. Its deficiency that it almost entirely ignores other important dimensions such as public policy, politics, law, or economics, and is consequently inadequate for analyses that grow more sophisticated as the PPP itself matures in scope and application.

A second framework is based on DeHoog (1990) work with contractual governance. She outlines three different models for service contracting; competition, negotiation and cooperation model and their advantages and disadvantages. However, this model is limited to contracting; only the cooperation aspect touches on aspects on the ppp.

A third way of conceptualizing PPP evaluation is in terms of empirical evidence used in performance assessments (Greve & Hodge, 2005, pp. 10-12). Policy rhetoric, the legal contract, or historical outcomes are the parameters used for PPP evaluation, measured vertically against risk types, and forming a continuum ranging from weakest proof of success at the policy rhetoric end to the strongest at the historical outcomes end. Putting the three

conceptual dimensions together, the PPP 'evaluation cube' is formed (Greve & Hodge, 2005, p. 12). The merit of this model is that it is multi-dimensional, providing for a holistic analysis and incorporating empirical evidence. However, the aspects chosen for examination are limited. There are many more risks in an actual PPP than detailed in this framework; the three levels of analysis are vague and irrelevant to the actual issues a PPP throws up. The authors propose this model as an evaluation instrument, but historical outcomes can hardly be gauged so early in PPP history, and it is not clear how policy rhetoric qualifies as a level for analysis. The model is presented without any demonstration of its applicability or utility for actual evaluation of real projects. The cubic structure is unnecessarily complicated, and ignores cross-disciplinary influences as well.

Abdel-Aziz & Russell (2001) propose a framework revolving around rights (possession, revenues), obligations (development, operation, environment, financing), and liabilities (taxes, risks). Together, these encompass the features of any PPP project. The framework is comprehensive, and allows for incorporating empirical evidence, demonstrated in the authors' analysis of five projects. However, it emphasises the government rather than the private perspective, and ignores softer aspects of the dyadic relationship such as trust and collaboration. Its language of contracting is limiting also does not allow for cross-disciplinary influences.

Grimsey & Lewis (2005) use a framework of the Changing Market for Public Services, the Private Financing Model, and Partnering, chiefly to classify the literature on the subject rather than for any analytical purpose.

Kwak *et al* (Kwak, Chuh, & Ibbs, 2009) draw up a conceptual classification framework of PPP research comprising five aspects: government roles and responsibilities, the concession selection, PPP risks, PPP finance and critical success factors/ barriers for PPP projects. While it is possible to classify the literature along these lines, their conceptual untangling is more difficult.

The table below summarizes the major points related to the above frameworks and others suggested by different authors, with some comments on their advantages and inadequacies.

Table 3:1. An Appraisal of PPP Evaluation Frameworks.

Name	Proponent	Analytical Dimensions :Vertical	Analytical Dimensions Horizontal	Critique	Reference
A PPP typology based on service types & partnership dimensions	Greve & Hodge, 2005	Financial & Organizational	Sectors	Two-dimensional; Primary variables only; Basic; Does not provide for contractual, public policy, economic aspects	(Greve & Hodge, 2005)
A PPP typology based on service types & contractual dimensions	DeHoog, 1990	Competition, Negotiation, Cooperation	Sectors	Two-dimensional; only cooperation related to ppps;	(Greve & Hodge, 2005)
Evaluation cube for PPP S	Greve & Hodge, 2005	Risk type	Sectors Policy rhetoric- Legal contract- Historical outcomes	Complicated; risk & legal contract are the only major aspect examined; policy rhetoric trivial; historical outcomes cannot be gauged; utility and applicability not demonstrated	(Greve & Hodge, 2005)
Structure of govt	Abdel-Aziz &	Rights(possession,		Comprehensive; incorporates the	(Abdel-Aziz & Russell,

requirements in PPPs	Russell, 2001	revenues) Obligations (development, operation, environment, financing) Liabilities (risks, taxes)		empirical dimension; ignores the multi-disciplinary issues; unilinear, not multi-dimensional; limiting as ultimately restricted to the language of contracting; trust, cooperation and softer aspects of dyadic relationship ignored; also aspects such as competition, bundling ; only govt perspective does not look at private sector aspects	2001)
	Grimsey & Lewis	The Changing market for public services; the private financing model; partnering		More useful for understanding the formative influences than actual working of PPPs; mutually exclusive; admittedly ignores policy literature	(Grimsey & Lewis, Introduction, 2005)
Conceptual Classification Framework of PPP	Kwak <i>et al</i>	Five aspects: government roles & responsibilities, the concession selection, PPP risks,		While it is possible to classify the literature along these lines, their conceptual untangling is more	(Kwak, Chuh, & Ibbs, 2009)

Research		PPP finance and critical success factors/ barriers for PPP projects.		difficult. Uni-dimensional.	
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3.4. NEED FOR THE RESEARCH AND AN INTRODUCTION TO MY CONTRIBUTION.

Having examined the gaps in extant research on PPPs, we will briefly look at my work that takes small yet significant steps to filling this gap.

- Objective Research on a Critical Public Policy Issue.

Public private partnerships present governance and public management scholars with several challenges. First, there is a shortage of objective research and independent valuations on PPPs (deBettignies & WRoss, 2004, p. 136) (Hood, Fraser, & McGarvey, 2006, p. 46) (Hodge & Greve, 2007, pp. 546-54) (Mitchell-Weaver & Manning, 1991-92, p. 45). While even a short library or web search uncovers voluminous literature, most of this comes from firms engaged in PPPs or government agencies charged with policy advocacy (Munnell, 1992, p. 196). Although this work is helpful, there is no doubt that independent analyses of the strengths and weaknesses of PPPs are warranted. It is only recently that serious audit, appraisal, and evaluation of PPP projects have started to take place. Hence, careful evaluation, away from the loud noise of cheerleader squads and polarized debate, is needed. My research is thus an addition to the body of independent knowledge on a critical public policy phenomenon.

- Conceptual Categories to Handle Multiplicity.

The second challenge is to find a workable categorization to handle the multiplicity of viewpoints on fundamental questions, such as what constitutes a PPP and its rationale (Greve & Hodge, 2005) (Hodge & Greve, 2007). Practitioners may develop personal theories-in-use or tacit theories to reduce ambiguity and explain paradox (Argyris & Schon, 1974 in (Marshall & Rossman, 2006, p. 31), but the researcher has to be guided by systematic considerations of existing theory and empirical research. Instead of a reductionist approach of a single definition, I begin the literature review with the question “What is a PPP?” in Section 3.5.3. and use the principle of inter-textual non-coherence (Locke & Golden-Biddle, 1997) to arrive at a useful classification of different definitions as well as the theoretical constructs by which this question has been answered (Wicker, 1985, p. 1094). The next question that intrigues researchers is ‘What is the rationale for the PPP paradigm?’ I categorize in Section 3.5.4. the different reasons literature advances into *economic and*

financial reasons (deBettignies & WRoss, 2004) *political reasons* (Coghill & Woodward, 2005); and *theoretical rationale* emanating from Organizational Theory. Seeing PPPS in an historical perspective could inform the way they are managed and governed now and in the future (Wettenhall, 2003) (Greve & Hodge, 2005, p. 16). Section 3.5. of the review distinguishes PPPS from other public-private arrangements over time, and locates it the broad space of public-private debate (Wicker, 1985, p. 1096).

- Bridging Theory and Practice.

Third, now that there are sufficient experiments taking place globally, there is a critical need to review empirical experience to draw lessons from (SCHARLE, 2002, p. 242) (Hodge G. A., 2004, p. 38) (Glachant & Saussier, 2006). Analyses of completed projects help develop an adequate terminology, description techniques and methodology for enhancing our preparedness for future projects. This is even more so in the case of developing economies. However, it is difficult to appraise PPPS objectively based on the empirical evidence to date or even collect data that is accurate enough to grasp the many facets of PPP agreements, examine theoretical predictions and develop our understanding of the way they are shaped and their impact on the performance of public services. In trying to build bridges between theory and practice therefore, I attempt to tread hitherto untrodden ground (Van de Ven, 1989). This initially came up as a dilemma that I had to resolve. However, as I grappled with it, it soon became clear that much of the methodological fascination of my research lay in the way I manoeuvred to overcome this challenge. Methodological precedents existed by way of constructing a theoretical template for case examination (Abdel-Aziz & Russell, 2001) (Parker & Hartley, 2003). My work builds on their work, additionally incorporating richness of data, theory-practice fusion, process approach, a more inclusive framework, and multi-source triangulation. The creative tension between case , policy, journalism and scholarship transformed a crisis into value addition in terms of crafting my thesis. A more nuanced paradox was between declared policy (such as that made in policy statements, press releases and parliamentary debates), and practised policy which were frequently at variance. Here the divergence had to be resolved by reading between the lines, using my insider experience, and through the interview data during data collection/analysis stage. Using an insider perspective and access, I provide contextual and empirical richness by an

in-depth case study of the Bengaluru International Airport as a significant exemplar of PPPs in the Indian context.

- An Integrative Framework.

Fourth, from a theoretical point of view also, public-private partnerships issues have not been extensively studied. New theoretical developments are needed to shed light on how to incorporate the specificities of PPP agreements such as probity concerns, bundling issues, or renegotiation. Having evoked interest from several academic disciplines, PPPs are a rich mine for multi-disciplinary focus in research. (SCHARLE, 2002, p. 227). The ‘lack of boundaries’ (Blaxter, Hughes, & Tight, 2002) presented to me both a problem and an opportunity. Marshall & Rossmann assert that when researchers conceptualize the focus of the study and generate the research questions, they may draw on a body of theory and related research that is different from previous research. When research questions explore new territory, a single line of previous literature or theory may be inadequate for constructing frameworks that usefully guide the study. (2006, pp. 36-44). This not only meant that the physical work involved was more -I had to read more widely, search more journals, look into different sections and racks in the library and so on- but intellectually I had to familiarise myself with multiple disciplinary traditions, different vocabularies, multiple methodological practices and seminal writers/ writings in each of them. In a sense, my review had to provide the ‘intellectual glue’ (Marshall & Rossman, 2006, p. 45) binding the different disciplinary traditions. Ultimately, though, this turned out to be an asset.

A creative blending of different strands of literature for framing the research, the integration of literatures has helped me to shape a research focus that is theoretically interesting and yet inform policy and practice. Rather than narrowly constructing the study to focus on a single theory, it became a platform for a creative synthesis of illuminating constructs from several. I already had a sense of how my research could be enriched by my knowledge of practice, but now it was clear that my own work could become an arena for a rich cross-fertilization of ideas, traditions and methods. With this in view, I strove toward an integrative approach, looking for thematic similarities and differences, how the thinking in different traditions led to different approaches, and different methods of investigating the same entity.

My research offers a novel framework for the understanding, evaluation and analysis of PPPs. I proffer this framework in three stages. In the introductory chapter (Chapter 1), I put forth my basic model. In this chapter (Chapter 3), I explain its advantages of this framework in detail and demonstrate its applicability in studying conceptual literature on PPPs. In the data analysis chapters (Chapters 4 & 5), I once again demonstrate the utility of this framework, for analysing a real-life policy scenario and a live PPP project. In this way, I hope to establish the conceptual and empirical efficacy of my contribution. Let us look at the framework in visual form:

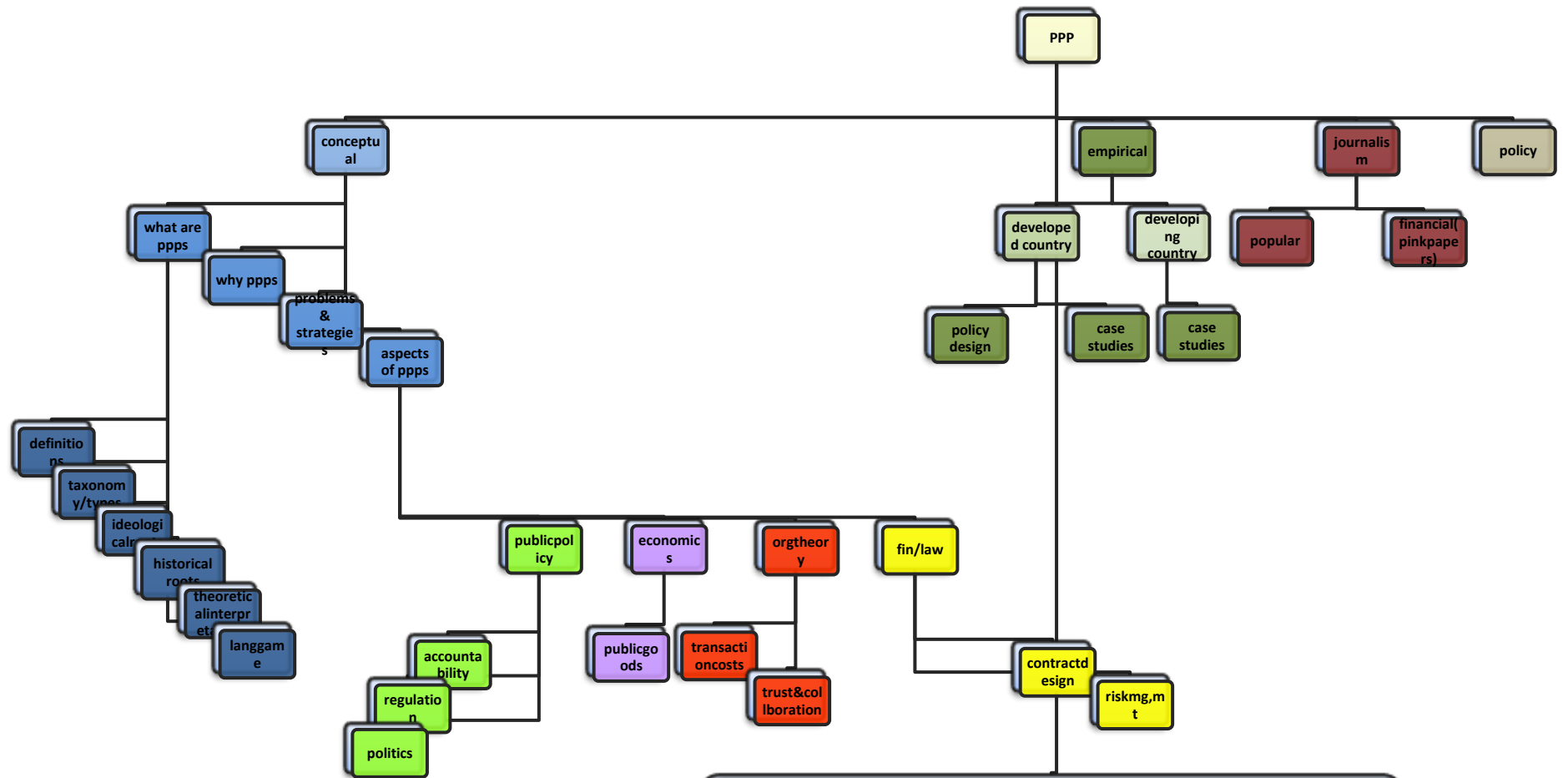
<i>PPP LITERATURE</i>	<i>PUBLIC POLICY</i>	<i>ECON</i>	<i>ORG. THEORY</i>	<i>FINANCE/LAW</i>
	<i>CONCEPTUAL</i>	<i>EMPIRICAL</i>	<i>POLICY</i>	<i>JOURNALISM</i>
<i>LEVELS/THEMES</i>	<i>PUBLIC INTEREST</i>	<i>PRIVATE PROFIT</i>	<i>ORGANIZATIONAL DESIGN</i>	
<i>PROJECT: O&M; EPC; F</i>				
<i>IN</i>				
<i>LOCAL: SSA; SHA</i>				
<i>NATIONAL: CA; SHA; C</i>				
<i>NS/ATM</i>				

The advantages of this framework are as follows. It is a comprehensive framework, with an overarching thematic approach of Public Interest and Accountability, Private Profit and Efficiency and Organizational Design that is holistic enough to enable a nuanced understanding of virtually every issue that the study of PPPs throws up. It enables incorporation of the different types of conceptual, empirical, policy and journalistic literature on PPPs (Wicker, 1985) emanating from diverse sources. I believe that the PPP is so entwined with public interest and perceptions that no examination of the phenomenon is complete without examining these unconventional non-scholarly sources. An integrative

framework, it allows a cross-disciplinary focus -economics, public policy, organization theory, and finance/ law- and the disciplinary differences are sought to be subsumed in a common objective of understanding and effectively executing ppps. Written in simple language with real life examples, it equally covers both theoretical and practice aspects, thus bridging the theory-practice divide. The framework is applicable to any sector, and can be used to analyse policy, process and project features. It is inclusive, with a balanced perspective of government, the private sector and the citizenry. It has a developing country focus, is theoretically robust with an allowance for contextuality and practitioner orientation. By the end of this thesis I hope to demonstrate that this framework suffices to examine virtually every issue relating to PPPS, whether previously covered in literature or grappled with in praxis. This is very important in PPP studies, where each aspect is so intertwined with others that it is futile to study each in isolation. Yet this framework also gives the researcher sufficient flexibility to take any one aspect and study it in greater detail and depth.

- Mapping Concepts and Connections.

The conceptual map of the extant literature and my contribution is drawn below.



Contribution: PPP: What it is & How it works?

Explanatory Note.

The conceptual or thematic map of the relevant literature and my contribution is presented above. I see the corpus of ppp literature as divided into four broad categories. These are Conceptual Literature, Empirical Literature, Policy Literature and Journalistic Literature. Conceptual literature encompasses journal articles, published and unpublished papers, theses and dissertations, and conference papers. This body of literature interests itself in foundational questions such as: ‘What are PPPs? ‘What is the rationale for the adoption of the PPP paradigm? ‘What are the problems and difficulties in implementing ppps’ and also in a host of aspects or issues raised by PPPs.

Empirical literature can be categorized as work with a developed country focus and a developing country focus, which in turn can be subdivided into policy related papers and case studies. Work on developing countries is far less in volume, and extant work mostly comprises case studies.

Policy literature is a corpus comprising government (Legislative, Court and Departmental) and organizational publications on ppps sourced from India, Canada, UK, Australia, the World Bank, OECD and IMF.

Journalistic work is sourced from popular, financial and electronic media and comprises news reports, press releases, media debates and so on.

I classify the scholarly work on “What is a ppp?” into the following categories:

Definitions; Taxonomy; Ideological Roots; Historical Interpretations; Theoretical Interpretations; PPPs as a distinctive entity with unique characteristics. The next question that intrigues researchers is “What is the rationale for the PPP paradigm?” I categorize the different reasons literature advances into Political reasons (Coghill & Woodward, 2005); Economic and Financial reasons (deBettignies & WRoss, 2004) and theoretical rationale emanating from Organizational Theory.

Some writers look at the difficulties in designing and implementing partnerships and strategies to overcome them. There is also the most prolific group in conceptual literature who examine different aspects of ppps. This literature informed by four disciplines: public policy, economics, organization theory and finance/ law. I integrate these diverse perspectives by a comprehensive three-pronged thematic framework of Public Interest and

Accountability; Private Profit and Efficiency and Organizational Design. My research bridges theory and practice and is developing country focused, and examines product ,policy and process factors

3.5. PUBLIC PRIVATE PARTNERSHIPS: A THEMATIC REVIEW OF LITERATURE.

3.5.1. INTRODUCTION.

This section presents a thematic review of the literature on PPPs. In keeping with its objectives, this review will highlight the major concepts and concerns in the extant literature, critically analyse them so as to point the gaps that offer opportunities for future research. Although PPPs are applied in a number of different policy contexts and sectors, we focus on its salience in the context of government's role in supplying traditional physical infrastructure projects such as roads and highways, bridges, dams, water and sewage systems, and airports. (Daniels & Trebilcock, 1996, p. 375).

The review is structured as follows: It begins with examining the importance of infrastructure and the role of PPPs in Section 3.5.2. 'By unloading the complex freight that the public-private distinction carries', (Starr, 1988, pp. 7-8) we seek to understand the multi-faceted PPP phenomenon through definitions, typology, ideological and historical roots and theoretical interpretations (Section 3.5.3.). The distinctiveness of the PPP is highlighted by differentiating it from other public-private arrangements (Section 3.5.4.). This leads us to consider the attractiveness of PPPs for policy makers, and the economic, political and organizational rationale for its adoption (Section 3.5.5.). We next consider the problems and difficulties encountered in PPP implementation, from the viewpoint of the practitioner as well as the scholar (Section 3.5.6.) and critical success factors (Section 3.5.7.). The variety of perspectives and understandings leads us to comprehend the PPP as an amalgam of distinctive characteristics. We organize the major aspects and issues thrown up by PPP literature around three themes: Public Interest and Accountability, Private Profit & Efficiency, and Organization Design (Section 3.5.8.) which is a prelude to a more detailed discussion in the data analysis chapters. The concluding section summarises the review with concluding comments. (Section 3.6.). Throughout, there is a cross-disciplinary, integrative approach- economics, public policy, law, finance, organization theory, even engineering, emphasising the PPPs' cross-disciplinary allure. The review also displays an emerging

dialectic between theory and praxis, a portent of the analytic strategy that informs our research approach as a whole. Though the scope of the review is general and pan-global, there is a slant toward developing economies, particularly India, which becomes sharper in later chapters.

3.5.2. IMPORTANCE OF INFRASTRUCTURE AND ROLE OF PPPS.

Civilizations are built and sustained by the quality of their infrastructure. The critical role of infrastructure provision, maintenance and financing lies at the heart of sustainability. Economists distinguish between economic (hard) infrastructure and social (soft) infrastructure (Grimsey & Lewis, 2004, p. 20) (Deutsche Bank Research; Heymann; Just; Lowijk; Vath, 2007, p. 4). The former sustains economic activity, and includes airports, highways, railroads, seaports, electricity, telecommunications, water supply and sanitation; the latter promotes the health, education and cultural standards of the population- and includes schools, hospitals, or playgrounds.

Certain global developments since the mid-1980s coalesced to cause the resurgence of interest in infrastructure to proceed alongside the emergence of the PPP phenomenon. Economic studies asserted a strong linkage between infrastructure investment and national productivity (Aschauer, 1989) (Munnell, 1992, pp. 190-1). Government expenditure in physical infrastructure enhances the efficiency of the economy, so that the economy produces 'more output per unit of input with government's presence than without' (Roy, 2005, pp. 119-120). Societal welfare gains could therefore be realized by reallocating public and private investment away from other expenditures towards infrastructure (Bhatia & Gupta, 2006, p. 1) (Fan, 2004).

Even as the significance of infrastructure was realised, the gap widened between infrastructure needs and the resources governments could invest in it. Infrastructure built in the 1960s had supported economic growth for a while, so the lack of infrastructure was not a major policy concern. However, after the oil shocks of the 1970s, growth prospects and macroeconomic conditions deteriorated in many countries (Mitchell-Weaver & Manning, 1991-92, p. 47) (Fan, 2004, p. 1). Combined with demographic pressures and increasing

urbanization, this led to a mismatch between increasing demand but limited supply for infrastructure. Infrastructure deficit became the most glaring deficit that governments around the world had to deal with (Nataraj, 2007, pp. 1-2).

The infrastructure deficit was experienced alongside major economic restructuring, and this was true particularly of developing economies. Propelled by international institutions, countries formulated policies that led to cuts in public expenditure (Mitchell-Weaver & Manning, 1991-92, p. 48) (PESSOA, 2008, p. 315). This meant that governments faced a pressing need to find alternative ways to finance infrastructure. The prospect of private financing became increasingly attractive. Private financing offered scope for cost-reduction, facilitated the use of debt, (Sadka, 2007, pp. 485-6), and promised a better economic use of the services by moving from 'taxpayer pays' to 'user pays' principle (Grimsey & Lewis, 2002, p. 108). To meet the growing need in the face of scarce financial resources, governments found it optimal to focus on formulating public policies rather than themselves building the needed infrastructure.

The question was whether such enhanced levels of investment could be reconciled with a continuing role for the state; and the challenge of designing workable institutional arrangements that permitted public goals to be vindicated in a setting of private sector involvement. These issues were particularly acute in physical infrastructure projects where an amalgam of efficiency and distributional goals have traditionally furnished support for public intervention of some kind. There is a direct correlation between the level of poverty in a state and the level of infrastructure development continues to be recognised (Roy, 2005, pp. 88,119) ; so effective provision is essential both as a direct component of well-being and an input into productive capability (Besley & Ghatak, 2006, p. 285). This, along with the large, up-front investments sunk investment, longevity and the anticipatory character of the investment required by physical infrastructure projects, laid the groundwork for partnership arrangements (Daniels & Trebilcock, 1996, pp. 202-05). 'The biggest advantage' of PPPs lay in their enabling the construction of substantial infrastructure projects by private sector financing, thereby providing the facilities at seemingly no cost to government. (Coghill & Woodward, 2005, p. 82).

So the trend away from public to private provision of infrastructure has been underpinned by a marked change in thinking and practice, reinforced also by technological changes and institutional innovations. Public-private partnerships became a rapidly growing means of procuring infrastructure assets and their associated services, signalling a fundamental shift in the relationship between the state and industry (Ahadzi & Bowles, 2004, p. 967) (Daniels & Trebilcock, 1996, p. 379) (Maskin & Tirole, 2008).

The PPP concept is increasingly being embraced by many countries and supported by a number of international institutions. Prominent among them are the USA, the UK, Canada, Australia, South Africa, Japan, Finland, the World Bank, the European Investment Bank and the UN (Brook; 2001; Hamilton, 2001; Kouvarakis, 2001; The PFI Report, 2001) (Ahadzi & Bowles, 2004, p. 968). Between 1985 and 2004, there was a total of 2096 PPP projects worldwide with a total capital value of nearly US\$887 billion (Kwak, Chuh, & Ibbs, 2009, pp. 55-56). According to the World Bank, the average size of such projects in low-income countries has been \$440 million (Nataraj, 2007).

3.5.3. WHAT ARE PPPS?

If the above account suggests a historical progression, leading inexorably towards the 'coming out' of PPPs, this went largely unrecognised at the time. The proliferation of PPPs and its allure to policymakers worldwide caught the academic world by surprise; it still appears to be playing catch-up, hence the confusion surrounding the term. In this paper, we do not attempt to resolve the ideological differences in the various terminological and semantic positions. Taking PPPs as phenomena that is observable, we seek to categorize the different positions, and thereby locate PPPs in the larger landscape of theory.

We begin with the fundamental question that has intrigued PPP researchers and practitioners: What are Public Private Partnerships? There are several streams in the explication of the concept of PPPs. The first deals with *Definitions*, conceptual or practice-oriented; the second is conceptual, tracing the *Ideological Roots* of PPPs to the principles of the New Public Management; the third stream, more ambitious as it goes even further in history, pursues the *Historical Origins* of PPPs in praxis ; the fourth uses Transactional Cost

Economics to arrive at a generic theoretical explanation of PPPs as *Hybrid structures* ; the fifth works out a taxonomy based on different *Types* of PPPs; finally, there is a stream that views the PPP as a unique entity and its *Distinction from other forms of Public-Private Arrangements*.

- Definitions.

Public Private Partnerships are variously defined, with most definitions offering a fit to the particular contexts or projects. Given the burgeoning literature on PPPs, a multiplicity of definitions is available to the researcher. It is useful to cite them to identify their common elements and shared emphases:

TABLE: DEFINITIONS OF PUBLIC PRIVATE PARTNERSHIPS.

Definition	Source
A rubric for describing cooperative ventures between the state and private business.	(Linder, 1999, p. 35)
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.	(http://www.pppcouncil.ca/aboutPPP_definion.asp)
Bringing about, maintaining, managing and operating provisions and activities by means of a project -wise approach by the public and private sector, starting from a joint risk acceptance as regards estimated costs and expected returns, aimed at the joint realisation of commercial and social objectives.	(Knoester, 1988 in (Reijniers, 1994, p. 138).
A joint government-private sector operation, with both sides involved in planning, building, and operating the project or implementing the agreed upon policies.	(Mitchell-Weaver & Manning, 1991-92, p. 49)
PPPs combine the deployment of private sector capital and, sometimes, public sector capital to improve public services or the management of public sector assets.	(Gerrard, 2001, p. 49)
A relationship involving the sharing of power, work, support and/or information with others for the achievement of joint goals and/or mutual benefits.	(Kernaghan, 61 in (Allan, 2001, p. 8)).
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 .	(Treasury Board Secretariat, <i>Impediments to Partnering</i> in (Allan, 2001, p. 8)).
Contractual arrangements, alliances, cooperative	(Armstrong, in (Allan, 2001,

agreements, and collaborative activities used for policy development, program support and delivery of government programs and services.	p. 8)).
An arrangement between two or more parties who have agreed to work cooperatively toward shared and/or compatible objectives and in which there is shared authority and responsibility; joint investment of resources; shared liability or risk-taking; and ideally, mutual benefits .	(Rodal and Mulder , (Allan, 2001, p. 8)).
A relationship that consists of shared and/or compatible objectives and an acknowledged distribution of specific roles and responsibilities among the participants which can be formal or informal, contractual or voluntary, between two or more parties. The implication is that there is a cooperative investment of resources and therefore joint risk-taking, sharing of authority, and benefits for all partners.	(<i>Environment Canada</i> preface (Allan, 2001, p. 8)).
The existence of a 'partnership' style approach to the provision of infrastructure as opposed to an arm's length 'supplier' relationship. Either each party takes responsibility for an element of the total enterprise and work together, or both parties take joint responsibility for each element. A P3 involves a sharing of risk, responsibility and reward, and is undertaken in those circumstances when there is value for money benefit to the taxpayers.	(B.C., <i>Building Partnerships</i> 8). (Allan, 2001, pp. 1, 7-8)
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.	(Van Ham & Koppenjan, 2001, 598).
PPPS can be defined as agreements where public sector bodies enter into long-term contractual arrangements with private sector entities for the construction or management of public sector infrastructure facilities by the private sector entity, or the provision of services using infrastructure facilities by the private sector entity to the community on behalf of a public sector entity.	(Grimsey & Lewis, 2002, p. 108)
Contractual arrangements between government and a private party for the provision of assets and the delivery of services that have been traditionally provided by the public sector.	(BC Ministry of Finance ,2002 in(deBettignies & WRoss, 2004, p. 136)
The common ground among one group of PPP definitions is the contractual relationship; is that government has a business relationship, it is long term, with shared risks and returns, and that private business becomes involved in financing, designing, constructing, owning or operating	(Hodge G. A., 2004, p. 37)

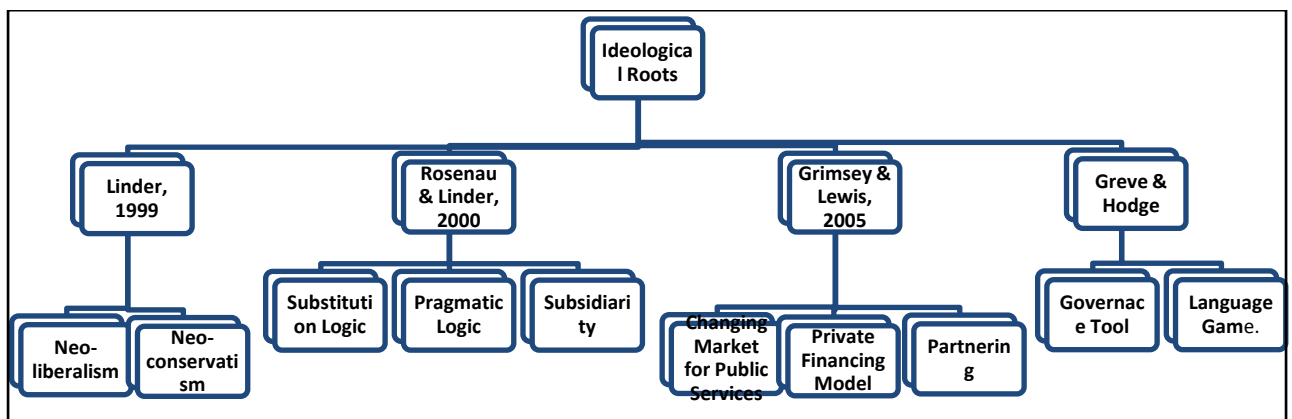
public facilities or services.	
Arrangements whereby private parties participate in, or provide support for, the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure- based services.	(Grimsey & Lewis, 2005, p. xiv)
A risk-sharing relationship between the public and private sectors based upon a shared aspiration to bring about a desired public policy outcome.	Institute for Public Policy Research 2002,40 in (Flinders, 2005, p. 216)
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 .	(Campbell, 2001 in (Hodge & Greve, 2007, p. 546).
Loosely defined as cooperative institutional arrangements between public and private sector actors.	(Hodge & Greve, 2007, p. 545)
An undertaking which involves a sizable initial investment in a certain facility (a road, a bridge, an airport, a prison), and then the delivery of the services from this facility.	(Sadka, 2007, p. 466)
A long-term development and service contract between government and a private partner. The government typically engages its partner both to develop the project and to operate and service it. The partner may bear substantial risk and even raise private finance. Its revenue derives from some combination of government payments and user fees.	(Maskin & Tirole, 2008, p. 413)
Mechanisms for the premeditated sharing of risk between public and private partners.	(OECD/ITF, 2008)
A sustained collaborative effort between the public sector and the private sector ¹ to achieve a common objective while both players pursue their own individual interests.	(PESSOA, 2008, p. 313)

Despite their variety and the span of almost a decade, there is a remarkable consistency in the characteristics identified by these multiple definitions. They specify the cooperative pursuit of shared or compatible objectives, mutual benefit, risk-sharing and the associated value for money , joint investment of resources, sharing of authority. The relative importance of these several elements may vary from one partnership to another, depending on the purposes for which they were constituted and the needs and natures of the partners involved. Yet the presence of one or more of these characteristics serves to distinguish a PPP.

- Ideological Roots.

In exploring the political and social motivations of the PPP, scholars have traced its ideological roots to the major thought movements of the twentieth century. We examine the following influences on the growth of the PPPs in the Western world: *neo-conservatism* and *neo-liberalism* (Linder, 1999); *Substitution Logic*, *Pragmatic Logic* and *Subsidiarity* (Linder & Rosenau, 2000); the *Changing Market for Public Services*, *Private Financing Model*, and *Partnering* (Grimsey & Lewis, 2005) and the idea of PPPs as a *tool of governance* and as a *language game* (Greve & Hodge, 2005).

FIGURE: IDEOLOGICAL ROOTS OF PPPS



Linder's 1999 paper is a complete exposition of the multiple meanings of PPPs. He traces PPPs to the 'ideological referents' of neo-liberalism and neo-conservatism. Neo-liberalism views the market as an instrument of moral regeneration; market exchanges and incentives facilitate social co-ordination and human progress; neo-conservatism sees the same attributes in self-reliance and commerce founded on consolidated traditional knowledge; with local cultural institutions such as family and community inculcating value systems. Both ideologies share a belief in free market values, and an antipathy to the state as inefficient (neo-liberalism) overburdened and under-disciplined (neo-conservatism). Using professional linguistic analysis Linder separates out multiple meanings of a partnership as follows:

- Management reform: A neo-liberal meaning that expects from government managers market skills rather than administrative procedures - finding new markets, making deals, enhancing productivity, and staying ahead of the competition.

- Problem conversion: A neo-liberal interpretation whereby government managers function in order to promote private business growth, by commercializing problems, attracting entrepreneurs and soliciting private capital for individual projects.
- Moral regeneration: Both neo-liberal and neo-conservative, this attributes to partnerships a moral effect in giving the public a direct stake in community ventures.
- Risk shifting: Drawing from neo-conservative efforts to limit government expenditure, this indicates vigilance over public spending.
- Restructuring public service: Partnerships deregulate employment relations and enable moving from a public to a private workforce disciplined by the labour market.
- Power sharing: Replacing adversarial relations with co-operation and trust, litigation with negotiation, implying sharing of benefits, responsibility, knowledge and risk(Linder, 1999, pp. 41-48).

Linder's 'grammar of meanings' is wide-ranging enough for his ideas to recur repeatedly as we examine different aspects of PPPs. It is especially useful in praxis, when partners come from different backgrounds of government, politics or the private sector to become transitional players in the PPP game. In a scenario where the term *partnership* conveys strong normative premises and is saturated with political and social intentions and motivations, Linder's collaborative paradigm serves as an antidote to ambiguity (SCHARLE, 2002, p. 235).

Far from being definitive however, Linder's work kick-started a trend among scholars to draw intellectual links between PPPs and the New Public Management. These writers differentiated between the procedural and accountability norms of the NPM paradigm and the Progressive Public Administration (PPA) paradigm that preceded it. The changes included a shift in emphasis from policy-making to management, from process to performance, from hierarchies to competition, and from a uniform and inclusive public service to a variant structure of contracting and outsourcing (Hood, 1995, p. 95). Politically, the NPM was associated with Thatcher's Conservative government in the UK and the Reagan's Republican right in the USA (Mitchell-Weaver & Manning, 1991-92, p. 45) (PESSOA, 2008, p. 31). These administrations were committed to 'rolling back the frontiers of the state' and encouraged

the use of market forces in the provision of public goods (Vickers & Yarrow, 1988; Kay et al, 1986 in (Domberger & Rimmer, 1994, p. 440). Interacting with these developments were the ideas of the Virginia School, which applied economic models of market behaviour to bureaucracy and polity, thus providing intellectual rigour and contributing to the view that government failure is as real and prevalent as market failure. Inspired by a compulsion to reduce public spending and overcome poor managerial capacity in government, NPM's innovations aimed at reinventing institutional structures, modernizing the state, and improving the management of public enterprises by introducing the functioning principles of private firms (Hammami, Ruhashyankiko, & Yehoue, 1999). NPM suggested that government should shift from being a direct provider of public goods and services to a procurer and regulator, from 'rowing to steering'. This led to a crop of Alternative Service Delivery mechanisms, a set of alternative arrangements to supply goods and services that were earlier provided by public enterprises alone (deBettignies & WRoss, 2004, p. 135) (Bogason, 2008, p. 360). PPPs are well on their way to becoming the most significant of these ASD initiative (Allan, 2001, p. 1). PPPs involve a change in focus within the public sector from the procurement of assets to the purchase of services associated with those assets. They allow public authorities to focus on strategic priorities and leave operational management to the private sector (Hood, Fraser, & McGarvey, 2006, p. 42). Additionally, the dominance of neo-liberal thinking in the minds of public servants and policy advisors to governments has ensured that PPPs generate little political opposition (Coghill & Woodward, 2005, p. 84). Consequently, Governments have increasingly come to view PPPs as an alternative or complementary way to finance and manage complex infrastructure projects.

Building upon the same ideas of disenchantment with public sector services, Linder & Rosenau identify three underlying principles-*substitution logic*, *pragmatic logic* and *subsidiarity*- in the growth of PPPs in USA in the 1970s and 1980s (2000, p. 4). The motivations-cost reduction, public inefficiency, excessive bureaucracy- are similar to the NPM writers, but they see additionally a philosophical preference for a minimalist role for an 'inevitably dominant and coercive' state (Smith & Lipsky, 1992 in (2000, p. 4). *Substitution logic* implies that the state's expansion is inimical to the non-state sector, and the contraction of the state would lead to a corresponding increase in non-state activity.

Pragmatic logic implies a continuum of public-private policy relationships, whereby the sectors are seen as mixed and cooperative, not antagonistic and substitutive. Some responsibilities were divided, others shared. *Subsidiarity* posits a hierarchical relationship across levels of social and political organization, ranging from the family to the state with the public and private moving in the direction of greater interdependence (2000, p. 10). In practice, these three kinds of logic have conflated over time.

Grimsey & Lewis place the growth of PPPs in the same political context, but attribute it to developments that are more specific and less generic. For most of the post-war period, government was the principal provider of infrastructure in the western world. But the pressure to reduce public debt and improve public facilities made it imperative on governments to look to private sector finance, and invite private sector entities to enter into long-term contractual agreements for construction or management of public infrastructure, or the provision of services by the private sector entity to the public on behalf of a public sector body (2002, p. 107). They summarise these trends asunder:

- *The Changing Market for Public Services*. Changing attitudes to the way in which public services are produced and delivered to the public, allowing public services to be provided by public and private sector bodies working in a partnership.
- *The Private Financing Model*. The refinement of project finance techniques to 'engineer' finance to suit PPP structures.
- *The Concept of Partnering*. Little known to economic commentators, concepts of 'partnering' developed in the engineering construction and provided an intellectual backdrop PPPs (2004, pp. 51-2).

The last of the ideological explanations is provided by Greve and Hodge (2005) (2007) who divide scholars into two groups: who view PPPs as a 'tool of governance' and as a 'language game' respectively. As a tool of governance, PPPs involve private finance, cooperation and risk sharing, and embrace a wide variety of models and organizational, financial and stakeholder relationships (Rosenau, 1999)(Perrot & Chatelus ,2000)(Savas 2000) (Osborne,2001)(Van Ham & Koppenjan 2001, 2002) (Grimsey and Lewis 2004) (Klijn and Teisman 2005). As a language game, the PPP terminology is seen as a deliberate attempt to

dilute the hostility evoked by the language of privatization and contracting, and persuade more people to enter the dialogue on alternative service provision Linder (1999)(Savas ,2000) (Teisman and Klijn ,2002).

Despite their diversity, and a time span ranging from 1999 to 2005, there is uniformity and a recurrence of ideas- partnering, NPM, innovative financing- in the ideological explanations for emergence of PPPs. It is also striking that the literature on the ideological roots of PPPs are exclusively focused on western developed economies. What then explains the popularity of the PPP in emergent economies with a very different political and historical lineage? Certainly the same contextual conditions did not prevail in a country like India, yet NPM did leave its stamp on Indian economic and political thinking. This is a lacuna in extant literature that we address in Chapter 4 where we study the political and economic context that influenced the growth of PPPs in the Indian context.

- Historical Roots of PPPs.

An offshoot of the effort to trace the PPP's ideological roots to a point in historical time is the endeavour to travel even further back in time to find its antecedents (Wettenhall, 2003) (Wettenhall, 2005) (Grimsey & Lewis, 2005) (Greve & Hodge, 2005). These writers locate the PPP in the wider space of the public-private debate, seeing nothing new in the mixing of public-private endeavours.

The question of what should be private and what should be public has engaged economists for centuries, and the tension has manifested in cyclical changes of public policy. History is dotted with illustrations of 'private contracting in the public sphere' with examples as far back as Mathew the private tax collector from the Bible; private cleaning of public street lamps in 18th-century England; private railways of the 19th century; and the mercenaries in Sir Francis Drake's English fleet that defeated the Spanish Armada in 1588 (Wettenhall, 2003). Wettenhall identifies 'nine theatres of public-private mixing in history': privateer shipping, mercenary armies, trade, commerce and colonial expansion, treasury organization, public government-owned enterprise, mixed enterprise, inter-sectoral collaboration on agriculture, health and education, private provision of public infrastructure and hallmark events. He demonstrates that the mixing dates over centuries, and produced positive

outcomes (Wettenhall, 2005). Other examples abound: the private ownership and operation of transportation facilities in Europe and the USA (Albert, 1972)(Lorrain, 1994)(Giglio, 1997)(Miller, 2000) in (SCHARLE, 2002, p. 229); the Concession model to finance public infrastructure and commercial public services in the 17th century France (Grimsey & Lewis, 2005, p. xiii); the commercial company Falck that has collaborated with the Danish public sector for nearly 100 years (Greve & Hodge, 2005, p. 3) (Greve & Ejersbo, 2005).

Governments have contracted with the private sector to provide physical infrastructure regularly over the ages, and wrestled with efficiency, service quality, and accountability issues (Hodge & Greve, 2007, p. 545). PPPs are simply the latest chapter in the book. Delving into the history of mixed enterprises enables us to benefit from the lessons of the past in the designing and implementation of present and future PPPs (Wettenhall, 2003) (Wettenhall, 2005).

- Theoretical Interpretations.

Historical explanations limit the PPP to a point in time, organization theorists overcome this by evolving generic explanations of what constitutes PPPs using the transaction cost economics framework. TCE asserts that governance structures are the means to mitigate transaction costs of economic activity arising from bounded rationality and opportunism (Silverman, 2005, p. 468) (Barney & Hesterley, 1996, p. 118). Early TCE recognised two diametrically opposite structural models of the firm, markets and hierarchies. Alternative organizational economic structures that are neither hierarchy nor market were labelled as Hybrids and acknowledged only peripherally. This perception changed over time. Initially seen as unstable (Williamson, 1975), these intermediate forms were later acknowledged to occur as often as markets and hierarchies (Williamson 1985). The study of hybrid organizational structures extends Coase's original question: Why do firms exist? Hybrids exist because they have stronger incentives and adaptive capabilities than hierarchies while offering more administrative control than markets. Therefore, hybrids are well suited for transactions that require a mix of adaptation and control (Williamson, 1991a). TCE thus offers a framework to infer which mode of transaction-market, hierarchy or hybrid- best governs a given transaction and what contractual provisions are likely to support exchange (Silverman, 2005, p. 474) (Ouchi, 1980, p. 129). Research on hybrids focused on long-term

contracting (Joskow, 1985), joint ventures (Hennart, 1991), and networks (Thorelli, 1986; Powell 1987) (Barney & Hesterley, 1996, p. 122). 'Boundary-less', or 'network' organisations strengthen opportunities for innovation through closer collaboration and reduce costs through the mutual achievement of business objectives based on cooperation around respective competitive strengths (Silverman, 2005, p. 468).

The change also occurred in the concept of the public organization. Writing in 1974, Dwight Waldo discussed the future organizational scenario. "First... (there is) a trend away from bureaucratic organization-that is, hierarchical organization characterized by acceptance of authority, discipline, regularity, sharply delineated competencies and positions, a career within the organization,...(toward) temporary, collegial, and organic style of organizations. Second, there is wide agreement that 'mixed' organizations will have an increasingly large role. By 'mixed' is here meant organizations in which the traditional attitudes, values, and rules of 'public' and 'private' are mixed and mingled, to the extent that these old categories become meaningless for at least a large part of the organizational world. Third, it is widely observed that because society is so complex, the scope of problems so large, the chains of cause and effect so long and complicated, the demands of the future will rest not so much on the efficient management of single, discrete organizations but on the – there is no good word here: 'management'? 'coordination'? - of chains, complexes and systems of organization. Fourth, there is now a large literature calling attention to the growth of super-, or multi-, or transnational organizations.... Now, these four trends are of course not to be thought of as independent phenomena. They overlap and intertwine, each being more or less an aspect of the other. Much of what is seen as taking place is captured in Harlan Cleveland's dictum: 'The future is horizontal.' There is a growing realization of the complexities of inter-organizational alliances and networks as well as the challenges and opportunities they present in the functioning of many public, private and non-profit organizations (Bogason P., 2000) (2005) (2008, p. 360). 'Iron cages give way to plastic nets, or ...bureaucratization gives way to *filetisation* and bureaucracy gives way to *filetarchy*". (Kelman, 2007).

The Organizational Economics approach to PPPs has spawned a separate stream of literature that examines the PPP through the Transaction Cost Economics framework, Agency Theory,

Network Theory, and Strategic Alliances theory. Organization Theory thus offers a complete framework that is sufficient in itself not just to understand what constitutes a PPP but also explain its rationale (Fourie & Burger, 2000) (deBettignies & WRoss, 2004); as well as to examine several aspects of partnership such as competition (Fourie & Burger, 2000) (deBettignies & WRoss, 2004), collaboration (Campbell & Harris, 1993), vertical integration (deBettignies & WRoss, 2004), contractual arrangements (deBettignies & WRoss, 2004) , non-contractibility (Campbell & Harris, 1993) (Hart, 2003) (deBettignies & WRoss, 2004) and empirical studies (Daniels & Trebilcock, 1996) (Abdel-Aziz & Russell, 2001). In fact, the dyadic relationship between the public and private partner can be completely explained through the theoretical lens of Organization Theory.

But the PPP is not just a marriage, but an Indian marriage. In line with the general criticism on the discipline (Granovetter, 1985)(Podolony,1994)(Uzzi, 1997)(Oliver, 1997) (Roberts & Greenwood, 1997) in (Silverman, 2005, p. 481) , organization economics falters in studying the PPP in a societal context, its public interest and policy implications. The partnering relationship is not just between the private and public entities, but takes place in a larger context of society and citizenry. Public interest issues therefore become important, which Organization theory fails to address.

- A Taxonomy of PPPs.

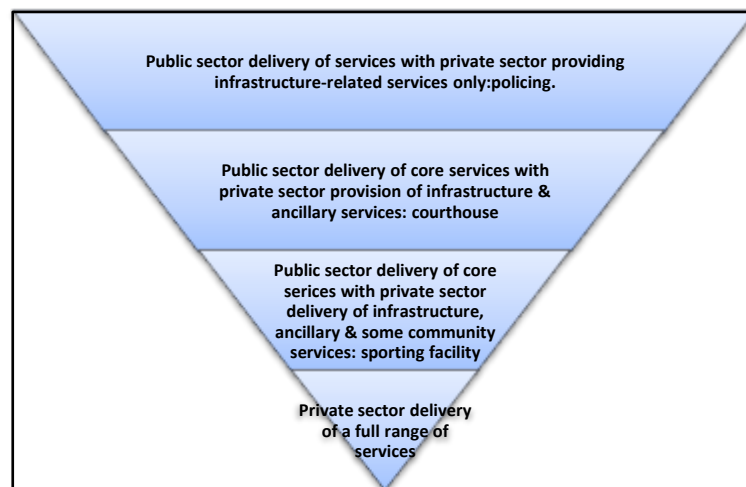
Given the diversity of organisational structures compatible with the PPP label, several classification systems have been used to impose order on the range of included entities or categorise individual partnerships. Different principles of classification are found in the public-private-partnership literature.

One method is to view PPPs as one node on a ladder of institutional arrangements for the delivery of public goods or services by the government to the people. Government essentially has policy options ranging from free markets to pure public enterprise for public infrastructure delivery (deBettignies & WRoss, 2004, p. 137). The spectrum of different forms of a relationship between government and the private sector include public provision-public payment; private provision-public payment (i.e. contracting); private provision including finance- public contract, (i.e. a private finance initiative); Private

provision, including finance-public regulation(i.e. privatisation); private provision, private payment (Corry, 1997 in (Fourie & Burger, 2000, p. 2)).

A range of options is also possible from simple infrastructure provision to a project in which both infrastructure and services are delivered (Department of Treasury and Finance, UK, 2001 in (Hodge G. A., 2004, p. 38) (Grimsey & Lewis, 2002, p. 109).

FIGURE: A TAXONOMY OF PPPS.



An alternative method of classification is to take any one aspect of the PPP arrangement and categorize its manifestations. Kernaghan classifies PPPs on the basis of power sharing, using this criterion to differentiate *collaborative partnerships*, where there is real power sharing, with each partner exercising power in the decision-making process; *operational partnerships*, which he characterises as sharing work, rather than decision-making power; *contributory partnerships* in which one of the partners provides support, usually in the form of funding, for an activity in which it will have little or no operational involvement; and *consultative partnerships* in which a public organisation receives advice in respect of a particular policy field or issue (Kernaghan 61 – 65) in (Allan, 2001).

Somewhat similar in coverage is a classification systems used by Rodal and Mulder, which situates partnerships on a continuum ranging from *consultation*-which they view as playing a central role in partnership arrangements-through *consultative, advisory partnerships* to *operational and collaborative partnerships*, to *devolution*, which denotes the transfer of

functions or responsibilities for the delivery of programs and services from government to another entity. They also note that partnerships may be classified with respect to their purposes or objectives, distinguishing among partnerships intended to achieve *service responsiveness* by facilitating client input; those for which the primary objective is *empowerment* of clients and stakeholders; those directed at *improved effectiveness*; and, finally, partnerships designed to achieve *risk sharing, cost savings, or the leveraging of scarce public funds*. Classification is possible by reference to the central activity undertaken- for example, policy development, program design, program delivery, etc.; the identity of the partners; and the mechanisms involved, e.g., *voluntary arrangements ; legally binding arrangements; project-specific; long-term arrangements* (31-33 in (Allan, 2001).

Practitioner literature has evolved its own classifications. The Private Finance Initiative in the UK uses a relatively simple system, distinguishing three fundamental types of PFI projects : financially freestanding projects, undertaken by the private sector with cost-recovery by means of user-charges ; projects that involve sale of services to the public sector, with costs being recovered from the relevant public body or bodies by these sales or lease proceeds (privately financed prisons, provision of rolling stock to state railroad lines); joint ventures, where the cost of the project is met partly from public funds and partly from private sources, with overall project control resting with the private sector (1- 2 in (Allan, 2001, p. 10)).

A detailed partnership typology that is predicated upon outcomes is proposed by the Treasury Board Secretariat, Canada. It identifies nine distinct classes of outcomes or objectives, including partnerships 'to create, replace, refurbish or maintain public infrastructure' and those 'to reduce the overall cost of government procurements/expenditures'. Since the diversity of public-private partnerships would suggest that some variant of this organisational form could be used to achieve virtually any outcome, and given that the range of possible objectives is practically unlimited, this approach is criticised as not particularly useful (Citizen-Centred Service 10- 11) (Allan, 2001, p. 10).

A system that has been used quite extensively for infrastructure projects by the Canadian Council for Public-Private Partnerships and by the B.C. Taskforce on Public-Private Partnerships also situates the partnership variants on a continuum which reflects the degree of risk transferred from the public to the private sector. The continuum thus runs from a 'contribution contract' - which involves a private-sector contribution to a public facility, with minimal risk-transfer to the private sector - to a 'buy-build-operate' partnership (BBO) in which the private partner purchases an existing public facility, upgrades, owns and operates it in perpetuity, thereby assuming all the risks formerly borne by the public sector. The other partnership forms are established by situating at appropriate positions on the risk continuum feasible combinations of the functional activities in which the partnership is engaged. Thus, PPPs may undertake some combination of the following functions: Design (D); Build (B); Finance (F); Operate (O); Maintain (M); Own (O); Transfer (T); Lease (L); Develop (D); and Buy (B) (Report 9 in (Allan, 2001, pp. 10-11) (http://www.pppcouncil.ca/aboutPPP_definion.asp).

The basket of options that a PPP offers forms a typology on its own:

- Build-Lease-Operate-Transfer: The private sector designs, finances, constructs and operates a new infrastructure facility on public land under a long-term lease, and transfers it to the public sector at the end of the lease term.
- Build-Own-Operate: The private sector finances, builds, owns and operates a new infrastructure facility or service in perpetuity under public constraints stated in the contract and regulatory oversight.
- Build-Own-Operate-Transfer: The private entity receives a franchise to finance, design, build, operate a new infrastructure facility and to charge user fees for a specified period, after which ownership is transferred to the public sector.
- Buy-Build-Operate: Transfer of an existing public asset to a private or quasi-public entity under contract that the assets for upgradation and operation for a specified period, with contractual public control.
- Design-Build: The private sector designs and builds new infrastructure to meet public sector performance specifications for a fixed price so risk of cost overruns is transferred to the private sector.

- Design-Build-Operate: A design-build contract for construction of publicly owned infrastructure, followed up by an operating and maintenance contract.
- Lease-Develop-Operate: A private or non-profit operator, under long-term lease, expands and operates an existing public facility, which is publicly owned and transferred back to the public sector at the end of the lease term.
- Operation and Maintenance Contract: The private operator, under contract, operates a publicly owned asset for a specified term.
- Service Contract: Similar to an operation and maintenance contract, except that any assets remain privately owned.
- Operation License: A private operator receives a license or rights to operate a public service for a specified term.
- Finance Only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as long-term lease or bond issue.

(Devapriya, 2006, p. 558) (Evans & Bowman, 2005, p. 64) (Grimsey & Lewis, 2004)

The most important observation that may be derived from a consideration of the several classification systems is that there is no single typology that can be identified as the most useful or informative. For some purposes, one system may be best, while for other purposes alternative classifications may be more informative. In any given context, we may choose the particular classification that best illuminate particular dimensions that are our greatest concerns (Allan, 2001, p. 9). So also, the practitioner faces the choice of appropriate choice of PPP design to suit a particular public purpose.

3.5.4. PPPS AS A DISTINCT ORGANIZATIONAL ENTITY.

- PPPS and other Public-Private Arrangements.

The policy allure of the PPP lies in its promise of a new way of managing and governing public service delivery. Yet public-private cooperation has existed over history (Wettenhall, 2005), with the demarcations of public and private spheres fluctuating over time (Linder & Rosenau, 2000, p. 2). If PPPs are one node in the spectrum of private-public involvement (deBettignies & WRoss, 2004, pp. 137-8), it becomes important to isolate its distinctiveness within the broader range of government-business models (Grimsey & Lewis, 2005, p. xix).

- PPPs vs Privatization. For many PPP researchers, privatization is an unhappy legacy they are anxious to shed. Nevertheless, the same intellectual movement of NPM spawned both privatization and PPPs. PPPs are criticised as privatization masquerading in another name; public sector unions in particular see PPPs as ‘rebadged privatization’ (Coghill & Woodward, 2005, p. 81). This throws an interesting sidelight on the notion of the PPP as a ‘language game’, a camouflage that seeks to sidestep the unpopularity of privatization. The relative newness of the term PPP, and its emphasis on partnership rhetoric rather than private gain, dilutes resistance and helps bring more persons into the dialogue (Savas, 2000) (Allan, 2001) (Greve & Hodge, 2005) (Teisman & Klijn, 2002, p. 197). It is also seen as symptomatic of the trend in public management reform of renewing catchy titles and buzzwords from time to time (Greve & Hodge, 2005, p. 7).

While conceding the PPP’s derivative status (Teisman & Klijn 2002), scholars however point to substantive differences between privatization and PPPs. Privatization, unlike PPPs, seeks to shift the locus of production from the public to the private sector (Starr, 1988, p. 11). In PPPs, the government assumes ultimate responsibility for the service delivered by private means, and the regulation is contractual, not statutory or market-imposed (Gerrard, 2001). The partnership ethic hinges on cooperation, not competition (Linder, 1999, pp. 36-49). The lack of public opposition to PPPs is due to the understanding that ultimately the public asset will revert to public ownership, quite different from privatization’s inclination to ‘sell the family silver’ (Coghill & Woodward, 2005, p. 90). Therefore, a public-private partnership is differentiated from a privatisation by the fact that the public sector retains a substantive role as procurer, regulator and ultimate owner (Allan, 2001, p. 1).

- PPPs and Contracting-Out.
In the spectrum of market-models for public service delivery, contracting out and outsourcing are the PPP’s closest cousins. PPPs involve elements similar to those contracting-out (Domberger & Rimmer, 1994), and have been called an extension of contracting-out. ‘Contracting-out remains the foundation of modern P3s’ (deBettignies & WRoss, 2004, p. 138). Nonetheless the PPP incorporates more intricate financing, organizational and contractual issues: The private sector provides both the capital asset and the services, and shares decision-making and responsibility ; relational transparency is imperative. Whereas

contracting is a short-term, arms-length relationship, with the public organization defining problems and delivery specifications; a PPP is a whole of life cycle approach to service delivery with a continuing commercial incentive for synergy (Allan, 2001, pp. 1-2, 8). The approach to employment relations practices is widely different: in short-term outsourcing contracts employment terms and working conditions are a cost factor to minimize, whereas the PPP actively seeks to promote positive work attitudes and best practice approaches to staff management (Indridason & Wang, 2008, p. 82).

- PPP and Conventional Procurement.

Conventional procurement is the most usual point of comparison for the PPP both financially (this being the logic behind PFI's 'Public Sector Comparator' in UK) and organizationally. A signal distinction of the PPP is its incorporation of vertical integration and bundling arrangements, unlike traditional infrastructure procurement, where construction and operation are discrete activities (Domberger & Rimmer, 1994, pp. 391-4). Though both harness private sector management expertise, the PPP additionally builds in incentives for cost-reduction and efficiency (Grimsey & Lewis, 2007, p. 127). The PPP sidesteps certain weaknesses identified with traditional procurement such as short political tenure, rent seeking behaviour and 'putting on a good spin', by its increased transparency, an output driven approach, and the inclusion of private risk capital in public infrastructure (Flyvbjerg *et al*, 2002). The PPP signals a changed role for the public sector, from client to development partner; simultaneously placing increased contractual obligations on the private sector (Smith, 1999 in Grimsey & Lewis, 2004).

TABLE 3: 2: PPPS VS OTHER PUBLIC-PRIVATE ARRANGEMENTS.

Aspect.	Public Production & Provisioning	Conventional Procurement	Out-Sourcing	Contracting-Out	Privatization	PPP	Citations
Ideology	Fabian Socialism Progressive Public Administration	Fabian Socialism Progressive Public Administration	New Public Management Neo-Liberalism	New Public Management Neo-Liberalism	New Public Management Neo-Liberalism	New Collaborative paradigm; Neo-liberalism & Neo-conservatism	(Stewart-Smith, 1995) (Starr, 1988) (Linder, 1999)
Ownership of Business	Public Agency/ Govt	Public agency/ Govt	Public Agency/ Govt	Public Agency/ Govt	Private firm takes over the business. Public sector is disengaged.	Public sector acquires and pays for services from the private sector for concession	(Grimsey & Lewis, 2005) (Gerrard, 2001)

						period.	
Ownership of Physical Assets	Public Agency/ Govt	Public Agency/ Govt	Public Agency/ Govt	Public Agency/ Govt	Transfer of physical assets to private ownership	Ownership is retained by the public sector/ transferred back at the end of the concession period.	(Grimsey & Lewis, 2005)
Responsibility	Public Agency/ Govt	Ultimate responsibility to public with Public Agency/ Govt; Private agency responsible to extent of work	Ultimate responsibility to public with Public Agency/ Govt; Private agency responsible	Ultimate responsibility to public with Public Agency/ Govt; Private agency responsible	Private sector assumes ultimate responsibility for service delivery.	Public sector retains ultimate responsibility for service-delivery. Private sector	(Grimsey & Lewis, 2005) (Gerrard, 2001)

		order	to extent of work order/agreement.	to extent of contract.		responsibility limited to improved service delivery	
Accountability	Public sector	Public sector to public; private agency to govt	Public sector to public; private agency to govt	Public sector to public; private agency to govt	Private Sector	Both public and private partners jointly accountable	
Role of State	Decision-making, Design, Construction, Service Delivery, Maintenance.	Specifications; Tendering; Monitoring.	Specifications ; Tendering; Monitoring.	Specifications ; Tendering; Monitoring; any other specified by contract like Land Acquisition.	Sovereign public interest role	To set an improved performance regime standards	(Gerrard, 2001)
Role of	No role	Meeting	Meeting	Meeting	Complete	Shared role	

private partner		specifications and timeline; no cost overruns	specifications and timeline; no cost overruns	contractual obligations	role	in Decisionmaking, Risk management and innovation.	
Competition	Natural monopoly	Recurrent Competition for specific works	Recurrent Competition for specific works	Opening up to competition economic activities that were previously excluded from it	Competition from product & capital markets	Ex-ante Competition for the market not competition in the market	(Grimsey & Lewis, 2005)

Regulation	The provider is also regulator-considered anomalous. Independent regulator also experimented with. Rules imposed by legislation, regulation subsumed within state ownership.	Public agency is regulator	Public agency is regulator	Public agency is regulator	Regulatory regime possible if monopoly: price or ROR regulation.	Passive regulation: Regulation by concession-contractual governance Govt agency can act as regulator	(Grimsey & Lewis, 2005) (Gerrard, 2001)
Complexity	Hierarchical governance to minimise complexity	Non-complex	Non-complex	Degree of complexity may vary according to project	Invisible Hand of market	Intricate financing & organizational/contractual issues	(Grimsey & Lewis, 2005)

						involved	
Focus	Procedure/process	Procurement procedure	Selection procedure	Tender procedure	Profit	Outcomes Outputs	(Grimsey & Lewis, 2005) (Gerrard, 2001)
Life	Whole of life cycle	Job-specific	Job-specific	As specified in contract	Whole of life cycle	Asset creation/renovation & maintenance: whole of life cycle contract	(Grimsey & Lewis, 2005)
Risk	Public Agency	Public Agency	Public Agency	As specified contractually	Private Agency	Shared risk Sophisticated Cost-effective	(Grimsey & Lewis, 2005) (Gerrard, 2001)
Decision-	Public Agency	Public Agency	Public	Public	Private	Shared	(Grimsey &

making			Agency	Agency	Agency	decision making: collaboration & Trust	Lewis, 2005)
Incentives	Public sector values	Promptness and Quantum of payment	Promptness and Quantum of payment	Promptness and Quantum of payment	Profit and private incentives	Both public value and private profit	(Grimsey & Lewis, 2005)

- PPP s as Entities with Distinct Characteristics.

Given such a broad spectrum of avatars, it becomes important to understand PPPs not definitionally, but as an institutional arrangement, which has a set of distinct characteristics (Fourie & Burger, 2000, pp. 305-6) (Grimsey & Lewis, 2005). The PPP arrangement also throws up its own unique set of problems and issues that are different from those in the business or public policy space. This distinctiveness is not just the key to understand what PPPs are, but also the best way to utilise them as a policy tool. The PPP's distinctive characteristics are based on sound economic principles, as well as a workable set of practices. This is the attractiveness of the PPP to theorists and practitioners alike. It is a pragmatic approach, which draws on theory, but is workable in practice. Our approach to the PPP emphasises its distinctiveness, we approach it as a governance structure with defining characteristics and design elements, all of which are integral to our understanding and its utility. To do this we will use using the overarching framework of Public Interest and Accountability, Private Profit & Efficiency and Organizational Design. Before this however, we need to examine another question that has intrigued researchers: 'Why PPPs ?'

3.5.5. WHY PPPS: RATIONALE FOR THE PPP PARADIGM.

As Hodgson elegantly puts it: "It would be prudent of any professional to ask the simple question 'Why?' (Hodgson, 1995, p. 67). Literature has studied the rationale for the ppp paradigm and come up with several answers. We classify these as Economic, Political, and Theoretical reasons for the adoption of ppps.

- Economic Reasons.

Possibly the biggest advantage of ppps lies in their role in providing substantial infrastructure (Coghill & Woodward, 2005, p. 82). The Kenniscentrum, the PPP expertise centre of the Ministry of Finance, Netherlands states: "International experiences show that a faster and more efficient implementation of infrastructure projects is possible by means of public-private partnership" (Kenniscentrum, 1998 cited in (Klijn & Teisman, 2005). PPPs' appropriateness and potential for meeting the massive investment needs of infrastructure, from among the array of procurement options available to governments, stems from specific features. PPPs offer a conduit for upfront private investment in large projects, allowing cash-strapped and debt laden governments a way to finance infrastructure

investment without straining public resources (Reijniers, 1994, p. 137) (Linder, 1999, p. 45) (Grimsey & Lewis, 2004) (deBettignies & WRoss, 2004, p. 146) (Nataraj, 2007) (Young, 2007, p. 58). They achieve this by introducing very different incentives into the procurement process; such as market discipline (Linder, 1999), cost-effectiveness (Fourie & Burger, 2000, p. 305) (Allan, 2001, p. 2) (Gerrard, 2001) competitive approaches, commercial management (Devapriya, 2006, p. 557), bundling, selective risk transfer (Allan, 2001, p. 3), and investing control rights with the private sector (Grimsey & Lewis, 2007, p. 172). Since many infrastructure projects are undertaken rarely, it does not make economic sense to employ highly trained, full-time personnel to manage these complex projects. Private expertise is preferable as economies of scale apply (Young, 2007, p. 58). Instruments such as toll and user fee allow a direct stream of payment from user to investor, so that governments need not resort to taxation. By serving as a vehicle for the injection of private-sector financing into larger projects, ppps free up resources available for the provision of public goods and services in social sectors such as education and health (Allan, 2001, p. 2) (Young, 2007, p. 60). The 'third way' of ppps offers an antidote to both government failure and market failure (Devapriya, 2006, p. 557); what Linder calls the 'logic of load shedding' without full privatization (Linder, 1999, p. 46). From the private sector perspective, ppp is a conduit for capital funds looking for investment opportunities (Reijniers, 1994, p. 137) (Corriganetal, 2005) (Hodge & Greve, 2007, p. 552) (PESSOA, 2008, p. 313). The more rigorous scrutiny contingent on private sector financing is believed to guard against white elephants common in the public sector (Hodge & Greve, 2007, p. 552) (Sadka, 2007, pp. 472-3) (Hammami, Ruhashyankiko, & Yehoue, 1999, p. 5).

- Political Reasons.

Why have PPPs become so popular so quickly on the public policy landscape? Are they a passing political fad or a realistic policy option? One factor determining the sustainability of ppps vis-a-vis other arrangements is whether it is a politically advantageous option for governments. If governments are primarily motivated by the desire to remain in office, the electoral incentives of ppps for governments are high, and documented in literature. Ppps promise quicker delivery of infrastructure desired by the electorate, and politicians can earn kudos from announcing new projects that provide employment and enhance the voters' lives (Coghill & Woodward, 2005, p. 82). Further ppps make such projects available 'at seemingly no cost', thus avoiding politically unpopular taxation and reducing public debt

(Coghill & Woodward, 2005, p. 82). This has the advantage of making governments appear efficient financial managers, receiving the approbrium of international agencies, credit-rating agencies and financial journalists. Initial experiments with ppps in UK and Australia have been observed (and at times criticised as 'window dressing') for carrying out an activity off budget and thus making government accounts look good (deBettignies & WRoss, 2004, p. 146) (Sadka, 2007, pp. 467,482-3). At the same time, they are a 'convenient half-way house' (Domberger & Rimmer, 1994, p. 441) between public production and private ownership, avoiding difficulties associated with privatization by retaining public sector involvement. Ppps enable a continuing association and positive relationships with the business community which is an important constituency and source of electoral funding (Hodge & Greve, 2007, p. 552). For governments who lay claim to a reformist agenda, ppps are a visible sign of rejuvenating a flabby and outdated civil service by the injection of private sector practices (Hodgson, 1995, p. 68) (Starr, 1988, p. 42) (Beato & Vives, 1996, p. 3)(Daniels & Trebilcock, 1996) (Parker & Hartley, 2003) (Fourie & Burger, 2000, p. 307). More seriously, they are regarded as an anti-dote to the short-termism of governments which ignore economic signals by insulating politicians and bureaucrats from personal responsibility. (Grimsey & Lewis, 2007, p. 172) (Gerrard, 2001, p. 49)(Engel, Fischler, & Galetovic, 1997, p. 71).

- Theoretical Reasons.

For a theoretical rationale for public private partnerships, we turn once again to organizational economics, but this rationale is so self-evident as to overlap with other disciplinary literature. Their core argument rests on the concept of resource complementarity (Barney & Hesterley, 1996), the idea that ppps provide a flexible framework for the synergy of the skills and advantages of both the public and private sectors for the generation of surplus value (Ghere, 1996 cited in (Rosenau, 1999) (Gerrard, 2001) (Klijn & Teisman, 2005) (PESSOA, 2008, p. 315). Resource complementarity and partnering mark the start of the 'marriage' metaphor as a popular ppp descriptor. In essence, the public sector brings its assets- legitimacy, social responsibility, political will, eminent domain, taxation powers- which in combination with private sector efficiency, finance, technological expertise and entrepreneurial spirit can best serve public needs (UNDP, 1998 in (Rosenau, 1999) (Ojha, 2008) (SpecialReport, p. 20) (SCHARLE, 2002, p. 228) operation. (Parker & Hartley, 2003, p. 98) (Reijniers, 1994, p. 138) (Gerrard, 2001, p. 49)

(KAMIENIECKI, SHAFIE, & SILVERS, 1999, p. 114) (Mendoza & Vernis, 2008, p. 391). There is an expectation of mutual give and take and sharing. (Linder, 1999, p. 47) (Grimsey & Lewis, 2005, p. xxi), a collaborative spirit where negotiation substitutes litigation (Ahadzi & Bowles, 2004). Some writers expand this dyadic relationship, viewing ppps as a 'four-legged stool' that includes the non-profit sector and stakeholders as well (Corriganetal, 2005, p. 10). While sceptics have questioned whether this mutuality is borne out in practice (Rosenau, 1999, p. 218) (Coghill & Woodward, 2005, p. 83), and empirical evidence exists that is both supportive and contrary (Wettenhall, 2003) to it, this has not eroded the enduring allure of the collaborative paradigm.

Proponents of private participation in the delivery of public goods in general, and PPPs in particular, argue the government should concentrate on the establishment of a framework within which private organization function, and leave the actual delivery of services to the private sector. They argue that the use of PPP will reduce the burden on taxpayers by introduction of private capital, private expertise and competitive business practices that will improve efficiencies in the delivery of public services. The private sector ethos will also improve the effectiveness of delivery. In addition, PPPs will also be successful in avoiding the ill effects of bureaucratic, mechanistic and politicized operation of public organizations (Adams, Young & Zhihong, 2006). In the context of large infrastructure developments, Grimsey & Lewis (2005) argued that using PPPs to pass on the risks to the private sector will avoid schedule delays and project cost overruns in publically funded infrastructure projects. Similarly, Abdel & Ahmed (2007) argued the PPPs will lead to standardization of processes and improvements in performance of projects . (Ojha).

A PPP, even its least advantageous form of a PFI, may have another advantage when political economy considerations are taken into account. True, PPPs may allow the government to shift public investment off budget (and out of the public eye). But one has always to bear in mind than in many political systems, especially with multiparty coalition governments, the alternative to spending money on PPPs may be spending money on other budget items, such as current government consumption or transfer payments. For instance, the treasury may put forth to a cabinet meeting its proposed budget for the coming year, concentrating first on some general guidelines such as certain caps on total expenditure,

total revenue, and the overall budget deficit (or surplus). Explaining to cabinet members that these caps are essential to enhance economic growth and macro and financial stability, the treasury may be able to obtain unanimous cabinet approval of its proposed caps. The real hurdle, however, comes later when allocating total expenditure. In a coalition government composed of many small parties and sometimes even without the prime minister's party enjoying a solid majority within the government, it is quite hard, if not impossible, to resist demands by cabinet ministers to allocate money to their constituencies.³⁰ Public investment tends to take a long time and the benefits can take much longer to show up; also, the benefits tend to be spread over very large populations.³¹ Therefore, political parties may not be particularly interested in public investment. Thus, in the budget approval process, either at the government level or more often at the parliament level, public investment may well be cut in favor of other spending (such as defense³² or social transfers to the elderly). For this reason, there may be a preference to exclude certain public investment projects from the public budget and to propose lower caps on total expenditure and the budget deficit. It can then resort to PPPs to promote those projects that are fit for such partnerships. Furthermore, it may well be the case that, when a public facility is financed by the private sector, it is *politically* more feasible to impose a user charge, such as a highway toll. When a highway is financed by tax revenues, the users/taxpayers may feel that they have a "right" to use the highway freely, as it was built with their own tax money. Moreover, in many cases, there is a widespread belief among civil service professionals that PPPs are the only means by which large public investment projects can be carried out without compromising fiscal sustainability. Notwithstanding this belief, fiscal responsibility may be seriously hampered unless all government liabilities in connection with PPPs—implicit or explicit, direct or contingent, and at all layers of government—are properly evaluated and recorded. (Sadka, 2007, p. 487).

3.5.6. A MARRIAGE OF CONVENIENCE? PROBLEMS AND DIFFICULTIES IN THE PPP ARRANGEMENT.

For all their popularity, pppls do not come without their detractors. We noted earlier the polarization of views that marks the ppp debate. Criticism of pppls emanates from two groups: the first is the group that is largely sympathetic to the partnership arrangement, but is clear-eyed in its recognition of the difficulties in implementing such an arrangement; the

second group is opposed to the ppp on ideological grounds, they attack the philosophical principles underlying ppp initiatives. The former is the most prolific, and comprises public policy theorists and legal and financial experts; the latter includes chiefly public policy writers. There has also grown a body of scholarship by organization economists, which places the problems and difficulties in a framework of theory.

▪ PRACTICAL HURDLES IN PPP IMPLEMENTATION.

- Conflicting Objectives. Both policy proponents and academic observers concede that the public-private partnership cannot of and by itself remove barriers to efficiency. They attribute disappointments to inherent differences in corporate culture and working methods and also conflicting commercial and public interests. 'The common goal is not as common as it seems to be at first' (Reijniers, 1994, p. 137) Policy literature is particularly sensitive to the fact that ppps involve multiple stakeholders whose interests are not always convergent. The government, as the prime mover, is confronted with a trade off between economic and social goals. Government objectives are rarely quantifiable, and the public sector is traditionally suspicious of the requirement of profitability, and apparently unaware of the possibility of losses. The interest of consumers, who play a policy role as electors and an economic role as users and tax-payers, is to have cost-effective and reliable service. Investors' primary interest is to maximize shareholder returns, so the private sector will only operate where certain profitability requirements can be met. Capital markets look for quick returns, which also may be inconsistent with the long-term investment requirements of infrastructure. So the pursuit of social benefits by the public sector and commercial benefits by the private sector simply do not go together naturally (Kessides, 2004) (OECD, 2003: 7)(Bakker, 2003a).(World Bank, 2001: 16) (Reijniers, 1994, pp. 138-39) (Ouyahia, 2006).

Efficiency may also be impaired by the different the different values held in the two sectors. The private sector places the emphasis on flexibility, while the public sector emphasises accountability. The private sector is efficient when the return on capital is maximised, while the public sector is efficient if it maximises return within the constraints of public policy goals. Public administration is expected to be accountable and transparent. Private enterprises particularly, financial institutions are resistant to disclosure of their moves. (SCHARLE, 2002, p. 228).Flexibility and accountability, transparency and confidentiality may

at times be in conflict, causing a decline in efficiency and in some cases even a breakdown of the PPP. (Fourie & Burger, 2000, p. 313).

- Cultural Differences. In such a scenario, a working relationship in a spirit of cooperation becomes essential. But this is complicated by the cultural differences between the different sectors. Frequently, a working relationship between the public and private sector partners can be difficult to establish, and dysfunctional once it has been. From the private sector's perspective, governments have little concern for the time and cost involved in a business relationship. Changes to process requirements, new selection criteria, delays in supplying important data and partisan political interference can be major irritants. The public sector partner is often charged with failing to grasp the centrality of the financial results of the partnership venture. On the other hand, from the public sector point of view, business partners are often highly insensitive to the political realities with which government must deal. Their expectations of time-lines are unrealistic. And, they think that the financial aspect of the partnership is the only thing that is important (CBSR, 2005).

Businesses and governments have very different operating styles and speak their own respective jargons, so much so that even arriving at a common language can be difficult. There are typical differences between the public and private sectors in relation to working methods, management approach, decision-making processes, and perception of risks. This creates a tension that underlies the problems that arise during the preparation and implementation of ppp projects. In the initial phase of the ppp project, such tensions do not yet have an impact, since the participants are eager to work together. After some time, and definitely after the contract is signed, changes in the principles, objectives and preconditions of the project sometimes lead to far-reaching financial consequences. Either partner may have stakeholders who are outright hostile towards collaboration of any sort and achieving any level of trust may be impossible..As Linder and Rosenau put it, "Ironically, there is a risk that these types of partnerships require so much social capital that it will be exhausted" (2000, p. 6).

- Recurrent Negotiations and Delay. Not every project goes according to plan, and bargaining and negotiations are an inevitable part of the ppp process (Ouyahia, 2006) (Ahadzi & Bowles, 2004, p. 967) (Grimsey & Lewis, 2005). PPP projects may take twice as much time as a privately run development. They unfold in the public spotlight. Projects never work out

exactly as planned, and if a project ends up costing more than originally planned, it could mean a new round of negotiations to get the funding or alter the design. The setting of prices can also unfold as a bargaining process as it involves conflicting interaction between investors and consumers. Plus, there's always the risk of lawsuits from those opposed to projects. 'A public/private partnership is a roller coaster of negotiation-you start at point A and end up not where you thought you would end up and you have to solve the problem. It just doesn't move as quickly as a private deal' (Jon S. Wheeler, president of Wheeler Interests, a Virginia Beach, Vancouver-based acquisition and development firm in (Tarrant, 2007).

- Backseat Driving. Government managers often believe that they can only fulfil its functions by maintaining close control over all aspects of a ppp project. Smith (1999) cites Hurst (1994) Price & Iverson (1996) that even in the UK where the PFI is a top-down initiative, governments retain control of projects through a complex approvals procedure or insist on independent supervision ; in Asia, the state is often involved at every stage of the project, going far beyond the usual planning rules, treating the private sector as though they were part of the public sector, leading an unnecessarily complex and restrictive, infrastructure project regime in which governments remain intimately involved at every stage and level (Hurst,1994, in (Smith, 1999).

There are several reasons for such micro-management. Public organisations have traditionally been managed differently from private organisations (Hood, 1995). Due process constrains public organisations, they cannot move financial resources easily and they are subject to political control and regulatory scrutiny (Pierre and Peters, 2000)(Juriado & Gustafsson, 2007, p. 53). Also, the public sector is not homogenous, and local regulations may conflict with the national. The major rationale usually put forward for governmental control of projects is that the government may, at some stage, become owner-operator of the project, by vesting of ownership at the end of the concession period, or in the event of default. This concern might well be real, but the private partner may perceive this as unwarranted interference (Smith, 1999, p. 130).

All these encourage adversarial attitudes, stereotyped views and resentment in negotiations(Wilson *etal*,1995 cited in (Smith, 1999, p. 133) (Fourie & Burger, 2000, p. 313).

Entrenched bureaucracies, especially those used to running state monopoly utilities, are notoriously reluctant to surrender any control to private developers, and strongly resist the entry of private developers (Hurst, 1994 cited in (Smith, 1999, p. 133) Shields (1996) notes that a schism develops between those politicians and civil servants who embrace the ppp concept and those who adopt unhelpful attitudes. Though found typically at the lower levels in the administration, such persons are nonetheless not lacking in negative controls (Smith, 1999).

More serious are the contracting problems posed by the status of government as a party to the public/private partnership. Because of its inherent powers of legislative fiat, governments can abrogate contractual undertakings without having to compensate parties for the loss of their expectation profits. The existence of this power places understandable limits on the willingness of private sector developers to invest risk capital in these projects, thereby depriving government of at least some of the benefits from private sector involvement (Daniels & Trebilcock, 1996, p. 378).

- Predatory Private Interests. On the other hand, the unequivocal commitment to private profit implied in a ppp arrangement has also been criticised. Critics fear the public sector being replaced by the predatory interests of accounting firms, executives and shareholders of the private sector providers and management consultants (Davidson , 2005,p.15 in (Greve & Hodge, 2005, p. 17) (Hood, 1995, p. 95) (Linder & Rosenau, 2000, p. 6). “The privatized infrastructure developer’s ideal market would probably be one in which they were able to provide services to, or on behalf of government, to a captive market, at prices to be fixed solely by themselves, whilst at the same time being subject to an absolute minimum of regulatory or governmental control Unfortunately, however, history shows that this kind of laissez-faire approach does not work very well” (Smith, 1999, p. 129). The view is that, postconstruction of capital assets, the level of risk is minimal and the guaranteed rewards over the lifetime of the contract make for a very good deal. Disproportionate profits (Grimsey & Lewis, 2007), obscurity in the fine detail of risk allocation (Hood, Fraser, & McGarvey, 2006, p. 49), kickbacks and patronage, selection on particularistic non-commercial criteria (Linder, 1999, pp. 83-84) and a variety of subsidies, guarantees and barriers to competition (Trujillo, Cohen, & Sheehy, 1998, p. 11) have all been seen as potential or actual problems. The effort to find better ways to produce government services

is not mere nibbling around the edges of government. Public administration must not 'let the private sector excessively use the public credit for private gain'; it 'cannot have the private sector cherry-pick projects' (Giglio, 1997). (SCHARLE, 2002, p. 234).

- Financial Concerns.

One of the perennial objections to PPPs is that the private sector's cost of funds is more expensive than the government's cost of debt used to fund a traditional procurement. (Grimsey and Lewis, 2004a) (Grimsey & Lewis, Introduction, 2005). Payments under PPP schemes have also been criticised as a drag on government budgets as they involve significant fixed debt repayment charges which are said to limit the later flexibility of these bodies, by 'mortgaging the future' in return for immediate gains since payments are transferred to the future (Greve & Hodge, Introduction, 2005). Yet others suggest that there is no substantive risk transfer under a PPP, as has been the case with many privately operated toll roads in Europe (Trujillo, Cohen, & Sheehy, 1998, p. 11). Concerns are expressed about community access and user fees charged for access, particularly in Australia and USA. Harris (2006:1) (Harris, 1998:6) (Cox, 2005:8) (Clarke and Hawkins (2006) (Thornton, 2007). Underlying this is the fact that traffic forecasts are notoriously imprecise, future income projections become highly subjective and cannot be inferred from accounting data (Engel, Fischler, & Galetovic, 1997, pp. 68-71). Errors in demand prediction entail contract renegotiation. (Trujillo, Cohen, & Sheehy, 1998, p. 11). PPPs are said to require a degree of certainty as to the desired output specification and infrastructure required. For this reason, the conventional wisdom is that information technology projects are subject to such uncertainties and complexities as to render them unsuitable for PPP delivery (Grimsey & Lewis, 2007). It takes a long time (around 22 months in the UK and 12-18 months in Australia to agree the risk transfers, payments and terms that are acceptable to both parties)- imposing considerable legal and due diligence costs on both the contractors and public sector side (Grimsey & Lewis, 2007, pp. 179-85).

On the other hand, opponents criticize PPPs on various grounds. One group, that is largely sympathetic to PPPs, focuses on the improper implementation of PPPs. Domah and Pollit (2001) argued that PPPs in the power sector in the UK had increased profits for service providers but had resulted in a deterioration of service. They suggested that new regulation that had been implemented might transfer some of the gains from the providers to the

consumers. Lee and Findlay (2005), based on research in Indonesia, argued that PPPs in the context of partial liberalization may not obtain the objectives that could have been obtained with full liberalization. They argue for the need to implement reforms in all related arenas before benefits from PPPs can accrue. Similarly, Currie (2005) argued that implementing PPPs through new ownership structures, market mechanisms, and financing techniques may not be the solution unless there is a parallel change in economic, societal and legal infrastructure. Further, Pasha and Nasar (2003) argued for strong leadership, shared objectives, coalition building, along with changes in governance structure, legal framework and proper safeguards to obtain full benefits of PPP. Reeves and Ryan (2007) argued that there are many pitfalls in PPPs and emphasized the need to have public organizations prepared for the regulatory role and factor in the cost of monitoring to ensure successful implementation of PPPs. Bloomfield (2006) emphasized the need for governments to invest in specialized expertise to evaluate options and make informed decisions, have the resources to monitor and enforce contracts, and develop new accountability and transparency structures to ensure successful implementation of PPPs. Singh and Kalidindi (2006) argued for the need to transfer the risks to the organization that can best handle the risk to ensure PPPs succeed.(Ojha).

- IDEOLOGICAL OBJECTIONS.

The second group of ppp critics comprises those who are vehemently opposed to the entry of private organizations in the domain of government and public organizations. They question the neo-liberal assumptions underpinning ppps (Stilwell, 1993) Richardson, 1997) in (Coghill & Woodward, 2005, p. 86)); and aver that the values underlying ppps are undemocratic and socially undesirable(Argy, 2003 in (Coghill & Woodward, 2005, p. 86).

- Private-sector superiority a myth. Ppp critics challenge the neo-liberal assumption that the competitive nature of the private sector renders it inherently more efficient than the public sector. Perfectly competitive markets are the exception rather than the norm. The apparent inefficiency of the public sector can be readily explained, and has been empirically demonstrated, by its pursuit of multiple social objectives that are inconsistent with profit maximizing ((Hodge, 1996)(Hodge, 2009) (Langmore, 1988) in (Coghill & Woodward, 2005)) (Fourie & Burger, 2000) (Mayston, 1999).
- Productive Public debt.These critics also dismiss the view that public debt is necessarily bad(Pitchford, 1990 in (Coghill & Woodward, 2005, p. 86)). If government debt is used for

productive purposes and not squandered away, the returns that it generates to the national economy will far exceed the costs of borrowing. Empirical evidence suggests that countries that have invested in infrastructure, education and research and development have fared best in the economic development stakes ((Gilpin, 2001 p.129-47) (Cohn, 2003)(Oatley, 2004, p.329) in (Coghill & Woodward, 2005, pp. 86-87).

- Equity issues. Political theorists and policy writers both fear the loss of public control when the responsibility of public good provisioning is handed over to private organizations (Bertels & Verdenberg, 2004) (PESSOA, 2008, p. 317). For some, partnering with for-profit organizations is just short of privatizing (Handler, 1996, p11 cited in (Linder & Rosenau, 2000, p. 6). The CCCPP, the Canadian agency for ppp promotion, recognises that in areas as healthcare and water supply , Canadians remain suspect of partnerships that put shareholder value above public interest(CCPP 090808). Sociologists highlight the secondary effects of PPP schemes and few regard commercialization as an adequate answer (SCHARLE, 2002, p. 233). Dunleavy (1986) argues that PPPs are a conspiracy by legislators and policy-level bureaucrats to advance class interests at the expense of rank and file public workers and poor service recipients; Holmes, Capper & Hudon (2006) describe the bidding process of PPPs as an ‘unequal struggle’ between large consortia and inexperienced clients; Hankins & Martin (2006) examine the role of private media, a tool of the privileged class, in creating an environment that encouraged the implementation of charter schools. (Ojha, 2008). ppps change the relationship from government provision of services to citizens, to one of private provision to consumers/customers (Smyth & Wearing, 2002, p.240-1 in (Coghill & Woodward, 2005)).The drive for efficiencies and profits will be at the expense of social objectives and affordable services to poorer segments of society. The democratic rights and entitlements of citizens are reduced to the dictates of the market place and their ability to partake as a consumer is limited by the ability to pay. Universal entitlements to all become available only to those willing and able to purchase the service. Clearly, there are issues of equity at stake here.
- Cross-generational equity. Ppps raise issues of cross-generational equity. A democratic polity should be able to change policy direction and priorities. Yet current govts, with limited public input, are utilising the ppp route to commit future govts and voters to particular choices. Ppps lock in policies, and this can severely limit a society’s capacity to manage its response to new policy factors. For example, the desirable mix of public rail transport and

toll roads may prove dramatically different at some future time depending on future energy prices but long-term partnerships for a particular mix might restrict needed changes. Ppps therefore, can cut across democratic precepts (Coghill & Woodward, 2005) (Hodge & Greve, 2007, pp. 550-1) (Mayston, 1999).

- Poor Accountability. The seemingly technical analysis of ppp options disregards fundamental political principles. Political decisions tend to be presented to the public as though they were technical decisions (Heald (2003 in (Coghill & Woodward, 2005). Thus ppps slip through the cracks of the accountability apparatus, being fully subject neither to the electoral and bureaucratic mechanism nor the disciplining hand of the market. Ultimately, in a democracy, the government is held accountable by voters for its activities, but this accountability can be weakened by the use of ppps. The avenues for grievance redressal of citizens are far more transparent and provide greater access than those available through market mechanisms such as consumer complaints and legal action. The growing use of subcontracting within contracts and partnerships, and the resulting fragmentation, disaggregation, and institutional complexity within the public sector erode traditional Weberian notions of bureaucratic control and accountability in the public sector obscuring who is accountable to whom for what (Flinders, 2005) (Hodge & Greve, 2007, pp. 550-1) (Mayston, 1999).
- Through a Glass Darkly. In their reviews of a number of specific projects, Boase (2000) and Daniels and Trebilcock (1996) recognize the lack of transparency and accountability as a potentially serious problem. The complexity of the arrangements and their technical nature militates against the public being in a position to judge whether ppps are in their best interests. The public are excluded from, decisionmaking; negotiations between are typically privately conducted, veiled by commercial confidentiality (Davidson, 2002 in (Coghill & Woodward, 2005, p. 89). PSCs have been referred to as 'strange beasts surrounded in mystery' (Hood, Fraser, & McGarvey, 2006, pp. 43-44). This is exacerbated if the ppp involves a long-term commitment with future costs pushed beyond the time scales of normal cost-benefit calculations. (Coghill & Woodward, 2005, pp. 90-1). Politicians also often lack the know-how and expertise to understand the legal and financial documentation involved, compelling the production of a "Plain English Summary" version of the Standard Form Contract to the House of Commons Health Select Committee, UK. (House of Commons Health Select Committee Report on the 'Role of the Private Sector in

the NHS', July 2002). The research of Pamela Edwards and Jean Shaoul (2003, 375) demonstrates the complex network of inter-relationships that exist in school PFI projects. (Hodge & Greve, 2007, pp. 550-1) (Mayston, 1999).

- Fragmentation of the State. There is an inherent political paradox in the use of PPPs. Ppps, and the reforms that from their backdrop, segment the public sector and eviscerate the direct control capacity of ministers while at the same time seeking ways of increasing their strategic steering capacity. This creates an increasingly fragmented state structure while at the same time attempting to foster greater integration through notions of 'joined-up' and 'holistic' government within the overall system.(James Rosenau ,2004) in (Flinders, 2005, p. 233). The great benefit of the convention of ministerial responsibility is that it contains a very simple and undiluted mechanism of accountability. In a ppp, when a problem occurs, each actor within a partnership may seek to abdicate responsibility, leading to what Christopher Hood (2002) calls the 'blame boomerang' (Flinders, 2005, p. 228); in extreme cases the private privder may withdraw, leaving the government to 'pick p the pieces' (Mayston, 1999).
- Labour Rights. Public-private partnerships are often seen by organized labour as resulting in job loss, poor quality and lack of oversight(CCPP 090808). Public sector unions are particularly opposed to what they see as attempts by governments to shift their work to private sector firms paying lower wages and offering an inferior quality of service (see, e.g., CUPE 2002).
- Herd Mentality. From this view, PPPs are a political tool rather than a way to improve efficiency and effectiveness. The political and ideological position of decision-makers encourages them to take the easy way out - outsource services rather than deal with problems of public management. Surrounded by opinions from the multilateral agencies propagating the 'Washington consensus', right wing think tanks, economic journalists, and the advice of their public servants and consultants, political leaders in government and opposition have absorbed the neo-liberal agenda (Coghill & Woodward, 2005, pp. 84-85)(Young ,2007) (Giddens, 2000, 2001 in (Coghill & Woodward, 2005). Dissenting views held by opponents or sceptics tend to be denied credibility while emulation of overseas examples reinforces the dominant trend. Writing in the British context on PFIs, Heald (p 243 in (Coghill & Woodward, 2005, p. 84) points out the pfi has embedded incentives that bias it

in favour of private sector financing, ranging from informal encouragement by government ministers to methodological features that distribute the costs and benefits in favour of ppps.

- Corruption and Patronage. PPPs add to the potential for corruption of the political process. Huge sums of money being subject to discretionary decisionmaking immediately introduces the potential for bias. Large corporate donations to political parties clearly have the potential to influence the actions of govt in determining policies and awarding ppps. The relationship between the Bush administration and Enron provides a case in point (Press, 2002 in (Coghill & Woodward, 2005, p. 90).
- A Faustian bargain? For all the above reasons, scholars have labelled the ppp a 'faustian bargain' (Flinders, 2005) whose vaunted efficiency savings and risk transfer elements may involve substantial political and democratic costs. If state provision of public goods is symptomatic of maturing of government systems, the blurring of the public-private may well be a regressive step, forcing another bout of reform (SCHARLE, 2002, p. 233) (Wettenhall, 2005, p. 36).

Yet critics largely shy away from eschewing the ppp option completely, and would rather suggest correction and review. These include arguments that ppps need to be judged on more than economic criteria; ppp processes must be supported by strong anti-corruption infrastructure ; their impact on equity and democracy should be factored in, with distributional cost effects calculated over the whole economy rather than merely the budget sector (Coghill & Woodward, 2005, p. 92). Policy-relevant recommendations indicate a broad review and more reflective analysis of those policy areas that appear particularly suitable for PPPs and those that do not; the interrelationship between PPPs and existing frameworks of accountability; and trade-offs that ppps entail between accountability and efficiency, independence and control, and the public service and private sector ethos (Flinders, 2005, pp. 234-5).

- Theoretical interpretations.
Organization theorists have sought to fit the practical and philosophical deficiencies of ppps within the framework of organization economic theory. As we have seen earlier, this framework suffices for all but issues involving public interest and citizenry.
- Ex-post Inefficiencies.

The lacunae of ppps can be categorized under the broad umbrella of ex-post inefficiencies. The advantage of the ppp scenario lies in the cost-reduction it achieves by substituting competition ex-ante for ex-post competition - that is, competition 'for the market' rather than competition 'in the market'. This mitigates the problem of ex-post inefficiencies. But it gives rise to ex-post inefficiencies issues- transaction costs, opportunistic behaviour, cheating and principal-agent problem. The conceptual documentation of the ex-post inefficiencies that ppps entail, and the limitations (bounded rationality and non-contractibility) of the remedial measures (long-term contractual agreements and vertical integration), forms the substance of the organization theorists' view of the deficiencies of the ppp.

- Asset-Specificity. Infrastructure Ppps involve require relation-specific investments from both partners. The public partner puts in effort to find the provider(search-effort), work out specifications (design-effort), involving the investment of both time and money. The provider puts in effort, again in terms of time and money, to customize the project to the client's needs, negotiate the terms and carry out the project. As the project progresses, it is difficult for either partner to walk away, for the effort involved to fund a new partner is too great, or may well-nigh be impossible. The consequence of relation-specific investment is a thus situation of bi-lateral monopoly and the formation of trade surplus. Both parties wish to appropriate this surplus, and this results in cheating and opportunistic behaviour.
- Opportunism. Cheating and opportunism are a running theme of organizational economic theorizing. Each of the economically valuable reasons that firms can find to cooperate imply economically valuable ways that firms can cheat on those cooperative agreements. The Alchain-Demstesz approach posits that the incentive to cooperate declines as the potential for shirking increases. Shirking ranges from outright cheating to merely giving less than one's best effort.

Transaction-cost economics, the highly developed alternative to the Alchian-Demstesz approach propounded by Williamson, rests on two essential assumptions about economic actors engaged in transactions: bounded rationality and opportunism. Opportunism is a departure from the behavioural assumptions used in mainstream economics. While traditional economics assumes simply that economic actors behave out of self-interest, TCT assumes the possibility of self-interest seeking with guile. For Williamson, opportunism

includes lying, stealing, and cheating, but it more generally 'refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse' partners in a exchange (Barney & Hesterley, 1996). (Williamson, 1985, pp. 47–48 (Parker & Hartley, 2003, p. 99).

Daniels and Trebilcock also address an issue of opportunism. Though opportunism can happen by either party, they focus on the possibility of opportunistic behaviour by the government. In a context of contractual governance, governments can use legislation to nullify contracts and abrogate contractual commitments; or the project value can be altered by a whole host of government changes such as environment policy, health and safety provisions, regional development and so on.

The result of opportunism is the risk that one or other of the parties to a transaction or series of related transactions will exploit his or her information advantage (Parker & Hartley, 2003, p. 99). TCT does not assume that all economic actors are always opportunistic. Rather, it assumes that some of these actors may behave opportunistically and that it is costly to distinguish those who are not. 'One cannot reliably assess the degree of opportunism so the possibility of opportunism should be taken into account' (Nooteboom, 2002). The threat of opportunism is important because in a world without opportunism all economic exchange could be done on the basis of promise. Given, however, that some are prone to opportunism, people and firms must design safeguards so they will not be victimized by others, which gives rise to transaction costs.

- Bounded Rationality. To mitigate transaction costs, the transacting parties limit opportunities for negotiations and bargaining by writing long-term contracts, i.e. limit transaction costs by reducing the number of transactions. This is the P3 scenario (deBettignies & WRoss, 2004, p. 140). But the limitation of this option rests on the second assumption of TCE, bounded rationality. Bounded rationality means that those who engage in economic transactions are 'intendedly rational, but only limitedly so.' (Simon: 1947: xxiv as quoted by Barney, Jay. B & Hesterley, William. *Organizational Economics: Understanding the Relationship between Organizations and Economic Analysis*. In *Handbook of Organization Studies*.; Milgrom, Roberts & Roberts, John, (1992) *Economics, Organization & Management*, Prentice Hall, Englewood cliffs, NJ.) Bounded rationality

implies rational decision making by buyers and sellers but under conditions of incomplete information. (Williamson, 1985, pp. 47–48 (Parker & Hartley, 2003, p. 99). Within economics, this assumption is an important departure from the traditional omniscient hyper-rationality of *homo economics* (Simon 1947; Hesterly and Zenger 1993 Barney, Jay. B & Hesterley, William. Organizational Economics: Understanding the Relationship between Organizations and Economic Analysis. In Clegg, S.R., Hardy, C., & Nord, W.R., (eds) *Handbook of Organization Studies.*; Milgrom, Roberts & Roberts, John, (1992) Economics, Organization & Management ,Prentice Hall, Englewood cliffs, NJ.)

As against the assumption of rational decision-making of in perfect markets, TCE 'acknowledges limits on cognitive competence' as bounded rationality is the cognitive assumption on which TCE relies.(Williamson, 1975 quoted in (Campbell & Harris, 1993, p. 175).Without cognitive limits, all exchange could be conducted through planning. (Williamson, 1985 Barney, Jay. B & Hesterley, William. Organizational Economics: Understanding the Relationship between Organizations and Economic Analysis. In Clegg, S.R., Hardy, C., & Nord, W.R., (eds) *Handbook of Organization Studies.* Milgrom, Roberts & Roberts, John, (1992) Economics, Organization & Management ,Prentice Hall, Englewood cliffs, NJ.) People could write contracts of unlimited complexity that would specify all possible outcomes in an exchange relationship or formulate contractual or other responses to those unforeseeable eventualities. Bounded rationality functions as an exception for Williamson. "...but for bounded rationality, all economic exchange could be effectively organized by contract. Indeed, the economic theory of comprehensive contracting has been fully worked out"(Williamson, 1975 quoted in (Campbell & Harris, 1993, p. 175). Information asymmetry coupled with bounded rationality, gives rise to the problem of non-contractibility.

- Non-contractibility. Non-contractibility turns on a rejection of the classical understanding of contract as a form of economic allocative mechanism. The classical law of contracts centrally turns on the goal of presentiation, that is, making a present decision about all, including future aspects of a contractual relationship. Such an agreement assumes that the parties' judgements about the state of the world at the time of agreement, and also the future are correct (Campbell & Harris, 1993, p. 169). Where all risks capable of being pre-sentiated, there would be no residual risk. But the real problem is that presentiation is an illusory goal and all long term contracts must in practice be incomplete. There must be a margin of

irreducible uncertainty at any particular point of acceptance (Hart, 2003). This involves a risk, to mitigate which the market is eschewed in favour of a firm or special purpose vehicle. "... where contracts are particularly difficult to draw up and an attempt to describe what the parties have agreed to do or not to do ... would necessitate a lengthy and highly involved document, and where a long-term contract would be desirable, it would be hardly surprising if the emergence of a firm ... was not the solution adopted." (Coase, 1988 quoted in (Campbell & Harris, 1993, p. 169). Renegotiation problems arise due to the incompleteness of contracts. This encourages low-balling in the expectation of renegotiation, favouring firms with political connections, not the most efficient firms. The taxpayer/user is unable to estimate the wealth transfer to the private partner that often results from renegotiation, thus governments have to pay a lower political cost if they cave in to private interests. (Engel, Fischler, & Galetovic, 1997, p. 71). However, rather relationships are often very complex and uncertain. This level of complexity implies that first, it is impossible to plan for every potential contingency, and second, even if every contingency could be predicted, it would probably be difficult to write down these plans in a contract between the customer and the provider that is enforceable by law. In that case, long-term contracts such as the ones just described are less helpful because they cannot be made to bind in some circumstances: we say that the contracts are incomplete. Coase (1937) was the first to recognize the economic consequences of contractual incompleteness, and his ideas, as well as those of Williamson (1975, 1979, 1985), and Klein, Crawford and Alchian (1978), sparked a new literature on the subject. It was argued that because of their incompleteness, contracts must constantly be revised and/or renegotiated as time goes on (long-term contracts are infeasible), and the problem of ex post inefficiency generated by relationship-specific investments cannot be easily mitigated.

- **Uncertainty**. A successful PPP addresses non-contractibility through adequate and effective mechanisms, of which bundling is one (Hart, 2003). PPPs are generally entered into for a long period of time, and developed in a situation of uncertainty. The length of many a BOT contract exposes the parties to the risk that circumstances existing at the time of the making of the contract will change substantially during its life, with adverse effects on one or more of the parties. The nature of the project and the risk which the contractor is typically required to bear in connection with infrastructure projects dependent on project finance make this issue particularly important to the parties involved in such project,

including the financiers. Changes in circumstances may come about as a result of a change of mind or policy by the contracting authority- the authority may require a different level of service to that envisaged originally; it may require a different physical infrastructure, in these cases carefully thought out through adjustment mechanisms can usually provide for appropriate adjustment mechanisms can usually provide for appropriate adjustments to be made to the contractor's income and to other terms of the contract where necessary. But changes in circumstances may come about as a result of force majeure or other events not the fault of either party to the contract. Those changes give rise to the same issues as changes of mind by the contracting authority, but without the same moral feeling that the authority should pay for them or suffer the consequences for them. This is especially the case when change comes about against the wishes of both parties, and wholly independently of either of them. In such a case it is unlikely that the parties will reach an agreement on who should bear the cost of coping with the necessary changes to the contractor's obligations, or on changes in the terms of the contract itself. These attempts to foresee the future are made even more difficult by the ambiguity inherent in the exercise; are the parties attempting to anticipate specific future events, or only the possibility of a change in circumstances? The distinction between circumstances which are likely to or may well happen, and the full range of all possible circumstances which could happen, should be borne in mind while drafting the contracts. It is particularly important because the BOT contracts are for the provision of a public service and it is generally of paramount importance that the service be maintained. The projects dealt with are also often large – scale, so that it is not practical for replacement contractors/operators/ financiers to step in and replace the original at short notice (Gould & Durrant, 1998, p. 136). Bundling introduces two problems: One, since the project executing agency is a consortium, there is a possibility of differential expertise, in fact some second rate firms may piggyback on the main firm's reputation. Second, since functions are jointly tendered for, there is limited competition only.. (Trujillo, Cohen and Sheeby in (Grimsey & Lewis, 2005).

Inter-organizational relationships are therefore vulnerable to two types of uncertainties (i) uncertainty regarding future states of nature, and (ii) uncertainty regarding behavior of partner organization (Ring and Van de Ven, 1994). Uncertainty regarding future states of nature refers to the inability to predict with reasonable degree of accuracy all events or

situations, which although outside the control of either partner, may directly or indirectly influence the functioning of an inter-organizational arrangement. Uncertainty regarding behavior of partner organization refers to the inability of any organization in an inter-organizational relationship to be sure that the other organization will necessarily act in the interest of the former. Inter-organizational arrangements inherently experience more uncertainty than intra-organizational arrangements, as both partners have less control over the actions of the other in comparison to a situation in which both are part of the same organization.

- Agency. Agency theory provides a useful framework to understand the implications of uncertainty based on the behavior of a partner (Eisenhardt, 1989; Barney & Hesterly, 1996) (Ojha, 2008). Within the limits of the assumptions of bounded rationality and opportunism, an agency relationship is one in which one partner, referred to as the principal, delegates authority to another, called the agent, to take decisions/actions that affect the welfare of the principal. The welfare of the principal can be compromised if (i) the desires or goals of the principal and the agent conflict, and (ii) it is difficult or expensive for the principal to verify the decisions/ actions of the agent (Barney and Hesterly, 1996; Eisenhardt, 1989). The principal-agent problem arises when one individual, the principal, contracts an agent that performs tasks on his behalf, but cannot ensure that the agent performs them exactly in the way intended by the principal. The efforts of the agent are expensive or impossible to monitor and the incentives of the agent differ from those of the principal (absence of 'commonality of purpose'). The difficulty is to design an incentive system (contract) that motivates the agent to act in the principal's interests, i.e. to establish commonality of purpose. A key problem exists when the agent's actions cannot be observed, or cannot be inferred on the basis of observable variables. Essentially the problem is one of information asymmetry: the principal does not have access to the same information as the agent, hence cannot evaluate the agent's performance. Even if the principal can observe the action, he may not know whether that action was appropriate or optimal - the principal does not know whether the agent undertook the action the principal himself would have undertaken, in the given circumstances. The principal-agent problem is, thus, a problem of economic incentives. It arises whenever there is an attempt to 'manage-by-wire'.

While the literature's focus is primarily on the private agent versus the public principal, ppps give rise to the agency problem at two levels. Either the private partner may work toward his own ends (profits) rather in public interest; but government itself may cease to represent the larger public interest in its pursuit of narrow bureaucratic or political aims. Assuming governmental benevolence over-simplifies reality. The private partner may capture the procurement process by colluding with the government; government officials may have preferences that differ from those of a social welfare maximize; ideology, social or political ties, or the incentive to pander may induce an official to favor the pet projects of particular interest groups though these projects may not be justifiable from the standpoint of social welfare. (Fourie & Burger, 2000, p. 312)

In other words, economic actors are capable of cheating in a relationship, if they believe that the partner cannot detect deceitful behavior. If the goals of the two parties are not consistent, it is likely that the agent may pursue its own goals at the cost of the principal's goals, and get away with it because the principal is unable to adequately monitor the behavior of the agent. Agency costs tend to increase when the principal agent relationship is blurred (Ojha, 2008).

- Adverse Selection. The principal-agent problem manifests chiefly as moral hazard and adverse selection. Adverse selection refers to situation in which there is misrepresentation by a partner in a relationship. In terms of agency theory, one party possesses information that is either unobservable or too costly to observe for the other partner. Once again, this is likely to occur when, due to bounded rationality, one party cannot monitor the efforts of the other in any reliable fashion leaving the potential for opportunistic behavior by the other, i.e. the partner may shirk from putting in the agreed amount of effort.
- Moral Hazard. When the private partner knows that effectiveness of delivery is crucial to government, but that alternative suppliers or a government take-over is out of the question, he will know that government will have to bail him out should he run into financial trouble. This creates a moral hazard because the private partner knows that he is, in effect, not bearing the risk, no matter what the terms of the PPP agreement state. This can encourage (or allow) inefficient managerial behaviour. Thus, although the terms of the PPP agreement state the de jure transfer of risk, the de facto transfer of risk depends on the availability of alternative suppliers – given the inelastic social demand of an essential service (Fourie &

Burger, 2000, p. 313). Frequent use of government guarantees, thereby reducing incentives to control construction costs and government bailouts for almost every franchise that faces financial trouble reduce the incentives of financiers to screen firms and projects. (Engel, Fischler, & Galetovic, 1997, pp. 68-71).

- Hold up. Asset specificity is emphasised by Williamson, and others, as a prime condition for 'holdup' in contracting (Williamson, 1985, 1993a; Hart and Moore, 1988 cited in (Parker & Hartley, 2003, p. 99). Opportunism may lead to increasing the ex-post risk that one party will exploit the terms of the contract to the disadvantage of the other party. For example, changes in specification have been used by contractors as an excuse for raising prices and profits under government contracts. (Grossman and Hart, 1986; Hart and Tirole, 1990 cited in (Parker & Hartley, 2003, p. 99).

The extent to which a good or service is regarded as essential can be crucial. The more essential a service, the less government can afford the private operator to be ineffective or to go bankrupt or walk away (Fourie & Burger, 2000, p. 313). The ability to behave opportunistically depends greatly on ex-post bargaining power, which itself depends on the party's outside alternative, that is, that party's payoff in the event negotiations break down. When a party has an attractive outside alternative relative to a trading partner, he or she is in a better bargaining position, suffering a smaller penalty for leaving the relationship than does the other party (deBettignies & WRoss, 2004, p. 141).

A recent example of 'hold-up' in UK government contracting was Railtrack's threat that it would only be able to complete Phase Two of the Channel Tunnel Rail Link if there was a relaxation of the regulatory regime in its favour (Glaister, 1999, p. 32).³ (Parker & Hartley, 2003, p. 99)(deBettignies & WRoss, 2004, pp. 141-2)

- Ppp as a social game. The immanent weaknesses of ppps have been studied in a game theory framework (SCHARLE, 2002). This perspective asserts that the concepts, phraseology and aspects of the general theories concerning games and the applications of these theories in prove to be useful in the analysis and practical implementation of PPP. Accordingly, the main features of private efficiency stressed by the advocates of PPP are better management, cost reduction, greater operating efficiency, etc. Managers in the private sector are paid to account for and to manage risks while in the public sector they are paid to

avoid them; public agencies are (often tacitly) expected to provide side-services (such as jobs and social benefits for handicapped people) without clear financing backgrounds; public agencies are predestined to invest in facilities with long-term positive externalities while private entities invest in profit-making ventures. PPP literature highlights the necessary redistribution of the roles to be played by participants but suggestions as how to do this are scarce and simplistic. New roles are particularly difficult to identify for the administration where culture and social capital, multiple responsibilities towards the public and the existing (sometimes contradictory) legislative environment do not necessarily support such changes. Private partners often become tired of uncertainty. In most PPP games there are players, such as politicians and public servants whose utility scale is plausibly not linear in money terms, since their world is not that of the market economy. Experienced private players reckon with these sensitivities and from the very beginning of the game try to accommodate themselves to the social environment and to the anticipated time constraints of their public partners. Politicians are usually inclined to focus their attention on the next election. For them, a PPP project is worth supporting to the extent that it can be used to gain voters. Their utility function may have singularities both in technology, public budget and time dimensions. Politicians often enter PPP games with easily identifiable pay-off functions and strategies. The engagement (if it was crucial with regard to project implementation) of a political group defeated at an election may block the best project for years. Decision makers and managers in public administration usually have sub-linear utility functions with a strong aversion to risks. They seldom prefer high-risk schemes, do not want to lay their careers on the line to exploit more efficient trade-offs, and try to avoid setting precedents, even if the corresponding pay-off is high. Other players who would like to see a public partner with a linear utility function can relax their risk aversion in different ways. Psychological games, include a . In PPP games, the specific lure attracting the public partner is the promise of a better infrastructure with ‘almost no extra burden on taxpayers’, a facility that improves conditions for the community as a whole. However, the real question is who pays for what. In the vast majority of PPP projects the *general public* is not told that it is taken as the *ultimate owner* and user who, either directly or indirectly, will pay all the costs of the facility. The only decision variable is how to allocate costs across groups and over time. As in psychological games, the lured *mark* (or patsy) is not perfectly innocent and often behaves as a deliberate victim. The general public likes the

idea of a free lunch. The 'ultimate public', the community of citizens, is usually a *dummy* player (i.e. it has a role but does not have a chance to make decisions). When the community is the ultimate owner of the transportation facility, it plays the role of the *strategic dummy* in many PPP schemes. The social capital of the community—a 'soft' value - is embodied as 'hardware' in public goods. The overlap between the sets of criteria to successfully deliver a PPP project, to maintain and increase social capital in a community is the essence of a partnership project.

In the two sections preceding, we have integrated the various rationale for the adoption of ppps as well as the objections and criticism about them. Advocates of PPP assess the progress as slow but convincing. Critics argue that the technique has immanent weaknesses, which limit the scope of successful application. A majority discuss PPP with some reservation. Academic scholars analyse a few of the failures where facts and data are available and bring to light several questions ignored by supporters. While the importance of partnership and innovative financing are appreciated in their papers, these authors keep a distance, question the merits and discuss the weaknesses of the applications. Considering that enough work has gone into highlighting the utility as well as well as the hurdles, we would appear to have solved the puzzle of implementing successful and effective ppps. But this is hardly the case. The next section will go into the critical success factors delineated in the literature and discuss its merits and demerits.

3.5.7. CRITICAL SUCCESS FACTORS.

Critical success factors are defined as 'the limited number of areas, the result of which, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where 'things must go right' for the business to flourish; in which favourable results are absolutely necessary for a manager to reach his/her goals'. (J.F. Rockart, "The Changing Role of the Information Systems Executive: A Critical Success Factors Perspective," *Sloan Management Review*, 24/1 (Fall 1982): 3-13.). The CSF methodology is a procedure that attempts to make explicit the key areas that are essential for management success (Boynton and Zmud, 1984). This method has been used as a management measure since the 1970s in financial services (Boynton and Zmud, 1984), information systems

(Rockart, 1982) and manufacturing industry (Mohr and Spekman, 1994). There have been attempts to apply it in construction management (Yeo, 1991; Sanvido et al., 1992).

The identification of critical success factors has been viewed as “the first important step toward the development of a workable and efficient PPP procurement protocol” X.Q. Zhang, “Critical Success Factors for Public-Private Partnerships in Infrastructure Development,” *Journal of Construction Engineering and Management*, 131/1 (January 2005): 3-14.) Given this, researchers have listed factors for successful PPP projects through literature review, case studies, and interviews with industrial practitioners and experts. Most prescriptions are general and practical in nature, and contain a mix of financial, policy-related and soft-skill strategies.

One group of scholars address issues related to the organization and management of projects, emphasizing the importance of planning and preparation (Reijniers, 1994). Another set of strategies concerns itself with the specific skill sets managers need to excel in the decentralized, collaborative, and networked environment of a PPP. Managing in non-hierarchical, multiplayer collaborative settings is different from and more challenging than managing in single, autonomous, hierarchical organizational settings. Managerial techniques and skills designed for the traditional command-and-control hierarchical administration need to be modified to succeed in collaborative partnership settings : the COPED model (Trafford & Proctor, 2006) nine “C” skills (Acar, Guo, & Saxton, Summer, 2007) co-ordination (Tranfied et al) social support (Frilet, 1997); commitment (Stonehouse et al., 1996; Kanter, 1999) and mutual benefit (Grant, 1996). Barriers for successful implementation of PPP projects have also been identified in institutional, contextual or interpersonal factors (World Bank)(Akintoye *et al*) (Zhang) (Klijn & Teisman). Approaches range from a very generalized commonsense prescription “the improvement of public infrastructure delivery is obviously the aim of a PPP, but the PPP must be designed and executed properly to ensure that this is indeed the result.” (Grimsey & Lewis, 2005, p. xvii); culling out fundamental principles (Larkin, 1994) to a detailed distilling of all factors identified in literature, as by Li *et al* (2005). Measures range from the practical (Gerrard, 2001, p. 51) (A. Akintoye, C. Hardcastle, M. Beck, E. Chinyio, and D. Asenova, “Achieving Best Value in Private Finance Initiative Project

Procurement," *Construction Management and Economic*, 21 (July 2003): 461-470.) to the philosophical.

With the available experience in public-private partnerships, the preconditions of a successful ppp listed in the literature and the general and particular difficulties appearing in the public-private joint developments identified are listed in Table .

Author	Ppp type	Context	KSF	Reference
Reijniers			<p>Assignment and Objectives, Planning, Organization and Coordination, Control and Management; CSF include: having decision makers form part of the project team right from the start of the project; measurable results so that the progress of the project can be monitored; goal-direction and focus on results; periodic progress-monitoring during implementation; an independent project team and independent project leader, who report to a steering committee consisting of top representatives from both the public and private sectors; spreading political and economic risks at an early stage; adequate and clear working methods and agreements; the private sector should be allowed to fulfill its entrepreneurial role; mutual confidence; starting the kick off meeting at an early stage; participants becoming</p>	(Reijniers, 1994)

			familiar with each others' methods by teaching each other & intensive consultations; ensuring that the participants have decision-making authority; keeping decision-making procedures short; establishing a convenient project organization at a high corporate level.	
Trafford & Proctor (2006)			Use a grounded theory to produce a descriptive COPED model of five key building blocks : good communication; openness; effective planning; ethos and direction.	(Trafford & Proctor, 2006)
<i>Acar et al</i>			Nine Cs of effective partnership management: Communication skills; Connectivity and connective skills; Collaborative attitude and skills; Convening and coordinating skills; Congeniality and collegiality; Caring for and championing clients; Coaching and consulting skills; Creativity and Credibility.	(Acar, Guo, & Saxton, Summer, 2007)
Tranfied et			coordination across projects, functions, and organizations	

(Frilet, 1997)			social support	
(Stonehouse et al., 1996; Kanter, 1999)			Commitment	
(Grant, 1996)			mutual benefit	
World Bank)(Akintoye <i>etal</i>) (Zhang			Barriers comprise social, political, and legal risks; unfavourable economic and commercial conditions; inefficient public procurement frameworks; lack of mature financing and engineering techniques; public sector related problems such as inexperienced government and lack of understanding of PPPs; and private sector related problems such as a preference of investment banks for traditional procurement routes.	
Zhang			economic viability, appropriate risk allocation via reliable contractual arrangements, sound financial	X.Q. Zhang, "Critical Success Factors for Public-Private

			package, reliable concessionaire consortium with strong technical strength, and favorable investment environment.	Partnerships in Infrastructure Development," <i>Journal of Construction Engineering and Management</i> , 131/1 (January 2005): 3-14.
Klijn and Teisman			Impediments: inability to develop good partnerships lies in a combination of three factors: complexity of actor composition, institutional factors, and the strategic choices of public and private actors .	
Akintoye et al			Factors that impede PFI projects are: high cost of the PFI procurement process, lengthy and complex negotiations, difficulty in specifying the quality of service, pricing of facility management services, potential conflicts of interests among those involved in the procurement, and the public sector clients' inability to manage consultants.	(A. Akintoye, C. Hardcastle, M. Beck, E. Chinyio, and D. Asenova, "Achieving Best Value in Private Finance Initiative Project Procurement," <i>Construction Management and Economic</i> , 21 (July 2003): 461-470.)
Smith & Walker			A genuine desire for a win-win solution with	(Smith, 1999, p. 131)

<p>(1994 cited in (Smith, 1999, p. 131)</p>			<p>common agreement between the parties as to their mutual and individual explicit, realistic and achievable objectives;a strong, persistent, persuasive and politically skilled project leader willing and able to fight for the scheme;adequate and accurate data and risk assessment of both the procurement and operational phases, risk-allocation to the party best able to manage them; honest and accurate calculation of project economics, including the length of the concession, probability assessments of the influence of risks and uncertainties; choice of the correct procurement methodology for the construction phase.</p>	
<p>Fourie & Burger</p>		<p>economic analysis of Soth African</p>	<p>Barriers: difficulties in estimating the demand for some types of products, a lack of competition or a simulated competitive environment, the social importance of a product and the debt-equity mix</p>	<p>(Fourie & Burger, 2000, p. 314)</p>

			of the private operator. Key success factors: true partnership and sufficient risk transfer activated by commonality of purpose and an effective incentive, reward and competitive discipline framework in the form of a carefully designed contractual and regulatory framework.	
Kopp (1997) and Gentry and Fernandez (1997)			Importance of procurement transparency and competitive procurement process	
			Strong private consortium Jefferies et al. (2002) Tiong (1996) Birnie (1999); Appropriate risk allocation and risk sharing Qiao et al. (2001) Grant (1996); Competitive procurement process Jefferies et al. (2002) Kopp (1997) Gentry and Fernandez (1997); Commitment/responsibility of public/private sectors Stonehouse et al. (1996) Kanter (1999) NAO (2001b); Thorough and realistic cost/benefit assessment Qiao et al. (2001) Brodie (1995) Hambros (1999); Project	

			<p>technical feasibility Qiao et al. (2001) Tiong (1996)Zantke and Mangels (1999);Transparency in the procurement process Jefferies et al. (2002) Kopp (1997)Gentry and Fernandez (1997); Good governance Qiao et al. (2001) Frilet (1997) Badshah (1998) ; Favorable legal framework Bennett (1998) Boyfield (1992) Stein (1995) Jones et al. (1996) ; Available financial market Qiao et al. (2001) Jefferies et al. (2002) McCarthy and Tiong (1991) Akintoye et al. (2001b) ; Political support Qiao et al. (2001) Zhang et al. (1998); Multi-benefit objectives Grant (1996) ; Government involvement by providing guarantees Stonehouse et al. (1996) Kanter (1999) Qiao et al. (2001)Zhang et al. (1998) ; Sound economic policy EIB (2000) ; Stable macro-economic environment Qiao et al. (2001)Dailami and Klein (1997); Well-organized public agency Boyfield (1992) Stein (1995) Jones et al. (1996)</p>	
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			Finnerty (1996); Shared authority between public and private sectors Stonehouse et al. (1996) Kanter (1999) ; Social support Frilet, 1997 ; Technology transfer Qiao et al. (2001).	
Larkin (1994)			No PPP should be dismissed automatically as inappropriate or accepted automatically as appropriate; there is no magic formula that will produce successful PPPs in all places under all conditions; patient and careful analysis of each local situation is a necessary prerequisite to effective PPPs.	
Kwak, Chuh, & Ibbs			Competence of the government; the selection of an appropriate concessionaire, an appropriate risk allocation between the public and private sectors and a sound financial package.	(Kwak, Chuh, & Ibbs, 2009, p. 58)
Abdel-Aziz & Russell			a check-list of recommendations of the attributes of the rights, obligations, and liabilities that need to be specified in PPP documentation, particularly emphasising the clear articulation of government	(Abdel-Aziz & Russell, 2001)

			requirements in tender documents and agreements to reduce supplemental documentation, help consortia respond with proposals that meet requirements, and reduce time spent in negotiations and amendments.	
Grout (1997) (Hart and (Hall, 1998)			The appropriateness of the choice to the sector and type of project, 'pfi-ability'	
			institutional design	(Besley & Ghatak, 2001)
Gerrard			articulating the rules by which a PPP operates within its constitutional documents and contractual documents,so that the management team knows the constraints within which it must run the business	(Gerrard, 2001, p. 51)
			detailed risk analysis and appropriate risk allocation, drive for faster project completion, curtailment in project cost escalation, encouragement of innovation in project development, and maintenance cost being	(A. Akintoye, C. Hardcastle, M. Beck, E. Chinyio, and D. Asenova, "Achieving Best Value in Private Finance Initiative Project Procurement,"

			adequately accounted for.	<i>Construction Management and Economic</i> , 21 (July 2003): 461-470.)
Tiong (1996		private contractors in competitive tendering and negotiation in build–operate–transfer (BOT) projects		
Jefferies et al. (2002)		Australian sports stadium project	how public clients successfully manage build–own–operate–transfer (BOOT) project procurement : solid consortium with a wealth of expertise; considerable experience; high profile and a good reputation; an efficient approval process that assisted the stakeholders in a very tight timeframe; and innovation in the financing	

			methods of the consortium.	
Qiao et al. (2001)			eight independent CSFs in BOT projects in China: appropriate project identification; stable political and economic situation; attractive financial package; acceptable toll/tariff levels; reasonable risk allocation; selection of suitable subcontractors; management control; and technology transfer.	
Frilet (1997) Badshah (1998);			good governance	
			government support by Zhang et al. (1998); a stable macro-economic environment by Dailami and Klein (1997); and suitable legal and administrative framework by Boyfield (1992), Stein (1995), Jones et al. (1996) and (Finnerty, 1996). Sound economic policy (European Investment Bank, 2000), including available financing market (McCarthy and Tiong, 1991; Akintoye et al., 2001b); strong and good private	

			<p>consortium (Tiong, 1996; Birnie, 1999); feasibility study/cost–benefit analysis (Brodie, 1995; Hambros, 1999); and effective risk allocation (Grant, 1996) are all regarded as critical factors for the success of PPP procurement projects. An innovative technical solution (Tiong, 1996; Zantke and Mangels, 1999) is also thought to be important. CSFs are identified from reflection of an Australian sports stadium project, which include: solid consortium with a wealth of expertise, considerable experience, high profile and a good reputation, an efficient approval process that assist the stakeholders in a very tight timeframe, and innovation in the financing methods of the consortium. M. Jefferies, R. Gameson, and S. Rowlinson, “Critical Success Factors of the BOOT Procurement System: Reflection from the Stadium Australia Case Study,” Engineering,</p>	
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			<p><i>Construction and Architectural Management</i>, 9/4 (August 2002): 352-361. The most important CSFs, in descending order of importance, are: a strong private consortium, appropriate risk allocation, available financial market, commitment/responsibility of public/private sectors, thorough and realistic cost/benefit assessment, technical feasibility, a well-organized public agency, and good governance. • CSFs are classified into five principle factor groupings: effective procurement, project implementability, government guarantee, favorable economic conditions, and available financial market. (B. Li, A. Akintoye, P.J. Edwards, and C. Hardcastle, "Critical Success Factors for PPP/PFI Projects in the UK Construction Industry," <i>Construction Management and Economic</i>, 23 (June 2005): 459-471.)</p>	
Qiao, etal			appropriate project identification, table political	L. Qiao, S.Q. Wang, R.L.K. Tiong,

			and economic situation, attractive financial package, acceptable toll/tariff levels, and reasonable risk allocation, selection of suitable subcontractors, management control, and technology transfer.	and T.S. Chan, "Framework for Critical Success Factors of BOT Projects in China," <i>Journal of Project Finance</i> , 7/1 (Spring 2001): 53-61.
			The credibility and competence of the government plays a critical role in PPP infrastructure development; a financially strong, technically competent, and managerially outstanding concessionaire is required for the success of a PPP project. ; all potential risks of the project should be identified and an appropriate risk allocation should be secured; reasonable financial incentives and a stable revenue stream are critical to attract private investments. Recommendations to the Public Sector: Policy Implications Identify and prioritize pilot PPP projects; Develop a database for historical PPP projects.; Standardize PPP procurement process	(Kwak, Chuh, & Ibbs, 2009)

			and contract documentation.; Provide training at all levels for government staff; Establish two-way communication channels with the private sector.Recommendations to the Private Sector: Management Implications; Knowledge sharing with the public sector. Early involvement of the financial institutions; Maintain long-term relationships with industrial partners	
			Analyze the current political, legislative and regulatory framework to identify barriers to success and risk factors that would adversely affect P3 efforts; position the project within appropriate political , legislative and regulatory frameworks that provide specific authority and guidelines for implementing P3s; identify project-specific risks and allocate such risks to responsible partners; engage in proactive management of current and potential risks.	(Pagdadis, Sorett, Rapoport, Edmonds, Rafshoon, & Hale, 2008)

			<p>detailed ppp policy and planning; proper allocation of risks; provide adequate protection for lenders; development of public sector capacity; full and clear support by government; proactive public communication and stakeholder management; role of multilateral agencies; support capacity-building; potential financing options for ppps. build consensus for ppps;move toward cost recovery. establish ppp professional units. ease financing constraints</p>	<p>(Nataraj, 2007, pp. 29-32)</p>
			<p>An empirical analysis of the cross-country and cross-industry determinants of public-private partnership (PPP) arrangements. PPPs tend to be more common in countries where governments suffer from heavy debt burdens and where aggregate demand and market size are large. Macroeconomic stability is essential for PPPs. We provide evidence on the importance of</p>	<p>(Hammami, Ruhashyankiko, & Yehoue, 1999)</p>

			<p>institutional quality, where less corruption and effective rule of law are associated with more PPP projects. PPPs are also more prevalent in countries with previous PPP experiences. At the industry level, we find that PPP determinants vary across industries depending on the nature of public infrastructure, capital intensity, and technology required. We also find that private participation in PPP projects depends on the expected marketability, the technology required, and the degree of "impurity" of the goods or services.</p>	
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Literature on critical success factors of ppps is not as prolific as on questions such as what ppps are; the rationale behind their adoption and problems relating to ppps. Partly this can be attributed to the fact that the phenomenon is still too young to assess effectiveness or draw lessons from. Suggested strategies are context-dependent or problem-specific; or direct exclusively toward either the public or the private sector still others concentrate on theoretical 'fit', without regard to crucial issues which may lie outside the theoretical frame. Few, if any, of the listed success factors address public interest issues - a quick scan reveals that terms such as 'public welfare' 'equity' or 'accountability' do not figure among the success factors. Despite overwhelming evidence that a large fraction of government expenditure of public goods provision, particularly in developing countries, does not reach the intended beneficiaries, public policy debates often continue to revolve around " 'how much' is spent rather than 'how' to design effective mechanisms for the delivery of public goods. The other 'how' question, of process issues in implementation, is largely unaddressed. The discussion on critical success factors, and ppp literature in general, ignores the 'crux of the PPP fallacy'. As with any public or private arrangement, many inherent problems have to be overcome in a successful PPP. What complicates matters is the potential for intrinsic contradictions in a PPP. PPPs require risk transfer, but private operators are likely to be most interested in cases where they are protected against risk; efficiency requires demand forecasting, but infrastructure products and services are characterised by 'publicness' and citizen preferences are not easily revealed; if demand is expressed through government by shadow tolling, demand risk is removed and the efficiency gain becomes illusory. PPPs require an efficient regulatory and managerial framework to simulate competitive pressures and ensure correct incentives, yet the lack of sufficient management capacity in government is the main reason for considering PPPs in the first place; PPPs attempt to circumvent inefficiency due to perverse bureaucratic behaviour and incentives, but the regulatory and managerial framework that they require can easily suffer from the same problems and is vulnerable to principal-agent problems and regulatory capture in the long run.

3.6. THE NEED FOR A HOLISTIC FRAMEWORK.

While PPPs do not constitute a magical panacea for social service delivery, they offer a promise above and beyond most conventional arrangements. But to tap this rich resource, requires a comprehensive understanding of what is a public private partnership. What are

its advantages, and what are its internal contradictions? To harness the potential of PPPs requires that their unique characteristics be acknowledged and exploited.

PPP theory is a unique and distinct theory in its own right. Rather than being a theoretical stream within a particular discipline, it is a multi-disciplinary stream. There is a rich literature on the various aspects and characteristics of PPPs. Scholars have identified particular financial, legal or policy related aspects and studied them in greater or lesser detail. But to try to understand any one facet or characteristic of the PPP without taking account of the big picture, is at best a piecemeal approach. A public policy question has necessarily to take account of multiple aspects, and this holistic approach is usually lacking in extant literature on PPPs.

This relatively virgin unexplored territory is the starting point of my research. I attempt to view the public private partnership through three perspectives: public interest and accountability, private profit and efficiency and organizational and policy design, and integrate this with process and implementation issues relevant to the Indian context. Together they offer an integrated understanding of the multi-faceted PPP. In the next section, we will examine briefly these three aspects that form our framework. A more extensive discussion will be done in Chapters 5, 6 and 7 respectively. In these three chapters, the thematic review of extant literature is juxtaposed with the analysis of the case, so that the theory and practice are studied in concert with each other.

- Public Interest and accountability.

PPPs are closely connected to and chiefly utilised in the provisioning and supply of public goods. In doing so, they cut across conventional understandings of the separateness of public and private. At the heart of the role of PPPs is therefore the understanding of public and private goods. It is here that they are at conceptually their most ambitious and represent a paradigmatic shift in economic thinking. PPP literature which we classify under the theme of public interest is fundamentally concerned with two issues: the role of the state and the social and political concerns arising from the PPPs' innovative financing role. This broad umbrella encompasses topics such as public goods delivery, stakeholder management, accountability, political issues, role of the state, regulation and so on. While

sparse in volume, it is also the most iconoclastic and questioning, with writers warning against the ppp being a potential threat to public interest and welfare. By and large this stream of literature is fed by disciplines such as law, public policy, and politics.

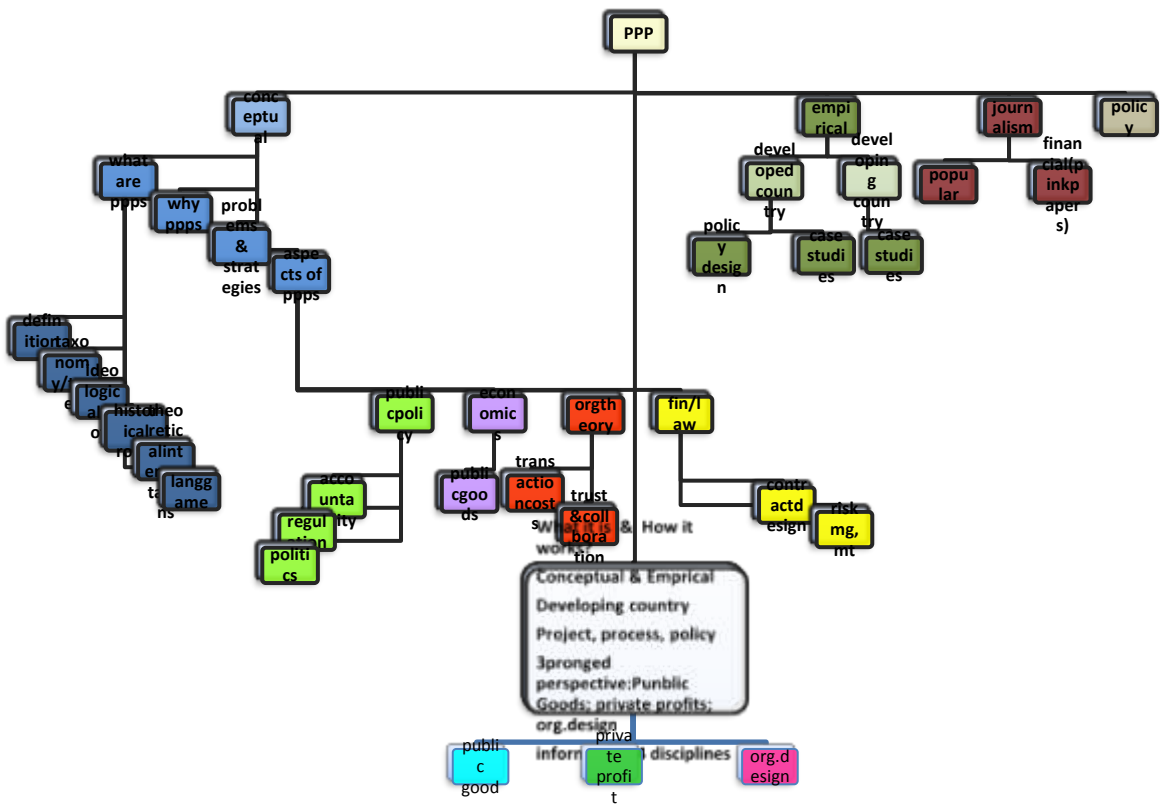
- Private profit and efficiency. Of the three themes, private profitability and efficiency issues have generated the maximum volume. This literature is fed by and large by economics and finance, the latter having accepted the ppp as their own. The literature concerns itself with risk, dispute resolution, competition, and so on. Of the three streams, it displays a more practical orientation, with emphasis on implementation and governance mechanism. This however is offset by a blinkered approach which virtually is unaware of issues of process and politics.
- Organizational and policy design. This is by far the most theoretical of the three streams, and is the exclusive domain of organization theorists. In terms of volume the literature is moderate. Organization economics uses its particular frameworks and concepts to explain and examine virtually every aspect of a ppp and the dyadic relationship it entails. Where it fails is in the larger social impact of the ppp.

3.7. Conclusion.

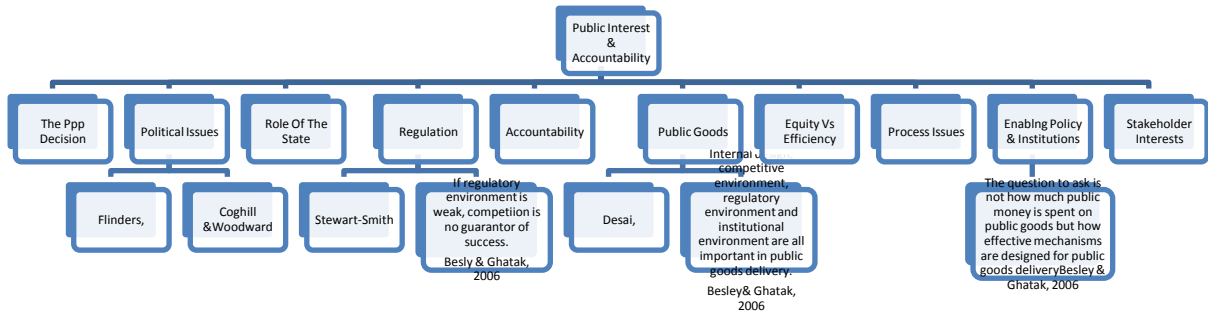
In this chapter we surveyed the literature on ppps. We began with the objectives and the process of the literature review. We moved on to critique the literature, identifying its strengths as well as deficiencies. This helped to identify the gap in the literature and the need for the research. We then mapped the terrain, categorizing the literature into four groups- conceptual, empirical, journalism and policy. We identified five major thematic streams : What is a ppp? , What is the rationale for the adoption of the ppp paradigm? Problems and Difficulties of ppps Critical success factors and Characteristics and Aspects of ppps. The thematic review of critical questions examined in detail the first four themes. The most prolific body of literature is on aspects, characteristics and issues of ppps. We considered the framework of public interest and accountability, private profit and efficiency and organizational and policy design as appropriate for the study of ppp characteristics. Such a three-pronged integrative framework gives us a comprehensive, holistic, and cross-disciplinary view , bridges theory and practice, and includes process issues. We have used this framework to introduce the body of scholarship on ppp characteristics and aspects. A more

detailed view of this group of research will be done in the following chapters, in tandem with analysis of the case. We thus establish the usefulness of the framework for both theoretical work and empirical analysis.

MAP OF PPP LITERATURE.



ASPECTS OF PPPS.



This is a working paper. Citations incomplete.