Public-private Partnerships: Formulae for Success, Incentives and Barriers

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Summary: Public-private partnerships are undoubtedly an element of today's national and international business processes. They comprise a certain approach to bonding state and business efforts in solving strategic issues of great significance. Experience to date and the modest accumulation of theory moved a joint team of researchers from the International Economic Relations and Statistics Department of Sofia's University of the National and World Economies to address the issue. The study integrates modern theoretical views and a large-scale survey of Bulgaria's central and local government and the private sector. The drivers of PPP projects comprised a priority.

The paper presents survey results and their theoretical context amid the latest studies by EU authors. A particular place is given to the state as a partner rather than merely an authorised principal and coordinator of public facility projects. Both empirical material and the answers sought by modern science reveal a new role for the state and mechanisms for its turning into an effective partner to business.

Key words: public-private partnership; success factors; state regulation

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Introduction

Economic and socio-political conditions in the national and international aspect bring about various forms of domestic and international business collaboration. For some years now, international business theoreticians and practitioners have studied innovative functions within set companies or nations and brought argumented proof of them. This may certainly also be claimed of various public-private partnership projects (PPP). It was a fact that the Twentieth Century featured the establishment of such partnerships in nations with market or emerging economies. The situation in countries transitioning from planned to market economies is similar. A careful investigation of the phenomenon under review reveals a predominance of practical and applied interest and a definite paucity of scientific studies into the issues. Yet, the significance of PPP has drawn the attention of the international community and of a number of international organisations[1].

[1] Examples include many years of involvement in PPP and PPP projects by the World Bank and the International Finance Corporation, including the latter's relatively new Private Enterprise Partnership for Southeast Europe Infrastructure; EU policy and European Commission and EUROSTAT rules on PPP projects and their influence on national financial stability and UNITAR.

It is hard to derive a single definition and concept of PPP from the body of individual and institutional research and analysis of the issues. In the context of task-setting for our PPP research project[2], we accepted that PPP in its narrow sense represented interaction between the state and the private sector (both national and international) aimed at implementing initiatives with the objective of solving socio-economic problems, creating public benefits, and assisting sustainable economic and civil-society development within individual nations[3]. This paper presents part of the results of the project, in particular the theoretical and empirical studies of the drivers[4] of PPP. The latter were addressed specifically as incentives and barriers to PPP project implementation.

Modern theory and practice are not unanimous as to what these drivers are. Undoubtedly, the arrival of PPP marks significant changes in the role of the modern state as regards the dynamics and mode of provision of public services, not least in offering greater opportunities to business and in changing the behaviour of individuals and non-governmental organisations. Economic growth and the requirement for democratic and sustainable development are changing the configurations of economic agents and pressure groups.

The development of PPP has accompanied a renewal of the public sector by the adoption of a new management culture which places the citizen or client centre-stage and presupposes accountability as to outcomes, researching a great many diverse alternative mechanisms for service provision and for competition between public and private undertakings in delivering services, while recouping costs and attaining the best quality for the price. Partnerships are part of a general change in government *modi operandi* and lead to new management modes. Moreover, the image of government as the direct supplier of services is transformed into one in which government is an empowering body which coordinates the actions of other suppliers. The stress falls on "tasks, not participants," "results, not investment." Government is "more committed to directing and coordinating actions than in taking part in such actions." A number of countries which are updating their public administrations have adopted the ideas and principles marketing of services. A significant aspect elaborated at the end of the paper is that governments coordinate alongside non-governmental organisations, consumers' associations and civil society, with the latter monitoring the application of transparency and sustainability principles and effecting control over individual projects.

It is in these new realities that the answer can be found to the enquiry as to the factors for PPP success. The research project was directed at outlining the characteristic features of partnership between the state, business and non-governmental organisations, and then of the most commonly named drivers of such partnership. The subject matter focuses on Bulgarian experience and presents, as pointed out above, the

[2] This paper represents part of the results and output of a competitive project award as part of the UNWE 2006 to 2007 Public Private Partnership in Bulgaria's Integration into the European Union research programme. As the project progressed, it utilised results from a research project on University-Business Interaction in Bulgaria's Accession to the European Union by a team from the UNWE's International Economic Relations Department.

[3] Боева, Б., „Международен мениджмънт", Стопанство, 2004, София, стр. 205.

[4] A significant volume of specialised literature was analysed for this research project. The views of various researchers who conceptualised PPP as enduring collaboration between the state and business stemming from the transfer of set functions of the state to business amid a broadening of democratic principles in national government, were taken into account. Manuals and publications by international organisations and consulting companies were reviewed. The authors' views and papers on PPP issues and other projects by the same authors were also taken into account. Theoretical views were supported by results from surveys and a focus group held in Burgas in 2007. Statistical processing was conducted using SPSS by a team led by Assoc Prof Pavlova, PhD of the UNWE.

results of a survey of Bulgarian practice. In conclusion, we offer synopses of modern theoretical views in the light of the question as to what is beneficial and what is challenging in public-private partnerships nationally and internationally.

Part I. Success and Failure Factors in PPP[5]

1.1. The PPP Phenomenon: Facts and Challenges

The development of PPP projects, accumulated experience, and the limited theoretical background do not offer a uniform view as to the nature and features of PPP. Modern research also seeks to find synthesised views in the settled standpoints expressed in international organisations' guidelines. It is proper to state that EU documents lack a uniform interpretation of the term "PPP." The generally accepted definition is that PPP means cooperation between the public and private sectors with a view to implementing investment projects or to providing services which have traditionally been provided by the public sector[6]. The *Green Paper on PPPs*[7] specifies that the term relates to cooperation between state bodies and the world of business aimed at financing, constructing, renovating, managing and maintaining infrastructure or service provision. The Bulgarian Ministry of Finance's methodological instructions on PPP[8] adopt the same definition, adding that the purpose of PPP is to achieve higher service quality. PPP structures relationships so that each partner discharges those functions at which they are best and assumes those risks in whose management they are best specialised.

The PPP model is long known in international practice and has for some years been a basic instrument of interaction between local and central government, business and the public in broadening and improving services such as, *inter alia*, water and electric supply, transport, household refuse handling, telecommunications, prospecting and developing mines and petroleum and gas fields. It is important to note that the authors do not regard PPP as an entirely "new model," but rather as a "evolving approach" to business relations between government and the private sector for renewing and maintaining modern infrastructure, albeit one representing a greater degree of cost and risk sharing. Among the great distinctions between PPP and traditional methods of interaction is that the public sector plays a significantly greater role in resource provision, turning into a partner, rather than a mere client.

There is no general prescription for the full range of PPP projects and the entire spread of applications in diverse contexts shows the flexibility of the concept, as shown by the arguments below:

- PPP entails various modes of cooperation between the public and private sectors such as, *inter alia*, leasing, franchising, concessions, management contracts, BOT (build, operate, transfer) contracts, BOOT (build, own, operate, transfer) contracts, DBFO (design, build, finance and operate) contracts, DCMF (design, construct, manage, finance) contracts, and joint ventures;
- PPP applies to diverse forms of infrastructure: "business tangible" such as highways, bridges, railways, or telecommunications; "socially tangible" such as hospitals, schools, water and sewerage, or prisons; "business intangible"

5 This Part was written by Assoc Prof Antoaneta Vassileva, Ph.D.
6 Guidelines for Successful PPPs, the European Commission, January 2003.
7 Green Paper on PPPs and Community Law on Public Contracts and Concession, the EU, April 2004.
8 „Методически указания за ПЧП", МФ, юли 2006.

such as research and development or technology transfer; and "socially intangible" such as services to households;
- Partnership agreements are in progress in countries like Australia, Bulgaria, Chile, France, Malaysia, the Netherlands, the Philippines, Poland, Portugal, South Africa, the UK and the USA[9]. PPP manifests itself in various forms, from agreements under which revenue comes from end-user charges to ones under which the public sector is a client who defines services and pays for them. Settlement schedules contain many service quality and efficiency incentives;
- Provided PPP is well structured, it can take account of demand for new services and of future control and accountability requirements which may emerge during a project's lifespan.

Organisational and management formations falling within the "public-private partnership" category offer various opportunities for co-opting the private sector into infrastructure, yet differ in their "partnership" extents. Successful partnership rests on commitment, working towards common goals, trust, team-building, sharing risk, and settling disputes through open and transparent problem resolution. Regardless of the differences, we can propose some common features for the purposes of this study, including:

- Public principals offer integrated public projects which include design, construction, maintenance, financing, and often operation;
- The public sector concentrates on results, *i.e.*, service provision is put forward, rather than mere assets;
- Services are clearly defined, yet the manner of their provision is left to operators;
- Alternatives are examined to ensure that the best arrangement is selected for the project in hand;
- Risks are assumed by the party which is best prepared to manage them;
- Risk is transferred through the selection of suitable financing methods in agreements;
- Settlement schedules rest on the quantity and quality of output, rather than on facility delivery.

One reason for the diversity of partnership forms is that there is no single PPP "model." What is often called "PPP" is something more than hiring an external contractor. Countries like France or Spain have long historical experience of cooperation between the state and the private sector, in which the government owns the assets and private companies manage them through concession mechanisms. This may not be the PPP known in Britain and Australia, yet it works. It is fair to note that concession is a PPP model which has stood the test of time. Concession agreements co-opt the private sector's management skills into the area of infrastructure, and this feature can be transferred elsewhere.

What we actually assert is that, instead of being reduced to a model, PPP must be regarded as a process or a systematic method which entails defining service needs and expected results, determining mechanisms of settlement and assessment, setting quantitative definitions of financial inputs and characteristic risks, establishing the most appropriate client-principal models, developing mutually beneficial commercial principles, checking the price/quality ratio, monitoring design and construction processes, managing contracts until reverse transfer, and scrutinising service delivery. If this process were applied strictly to every contract, it would inevitably lead to a different approach to every project[10].

Another reason why the PPP scene is so diverse is that partnership agreements have no common

9 See European PPP report, DLA Piper, 2007.
10 The notion of a process approach as adopted in the study and explained in the paper is supported by the reasonable solutions for raising PPP project effectiveness proposed in the conclusions.

genesis, the concept having emerged from the interplay of various factors acting in different degrees at different places, *viz.*:

- "New public management," involving external contractors and the privatisation and commercialisation of many public services;
- Changes in the infrastructure services market, with many services once considered natural monopoles now open to market influence through vertical and horizontal divisioning;
- Dissatisfaction with traditional methods of placing public facility and service contracts, marked as they are by great cost overruns and poor revenue.

At the same time, a number of circumstances assisting the evolution of partnership have emerged. Particular significance attaches to two trends, *viz.*:

- The concept of partnership as cultivated in construction for overcoming differences and settling disputes satisfactorily;
- The evolution of project finance for approaches like DB (design and build), BOT (build, operate, transfer), BOOT (build, own, operate, transfer), DBFO (design, build, finance and operate), DCMF (design, construct, manage, finance) used in highway construction and similar infrastructure investment by the private sector.

Utilising these trends, PPP makes possible a complete integration of design, construction, financing, and management, while providing the necessary incentives. A significant change in thinking was noted from the stage when PPP began to be regarded as a means of dividing material assets from the services which they produced. This purchasing strategy was initially provoked by the necessity of acquiring assets, yet in reality government itself provided material assets in order to derive services from them. Today's political thought puts the stress on the services to the public, rather than the material assets. The availability of potential private suppliers of capital assets gives public authorities the ability to purchase services without necessarily having to invest capital in advance.

Public-private partnership offers a formula which overcomes problems for each of the partners. It is apparent that private sector participation in infrastructure (be it in construction and operation or merely in operation) gives rise to great anxieties. Moreover, private initiatives in the field traditionally take second place to public sector service provision. Circumstances are known in which sponsors[11] have found it difficult to come up with finance, this leading to delays in launching services. Long lead times render infrastructure investment vulnerable to technological and legislative advance. The purely-private approach to infrastructure has also traditionally hindered the emergence of networks, especially in transport (duplications of routes, "rail gauge wars," canal width incompatibilities). These were just some of the pitfalls the private sector could overcome through the emergence of public-private partnerships.

While on the subject of "tractable problems," it is proper to point out that purely public approaches to infrastructure have also entailed problems such as projects driven into a *cul-de-sac* by red tape, political interference, money shortages, and all too often poor facility management and maintenance.

As it overcomes these problems, the PPP formula amalgamates the best of both worlds, making use of the private sector's innovativeness and business inventiveness while leaving infrastructure network planning, coordination and regulation into the hands of the public sector.

[11] In project finance, the term sponsors denotes the financing partners: usually financial institutions on their own or in syndicate.

The advance of PPP projects, with their complex agreements as regards documentation, finance, taxation, subcontractor arrangements and technical elements, also had its ups and downs. Both theory and practice sought satisfactory solutions enabling better results. One theoretical direction which promised answers to questions was associated with transaction cost theory. Suitable incentives were a reasonable proposal. In a world of "imperfect" contracts, in which one cannot divine and legislate for putative future events, it is most important for the incentives to be properly structured. A working incentive structure is one which assigns the greater share of risk to the supplier, thus motivating those who risk their money to take the aptest decisions. Transferring risk and responsibility to the private sector under PPP and settling only after delivery of the contracted services sends the clear message that delay, overspend and service quality shortfall would not be tolerated, and that such deviations jeopardise settlement.

Each element of PPP contracts ought to reiterate this message. Assigning facility design and delivery duties to private contractors encourages them to select workable projects and to study innovations which could boost quality and cut operational and maintenance spend. Assigning the duty of project implementation and management to private companies motivates the latter to follow-through their project involvement and avoid delays and overspending. Private sector funding means that the financing institutions care for revenue stream protection and regularity and oversee operations, thus reducing the risks of default on projects. The requirement for private organisations to manage and maintain facilities as well as design and construct them, curbs any tendencies to make economies from the quality of materials used, while supporting solutions which maintain service provision at the required level and lead to cost savings.

As mentioned above, merging preliminary project engineering and financing with subsequent management of construction and service delivery is a characteristic feature of PPP from the perspective of incentives. Some 75 per cent of large infrastructure projects in Britain ran over schedule and over budget prior to the arrival of PPP. Under PPP and PFI contracts, 75 per cent of projects there run on time and within budget[12].

Despite this, there are concerns that – albeit partially – financing and operating infrastructure privately is a form of covert privatisation. In practice, this is far from the truth. Privatisation entails the transfer of title, management, financing, and operation to the private sector in eternity. PPP entails the ultimate return of title or operational rights to the public sector, at least in the majority of cases. Moreover, the public sector retains a significant role in projects, be it as the chief purchaser of services, or as the major instrument of implementation, or as project partner. Since the public sector does not own assets such as, for instance, hospitals or schools built under PPP, it pays contractors set sums in return for set commitments for the operation of such facilities for the duration of the contract. Upon contract cessation, title over the asset can either remain with the private contractor as in BOO contracts, or return to the public sector, as in almost all remaining forms of contract. The public sector monitors projects in order to guarantee that the specified services continue to be provided to set standards and to guarantee that the facility, due to be returned as public sector property, is well-managed and maintained.

Concerns are also voiced that private sector participation in infrastructure could lead to a dilution of accountability and thus harm the public interest. In fact, PPP offers opportunities to raise the level of protection for the public

[12] See Partnering in Practice: New Approaches to PPP Delivery, Price Waterhouse Coopers, 2004.

interest. The traditional system of public sector accountability relies on political responsibility through a relationship system in which authority is exercised by the public on parliamentarians, by parliamentarians on ministers, by ministers on public servants and by public servants on service suppliers. In practice this system all too often becomes diluted, administrative coordination fails, and decisions are taken in secret and fail to be elaborated. In contrast, the framework of PPP relies on a transparent and open process of consultation with interested parties in which many items of public interest are clarified and resolved.

Partnerships are not, and would most likely never become, a dominant route to acquiring infrastructure. They are too complex and dear for many smaller projects. In some cases, they exceed the implementing and managing abilities of coordinating offices of state. In other cases, hard outcome requirements can hinder finding contractors for lengthy periods. Regardless of this, most PPP researchers are convinced that partnerships shall continue to play a major role in the infrastructure policies of countries with transition economies.

1.2. Conditions, Incentives and Barriers on the Road to Successful PPP Development

The characteristic features of PPP projects as presented above and the proposed views on their strengths and weaknesses (albeit in summary) rest on accumulated experience from their application in set circumstances: infrastructure projects in countries with developed market economies. Trends are afoot, and appear entirely convincing, for this experience to be transferred to other circumstances and other countries. There are no insurmountable hindrances to PPP techniques being adapted to other sectors, including projects for services such as hospital or prison management by private operators. It is entirely natural for PPP projects in emerging markets to replicate developed world experience, with the market initially involving "business tangible" projects and, as experience accumulates, spreading into "intangible" infrastructure applications; indeed, this can be observed ever more often.

The simple opening-up of areas preserved hitherto for public sector operators and allowing private sector participation is, however, not enough in itself. A number of factors have to obtain to allow successful PPP development. Some of the hindrances are intrinsic to the concept itself. PPP is no panacea and is not easy to apply. It is a complex mechanism from the viewpoints of interaction between all participants and of dealings with the office of state which coordinates it. Preparation and the negotiation process take much time and political support is necessary. Other hindrances stem from the commercial and statutory environment and have to be overcome through legislative and political change. Here are some of the basic factors at play:

- *The legal framework*. No legal frame for PPP exists in many countries. In the ideal case, it is necessary for a strict statutory system to be erected. The interests of the private sector have to be protected by capable instruments. Government offices have to facilitate private sector participation in infrastructure projects or public communal services. Limitations to public purchasing can have a negative effect on PPP. Thus, in Poland public service provision contracts with terms longer than three years calls for preliminary approval by the chair of the Public Procurement Office. PPP projects usually call for a great many more clearances, approvals and administrative actions. Where foreign companies may partner the contractor, their operations often face additional limitations in the host country.
- *Financing*. Regardless of the diversity of risk alleviation methods, the great sense of project financing uncertainty in some regions is hard to

overcome and inhibits private banks from lending to such regions. Risk has various dimensions (political, commercial, price, *et cetera*), some of which can be assumed by international financial institutions, while others are covered by *take or pay* agreements. Credit risk attached to a country is also an important factor. Private banks are often unwilling to participate due to overall flaws in legislation and regulatory frameworks characteristic of some emerging markets. Within a country, limits to international financing which reflect the indebtedness of state, regional or local offices can stop such offices entering into the long-term arrangements typical of PPP.

- *Taxation*. A careful assessment of tax implications is necessary in all relations with private business. The very complexity of PPP gives rise to many situations which tax routines can complicate further. Thus, are direct public sector subsidies (say, to pay for part of PPP assets) taxable? Is there a tax burden upon the return of assets to the public sector? Are assets used in PPP free of tax? Are infrastructure assets subject to amortisation for tax purposes? In many cases, existing taxation arrangements, as well as legislative ones, turn out to be inadequate for PPP.
- *Accountancy*. Determining suitable accountancy treatment for PPP gives rise to complex and contradictory issues. The basic challenge is to find the right answer to the question as to whose balance sheets must list the assets subject to PPP contracts. Listing an asset in a balance sheet means also listing a concomitant liability. Assets under contract must be listed in the accounting ledgers of the party which is not only most vulnerable to business risks stemming from using these assets, but which can also best utilise them and extract their business benefits. A proper analysis has to be conducted for each individual case to establish this, with particular attention paid to evolutions in revenue and costs linked with utilising an asset over time by parties exposed to the greatest risk. Developing international standards are largely adopting this position, yet not all national frameworks do so, often creating uncertainty as to whether PPP settlement obligations might be treated as off-balance sheet transactions by the public sector.
- *Public approval*. A broad public consensus is needed on private sector participation in infrastructure, especially as regards project financing models based on consumer levies. Thus, most attempts to finance the construction of a new Eastern European transport infrastructure through levies have been abandoned or postponed despite the two exceptions of the M5 highway in Hungary and the A4 Katowice to Krakow highway in Poland. The heritage of free infrastructure under central planning hinders a sharp transition to private project financing based on user levies, with the combination of low traffic levels, low payment abilities and the presence of toll-free alternatives making private concession models based on user levies less attractive in emerging markets than in Western Europe and other developed economies.
- *Public administration*. The capacity and skills of the public administration have to broaden to enable it to negotiate and manage projects successfully. Difficulties in obtaining private finance for transport infrastructure reveal a lack of administrative competence in developing and overseeing private project financing, as well as a lack of information on items like future traffic flows, price flexibility, and other decisive factors linked with projects' risk profiles. There is potential to unify information bases. To encourage the use of PPP in reconstructing Eastern Europe, the UN has suggested that interested state bodies and ministries ought to be pooled in a regional network, thus boosting governments' project support capacities.

1.3. **Drivers and Conditions for PPP Success**

Several significant elements need to come together in order to open up development prospects for PPP. A great many issues have to be resolved individually within each country. Other issues call for international initiatives. Thus, European transition economies rely on financial aid from the European Investment Bank and the European Bank for Reconstruction and Development. Financing infrastructure purely privately is impossible for many emerging market projects, yet this does not exclude the possibility of broadening private sector involvement. Some finance can come from the private sector under subsidiary agreements, since the PPP market has developed from project finance to corporate finance. D&P claim that investors with portfolios of some 20 to 30 infrastructure projects each have assets and revenue streams which enable them to borrow or which may be securitised. Project bonds are attractive to pension funds which are insured against financial risk. Such bonds can even appeal to individual investors.

Despite this, creating a framework of confidence is not enough in itself to attract funds from the capital markets. There must be incentives to encourage cost savings and raise business efficiency, since infrastructure users have to accept the validity of PPP funding arrangements and sense that they are paying a fair price for the service received. Three factors: legitimacy, fairness, and efficiency, are stated as necessary for supporting public-private partnership in infrastructure[13]. Similar views emanate from international bodies like the UN and the US Chamber of Commerce. In the context of PPP projects in European transition economies, these organisations stress the following conditions:

- The need for a suitable statutory framework;
- Assigning a leading role to government requirements;
- The need to build public confidence;
- The need for public approval at the local level;
- The need for experienced practicing specialists;
- The need to satisfy financial requirements.

Table 1. Basic PPP Implementation Drivers and Enablers

Requirements	Conditions for Successful Implementation
Financial need, i. e., budget deficits Obsolescent or poor infrastructure Growing demand or raised expectations on public sector services Search for greater efficiency and innovation Demands for greater competition Shortages of local experience of skills Requirements to train national entrepreneurs and to retain competitiveness The best practice effect	Political: stability, explicat will and commitment expressed in setting-up specialised units, following programmes through, creative and willing government. Legal: no hindrances, no excess documentary complications. Public approval: accepting private sector participation and specific effects such as the environmental impact of new roads. Qualified specialists who are expert in their areas, experienced project sponsors and creditors. Accessible financing: where necessary, financing from the EU and the EIB; a developed banking sector and a reasonable investment culture in the capital markets

Source: The European PPP Survey 2001, D&P, 2001

13 See Berg S., Pollitt M., Tsuji M., Private Initiatives in Infrastructure, Edward Elgar, Chicago, 2002.

All the above are important preliminary conditions. Since PPP contracts tie-up many parties and their resources for long periods, suitable statutory support which is properly integrated into national legislation is needed. This involves not only legal instruments but also all procedures and administrative actions. The private sector partners need clear rules devoid of procedural imperfections. At the same time, the public sector partners need effective PPP performance tools. It is beyond doubt that the requirements for a stable framework for long-term public-private partnership ought to rest on solid support. The public sector must follow a transparent PPP policy to be able to resolve contractual issues successfully. A constant dialogue is necessary between representatives of the public and private sectors in order to build genuine partnership between them.

These factors relate to the general environment of PPP and support the development of the PPP strategy. Yet, in order for emerging markets to benefit from PPP, they need to prepare thoroughly. PPP can bring efficiency gains and cut spend compared with traditional public services, but it must be borne in mind that not all PPP projects are successful. As with all other projects, PPP ones must attain their specific objectives and pass through the various lifecycle stages, from project initiation to managing the organisational and statutory structure. The factors which have to be taken into account include project objectives, contract conditions, the scope of actions, contract supervision, result measurement, risk management, accounting and tax treatment, resource provision, fairness and responsibility, political strategy and public interest studies. PPP is successful when each of these, as well as other, factors, and their mutual links, are not only taken into account, but are also resolved in due time.

PPP being a relatively new concept in emerging markets, and indubitably so in transition economies, it is useful to borrow PPP implementation experience from other nations, as well as identify weaknesses in PPP methodologies and consider whether certain solutions applied elsewhere may be adapted to local conditions. What experience shows in general terms is that PPPs can attain a broad range of objectives and can improve on public sector quality/price ratios. The PPP process, however, is more complex than traditional purchasing and calls for all parties to understand the factors driving it. The public purchaser has to be able to negotiate and manage individual contracts and have access to relevant financial, legal and technical expert services. Creating a mechanism for gathering, preserving and sharing experts' knowledge on PPP is beyond value in developing a PPP model which is best suited to public sector purposes, local requirements, the environment, and the public[14].

Five basic elements are required for a successful PPP programme and each has to be studied thoroughly:

1. *Political will*. This is a basic condition for successful partner programmes. PPP is an alternative to traditional public procurement and government has to build support before launching PPP programmes.
2. *A suitable regulatory framework*. This second factor for successful partnership involves creating a suitable environment for business. One of the basic risks in infrastructure investment is that the statutory frame which regulates the business may evolve away from its position during the investment stage. Inevitably, there is some risk here which private business has to face, as it would in traditional public purchasing; for instance, in construction project safety. Yet, it is government which is better placed to manage

14 These issues are treated in the closing Part in the form of proposals for specific solutions to raise the effect of state participation in public-private partnerships.

and assess yet other risks, such as that of significant changes to environmental legislation.

3. *Process and skills*. The third condition for successful partnership involves thoroughness and transparency, with the major rules being clear and amply documented. Even so, procedures in themselves are insufficient; people have to be available with project implementation skills. PPP calls for abilities which are usually at a deficit in emerging markets' public sectors; for instance, the skill of drawing up initial specifications, or of negotiating a system of agreements, or of awareness of the broad range of financial products used by investment bankers in securing transactions. The challenge is to instil such skills into public sector management teams.

4. *Value for money*. At its simplest, the quality/price ratio comes to the forefront as a result of competition in the PPP market and presupposes an environment which best utilises innovation and creative ability, as well as methods of lifecycle costing and risk management.

5. *Projects*. A government wanting to implement a PPP programme not only has to invest political capital, create a suitable investment environment, elaborate relevant policy, and monitor invested funds, but also to ensure programme success as measured by the number of projects implemented and their outcomes.

Part II. The Bulgarian Contribution into Success Factors and Hindrances to Effective Public-Private Partnership[15]

2.1. A General Model of Success Factors and Hindrances to Effective Public-Private Partnership

On the backdrop of conditions and drivers for successful PPP project development, the conclusion propounds itself that success factors are usually related to mechanisms within the two major parties: business and the State. There are relatively few studies focusing on the role of the State as partner in the suc-

Table 2. Key survey variables: Factors and Barriers for PPO success

Factors for PPP Success	Barriers to PPP Effectiveness
Clear and precise government policy	A lack of motivation on the part of the State, local authorities, business and stakeholders
Continuity in government PPP policy	Lack of awareness
Statutory framework	A lack of capacity on the part of the state
Keeping to basic rules of disclosure, transparency, accountability, effectiveness and partnership	A lack of capacity at local authorities
Competence on the part of the State, public servants and local authorities	Incompetent apparatus of state amid unending political meddling to this apparatus in Bulgaria and abroad
An active civil society	A lack of rules at the national and local level
Effective partnerships between universities and business	Uncertainty regarding the court system in business circles
Private sector economic motivation	A complex legal framework
Effective use of project management tools	Conflict of interests between the state, the public, and private business

[15] This Part was written by Prof. Bistra Boeva.

cess or failure of public-private partnerships. International practice and the rather few Bulgarian PPP projects place an acute stress on the State's ability to be an effective and successful partner. Issues of quality and transparency in State actions are also issues in public-private partnership. In seeking answers, we surveyed business, stakeholders, and state administration views on the partnership behaviour of the State, and more specifically its participation in individual public-private partnership projects. These were the subjects of the six-month survey (Table 2).

In ranking success factors and hindrances, we found that **74.6 per cent of those surveyed saw precise and clear government policy as the lead success factor.** This factor was also a priority of surveyed foreign companies (100 per cent), and Bulgarian companies (82.6 per cent**).**

The state's legislative behaviour was ranked as the second success factor: the statutory base was ranked top by financial institutions (100 per cent), foreign companies (100 per cent)[16], the non-governmental sector (86.4 per cent), the state itself (78.1 per cent), and an international financial institution.

Almost equal **third and fourth places were assigned to the factors of private sector business motivation (50.8 per cent) and the competence of State and local authority officers (50 per cent).**

The low ranking assigned to university-business relationship for effective PPP projects (14.8 per cent) was entirely in keeping with existing public and business dispositions[17]. **The analysis by survey subjects confirmed the low rating,** yet highlighted a paradox, in that an international financial institution ranked the factor highest (33.3 per cent), followed by the non-governmental sector (22.7 per cent), academics (20 per cent), with nil per cent ratings assigned by a financial institution and foreign companies.

The in-depth assessment of replies, involving individual participants' surveyed views, offered added information on the subjects' views on private-public partnerships.

The **analysis of views on hindrances to successful public-private partnership by representatives of the state, business, financial institutions, and not least stakeholders** was also fascinating. **Interest or the lack of it among potential participants** in such projects was seen as the **main hindrance** to their preparation and implementation (65.9 per cent). Yet, as will be pointed out below, this ranking was not assigned by all subjects who are directly or indirectly involved in public-private partnership.

At 60 per cent, the ranking of **incompetent State administration amid constant political meddling** as hindrance No 2 came close to the top. This second ranking was also not assigned evenly by all survey subjects, as will be pointed out below.

Hindrance No 3 was said to be **the complex statutory framework**[18]. This opinion was shared by most subjects. The lowest-ranking hindrance on the road to successful public-private partnership was assigned to **civil society involvement** (17 per cent).

[16] Response to several questions shows unanimity at 100 per cent.
[17] Проект за връзки на бизнеса с държавата 2005 на катедра МИО и бизнес, the UNSS; The Global Competitiveness Report 2005-2006, the World Economic Forum, 2006.
[18] „Изследователски проект за ППП", the UNSS, 2006/07, Table 5.

2.2. Success and Failure Factors: Views by Individual Participants in Public-Private Partnership Project Preparation and Implementation[19]

In the process of detailed response analysis, and most of all analysis of response dealing with government behaviour, we defined the following roles of the State as regards public-private partnerships: the state as legislator, the state as regulator, and the state as direct partner.

Survey subjects ranging from state administrators to a local and a foreign company, a local and a foreign financial institution, the non-governmental sector and academe were unanimous on the need for **clear and precise government policy and legal provision**. As regards these two success factors, representatives of foreign business expressed 100-percent agreement, followed by 100 per cent from local financial institutions as regards legal provisions. Bulgarian business assigned 82.6 per cent importance to this item, ranking it second after foreign business. The non-governmental sector assigned a 72 per cent importance to clear laws[20].

The trend to survey subjects assessing the significance of success factors related to the State became set. Thus, foreign companies assigned 66.7 per cent importance to adherence to essential rules on information disclosure, transparency, accountability, effectiveness and partnership, as distinct from Bulgarian businesses which assigned a mere 43.5 per cent rating to this factor. Academics set this factor a close ranking at 63.3 per cent. Financial institutions assigned an unexpectedly low rank to the factor at 25 per cent for Bulgarian ones and 33.3 per cent for foreign ones. This was close to its ranking by the non-governmental sector, being 36.4 per cent.

The dispersion of opinions as regards the basic rules of good governance is not surprising. It approximated assessments shown in World Bank reports[21] and in the same body's annual assessments of business environment in individual countries[22] or annual competitiveness reports[23]; these all show that there is much progress to be made on most parameters. What *was* surprising was the assessment of non-governmental organisations on the backdrop of their activism and of criticism of the Bulgarian authorities by Transparency International because of the lack of transparency surrounding the award of part of the Trakia highway project to a Bulgarian-Portuguese consortium.

It is significant that **the third rank among factors of success went to State, state servants' and local authority competence, its importance being 50 per cent for local financial institutions, 60.9 per cent for Bulgarian companies, and 59.1 per cent for non-governmental organisations. The views of individual** businesses repay attention, confirming the exceptional value they placed on executive branch competence at the national and local levels for PPP project success[24]. The issue of partnering competence are centre-stage in today's state, both in the EU and beyond. The significance and topicality of the issue is linked to the growing role of tripartite projects on the one hand, and to efforts to build knowledge based economies and run them efficiently within the EU and elsewhere.

19 „Изследователски проект за ППП", the UNSS, 2006/07, Tables 16 to 19.
20 „Изследователски проект за ППП", the UNSS, 2006/07, Table16.
21 Kaufmann, D., Governance Index, the World Bank Institute.
22 Doing Business 2007, the World Bank.
23 World Competitiveness Report 2006, the World Economic Forum.
24 Opinions by business representatives on public-private partnership in Bulgaria as stated at conferences in 2006.

The conclusion is forced upon one that the Bulgarian authorities and business undervalue management awareness and the ability to apply modern management tools. At the same time, Bulgarian and foreign financial institutions, at 50 and 44.3 per cent respectively, and foreign business at 33.3 per cent, treat management awareness as a success factor.

Completeness of the portrait of public-private partnerships, and specifically of the survey subject of State behaviour, is attained through a study of the negative aspects of such partnerships. The appended data[25] on the views of the aforementioned seven subject groups as to hindrances to effective public-private partnership offered a panoply of facts as to the behaviour of the state as partner in PPP projects. Negativity – the greater percentage of those considering certain factors as hindrances which reduce public-private partnership effectiveness – was demonstrated by foreign business and financial institutions; the former's replies exceeded the median of 50 per cent and the latter's came to 66.7 per cent.

If we must determine the ranks of individual hindrances by response percentages, it was notable that the sole **100 per cent complete consensus was demonstrated by foreign business as regards "the lack of capacity by local authorities." There was significant dispersion of replies about "state administration incompetence."** The greatest degree of agreement was by the international financial institution at 66.7 per cent, followed by Bulgarian business (62.5 per cent) and foreign business (50 per cent). Response to both questions shed light on a significant parameter of executive branch behaviour at the national and local levels.

We could definitely conclude that knowledge asymmetry was seen as a serious hurdle to effective public-private partnership nationally and locally. Attempting to define knowledge asymmetry (differing degrees of awareness and competence among the public and private partners and stakeholders as regards various project aspects) could lead to controversy. At the base of such asymmetry are different sets of knowledge on management, economics, technology and the rights of individual partners in set transactions. As evidenced by individual submissions, such asymmetry is more marked in projects in which representatives of international business participate.

Survey subjects' responses were relatively close as regards other hindrances, such as the **lack of motivation**. Financial institutions, the non-government sector and Bulgarian companies pointed out lack of motivation as top ranking hindrance to the development of public-private partnership. A commentary is hardly required on these standpoints, since it is universally accepted that business project success is a function of its participants' interests.

Survey subjects' replies also had a low scatter (between 50 and 41.7 per cent) on **lack of business confidence in the judicial branch**. This issue and response on it repay comment in the context of policies for improving the Bulgarian judicial authorities' performance, as well as positive assessments of progress to improved jurisprudence in Bulgaria[26]. Deviations were apparent as regards international business (25 per cent) and international financial institutions (nil per cent).

A question which did not evoke great response dispersion concerned **conflict of interests as a hindrance**. Foreign companies ranked it at 50 per cent and international financial institutions

25 "Research Project PPP", the UNSS, 2006/07.
26 Doing Business 2007, the World Bank, 2007.

at 33.3 per cent, clearly sensing it as a hindrance to effective public-private partnership projects. Their rankings were several times lower than those assigned by members of the state administration at 19 per cent, Bulgarian companies at 12.5 per cent, the non-governmental sector at 18.2 per cent, and the academic community at 16.7 per cent.

If we accept that disclosure on potential or actual conflicts of interest is significant in avoiding such conflict, and if we compare the response with that on information disclosure as a success factor, we find that they mirror each other: low rankings in conflicts of interest go with low rankings in information disclosure. Clearly, this secondary aspect of State behaviour is a component of larger phenomena highlighted above: good governance at the national and local levels and management quality, including corporate governance. This pattern is attenuated by the low importance assigned to conflicts of interest, and to information disclosure, by non-governmental organisations[27]. Clearly, the nature of transition to a market economy and democracy has somehow led to patterns, such as the low ranking assigned to conflicts of interest, which would be unusual in countries with developed market economies attempting to marry effective business and democracy. Such countries display marked sensitivity to conflicts of interest and developed systems at both the corporate and State levels for dealing with such conflicts, alongside effective laws and jurisprudence.

2.3. The Learning Curve and Success Factors and Hindrances in Effective Public-Private Partnerships

The contemporary format of public-private partnership is a relatively new phenomenon for the world as a whole. This novelty is even greater in Bulgaria and most countries in transit from planned to market economies. Although the analysis tried to find out interdependence between the participants' experience in the field of PPP projects and their comments on success factors and barriers. It is noteworthy to point out that most survey subjects had durations of experience ranging from one to five years (69.1 per cent)[28]. Those with between five and ten years of experience came a close second at 16.4 per cent, with those having over ten years of experience comprising 10.9 per cent of subjects. For the purposes of analysis, we can disregard the proportion of those with no experience (3.6 per cent).

The singling out of clear and precise government policy as the top success factor by subjects with one to five years' experience (71.2 per cent) was entirely logical and in keeping with the survey's framework. This factor was also ranked top by the second group (five to ten years' experience; 78.6 per cent). As distinct from them, respondents with over ten years' experience set policy third (63.6 per cent), after the 81.8 per cent ranking they assigned to statutory provision. This assessment by the most experienced respondents can be subjected to manifold interpretations. One of the more convincing ones may be that, over ten years, legislation evolves significantly, and that in Bulgaria such evolution can be dramatic; hence statutory provision is seen as more important. Another interpretation could be that respondents with the longest experience particularly value a stable legal environment for large-scale projects, such as PPP ones tend to be; ultimately, due to their long-term nature, PPP projects are most vulnerable to legislative change or the lack of adequate legal provision.

Respondents from the second group, with five to ten years' experience, shared the view (78.6

27 „Изследователски проект за ППП”, the UNSS, 2006/07, Tables 18 and 19.
28 ”Research project on drivers PPP”, the UNSS, 2006/07,

per cent) that clear and precise policy was equal in import to the statutory frame. The arguments regarding the previous cited group can be accepted as valid for them, too.

The availability of a statutory framework was ranked second by the most numerous respondent group (those with one to five years' experience) at 69.9 per cent. Again, there was correlation between the overall ranking and those of the largest group[29].

A similar correlation was visible as regards the success factor ranked third overall and the ranking the most numerous respondent group assigned it. They assessed continuity in government policy as success factor No 3 at 57.5 per cent. The same factor came sixth (at 42.9 per cent) in the rankings of the second largest group, those with five to ten years' experience. The logic of expectations was confirmed by the higher (second) ranking assigned this factor by respondents with over ten years' experience (72.7 per cent).

Low scatter was apparent in assessments of the overall fourth-ranked success factor of private sector economic interest. Thus, the largest group's fourth place assignment (49.3 per cent) was repeated by others, while for the next largest group of those with five to ten years' experience (64.3 per cent), the factor shared fourth place with others. The same applied to the next group. This low scatter was entirely expected: economic interest is an essential business motive.

The fifth overall success factor of state, state servants and local authority competence, was assessed as close to economic interest by the largest group, being ranked fourth and fifth (49.3 per cent) respectively. The second group, of those with five to ten years' experience, gave a similar assessment at 64.3 per cent. The smallest group, those with over ten years' experience, ranked competence fifth at 54.5 per cent. Different interpretations are again possible. If we accept the concept of an asymmetry of knowledge and a learning curve, we can also accept that as business accumulates knowledge and skills, the significance of state competence declines. It is indubitable that a strong private sector underwrites stable and sustainable national development, and that business competence contributes to this.

As regards the success factor ranked sixth overall (transparency, information disclosure, accountability, effectiveness, and partnership), there was unanimity in its assessment by the most numerous group at 47.5 per cent. The next largest group, those with five to ten years' experience, ranked this factor higher, assigning it fifth place and 64.3 per cent. The most experienced group rated the factor lowest at seventh place and 36.4 per cent. Quite possibly, a subsequent in-depth survey may offer more precise interpretations of these assessments. One could also speculate in the direction of an evolution in mentality, with younger participants more prone to ideas of making business in a regulated manner, ensuring transparency and offering information disclosures, and of inclusiveness: all principles related to democratic governance and EU membership. "The generation gap" could equally well be speculated to lie behind the low ranking given this factor by more experienced survey subjects[30]. As stated, the comments in this Part are open to debate and even denial; after all, they relate to an experiment, rather than purporting to be an ultimate truth.

In seeking answers about the State's role in public-private partnership, we ought to point to the

29 "Research project on PPP drivers", the UNSS, 2006/07.
30 The concepts cited are from the OECD White Paper on Corporate Governance in South East Europe, 2004, and from the Author's experience.

success factor of a stable economic and political environment (33.6 per cent). Ranked seventh in the general rankings, it was assessed as seventh by the most numerous subject group (32.9 per cent), as well as by subjects with between five and ten years' experience (28.6 per cent). The least numerous group of subjects ranked the factor sixth (45 per cent).

The two lowest-ranked factors of partnership between universities and business (14.8 per cent) and of an active civil society (26 per cent) followed suit among the most numerous groups at 16.4 per cent and 23.3 per cent. The second largest group ranked these factors penultimate at 14.3 per cent and next-to-penultimate at 28.6 per cent. The response of subjects with over ten years' experience was interesting and hard to explain: they ranked active civil society last among the success factors at 9.1 per cent, giving an equal penultimate place at 18.2 per cent to effective partnership and the use of modern management tools.

Concluding the assessments of success factors in the context of learning curves, we ought to highlight another factor, albeit one not linked directly with State behaviour: the effective use of project management tools. For the purposes of this study, these comprise tools used both by business and the State[31]. While the factor is ranked eighth in the overall ranking, there are variances by subject experience: those with up to five years' experience ranked the factor seventh. Those with five to ten years' experience ranked the factor least important at 7.1 per cent, or tenth and lowest in the ranking. The factor shares eighth and ninth place as ranked by those with over ten years' experience. These discrepancies could hardly be down to the generation gap. The fact is that the group which has accumulated most project management knowledge (something relatively new in Bulgaria) ranks the factor as more important, though other interpretations are equally valid.

It could be claimed that the learning curve has an effect on specific factors to do with the survey's subject. As regards the State, though there may be small discrepancies, assessments tended to be very close.

The ten hindrances were also interestingly ranked by survey subject experience[32]. There was low scatter in overall rankings at 65.9 per cent and among the three experience categories (those with one to five years' experience at 67.1 per cent, those with five to ten years' experience at 66.7 per cent, and those with over ten years' experience at 66.7 per cent) as regards hindrance No 1: lack of motivation. It is logical for the agents of the market economy to feel this.

It is interesting to note that as regards hindrance No 2 in the overall ranking (state apparatus incompetence amid constant political meddling; 60 per cent), there was dispersion. The group with least experience, and the next group up from it, ranked this hindrance fourth, while the next group up (over ten years' experience) ranked it at sixth and seventh place.

The general and detailed data presented above confirm the prior views on the behaviour of the State as partner in national and international PPP projects. The findings delineate the *status quo* and offer grounds for future research addressing the role of the State.

31 This relates to the European Commission's model of lifecycle project management and the British PRINCE standard, which foresee the direct or indirect application of project management tools by the state.
32 "Research project on PPP drivers", the UNSS, 2006/07,

3. Public-Private Partnership in the Context of Successful State Partnering and Regulating: Modern Theoretical Views and Examples of Good Practice

The views on PPP success factors and hindrances summarised on the preceding pages offer exceptionally valuable facts to theory and practice and pose the question "Whither now?". Doubtless, Bulgaria's entry into integrated Europe and more specifically its access to funds provided through various financial instruments will give rise to calls for public-private partnership mechanisms to emerge at the national, regional and municipal levels. Against the background of relatively limited competence at the national and local levels, the task of improving State behaviour as a public-private partner will emerge in some acuity. Hence, it is reasonable to propose some examples of good practice in the EU and elsewhere in the context of assessments presented above. Attention is also repaid by individual trends in the multidisciplinary theory which addresses the role of the state in public-private partnerships.

Public-private partnership is among the hottest topics in the theory and practice of international business. Studies range from clarifications of the mechanisms at the rational level, to enquiries into delicate issues of ownership and property management (risks, transparency, information disclosure and financial discipline). Traditionally, interest is on business as partner, mainly in national infrastructure projects. Again traditionally, the State has fallen beyond researchers' foci.

The past decade shows an emerging trend under which the paradigm shifts and researcher interest is gradually directed at the place of the State as partner, regulator and legislator on and of public-private partnership issues. The success factors and hindrances presented above also addressed the State as an agent of encouragement of hindrance of and against public-private partnership. Studies which motivated this paper, and older studies, define the thesis of active state input as PPP participant. Regardless of the general claim which will stand adjustment below, the fact remains that partnership would be problematic if the state failed to demonstrate adequate behaviour.

The past decade certainly gives grounds for the claim that state behaviour has changed, both at the national and EU levels. This concerns both the status of the state as legislator and as regulator. International practice and international PPP projects show-up the following stages of progression:

- The state as legislator who sets the conditions of public-private partnership;
- The state as regulator who displays transparency and is willing to disclose information;
- The state as partner willing to expand its capacity through accepting and adhering to modern rules for knowledge accumulation and communication. The state's management functions have borrowed from business the practices of networking, knowledge sharing and centres of excellence;
- The state as legislator and regulator who provides and seeks opportunities for underwriting critical infrastructure projects implemented through PPP patterns (the USA and the EU).

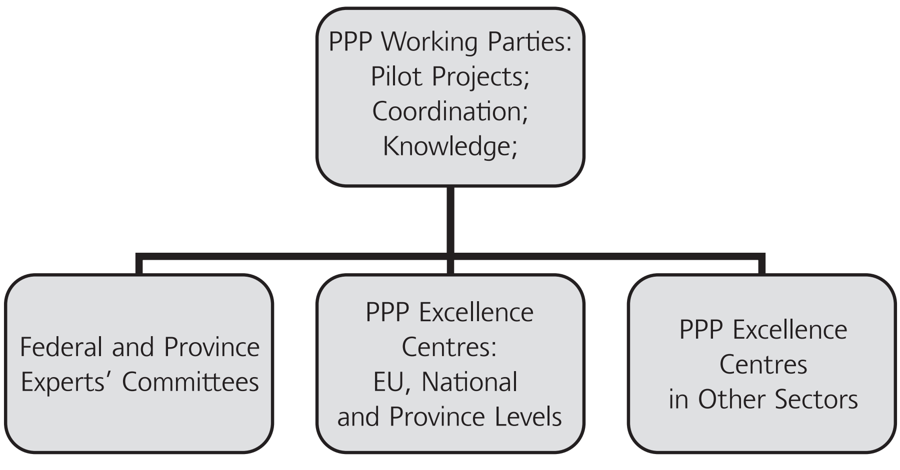
The above stages follow, rather than deny, this progression in PPP projects' lifecycles. Each stage integrates the progress of the preceding stage, raising the position of the State as both partner in individual projects and the architect of a suitable environment and framework for PPP. The degree of economic development, project internationalisation, and socio-political processes determine this progression in State behaviour. In the context of Bulgaria, as the survey shows, the issues are ones of transparency and information disclosure and of the state's partnering and regulatory capacities[33][34].

The views on PPP drivers formulated in the Part One and the results of the survey point to capacity issues as significant, alongside those of awareness, in PPP project development and implementation. On the background of international practice studied[35], several reasonable options emerge for Bulgaria:-

- Growing opportunities for improving the effects of PPP through knowledge management at the national level (Germany, the Netherlands). The theory and practice perused and examined show the beneficial effects of knowledge management on PPP projects. The stress is on creating centres of excellence, as in the Netherlands, and on building mechanisms for diffusing knowledge on PPP projects (Britain, Germany, the Netherlands)[36]. In fact, this concerns certain management national-level approaches to PPP projects. The study cited above shows three patterns of management: centralised (with a single unit), decentralised (as in Canada and the USA), and one combining centralised and decentralised features (as in Germany). What is significant in the latter pattern is the emphasis it places on the exchange of knowledge.

It is not just a matter of administrative decentralisation, but of a knowledge system subjected to the national interest and to effective management, with appropriate vertical and horizontal linkages. It is reasonable to point out that such linkages reflect the need to manage effectively and to develop and maintain administrative capacity through a knowledge management system. The Ministry of Finance could play a similar function in Bulgaria: not merely a coordinator but also a centre for the accumulation and communication of knowledge.

- In some countries such as Denmark, the effects of PPP are also sought in new approaches to national governance. The implementation of modern PPP project management there has traversed the road from informal cooperation to new public management. The novelty here is in the fact that national administration and govern-



Source: Fisher, K., The emergence of PPP Task Forces and Their Influences on Project Delivery in Germany, IJPM, October 2006

33 Accounting Treatment of Capital Projects for General Government Purposes, 2005, EUROSTAT.
34 Resource Book on Case Studies, the Directorate General of Regional Policy, the European Commission, June 2004; Partnering in PracticePricewarethouseCoopers 2005; Directive 93/36/EEC on public purchasing.
35 „Изследователски проект за ППП", the UNSS, 2006/07.
36 Fisher, K., The Emergence of PPP Task Forces and their Influences on Project Delivery in Germany, IJPM, October 2006.

ance, with its hybrid of networks and bureaucracies, is moving from representative democracy to participative democracy. Under this new form of governance, business and stakeholders are involved in PPP projects' preparation and management[37]. The stress in the new governance again rests on attaining good coordination in the interplay of the state, business and pressure groups. The new coordinated management of PPP projects is termed metagovernance, denoting the qualitatively new and effective merger of efforts between these partners in individual projects.

• The incentivising role of the State in PPP projects is also demonstrated in modern approaches and methods applied by the state in the correct assessment of PPP's strengths and weaknesses. As in knowledge management sand the launch of hybrid management mechanisms, these new methods aim to boost the PPP effect and cut transaction costs. Comparative analyses of projects implemented solely by the State and those implemented through PPP are conducted, such as the Danish public sector comparator used since 2002.

• The economisation of good governance (known as value for money VfM) as a factor in PPP project success is also revealed in the system of measures followed by countries with significant PPP experience. In essence, this approach addresses: effectiveness and quality of service delivery; inclusiveness and respect for stakeholders, including environmentalists and local authorities; criteria and measures for assessing results; encouraging a culture of learning in the State sector; building adequate governance structures through setting criteria and results, accountability and transparency, rather than merely defining risk transfer; value engineering and management; and reasonable, clear and controllable financial analyses through open book auditing[38]. In the United Kingdom, it is accepted that the quantified expression of the VfM approach is the public sector comparator cited above. In Bulgaria, one could also consider improving public spending control mechanisms, as well as synchronising tax legislation with the peculiarities of PPP projects.

• Effective risk management: from preliminary risk assignment to flexible risk distribution as situations demand. Views cover much ground: from risks traditionally recognised and regulated by Eurostat as attending PPP projects; through dynamic and flexible review of risks at set project states or building strategic alliances of partners (the alliance risk theory[39]); introducing arbitrage for the rapid overcoming of risks in PPP-type project preparation and implementation; to introducing risk management systems based on specifying risks and setting responsibility sharing mechanisms for overcoming them into each individual PPP project[40].

4. Conclusion

The new elements presented above are evidence of the search by modern States for effective PPP project management solutions. They involve the improvement of business approaches, risk management, and overall control systems. What is basic to this search, which takes different forms in each country studied, is the striving to cut transaction costs, improve the

37 Governance when applied to national administration.
Koch, C., M. Buser, Emerging Metagovernance as an Institutional Framework for Public Private Partnership Networks in Denmark, IJPM, October 2006. Metagovernance is understood as a regulatory framework and environment, an umbrella for PPP networks.

38 Clifton, C., C. Duffield, Improved PFI/PPP Service Outcomes through the Integration of Alliance Principles, IJPM, October 2006.

39 Ibid.

40 Shen, L. Y., A. Platten, X. P. Deng, Role of Public Private Partnership to Manage Risks in Public Sector Projects in Hong Kong, IJPM, October 2006.

quality of services offered by the State, and last but not least, guarantee equality for the users of these services. The conclusion could be the claim, stemming from the study's adopted thesis and hypotheses, that successful PPP project implementation is also a function of effective State participation. As regards State involvement, the factors of success are modern, market oriented management, effective skills management, a business approach to PPP projects and guarantees of equality.

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