

*Public–private partnerships in Kazakhstan and Russia: the interplay between social value, entrepreneurship and sustainability*

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**Public-private partnerships in Kazakhstan and Russia:**

**The interplay between social value, entrepreneurship and sustainability**

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## **Abstract**

Although public-private partnerships (PPPs) are new in Kazakhstan and Russia, governments are actively pursuing PPP deployment in transportation, urban infrastructure and the social sector. To bridge the conceptual gap between PPPs' low value for money and efforts aimed at extensive partnership implementation, the government needs to promote PPP social value. It includes creation of competitive and sustainable entrepreneurial environment that serves PPP supply chain, smaller government sector's scope and greater environmental sustainability. The chapter investigates why and how PPPs are associated with these elements of social value. Due to its long-term significance to society, the PPP capacity to create social value outweighs PPP costs and provides strong justification for accelerated PPP development by advancing sustainable entrepreneurship.

## **Introduction**

Public-private partnerships (PPPs) are becoming an increasingly common method of delivering public services. A PPP arrangement exists when a government agency assigns a traditionally public responsibility to a private company in an attempt to improve delivery efficiency, lower costs, increase customer satisfaction and attract private funding (Hofmeister and Borchert 2004). Whilst governments in many nations (e.g., the United Kingdom, Australia, Germany, France, the Netherlands, Spain, USA and Canada) implemented PPPs since 1990s and accumulated

significant management experience, for other economies PPPs are fairly new (Osborne 2000; Akintoye *et al.* 2003; Grimsey and Lewis 2004; Urio 2010).

There is a critical link between sustainable entrepreneurship and PPPs owing to the latter's capacity to contribute to society's sustainability along three dimensions. First, partnerships demonstrate capacity to ensure sustainability of the natural environment (Shepherd and Patzelt 2011), for example, by expanding the use of renewable energy sources for power generation. Second, PPPs are able to build, maintain and enhance life support systems (Halkias and Thurman 2012), for example, by constructing and operating key elements of infrastructure – electrical grids, roads, airports and seaports, as well as urban infrastructure units including water supply facilities and trash recycling plants. Third, PPPs can effectively serve a community (Leiserowitz *et al.* 2006) by providing public services instead of the government. Examples of these public services include education, health care and recreation. To summarise, by contributing to all three dimensions of societal sustainability, the PPP work appears in the core of sustainable entrepreneurship (Peredo and Chrisman 2006; Hall *et al.* 2010), which explains the significance of this study. PPPs should be viewed as examples of sustainable entrepreneurship, i.e. the latter is a concept of creative business practices in society, whilst contractual PPPs are one of manifestations of creative business in collaboration with the government.

As this chapter aims to highlight the relations between PPP, entrepreneurship and sustainability, the term *interplay* accurately captures not only multiple links between these three categories, but also influence that each element exerts on two other and receives from two other. This can be illustrated by partnerships' impact on environmental and social issues, whilst PPP success in solving certain problems drives further PPP deployment. For example, based on worldwide PPP experience to date, partnerships are particularly instrumental in effectively addressing a number of environmental problems, such as flood alleviation, water treatment, waste utilisation and the use of renewable energy sources (e.g. wind farms and waste-to-energy plants). In addition, PPPs are capable to provide effective solutions to certain social problems, such as childcare, by using private investment for building and operating kindergartens whilst parents and the government reimburse a private company over the long term. Other similar examples of where PPPs have

high success rate include construction and operation of hospitals, schools, stadiums and recreational facilities (spas, swimming pools, parks).

In the two ex-Soviet nations - Kazakhstan and Russia - PPP deployment is still in its infancy as it began only after 2005 (Mouraviev *et al.* 2012). Nonetheless, in both economies PPP development is high on the government agenda and the governments are actively pushing for accelerated PPP formation. Why is it so? The chapter investigates the underpinnings of the government decision-making regarding PPP development through the prism of entrepreneurship that partnerships foster. This research perspective is aligned with a view of sustainable entrepreneurship that entails not only preservation of nature, sources of life support and community, but also produces gains, both economic and non-economic, to the economy, individuals and society (Shepherd and Patzelt 2011). As PPPs are rarely studied from the sustainability perspective, the chapter addresses this knowledge gap by exploring the impact of partnerships on entrepreneurship. It is worth noting that, although a PPP is commonly viewed as an organisational arrangement that is inherently entrepreneurial because a private operator pursues the goal of profit maximisation and utilises creative tools to achieve this goal, the chapter focuses on how, in what ways PPPs contribute to sustainable entrepreneurship *beyond* the scope of entrepreneurial actions of a private operator that implements a partnership project. Hence, the policy and societal aspects of PPP impact on entrepreneurship and what makes the latter sustainable are highlighted in this chapter.

Kazakhstan and Russia have been selected for the study owing to a large number of commonalities in their economies and public policies. Having a common border (i.e. Russia is North of Kazakhstan), both nations are transitional economies and share many economic, political, business, social, educational and cultural realities that stem from a common Soviet legacy. Although the two economies are different in size, the ways in which governments have shaped PPP development, created a legal and regulatory framework and selected sectors for partnership projects show considerable commonalities that allow for meaningful comparisons between Kazakhstan and Russia. An empirical examination of dynamics underlying the PPP arrangements in Kazakhstan and Russia may thus contribute to a more comprehensive understanding of the role that the governments and other stakeholders attach to partnerships.

More generally, the government approaches to PPPs may elucidate, at least in part, the partnerships' significance for the interplay between sustainability, entrepreneurship and innovation as this interplay increasingly becomes the driver of society's development and growth.

The chapter begins by elucidating a theoretical framework that links partnerships, entrepreneurship and sustainability. It then highlights the progress made in Kazakhstan and Russia to date in the PPP deployment. Next, internal and external PPP drivers in the two nations are discussed. Subsequently, the chapter demonstrates theoretical grounds based on which PPPs are typically launched (value for money and transaction cost economics) and discusses whether these two approaches are used in Kazakhstan and Russia. We then identify PPPs' social value that governments aim to promote, such as sustainable entrepreneurship, economic growth and innovation, which, if materialise, outweigh limitations of the value-for-money concept and transaction cost economics.

### **Theoretical framework: PPP value creation and sustainable entrepreneurship**

Partnerships are typically launched in the sectors where they sustain nature (e.g. solid waste utilisation plants), life support systems (e.g. water treatment) and community (e.g. kindergartens, schools and hospitals). These three areas is what, as literature suggests, sustainable entrepreneurship needs to focus on (Leiserowitz *et al.* 2006; Peredo and Chrisman 2006; Shepherd and Patzelt 2011). In the proposed theoretical framework, we link the three areas in which partnerships are deployed with the outcomes and argue that PPPs are instrumental for producing both economic and non-economic gains to the economy, individuals and society, which is also central to sustainable entrepreneurship (Pathak 2008; Hall *et al.* 2010; Halkias and Thurman 2012). Drawing on the concept of sustainable entrepreneurship that emphasises the link between *what is to be sustained* and *what is to be developed* (Shepherd and Patzelt 2011), the theoretical framework underpins the proposition that PPPs embrace both variables. This notion is supported by the government actions: despite the PPPs' controversial nature (i.e. many partnership advantages are often offset by high costs and risks, as this chapter shows), the governments continue to create favourable conditions for private investors and encourage them

to engage in partnerships because the latter significantly contribute to sustainable entrepreneurship in a variety of ways.

This chapter's theoretical framework emphasises PPPs' capacity to create value. Whilst this value may have many manifestations, the focus is on social dimension, and the critical component of social value refers to partnership ability to foster entrepreneurship *beyond* the scope of the core PPP activity, i.e. beyond the public service for the provision of which a partnership was deployed.

PPPs are entrepreneurial in their core due to the profit motive that drives creative and innovative actions of the private sector partners who actually implement projects (Grimsey and Lewis 2004; Hodge and Greve 2005). This PPP's nature conforms to conceptualisation of entrepreneurial action, which is described as the one that aims to bring into existence future goods and services (Venkataraman 1997). More importantly, partnerships also foster innovation and entrepreneurship beyond the private operator's scope: PPPs generate the supply chain and, hence, form an extensive competitive entrepreneurial environment that must satisfy the PPP needs. Additionally, PPPs create conditions for social entrepreneurship, further social cohesion and expand market relations by reducing the scope of the public sector. All these PPP benefits create social value that contributes to sustainability.

Social value can be understood as the outcome, rather than the process (van der Wal and Huberts 2008). Similarly to public value that lies in the satisfaction of those whom government programmes serve (Moore 2000; Stoker 2006), social value materialises in the satisfaction of society from the government services (Reynaers and De Graaf 2014). In a broad meaning, social value refers to benefits to society. As social value often overlaps economic value, it may take a form of a blend of intangible and tangible gains, such as expanded entrepreneurship beyond the scope of the PPP core activity.

As PPP social value is far from apparent, this chapter proceeds to the discussion of how PPP deployment evolved in Kazakhstan and Russia and then highlights internal and external PPP drivers, although the latter only in part explains why governments are interested in PPP

proliferation. Subsequently, we highlight the contextual features in the social sphere in both nations, which shows the governments' pressing need to attract the private sector funding and deploy partnerships.

### **PPP development in Kazakhstan and Russia**

PPP development in Kazakhstan began in 2006 when the government adopted the law on concessions. Subsequently, the government formed the National PPP Centre and two regional centres and approved seven PPP projects, although later some have shut down (Mouraviev *et al.* 2012). The existing PPPs in the transportation sector include a railroad in Eastern Kazakhstan between Shar and Ust-Kamenogorsk and an airport in Aktau. In the energy sector, there is the construction and operation of an inter-regional electrical grid between Northern Kazakhstan and the Aktobe region. The widespread expectation is that in the coming few years many projects that have already been prepared by the PPP Centre will find their investors and one can see a much larger number of partnerships in a variety of sectors.

Compared to Kazakhstan, Russia's PPP deployment is faster and embraces more sectors (e.g. power and heat generation, water supply systems, waste utilisation facilities, sports objects and schools). Formation of contractual PPPs in Russia began after the federal government finally passed the law "On Concessional Agreements" in 2005 and approved subsequent amendments to this law in 2008. From 2008, the number of partnerships, mostly concessions, has been rapidly growing. The Russian government aims for accelerated PPP development and its efforts in launching partnerships have been quite successful. As of April 2015, the total number of PPPs in the nation has reached 595 ([www.pppi.ru](http://www.pppi.ru)), which vividly demonstrates the significant increase in the number of entrepreneurial firms that have chosen to become PPP investors and operators.

### **The PPP context in two nations: focus on the social sector**

Why are governments in Kazakhstan and Russia so keen on extensive PPP deployment? There are two sets of underlying reasons. One includes PPP advantages that are relevant to most nations. These advantages stem from the partnership's nature and its principal characteristics



that were discussed above. The other includes country-specific PPP drivers that are relevant exclusively to the context of Kazakhstan and Russia and stem from the needs that both economies experience.

Frequently identified advantages of PPPs include better risk allocation and burden-sharing; the use of private funds and know-how for the implementation of public tasks; insourcing private expertise in various fields including advancements in business as well as technology; economies of scale; and improvement of management capabilities of the public sector (Hofmeister and Borchert 2004). An overriding benefit is the “value for money” perspective (Kakabadse *et al.* 2007). Furthermore, a critical argument in favour of PPPs is the use of private funds for construction and operation of public infrastructure. This allows the government to greatly reduce its own borrowing and move some projects off the books of the public sector. Thus, when PPPs are deployed, the cost of capital-intensive projects, such as those in infrastructure, will be borne by the private sector, and will not be counted as public spending.

Country-specific reasons of why governments in Kazakhstan and Russia are keen on PPP development include the following three significant internal drivers:

- A need to get private financing for utilities and housing infrastructure;
- A need to increase attractiveness of selected industries for private investors; and
- A need to give a stronger impetus to regional economic development.

Driven by a host of internal economic needs, governments in Kazakhstan and Russia increasingly resort to PPPs as a perceived effective and efficient solution. From the government perspective, powerful internal drivers complemented by widely publicised PPP advantages provide a strong and well justified impetus for accelerated partnership deployment that might embrace many industries.

In recent years governments in both Kazakhstan and Russia made substantial efforts to deploy PPPs in the social sector. There are two principal reasons for this. One is that in the time of economic downturn and low oil price government budgets reduced, which naturally resulted in the need to attract the private sector financing for upgrading social infrastructure, such as

kindergartens, schools, hospitals, spas and stadiums. Another reason is that in the time of acute budget constraints the government wants to reduce the size and scope of the public sector, by involving private operators that essentially will be increasingly replacing the government organisations in the social sphere.

An example of this growing trend in Russia is a PPP project launched in 2011 in St Petersburg where the city government approved a partnership with a management company called *Peremena* for construction and subsequent maintenance of two schools and three kindergartens for a 10 year period (GK '*Baltros*' *investiruyet 2.2 milliarda rublei v shkoly i detskiye sady* 2011). The private investment in construction was estimated at USD \$70.9 million. To finance the project, the private sector partner used its own funds and bank loans whilst the city government will make all payments during 10 years, so that a private company recoups its investment and makes profit. An example from Kazakhstan includes a PPP contract that the government signed in 2011 with a Turkish company for construction and subsequent operation of eleven kindergartens during 14 years. Each of the 11 new kindergartens had to provide care for 320 children, with a total capacity of 3,520 children, whilst the construction cost was estimated at USD \$39.12 million (*Stroitel'stvo i ekspluatatsiya kompleksa detskikh sadov v gorode Karagande po skheme kontsessii* 2011). Although the construction was later put on hold, the kindergartens' PPP served as a pilot social entrepreneurial project that could be a benchmark – in terms of effective operations and maintenance - for other similar projects that the government plans. Thus, its successful launch and performance may significantly accelerate the formation of many other partnerships in the social sphere.

To summarise, the government efforts aimed at extensive PPP deployment in the social sector aim to achieve three tasks: compensate the reduction of budget financing by the use of private funds; reduce the government scope in the social sphere and increase private entrepreneurship; and ensure greater effectiveness of facilities' operations in the sector; and expand the volume and variety of services.

**What is the basis for PPP formation in Kazakhstan and Russia?**

Although the governments in Kazakhstan and Russia may have many compelling reasons to deploy partnerships, for practical purposes of PPP formation government agencies need a certain framework in order to conduct feasibility studies, determine revenue streams, assess risks and evaluate project costs. The theory provides two principal concepts that can be employed in the decision making process regarding whether to form a PPP: value for money (VfM) and transaction cost economics (TCE). Value for money, when applied to a PPP, means that a PPP is supposed to bring larger value for the money that the public sector spends, compared to when services are provided in-house (i.e., by public agencies) or when services are contracted out to a private company. The underlying logic is that using a PPP will make sense only if a partnership can deliver public sector services cheaper and/or better (i.e., at a lower cost and/or with improved quality) as opposed other options. If value for money is not there, a PPP should not be formed.

The comprehensive definition of value for money is available in the U.K.'s Her Majesty's Treasury *Value for Money Assessment Guide*: "Value for money is defined as the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirement. The term whole-of-life is used to refer to the lifecycle of the good or service. VfM is not the choice of goods and services based on the lowest cost bid" (Her Majesty's Treasury 2006, 7). The VfM concept allows public agencies to compare the costs of a planned PPP project with the cost of the same project, if it is going to be accomplished through traditional procurement. The definition above puts emphasis on the need to take in account the lifetime project costs, and also the quality of a good or service, making the output specification an important partnership feature. Hence, a trade-off between lifetime PPP project costs and service quality is in the core of the VfM concept.

Another concept using which the government may decide whether it is beneficial to form a PPP for the public service provision is derived from transaction cost economics. TCE uses total social costs and their minimisation as a criterion regarding which option for the public service provision to choose (Vining and Boardman 2008). Total social costs are defined as production costs incurred in service provision (including construction costs and payments to third parties), plus transaction costs (such as bidding costs and interest payments on loans), plus (net) negative

externalities (such as cost of pollution less value of positive externalities such as reduced waiting time), holding quality constant (Vining and Boardman 2008, 149).

The TCE perspective argues that, if the employment of a PPP as opposed to the traditional public service delivery (via direct government provision or contracting out) minimises the sum of total social costs, a PPP should be preferred. Vining and Boardman (2008) emphasise that in assessment one should include all government transaction costs over the whole period of project time that derive from the project even if they do not appear in the project's budget. Also one should include all externalities and account for quality differences although these costs rarely show up in any budget (Vining and Boardman 2008).

The concept of using a PPP if and when it minimises total social cost has some similarities with looking at PPP from the value for money concept: both perspectives intend to compare the cost (or value) of a PPP project with some benchmark which is the cost (or value) of a traditional way of the public service provision. Also, in both perspectives not only the use of quantitative methods may be required, but also the application of qualitative methods, for example, for assessment of value of externalities in TCE, or for assessment of effect of PPP on wider access to public services in the VfM concept.

How often are VfM and/or TCE used in Kazakhstan and Russia as a basis for PPP formation? Are they used at all? Although both approaches may be to a certain extent in the background of government decision-making, the realities of PPP formation show that governments provide extensive financing to partnership by paying part of capital cost, ensuring guaranteed revenue streams to a private operator, providing financial guarantees, extending low interest loans and granting tax exemptions. The Russian language literature is silent about transaction cost economics and PPP value for money as the governments in Kazakhstan and Russia do not explicitly use these concepts as a basis for deciding whether to form a partnership (Mouraviev 2012). This is in sharp contrast to Western literature that emphasises that a government should employ a PPP if and when a partnership incurs lower cost as opposed to the cost of the government's in-house provision (Sadka 2007, Hall 2008, Morillos and Amekudzi 2008). Although overall PPP costs may be higher due to extensive government financial support to a

partnership, expensive technology and higher cost of private partner borrowing, the Russian language literature claims that PPPs are a preferred form for collaboration between the public sector and the private sector (Bazhenov 2011, Firsova 2012). This means that the Russian literature generally accepts a notion that a PPP incurs higher total project costs (compared to government in-house service delivery), although Western literature provides the opposite argument in support of PPPs (Mouraviev 2012, 49). According to KPMG data, the costs of contracting out in Russia are about 6% less than the PPP costs (Shabashevich 2011, 3–4). This is exactly indicative of an evolving paradigm that provides taken-for-granted PPP acceptance, regardless of their costs. In other words, in Kazakhstan and Russia governments may approve a PPP with a total cost higher than that of traditional government procurement or the cost of in-house service provision. The academic literature and the government policy documents in Kazakhstan and Russia are silent about PPP efficiency, whilst there are no studies that aim to compare PPP costs with those of the public sector in-house service provision.

To summarise, empirical evidence shows that neither the value-for-money concept, nor the transaction cost economics approach are used for PPP deployment in Kazakhstan and Russia and, more generally, cannot serve as reference points for PPP development in these nations (Mouraviev 2012; Mouraviev and Kakabadse 2012; 2014).

### **PPP social value: entrepreneurship, social cohesion, innovation and sustainability**

Whilst the theoretical foundation of PPP implementation in Kazakhstan and Russia appears controversial due to a clear reason – partnerships cost to the government more than in-house public service provision, governments aim to maximise and publicise PPP positive impact on society. Hence, the PPP conundrum (i.e., PPPs' high cost versus societal benefit) is resolved in favour of societal gains when the government attaches certain benefits to partnerships and promotes them as social value. The latter attributes to society at large and include the following.

First, PPPs contribute to *entrepreneurship* by large-scale and long-term business projects that create demand for not only core activity but also for numerous goods and services that support this core activity. Many companies, existing and newly formed, support PPP business by acting

as suppliers to a PPP, which generates competition (as many PPPs do purchasing by tenders) and also creates jobs. Specifically, PPPs aim to engage private investors in low-profit sectors (e.g., housing and utilities infrastructure) and create jobs in the core activity as well as supporting businesses (i.e., suppliers to partnerships). As partnership projects are lengthy (typically, no less than 10 years and can be as long as 50 years and even longer), this permits suppliers to a PPP create sustainable operations, grow in size and also supply to other customers. Hence, partnerships generate competitive entrepreneurial environment that they can enhance for a long time, thus making suppliers' businesses sustainable. More generally, by extensive PPP deployment, governments in both countries anticipate to boost sustainable economic growth, particularly at the regional and municipal levels, whilst mega projects at the national level are able to much easier secure bank financing and attract large established companies as PPP operators due to high economy-wide project's significance. In summary, PPPs may play significant role in sustainable regional economic development by contributing to economic growth via their own enterprise and related entrepreneurial activity.

A special note must be made in order to emphasise a connection between PPP-generated *entrepreneurship and sustainability*. As market failures detract society from sustainability (Dean and McMullen 2007), PPP often serve as a critical tool that permits the government to render assistance to private firms in order to overcome a market failure in low-profit and/or heavily regulated sectors, such as utilities. Specifically, a PPP as entrepreneurial arrangement contributes to sustainability by overcoming market failures within the scope of its core business and also beyond the scope of its principal activity. Market failure is viewed as the failure to realise all possible gains from trade (Zerbe and McCurdy 2000). Hence, it is likely that in the PPP-generated competitive entrepreneurial environment firms and individual entrepreneurs will gain from enhanced commercial exchange with a partnership.

Second, the governments in both nations promote a strong association between PPPs and *innovation* in a variety of ways. One is that the private delivery of public services by partnerships (as opposed traditional government delivery) is innovative as it never existed until a few years ago. The other, more important association, from the government perspective, establishes a direct link between PPPs and technological and managerial innovation. The governments claim that

innovation is an intrinsic partnership's feature. This is due to the profit motive that drives a private partner to implement technologically advanced solutions aiming to provide services better and cheaper. Whilst in reality PPPs may or may not innovate, the governments promote partnerships as innovative business ventures that strongly contribute to both nations' strategy to modernise their economies. As the innovation strategy is undisputed in both Kazakhstan and Russia due to their current dependency on oil exports and the need to diversify the economy, PPPs fit into this strategy by possessing a powerful potential to innovate in technology, management and service delivery. Not surprisingly, the government presents this potential as a societal value.

Third, PPPs contribute to *social and economic cohesion* by overcoming distrust between the private and public sectors. Governments in Kazakhstan and Russia view PPPs not only as a tool to bypass the budgetary limitations for expanded provision of public services, but also as an instrument to overcome the historically formed distrust of private firms collaborating with the public sector. Hence, through cohesive networks of public and private actors PPPs increase societal sustainability.

Fourth, PPP's contribution to sustainable entrepreneurship can be viewed as a platform for *social entrepreneurship*. Whilst PPPs create social value, it is different from the meaning of social entrepreneurship when part of profit is spent for social purposes. In the case of a PPP, the government subsidises part of the total project cost and thus creates social value, which otherwise would not be created. Part of this social value may be focussed on development of social entrepreneurship. As the subsidy is not related to any specific social purpose, PPPs can be used by governments to promote social entrepreneurship, which can make additional contributions to sustainability (e.g. by designing a business model for social entrepreneurship that would serve the needs of population in rural areas).

Fifth, PPPs enhance entrepreneurship and contribute to the market economy' building through *replacing the government by private firms* in the provision of public services, which will result in the *reduced scope of the public sector*. Whilst this applies to all sectors in which PPPs are deployed, the most significant impact is expected in the social sector where partnerships provide

health care, childcare and recreational services (e.g., swimming pools and spas). The significance is explained by the note that many services, such as health care and childcare, are private goods, rather than public goods. For example, whilst citizens in the two nations traditionally view childcare as a public good and the government responsibility, the private sector may replace the government in the provision of childcare. Hence, the private sector's extensive engagement in this field may foster societal sustainability by reducing dependence of the budget funds. The long-term government objective is to change the public perception in Kazakhstan and Russia and align it with the realities of a market-driven economy, i.e. that childcare as a private good should be provided privately, rather than by the government as it used to be in the Soviet past and still is in both nations, with an exception of a fairly small number of private kindergartens. Although this PPP value may not be appealing to low-income population, it is significantly more appealing to all those with higher income and those who call for reducing the scope of the public sector. Hence, overcoming the notorious dominance of the government (i.e. the Soviet legacy) may be viewed as a PPP social value, which is likely to be more commonly shared by younger generations.

Sixth, PPPs may substitute the government in its efforts to ensure *environmental sustainability*. Specifically, the governments deploy PPPs for solving certain environmental tasks, such as using private investment and technological innovation for building effective urban water treatment and water supply facilities or solid waste utilisation plants. Some examples of Russian PPPs include reconstruction of a water supply system in Perm (i.e. *Permskaya oblast'*); construction of water purification facilities in Petrozavodsk (the Republic of Karelia); and construction of a refuse recycling plant in Yanino (i.e. *Leningradskaya oblast'*). Similar PPP projects are being prepared in Kazakhstan. Hence, PPPs are increasingly substituting the government in its activities aimed at environmental sustainability.

To summarise, the set of elements that constitutes the PPPs' social value and that are likely to materialise over the long term outweigh limitations of the value-for-money concept and transaction cost economics. Pursuing long-term development objectives that focus on nations' transformation along multiple strategic dimensions (namely, innovation; sustainable economic growth; enhanced entrepreneurship; smaller government sector's scope; and greater



environmental sustainability), the governments in Kazakhstan and Russia are keen on extensive deployment of public-private partnerships using them as one of the tools for achieving strategic objectives.

## **Conclusion**

The gap between empirical evidence (i.e. PPPs' low value for money and high transaction costs) and government policy in Kazakhstan and Russia, which aims at accelerated PPP employment, can be bridged when one takes into account the social value that PPPs bring along and that the governments are keen on attaching to partnerships. At present, the governments attempt to overcome the lack of conceptual justification for PPP formation by the creation of a policy paradigm that provides readily available answers and solutions for fostering PPP development (Mouraviev and Kakabadse 2014). Whilst an emergent policy paradigm may be useful in praxis as it can significantly speed up the partnership formation, the PPP paradigm can only in part replace the need to promote social value that the government associates with PPPs. It is to the government advantage to pay special attention to promotion of PPP value that have broader significance to society. For example, emphasising the PPP snow-ball effect on development of entrepreneurship can help the government to mitigate the perception that partnerships are launched in order to charge a fee for service that used to be free when it was provided publicly (e.g. a toll road).

The enhanced conceptualisation of PPPs suggests that partnerships should be viewed as a public management tool that promotes certain societal value and that calls for identification of an alternative PPP performance management framework. Rather than focusing on VfM or transaction costs, the principal elements of the framework may include the PPP impact on entrepreneurship, regional economic growth, social and economic cohesion, innovation, and environmental sustainability. The societal value that is attached to PPPs in the context of Kazakhstan and Russia might be the core assessment criterion in this performance management framework.

The chapter contributes to the sustainable entrepreneurship research field by incorporating a new research sub-field that focuses on public-private collaboration and the government role in supporting PPP as a distinct form of entrepreneurial action. By linking the two streams - sustainability literature with the PPP literature – the chapter offered a new framework that emphasises the PPPs’ ability to create social value, i.e. economic and non-economic gains to society. From the government perspective, the PPPs’ capacity to create social value has proven more significant than each partnership’s value for money. The reason for this stems from how a PPP generates, via its supply chain, a competitive and sustainable entrepreneurial environment. Theoretical implications of the study are, therefore, significant: whilst PPPs are often associated with monopolisation of public services (e.g. a toll road is often a monopoly) and ability to manipulate the price for a monopolised service, which serves as a strong factor against PPP deployment, a newly developed theoretical framework permits to re-assess this criticism. The application of a different theoretical conceptual model that focuses on the PPP impact on sustainability and entrepreneurship permits to more fully capture PPP social value. Further research may contribute to more detailed PPP conceptualisation from the perspective of social value capture and highlight additional dimensions of how PPP, as one of the manifestations of sustainable entrepreneurship, creates social value.

Through the lens of PPP social value, transaction cost economics and value for money as decision tools for PPP deployment need to be revisited. Whilst both tools have been extensively discussed in the academic literature and have a certain degree of practical usefulness in decision-making, a new framework calls for upgrading theoretical underpinnings and identifying robust conceptual foundations on which PPPs can be deployed. PPP social value, created by partnerships’ engagement in sustainable entrepreneurship, may effectively serve as the core of a new set of PPP assessment criteria at the time of deployment and also at the time of performance evaluation.

As extensive PPP deployment and effective governance are likely to result in greater sustainability for economy, ecology, individuals and society at large, governments in Kazakhstan and Russia need to overcome multiple legal, institutional, regulatory and behavioural (i.e., distrust and/or partner's pursuit of self-interest) constraints and impediments. In particular,

reducing the government overregulation of the private operators is likely to ensure greater PPP flexibility in innovation and management and may permit partnerships to more effectively address society's environmental, economic and social concerns.

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