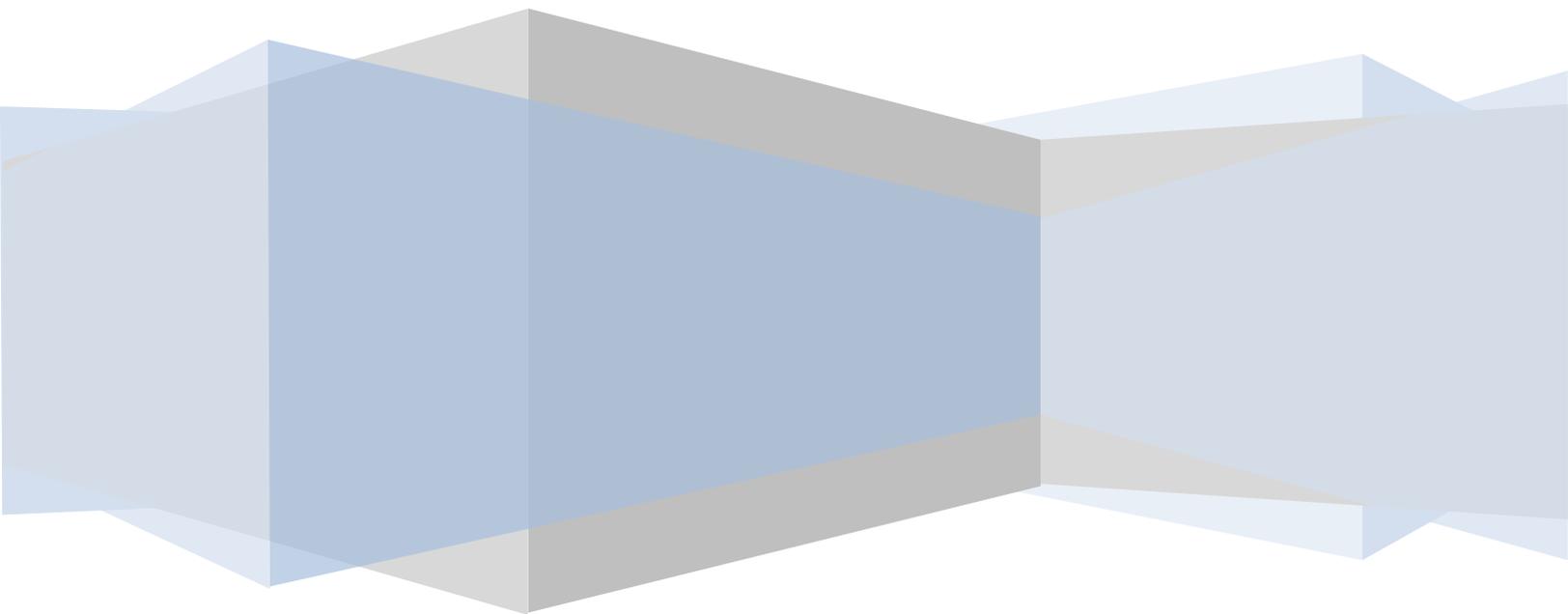


Public Private Partnerships and the Administrative Hurdles that Exist within them.

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This paper explored the lessons learned from the comparative study of nine cases which involved the implemented use of public-private partnerships in developing infrastructure projects carried out in the Netherlands and show the administrative hurdles that exist when facilitating public-private partnerships. Koppejan (2005) through his analysis discovers three concurrent dominant themes which allow for the identification of barriers and boundaries that exist in the formulation of public-private partnerships.

These identifications consist of: economic feasibility, the internal hierarchical struggles within multi-tiered government, necessity of intertwining goals among stakeholders and the proper and structured interaction among involved public and private participants. While these discoveries are not inherently unique to the Netherlands, there still exist that the same issue along with the same recommendation may or may not be applied to another country, or more specifically in this case the United States. Additional research in the field of public private partnerships will need to continue to be developed to either affirm or adjust the findings of the Koppejan comparative analysis.

Keywords: Public private partnerships, PPP's,

Introduction

This paper explores the lessons learned from nine case studies of transport infrastructure projects carried out in the Netherlands and shows the administrative hurdles that exist when facilitating public-private partnerships. These studies will serve as a guideline for what the United States should look out for and be made aware of in terms what issues may arise if it moves forward with developing public-private partnerships. Though what may work for one case may not work for a case somewhere else; however it does provide some research as to what may or may not be encountered. Concluding the analysis of the case studies and their findings is how these partnerships would be cultivated within the United States i.e. federal agencies involved will be explored and made mention of.

Background

The passing of time has seen the United States lose its manufacturing base as it has progressively moved abroad to other countries who have moved ahead in investment and construction of improving and developing its economic foundation i.e. infrastructure. This leaves the American economy and its future economic growth a quandary, either invest in new infrastructure projects and as well to update debilitated structures (bridges, highways) to not only maintain the nation's economic viability, but grow it by establishing future investment and development by industry; or watch as global competitors lead the way in development of their economic foundation and divert more business investment to their economies.

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guideline for what the United States should look out for and be made aware of in terms what issues may arise if it moves forward with developing public-private partnerships (Likosky, 2011).

Unfortunately due to the economic downturn following the 2009 financial sector collapse which spurred costly stimulus packages in hopes of spurring the economy which ultimately failed (depending on how you look at it) gave way to a movement within the nation over concern about the country's debt. The failure of the stimulus and the new fiscal movement that has taken root within the political confines of the congress makes the prospect of a second round of stimulus funding to be approved to spur infrastructure investment projects very unlikely(Likosky, 2011).

With dwindled prospects of seeing a second round of federal stimulus and a much-needed need for investment in our economic foundation it is best to look at our competitors and see the means by which they themselves have employed to move ahead in terms of infrastructure investment and development. Latin America and Asia for example employed the use of an infrastructure bank to lay the foundation of infrastructure for economic growth. These banks lend themselves in establishing public-private partnerships; where a central bank is established with an infusion of federal money.

This bank then gives out loan guarantees and targeted loans to infrastructure projects which can self sustain themselves i.e. toll roads, ports that impose fees on delivered goods, energy plants that gain revenue from user fees. With the U.S. facing the new challenges of reigning in its debt while also spurring its economic base, the prospect of instituting public-private partnerships is looking more and more like a viable option to both its pressing problems (Likosky, 2011).

Analysis

Though there is much debate on how public-private partnerships are defined, and for the sake of this paper the definition utilized by J. Koopenjan (2005) in his case study approach will be used. What is a Public-Private Partnership or as also referenced by its acronym PPP? Considered to be a form of structured cooperation between public and private parties in planning, construction and/or exploitation of infrastructural facilities in which they share or reallocate risks, costs, benefits, resources and responsibilities (p.137).

J. Koopenjan (2005) explores that despite high expectations and political support, the formation of public-private partnerships which were designated to target the development of transportation infrastructure projects has stagnated within the Netherlands. The realization of the difficulty encountered in the development of public-private partnerships has led to a questioning of the underlying causes; the reasoning/cause for this stagnation in infrastructure projects is revealed through the presentation of findings gathered from nine cases in relation to the building of PPP's through a comparative analysis.

Koopenjan (2005) cites three dominant patterns which emerge during the formation process of the nine cases compared. The first pattern he speaks about is "a quick take off" of PPP. This is classified as having in-depth communication and vested interests

during the planning phase which leads to a large support base of interested stake holders in both private and public sectors. A second pattern “early private involvement supported by interactive decision-making techniques” which leads to the results of an ambitious and innovative project; and due to the scale and scope of the project itself made garnering support later in the project phase difficult.

The final pattern that emerges is “hesitant and risk-avoiding behavior”. This pattern is plagued with little to no cooperation during the planning phase which leads to low voluntary market consultations leaving project preparation to a public unilateral decision which then resulted in difficult contract negotiations. The three patterns derived from the comparative analysis allows for identification of barriers and conditions to the development of PPP’s. By looking for characteristics within a project they can be viewed as either aiding or hindering. The nature characteristic of the project can go a good distance in determining whether or not a PPP is successfully formed and carried out.

That is to say, a straightforward project with limited actors and influence with actors who are well-informed and vested can lead to a successful project as those involved know the market and the risks associated with the project are clear and understood. On the opposite side, the more complex the project does not mean it necessarily will be hindered as to whether or not a PPP is successful in the planning and execution stages of the project (Koopenjan, 2005).

If complexity or simplification of a project do not hinder nor necessitate success, what does? The success of a PPP can be dependent upon the perceptions of profitability and the financial feasibility of the proposed project. That is in essence if trade-offs and opportunities are present within the planning stages of the project and as well its execution. For private investment there must exist incentive to invest in a project; just as one of the case studies denotes that a project requiring the development of a major road in a local municipality became more inciting to private investment when real estate development was attached to the project for the area beside the proposed road to be developed (Koopenjan, 2005).

Koopenjan (2005) in his comparative analysis ask how the issue of unreliable and multi-headed government plays a role in facilitation of formation agreements of PPP’s. Of the nine cases analyzed, only two were classified as “successful”, the reasoning of those successes is in part to a clear political commitment to the project as it was an invaluable factor which ultimately led to the success of the projects. A need exist for which constant and continuous communication is necessary between both public and private stakeholders involved during the planning formation of said developmental partnerships. The issue in wait being the nature of the public sector, its multi-faceted nature that is, as it is at odds with itself in setting agreements and arrangements with itself let alone private investment. The odds being the arrangements between different levels of the public sector i.e. federal, state, local and the challenges of reaching an agreement internally.

The importance of a convincing and motivating plan is another facet discovered through the analysis which discusses the need for PPP’s during the planning process to find ideas that motivate and convince the parties involved of the inherent advantages and

actual feasibility of cooperation. Solely focusing on risk management and aversion alone will not generate the success of PPP's. Those ideas generated by the public and those ideas generated by private stakeholders must have some level of intertwining of goals (Koopenjan, 2005).

In conjunction with the necessary facilitation of communication taking place between both public and private stakeholders, so it is also an important facet to be sure that the interaction which is taking place is as well embedded in established decision-making structures. As Koopenjan (2005) states that if the communication taking place is outside of the established structure it could lead to a "piling up" of ideas and ambitions that ultimately result in the parties involved being divided versus bringing them together. While interaction is necessary, it is just as necessary that those involved in the interaction process are the right parties to be doing such. Without interaction there is a failure to reach mutual trust and understanding as well as without proper means of communication, structure fails to interweave goals, support creation does not develop and selection fail occurs.

Conclusion

The comparative analysis of 9 case studies derived from public-private partnerships in the Netherlands has revealed the difficulty that administrators face in facilitating the right process to follow in building these developmental partnerships. The natures of these relationships are inherently voluntary and often times as a result lack the necessary structure required in the decision-making arena in which these partnerships are developed. These natural tendencies which exist often lead to the failure of partnerships being established and as well the parties which do become involved in the developing process fall prey to focusing solely on risk aversion and separation. This result in the parties void of interaction and as such act unilaterally in the stipulation of conditions and content of the project. These restrictions which are self-imposed, limits the varying availability offered through cooperation and the generation of added value (Koopenjan, 2005).

The difficulty of forming public-private partnerships rests in the hands of administrators to resolve; both public actors as well private actors involved with the process of constructing these partnerships. The conclusions of the comparative analysis have shown that the refinement and necessity for interweaving goals between actors involved within the process. The promotion of interaction between stake holders both public and private throughout the planning process; the need to build mutual relationships of trust an understanding between involved parties as well creating availability in which common objectives can be established . Finally the need for structured interactions among the broader decision-making process i.e. the right individuals engaging in interactions at the right time in the right way (Koopenjan, 2005).

The findings of the comparative analysis are not the final say about the realization of PPP's. Additional research should be further conducted as the practice itself is still in its infancy and are still continually ongoing. The further development of public-private partnerships and the application of the recommendations as set forth by the results of the comparative analysis in future cases will determine the effectiveness and relevance of the said findings. While the findings of the analysis are by no means

unique to the Netherlands it does not alter the fact that public-private partnerships are pursued and handled differently in other countries (Koopman, 2005).

With that information in mind it still applies a valid framework of the administrative hurdles which may exist or occur within the U.S. in pursuing the development of public-private partnerships. Though the cases may differ and the stake holders involved may be different as well, the engagement of these varying actors still may be quite similar in purpose of the outcome or necessitated need for such projects. How these public private partnerships would be facilitated in the U.S. specifically in the realm of infrastructure, would be carried out through the efforts of the U.S. department of transportation federal highway administration which on its website delineates the following as some of its responsibilities as an organization:

-Through its Federal-aid Highway Program, the FHWA provides Federal financial assistance to State and local governments for constructing, preserving, and improving our Highways. Through its Federal Lands Highway Program, the FHWA provides funding for public roads and highways within Federally-owned lands (U.S. department of transportation federal highway administration, n.d.).

The department offers several options of public-private partnerships in which they facilitate and classify as “P3’s”. This department which acts as a facilitator organization in conjunction with private sector enterprise and lawmakers ultimately would be the involved parties in the crafting and execution of joint developed public-private partnerships within the U.S. (Koopman, 2005).

Conclusion

The purpose of this paper was to explore the lessons learned from the comparative study of nine cases which involved the implemented use of public-private partnerships in developing infrastructure projects carried out in the Netherlands and show the administrative hurdles that exist when facilitating public-private partnerships. The analysis was meant as a guideline for what the United States should look out for and be made aware of in terms what issues may arise with developing public-private partnerships; in addition, how these partnerships would be cultivated within the United States through federal agencies i.e. U.S. department of transportation federal highway administration.

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