

How are pppls
different than
privatization?



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PPP is very often used as a synonym for privatization, but Osborne (2000) argues that there is clear distinction between these two concepts. The following is a summary of difference between PPP and privatization.

The main difference could be found in the following aspects.

1. Institutional arrangement

Privatization has a form of principal-agent relationship, while PPP is a partnership based on mutual trust and cooperation.

2. Focus of the goal

Main idea behind privatization is to improve efficiency, to make service quicker and cheaper. PPP is concerned with effectiveness, synergy and quality of the output.

3. Factors of success

Privatization depend on clear problem, desired output, defined project and fair procedures among others. PPP relies on interweaving of goals, established procedure for interaction and other tailor-made arrangements.

4. Type of management

Privatization is a form of project management with given project specification. It is urged when project-like parameters could be clearly defined. PPP has a form of process management with joint goals and process oriented relationship between actors. It is advised in a case when there are no clear idea about solutions, needed service or designated policy. These parameters should be defined by using different knowledge from both public and private actors/partners.

5. Principle of relationship

Contractual transparency is underlying relationship principle that also defines privatization, while mutual trust is main driver of PPP in terms of relations between public and private actors.

• Are there particular political–economic contexts appropriate for PPPs? Are PPPs based upon particular political ideologies, or do you think they are ideologically ‘neutral’?

The concept and treatment of PPP went through different phases as political-economic context was changing over the time. In a phase within the 50’ and 60’, political-economic context was not so favorable for PPP in Europe and USA. Context at that time was characterized with strong state budgets which allowed broad state interventions in all economic and social spheres of the society. PPP were at marginal level at that time.

That situation dramatically changed in the course of the 70’ and 80’ after recession and serious budgetary cut back. The capacity of state to intervene and provide usual services shrunk down and it was obviously necessary to find additional capacities. Given reasons supported by the proponents of supply-side economics were responsible for increasing importance of PPP in the 70’ and 80’. To date, partnerships with the private sector has been seen as a natural relationship that provides additional values to public sphere issues.

Nowadays, an ideology is irrelevant for PPP in the capitalism. In some ideologies, such as neoliberalism, PPP is seen as more than compatible with its approach and policies. While in others is just seen as neutral or practical.

- **What are the potential advantages, benefits and strengths of PPPs? What are the disadvantages, costs and weaknesses of PPPs?**

Most of the reasons for entering into public-private partnerships could be interpreted as strengths or advantages. These are: transfer of technologies from one partner to another, increased financial capacities, access to bigger market, risk sharing or transfer of risk, building long-term relationships, potential lower costs and reaching higher efficiency and effectiveness through partnerships.

On other hand, disadvantages, costs and weaknesses could be lost of control of the project, lack of knowledge about PPP, minimal partnerships, increased regulations, challenges of democracy, equity and access to services.

- What should be the principles for dividing up responsibilities and roles among the actors and organizations that form the partnership?

The main principle for dividing up responsibilities and roles amongst the actors and organization that form the partnership is based on understanding of “ natural” roles of private and public side. The public actor could bring to a partnership political power and influence on public law, regional market knowledge, reliability, networks, funding capability, knowledge and insight into project’s feasibility from a political perspective. The private actor could contribute with market knowledge and experience, promptitude, networks, risk-bearing capability and insight into the project feasibility from a market perspective.

• What do the readings suggest as the key success factors for PPPs? Are there principles of ‘ good management’ that particularly apply to PPPs (more than for other types of organizations)?

Some of the key conditions for success of PPP are the following:

- The aim for mutual added value and a joint goal
- The actor’s capability of negotiating on their own behalf
- Revenues are shared in accordance with the actor’s investments and risk acceptance
- Formalized co-operation arrangements.

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• How should PPPs be evaluated and assessed? Should different criteria apply than for other types of organizations? How can accountability to the public be best achieved?

2. Select one example of a PPP located in the city or region where you live/work, or from a another place you know.

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Utilizing the available sources of information on the web or other media, printed documents, and/or email or phone contacts at the PPP, write a 4â€5 page summary description of this PPP. The description should include:

1. what the PPP does (which sectors or services)

2. when it started,
3. the motivations for starting it,
4. the actors and organizations that form the partnership,
5. the respective roles and responsibilities of each actor/organization,
6. how the PPP is managed,
7. how it fits within the larger governance structure of the city/region/nation.