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Conceptualising public-private partnerships:

a critical appraisal of approaches to meanings and forms

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Foreword

Public-private partnerships (PPPs) continue to draw considerable attention from governments around the world. Examples include Russia where, in 2016, the number of PPPs exceeded 500 and other transitional economies, including China, Indonesia, Kazakhstan and Ukraine, which are preparing, or have already prepared, a large number of projects and are actively looking for private investors. Whilst the meanings and forms of PPP vary widely, the discussion in scholarly literature, which often includes contributions from practitioners and policy makers, benefits from a common conceptualisation of PPP fundamentals. Naturally, each government may take its own stance regarding partnerships. However, in order to make PPP policy clearer and more attractive to private investors, governments might benefit from the use of terminology and concepts that have already been extensively discussed in the international literature. This allows for the comparison of practice across nations to inform PPP policy, which can thereby benefit from the experience of other economies. This article adopts this perspective to embrace a variety of means by which it is possible to conceptualise PPP meanings and forms and may be even more useful today than when it was originally published, given the growing interest in PPPs, particularly in transitional countries.

Academics also might benefit from this article by re-focusing their attention from a traditional survey of PPP advantages and disadvantages, or simply comparing PPPs with privatisation, to a more updated research agenda. This might include challenging PPP issues that require careful investigation and conceptualisation. It is worth noting several of these issues are pertinent to emerging markets.

One such issue refers to the criteria used to select a project to be implemented by a PPP arrangement. For example, what are the criteria for PPP project selection adopted by governments in Kazakhstan and Russia? Should governments use technological innovation or social significance as one of the criteria? If so, how can one measure the degree of innovation and assess social significance? Should the government assign different weights or ranks to various criteria? If so, will weighting reflect government priorities in the field of PPP deployment? In a broader sense, what are the implications of including certain criteria and excluding others? This set of questions needs to be investigated in a country-specific context, presents vast opportunities for research, and will undoubtedly contribute to the body of knowledge on PPPs.

Another set of issues that requires deeper conceptualisation and might interest researchers is the social value that PPPs create; this links directly to the thematic scope of *Society and Business Review*. The question regarding social value emerged, in part, in response to the most typical justification for PPP deployment, i.e. that partnerships deliver value for money. In transitional nations, PPP value for money is often lacking, although governments are supportive of PPP proliferation. As a rule, PPPs are not feasible in emerging economies without extensive governmental financial support to render a project more attractive to private sector partners. The strong government interest in PPP deployment across many sectors cannot be explained exclusively by the need to access private sector funding and expertise for implementation of public sector tasks by partnerships. It is likely that PPPs carry value for society at large; this, however needs to be conceptualised. Do partnerships create value by contributing to social, economic and environmental sustainability? If so, how? What are the areas that need to be sustained and areas that need to be developed by PPP deployment? Do partnerships have a certain impact on the development of entrepreneurship and social entrepreneurship? How can one study and assess this impact? The PPP body of knowledge will benefit from answers to these questions.

By looking beyond what may be called the ‘traditional’ PPP research agenda (e.g. PPP definitions, partnership models, tender procedures, PPP contractual technicalities, legal and regulatory framework, critical success factors) academics might be able to focus on cutting-edge PPP issues and enhance our understanding of partnerships. From this perspective, the paper on PPP meanings and forms serves as a departure point for scholars, by allowing them to further their research agenda to embrace issues such as the criteria for PPP project selection, PPP social value, and the impact of partnerships on sustainable development.

Structured Abstract:

Purpose – The purpose of this paper is to survey various meanings attached to a public-private partnership (PPP) and related aspects in Western literature, and identify commonalities and differences between them. Additionally, the article intends to critically assess conflicting and overlapping views on contractual and institutional PPPs, their forms and models, and draw insights for transitional economies.

Design/methodology/approach – The article contrasts and compares views on PPP meanings, forms and models within Western PPP literature, and also draws comparisons with understanding of partnership aspects in the Russian language sources. The paper examines theories underpinning PPPs, builds connections to PPP advantages and drawbacks, and provides critical assessment of net benefits that PPPs may bring along to the society.

Findings – The article concludes that future PPP research in transitional countries such as Kazakhstan and Russia, particularly in the area of organisational and power arrangements in partnerships, may delineate new concepts such as government as a guarantor of a PPP project, social significance of a PPP project, and risk management in a country's contextual environment.

Practical implications – In transitional countries, in which PPPs are in their infancy, clarification of theoretical positions, and identification of commonalities and differences between meanings attached to the PPP terminology may enable better decisions by researchers and practitioners in their selection and further development of partnerships and related concepts.

Originality/value – Research in the field of PPPs in transitional countries such as Russia and Kazakhstan is in its infancy. The paper intends to contribute to the body of knowledge about PPPs by providing detailed account and categorisation of their principal meanings, forms, models, underpinning theories, and drawing insights for future research in transitional countries.

Keywords: Public-private partnerships, PPP forms, PPP models, Contractual partnership, Institutional partnership, Intergenerational partnership, Value for money, Partnership, Russia, Kazakhstan

Introduction

Different countries employ varying approaches to public-private partnerships (PPPs) and their development. As PPPs become more common and the literature about them is growing, the discussion of partnership aspects may occasionally cause confusion due to differences in terminology and underpinning concepts. This article surveys various meanings attached to a PPP in Western literature, contrasts and compares them, and identifies commonalities and differences between them. Additionally, the article surveys the understanding of what is called PPP *forms*, as well as *models*. This is followed by a discussion of yet another PPP categorisation, namely, who initiates partnerships. The article also compares and highlights the disparities in the use of PPP terminology and concepts in Western literature as opposed to the Russian language literature. The latter captures PPP development not only in Russia, but also in other former Soviet countries in which Russian is widely used. The article concludes that future research in the PPP field in transitional countries such as Kazakhstan, Kyrgyzstan, Russia or Ukraine, particularly in the area of organisational and power arrangements in partnerships, may delineate new terms and concepts such as *government as a guarantor* of a PPP project, what *social significance* of a PPP project means, and what *risk management* denotes in the country's contextual environment.

The paper contributes to the body of knowledge about PPPs by providing a detailed account of various meanings attached to partnerships and their aspects, categorisation of these meanings, pinpointing similarities and differences, and suggesting an agenda for future PPP research in transitional countries.

PPP meanings

It is useful to start with addressing the core issue, namely, what is the meaning of a public-private partnership? Understanding meanings associated with PPPs can help us to understand what is to be valued, believed in and aimed for (Humphrey, 2005). There is no single definition of a PPP upon which most academics and practitioners could agree, and few definitions are available (e.g., Grimsey and Lewis, 2002; Klijn and Teisman, 2003; Bovaird, 2004; Hall, 2008a). Each definition captures selected PPP features and, as a result, different scholars understand the term 'public-private partnership' differently. A discussion of PPP definitions and analysis of the partnership's key features delineated in Western literature will give the basis for further investigation of partnership aspects.

Often, instead of giving the complete definition, scholars pay attention to a selected PPP feature. For example, Sedjari (2004) emphasises solidarity as a key feature that is supposed to exist between the public and private partners. Sedjari (2004) argues that a PPP is a new cultural phenomenon by itself and calls PPP "a culture of engagement" (Sedjari, 2004, p. 303). He understands it as a "capacity for the collective mobilisation of participants which now forms the substance and strength of public programmes" (Sedjari, 2004, p. 303), although there might be quite different national expressions of this mobilisation.

Similar to Sedjari, Brinkerhoff and Brinkerhoff (2004) have stressed mutuality as a partnership's key conceptual feature. Bovaird (2004) defines PPP as commitment above and beyond contracts. Whilst Haque (2004) argues that there is no common consensus on the meaning of partnership, he emphasises the two PPP key features – mutuality and organisational identity. Haque (2004) describes the latter as maintenance (rather than surrender) of each partner's own identity, beliefs, and values.

The features described above are useful because they highlight partnership properties that make PPPs different from traditional forms of collaboration between the public and private sectors such as public procurement contracts or when a government sub-contracts a private company for implementing a specific task. In sub-contracting, the parties involved normally do not expect features such as solidarity, mutuality, or commitment above contracts. In fact, these features are usually non-existent. Nevertheless, identification of special PPP features noted above is insufficient to explain how exactly collaboration in a partnership happens and for what purposes.

Klijn and Teisman (2003) emphasise a unique PPP feature, namely, sharing of few elements by partners. They argue that a PPP should be an institutionalised arrangement between public and private actors in which they share a responsibility for a product, risk, costs, and benefits (Klijn and Teisman, 2003). Although this definition captures essential partnership' features, it lacks explanation of what exactly a PPP will provide and how.

Grimsey and Lewis (2002, p. 108) offer a more comprehensive and complete definition. They describe PPP as an "agreement where the public sector enters into long-term contractual agreements with private sector entities for the construction or management of public sector infrastructure facilities by the private sector entity, or the provision of services (using infrastructure facilities) by the private sector entity to the community on behalf of a public sector entity".

This definition includes and implies the following key properties of PPP: (a) an agreement between a public agency and a private partner must take a form of a legally binding contract; (b) a contract should be long-term; (c) PPPs normally provide services in infrastructure, or PPPs may provide other services that one views as a public sector responsibility; (d) PPPs provide services on behalf of a public agency; (e) in the PPP framework, a physical asset is normally constructed or renovated; (f) in some cases, an asset can transfer to a private partner and the latter accepts responsibility for its maintenance; and (g) PPPs provide services to customers with the use of the asset(s) constructed by a private partner or transferred to a private partner by the public entity. Yet, an additional PPP feature is that "provision of service may be compensated through payments by the government or may be funded through user charges and fees" (Morallos and Amekudzi, 2008, p. 114). Hall (2008a, p. 3) gives a similar set of PPP features.

A notable feature of Grimsey and Lewis' definition (2002) is that it focuses on tangible PPP elements – legal long-term contract, asset construction, and provision of services with the use of constructed assets. These elements set the framework for public-private collaboration. However, the definition above is silent about the PPP project implementation process and the interaction between PPP partners.

Other authors emphasise partner interaction, rather than legal framework. Andersen (2004) argues that a PPP is a continuous process of interaction and negotiation. Klijn and Teisman (2003) emphasise the same view and also claim that the involved parties realise the idea of mutual added value. Moreover, interaction between partners that is supposed to create added value determines yet another PPP feature – the emphasis on output management (Pierre and Peters, 2000). This means that output specification in PPPs (that is defining the service's elements) becomes more important than input specification, that is, how much a private partner has to spend on asset construction or maintenance, how exactly the construction should be done, and how many staff should be hired (Morallos and Amekudzi, 2008, p. 116). Output management focuses on governance and on the process (Bult-Spiering and Dewulf, 2006), as opposed to input-oriented management in the public sector oriented on institutions. To summarise, those who emphasise partner interaction as a main PPP feature tend to pay less attention to legal frameworks underpinning PPP arrangements. In their opinion, the creation of added value in a partnership depends first and foremost on the interrelationship between the partners.

Revisiting the approach that argues that public and private parties have a shared responsibility in a PPP for a product, risk, costs, and benefits (Klijn and Teisman, 2003), this definition includes key elements that partners have to share. In other words, it is sharing that transforms collaboration into a partnership. Perhaps, this is most evident in reference to costs: if public and private parties do not contribute jointly to the project costs, then one partner's involvement becomes considerably reduced (which also is likely to result in a reduction of risks). In that case, cooperation may be managed by a contract, i.e. by hiring a private party to do a job for government. In other words, the absence of one or more shared elements in a partnership may change the nature of public-private cooperation significantly – normally from a partnership-type interaction to contracting public services out to a private firm. From the perspective of shared responsibilities, this definition successfully captures the PPP's collaborative nature as opposed to hiring a private company to implement a public sector task.

Additionally, a partnership feature, which is beyond the scope of key shared elements, - a long-term character of interaction – is often emphasised as a distinctive PPP property (Klijn and Teisman, 2003; Hall, 2008b). Long-term projects as a rule require mutual contribution of resources, and this is why the parties implement them jointly, as each is unable or unwilling to undertake a project on its own due to high risk and/or high costs associated with the long-run activity. In contrast, short-term projects are easier to finance and they carry smaller risk. For a short-term project, one can just hire a private company to implement a public task, or a government agency can accomplish a task on its own, and there may be no need to form a PPP. Thus, a long-term nature of collaboration also becomes an essential feature which comes along with the partnership's shared elements.

The underpinning theories

Conceptual frameworks that may be useful for studying PPPs vary. Although analysis of partnerships may take many different perspectives, the vast majority of studies fall in three domains: partnerships as a policy tool; a PPP as an organisational and financial arrangement; and PPP performance, risk allocation, and critical success factors. Naturally, these fields are overlapping, as well as underpinning theories, meaning that researchers may use more than one theory in each field. Table 1 shows these relationships.

Source: Compiled by the authors

Studies of PPPs as a popular public policy option (e.g. Osborne, 2000; Wettenhall, 2003; Grimsey and Lewis, 2004; Hofmeister and Borchert, 2004; Hodge and Greve, 2005) often consider partnerships as a tool for development and an effective alternative to privatisation. Whilst PPP assets remain, ultimately, in the public sector, private partners build and manage them to seek profits. The underpinning theory here is that resource allocation by private PPP operators is supposed to deliver greater efficiency as opposed to government service provision. The introduction of market-based incentives into traditional government sectors ensured the development of 'the theory of private finance for public projects' (Pollitt, 2005, p. 209).

Other studies focus on a PPP as an organisational and financial arrangement (e.g., Klijn and Teisman, 2000; Asenova and Beck, 2003; Vining and Boardman, 2008). The value for money perspective often guides this research as these arrangements are supposed to deliver added value as opposed to government provision (Kakabadse *et al*., 2007). The governance theory also informs the studies in this field. It argues that as partnerships are often formed on incomplete contracts, partner interaction requires effective management. An overlapping field of studies includes risk allocation in a PPP and related aspects such as discussion of performance issues and success factors. The underpinning theory here employs a principle of effective risk allocation, i.e. risk should be allocated to a party best able to manage it with the least cost (Sadka, 2007; Morallos and Amekudzi, 2008).

Contractual versus institutional PPPs: principal differences

Most often people understand a PPP as a specific project implemented in a public-private collaboration to which the features that we discussed above apply. Sometimes this kind of PPP is called a contractual PPP (Renda and Schrefler, 2006). However, there is yet an additional meaning of a partnership which is called an institutional PPP (IPPP). Hall (2008b, p. 3), for example, defines a PPP as ‘a joint venture company, providing a public service, which is partly owned by a public authority and partly owned by a private company or private investors. They may also have a contract with the municipality to provide a service – for example, in Italy, Hungary, the Czech Republic and other countries, some water operators are partly owned by the municipality, and partly by private companies, under contracts with the municipality to run the water services’. For Hall, ‘these joint ventures may operate public services without having had to compete for a formally tendered contract, especially where they originated as municipal companies, or where a service was ‘delegated’ without tendering’ (Hall, 2008b, p. 3).

This description illuminates that an institutional PPP can be of at least two kinds. The first is when a company is owned jointly by the government and private investors (either institutional investors or private individuals) and is involved in provision of a public service on an ongoing basis, without a time limit and without a specific contract with the government agency. The other is when a jointly owned company has a delegated service and it may have a contract that includes regulation of the service provision.

In reference to features of institutional PPPs, Hall (2008b) examines the European Commission (EC) guidelines regarding various aspects of partnerships, and emphasises that a private partner must play an active role in managing the partnership activities. He cites the EC communication, which was issued in 2008 and is called the European Commission Interpretative Communication on the Application of Community Law on Public Procurement and Concessions to Institutionalised Public-Private Partnerships (IPPP), (C-2007-6661 Brussels, 05.02.2008 in Hall, 2008b). Regarding institutional PPPs this communication states that: “The private input to the IPPP consists – apart from the contribution of capital or other assets – in the active participation in the operation of the contracts awarded to the public-private entity and/or the management of the public-private entity" (Hall, 2008b, p. 11).

Some key features discussed in reference to project-based PPPs do not apply to institutional PPPs. In particular, an institutional PPP may construct an asset that may be used for the purpose of service provision or may be used for other purposes. A joint venture company does not provide a service on behalf of a public agency in the case when the government directly owns part of this business; it becomes a semi-government company. Depending on the government share of property ownership, customers may view a joint venture company as mostly private or, on the contrary, mostly government-owned. Also, an institutional PPP may have an unlimited life.

To summarise, an institutional PPP has substantial differences with a project-based PPP and the meaning of an institutional PPP often may not match the key characteristics of a project-based partnership.

In addition, some PPP projects are, by their nature and length, intergenerational, i.e. those with terms between 30 and 80 years. For example, in the past decade National Health Service (NHS) Trusts in the UK entered into PFI contracts to make annual payments for up to 50 years to private companies for construction and operation of hospitals (Parker, 2012). The lengthy time horizons raise a concern as they stretch to future generations and are in conflict between intergenerational utilities (that partnerships are supposed to bring along) and shorter-term regulatory takings (Kouzmin, 2009; Johnston and Kouzmin, 2010). One can argue that governments create financial obligations for future taxpayers who do not have an ability to vote for or against PPPs. Future generations may face higher taxes and contracting public services exactly due to the increasing burden to government budgets over the longer term when governements have to compensate PPPs for constructed assets and provided service. By engaging in intergenerational PPPs, current governments tend to link much shorter electoral and/or business cycles to lengthy 30-80-year project contracts. The problem of shifting growing burden to future generations is illuminated by the cases of the UK privately financed projects (PFPs) when the government used public debt for infrastructure renewal and public bailouts of failed partnership projects (Kouzmin, 2009; Johnston and Kouzmin, 2010). As Kouzmin (2009) has argued, PPPs represent many years of captured governance within discourse and practice related to a neoliberal agenda and new public management.

A summary of approaches to the meaning of a PPP

Societal and organisational changes are socially constructed realities with negotiated meaning as outcomes of power relationships and struggles for supremacy (Grant *et al*., 2005). Behind each meaning there is a particular strategy with a focus on power and control, dominance and supremacy, who's access to resources will be enlarged or reduced, who can stay and who has to go (Walsh, 1995; Humphrey, 2005). Various meanings and approaches to PPPs in academic literature represent such an example.

First, in academic literature a PPP refers to a contractual partnership which means a legal long-term contractual arrangement that involves asset construction by a private party and service provision on behalf of a public agency with the use of a constructed asset (Grimsey and Lewis, 2002; Bult-Spiering and Dewulf, 2006; Hall, 2008a).

Second, researchers understand a PPP as a project in which partner interaction and the parties' relationship is the most important feature (Peters, 1997; Andersen, 2004; Brinkerhoff and Brinkerhoff, 2004; Sedjari, 2004).

Third, researchers can view a PPP as a project that requires a shared responsibility from both the public sector partner(s) and the private sector partner(s) for product, risk, costs, and benefits (Nijkamp *et al*., 2002; Klijn and Teisman, 2003; Bult-Spiering and Dewulf, 2006).

Fourth, a PPP may be an institutional partnership, i.e. a company jointly owned by the government and private investors (Hodge and Greve, 2005; Hall, 2008b).

The first, second, and third meaning of a PPP do not contradict each other. On the contrary, we may view them as complementary. The fourth presents a special meaning which is not in line with the other three because it represents mostly a structural form of PPP.

Having discussed the understanding of a PPP, it is useful to identify the forms that PPPs may take and discuss their reflection in the academic literature. This will allow us to capture additional details of what PPP models are available, how partnerships are initiated and what their organizational structures are.

PPP forms

PPPs may take many different forms. Sadran (2004) emphasises multiplicity and heterogeneity of PPP forms. He notes that PPPs vary infinitely from one policy sector to another and from one locality to another. We can view the scope of this variation from an industry perspective (i.e. sectors in which PPPs operate) and the organisational perspective (i.e. how exactly one arranges a partnership).

Sectors of PPP operations in many countries vary widely and include transportation services and transport infrastructure (e.g., construction and operation of automobile roads, railroads, metro, airports, tunnels, bridges), energy sector (e.g., construction and operation of power generation facilities and power lines), education (e.g., schools and dormitories), health care, criminal justice (e.g., courts and prisons), telecommunications, water treatment and water supply, disaster management, micro-credit provision, skill development, poverty eradication, sewage treatment, waste disposal, and environmental management (Haque, 2004; Renda and Schrefler, 2006). Note that this list is not exhaustive.

Sedjari (2004, p. 299) provides his own classification of what he calls partnership intervention areas: sector partnerships (such as the housing sector in Morocco); PPPs limited to certain sectors or projects – those are widespread around the world; PPPs at the city level, such as a city water purification facility; and PPPs with regional impact, such as an inter-regional power station and/or regional electric grid. Sadran (2004), whilst focusing on the French experience, emphasises that PPPs at the local level are especially common and important in France because it is highly decentralised.

In contrast to France, between 2009 and 2011 there was a large increase in the number of PPPs (in the form of a concession) in Russia – from 23 to 200 (Varnavskiy *et al*., 2010, p. 47; Bazhenov, 2011, p. 6), although Russia is a highly centralised federation. We can explain this by the interest that local governments quickly have developed in experimenting with PPPs in the light of the federal government policy that encourages partnership formation. In turn, local government interest has been heavily influenced by the need to solve local social and economic problems (such as upgrading housing and utilities infrastructure) using newly emerged funding and organisational arrangements. Although French and Russian experiences are quite different, they suggest that the nature and scope of PPPs reflect political ideologies.

From the organisational perspective, PPPs may take some specific forms such as a concession, or private finance initiative (PFI), or asset life-cycle contract (Bovaird, 2004; Sadran, 2004; Sedjari, 2004; Kakabadse *et al*., 2007).

A concession implies that an asset, such as a road, is constructed or renovated by a private party with the use of private funding, or in some cases an asset may transfer from a public agency to a private sector partner. A private company assumes responsibility for the service provision for a specified period of time, often between 20 and 30 years, with the use of this asset, and at the same time accepts responsibility for asset maintenance and upgrading. To recover its investment and operating expenses in return for its services, customers pay user fees and this is how a private company receives money.

With regard to a concession, there are varying opinions regarding the source of payments made to a private partner. Hall argues that a concession contract is where users pay fees to a company, meaning that government funds are not involved, whilst another form of a partnership – PFI – receives payments from a public agency (Hall, 2008b, p. 3).

Alternatively, in a concession a private company can receive some form of compensation from final users or through regular payments by the public authority (Renda and Schrefler, 2006). The latter point of view acknowledges the possibility for the use of public funds for making payments to a concessionaire. At the same time it is unclear whether we still can categorise this form of a PPP as a concession in the case of payments to a private company by both the government and final users.

Also, in some concessions, the so called *shadow tolls* exist. A government uses these when it guarantees specific revenue to a private party for a prespecified volume of service, and the government pays these tolls instead of final users (Williams, 2003, p. 9; Sadka, 2007).

PFI is yet another form of a PPP, although the difference between them is not clear cut. In contrast to other PPP forms, in which service provision requirements may change and evolve over time, in PFI the services specification is defined at the time when the parties sign the contract for the entire term. Additionally, in PFI a private company is a direct service provider, rather than a consortium or a special purpose vehicle (SPV) – a company formed solely by a private partner or jointly with a public agency – that private firms frequently use for the PPP project implementation (Asenova and Beck, 2003; Grimsey and Lewis, 2004). However, the difference between PFI and PPP is indistinct, and the literature often uses both terms synonymously.

Yet another form of a PPP is the asset life-cycle contract. It is similar in nature to a concession, although the difference may be that it is the public agency, not final users, that pays for the asset construction and service provision (Bovaird, 2004; Sadran, 2004; Sedjari, 2004). The length of a contract is determined by the asset's usable life. However, the problem is exactly in defining the length of an asset's usable life, especially when innovative technology is involved. The reason is that new technology often becomes obsolete faster as opposed to its physical tear and wear, and difficulties in forecasting technological progress may impede accurate determination of the asset's life cycle (Westerman *et al*., 2006).

Partnership models

Specific partnership arrangements, which are also sometimes called PPP forms or PPP models, depend on the underlying concept that a public authority wants to apply to a PPP. Available arrangements include BOT (build-operate-transfer), or DBFOT (design-build-finance-operate-transfer), or DBFOOMT (design-build-own-operate-maintain-transfer) or other combinations of some or all elements that assign responsibility for provision of public services to a private partner (Williams, 2003; Sadka, 2007; Morallos and Amekudzi, 2008).

For example, in the DBFOT scheme, a private company designs and constructs an asset using private funding, and then provides a service with an ongoing responsibility to operate a newly constructed facility. Immediately after construction is completed, a public agency assumes the asset ownership. At the end of a PPP contract, a private company transfers an asset back to the government.

In the DBFOOT scheme, all elements are the same, with the exception of the asset ownership: after construction is completed, property ownership is assumed by a private company, although it has an obligation to transfer an asset to the government at the end of the PPP contract. The asset's private ownership appears to be temporary (although long-term). After the whole PPP project is complete, the government will fully own the asset.

Who initiates PPP formation?

Sedjari offers yet another approach to PPP forms. With reference to Francois Ascher, he identifies three main types of PPP, from the perspective of who initiates partnership formation: PPP initiated by the public sector, PPP initiated by the private sector, and appointed PPP (Sedjari, 2004, p. 298).

Appointed PPP, according to Sedjari, is a mixed economy company that a city or a region may create, for example, for provision of city services. Public authorities must own most of the capital, with some private ownership. These companies pursue public interest objectives, and simultaneously have flexibility in operational forms and return on the invested capital. Thus, the description of appointed PPP resembles an institutional PPP. However, those who discuss IPPPs do not emphasise, as opposed to Sedjari, that a public agency should own most of the company capital.

The observation about how one can initiate a PPP is useful for understanding project types that countries are likely to approve and start, with varying degrees of political, administrative and fiscal centralisation. For example, in a centralised federation such as Russia, PPPs may focus on regional or national projects, at least in the beginning. Partnership proliferation at the municipal level in Russia depends on how liberal and 'friendly' local rules and regulations have been designed, and also how easily project financing can be arranged.

Yet, we can draw an additional example from Kazakhstan, in which, with a Unitarian political and administrative system in place, PPPs are even less likely to exist at the local level. Although from 2004 the national government encouraged PPP formation at all levels including municipal, until November 2011 there were no approved PPP projects at the local (city or village) level and regional level in Kazakhstan. The only current PPP projects that Kazakhstan is implementing are those of inter-regional and national scope, such as the construction of an inter-regional electrical power grid and construction of an international airport (Kazakhstan Today, 2009; Kazakhstan Public-Private Partnership Centre, 2012). The existing partnerships in Russia and Kazakhstan clearly illustrate that societal governance structure can also influence corporate governance models including those of PPP projects.

Do PPPs bring benefits to the society?

PPPs are challenging to the society in a way that an assessment of their benefits as opposed to their costs and negative externalities is a difficult task. In this section we intend to delineate multiple aspects of this complexity and offer insights regarding how to address it.

Among principal PPP benefits there are possibilities to deliver public services sooner and cheaper than government in-house provision; opportunity to build, operate and maintain the public sector assets (such as a water treatment facility or a recreational centre) with extensive use of private funds; and the use of the private sector expertise in technology, management, and customer service for implementation of the public sector objectives (Grimsey and Lewis, 2002; Brinkerhoff and Brinkerhoff, 2004; Hofmeister and Borchert, 2004; Sedjari, 2004). Hodge and Greve (2005), in their critical review of the discussion regarding PPP promises and performance, have noted that findings about empirical evidence on partnership cost and quality gains are limited and mixed. They argue that "the economic and financial benefits of PPPs are still subject to debate, and hence, considerable uncertainty" (2005, p. 9).

The reason for this uncertainty is that the PPP benefits are not clear-cut, and each benefit claim can be countered by some offsetting drawback or higher costs. For example, a promise for sooner and cheaper public service (as opposed to when the government may begin providing it) may turn in more expensive and delayed delivery by a partnership in case a private sector partner had to deal with unforeseen risks such as paying for damage to the environment or construction flaws.

Extensive use of private funds undoubtedly helps governments to keep their budget deficits low, particularly in the short run (Sadka, 2007; Hall, 2008b; Morallos and Amekudzi, 2008). However, government payments to partnerships (such as a subsidy, or capital outlays, or minimum revenue guarantees) simply convert a present budget deficit into future deficits (Sadka, 2007), whilst future deficits may be even larger, for example, due to higher cost of private partner loans as opposed to government borrowing at lower, risk-free interest rates (Sadka, 2007; Hall, 2008a). This has particular relevance to transitional countries such as Kazakhstan and Russia in which governments tend to push for enhanced PPP employment and, pursuing this policy objective, they tend to provide extensive financial support to PPPs. In reference to Russia, KPMG data show that the cost of contracting out is about 6% less than the PPP cost (Shabashevich, 2011, pp. 3–4).

Attracting a private sector party in a PPP often costs the government more compared to when it opts to provide a service in-house (Mouraviev, 2012).

An advantage of using the private sector partner expertise in construction, technology, innovation and management becomes compromised when a private company with no prior experience in similar projects receives a PPP contract.

From the citizens' perspective, there might be a growing concern regarding whether government attempts to distance itself from traditional responsibilities for provision of public services. The latter may be illuminated by examples of toll roads in Kazakhstan and Russia. In both countries, governments are interested in PPP employment for construction and operation of toll roads. In Russia, a first segment of a road from Moscow to St Petersburg is under construction and will turn into a toll road upon completion (Public-Private Partnerships in Russia, 2012). In Kazakhstan, the government prepares a large number of PPP projects aiming at toll road construction and operation. In particular, a road between two major cities, Almaty (the former capital city) and Astana (the current capital), is divided in segments for the purpose of establishing a partnership in the form of a concession for each segment (Kazakhstan Public-Private Partnership Centre, 2012). This suggests that drivers who have never seen a toll road in these two countries should be prepared to witness a contraction in the volume of traditionally free public roads.

In summary, a partnership's value for money may be undermined in many ways. Considering partnerships' benefits to the society, one may argue that generalisations are hardly possible as each project possesses unique financial and organisational arrangements. Even if two projects seem alike in their objectives, scope, time frame, funding, and services to be delivered, it is likely that they will be implemented differently, as each project involves a unique set of organisational and financial arrangements, and faces its own range of risks and partner interaction issues. Whether a specific PPP has given more benefits to the society than losses has to be assessed in each case, which becomes possible only after project completion. This note has particular importance for transitional economies including Kazakhstan, Russia and Ukraine. In these countries PPP projects just began after 2005. This means that approvals for partnerships were given by governments that will continue to change long before these projects are completed, given that many projects are for the terms ranging from 15 to 30 years. For a partnership, this implies that it faces political risk and the risk of changes in the regulatory environment prior to project completion. A broader implication is that it remains unclear until a project ends whether one can assess a specific PPP as successful and beneficial for the society.

However, the project end also will not give an opportunity for a full PPP assessment because the government must count and assess its total costs related to the project. For example, a private company has made cosmetic repairs close to project completion trying to cut costs, although the equipment requires major upgrading. Upon PPP project completion, the full cost of maintenance shifts to the government, and its total costs (during the project and after its completion) may dramatically increase. Specifically, the government may face huge costs (much higher than a private company's costs in the late years of a project) that will inevitably become a burden for the budget and, consequently, taxpayers (Mouraviev *et al.*, 2012, p. 417).

In reference to evaluation of PPP effectiveness, Hodge and Greve (2005) offer useful insights. They argue that a question of a policy decision, e.g., to undertake an infrastructure project for provision of a public service, should be separated from the question of the chosen delivery mechanism - the PPP (2005, p. 348). Hodge and Greve further conclude that success or failure is possible at either level. Two examples illuminate this. In the first example, an efficient PPP project has been implemented in a low priority infrastructure segment, and society's benefits are limited as the public preference was in a different field. In the second example, a high public benefit project, such as a hospital's construction and operation, could be accomplished through an inefficient mechanism because the partnership had cost more than the government in-house provision (Hodge and Greve, 2005). In both examples society's benefits are significantly compromised.

To conclude, we should not understand partnerships as institutional arrangements bringing merely benefits. Only the long-run view of PPPs may offer an accurate assessment of their benefits, costs, and externalities. In contrast to across-the-board kind of statements regarding PPP advantages, efficiency and strengths for the society that can hardly be justified, each project requires individual evaluation, and one can link its merits and positive spillover effects, discounted by costs and negative externalities, to the specific groups of society's beneficiaries.

Suggestions for future research

Transitional countries develop PPPs in their own way. This development also involves application of the PPP-related terminology in its own, country-specific way, and design of own concepts and terms. For example, in Russia, government understanding of partnerships includes all kinds of service, management and procurement contracts; leasing contracts when governments rent out an asset to a private company; production-sharing agreements such as those with the oil companies; special economic zones; public-private corporations with private stock ownership and controlling interest in the hands of government; and concessions (Mouraviev *et al*., 2012). However, in fact, these partnership types include a mix of contractual and institutional PPPs, and this may cause confusion because normally, from the Organisation for Economic Co-operation and Development's (OECD) perspective, many arrangements (such as special economic zones) are not a PPP due to their nature and purpose (e.g., a special economic zone is supposed to create favorable conditions for private business development in a region; however, a zone is not a PPP).

Although it is likely that adjustments to concepts and terminology will be happening repeatedly, the promising way of developing PPP terminology is to explain the meaning of commonly used terms in the context of a certain country.

For example, in Russia the commonly used terms in the PPP field include *government support*, *government as a partnership guarantor* (Varnavskiy, 2004; Tilebaldinov, 2008; Kabashkin, 2010; Maksimov, 2010; Pankratov, 2010; Varnavskiy *et al*., 2010; Firsova, 2011; Shabashevich, 2011), *social significance of a PPP project* (Zusman, 2008; Azizov, 2009; Gusev, 2009; Varnavskiy *et al*., 2010; Firsova, 2011), *and infrastructure bonds for financing PPP projects* (Kabashkin, 2010; Varnavskiy *et al*., 2010; Firsova, 2011). As the meaning of these terms normally remains undefined and unexplained, the broad opportunities for interpretation result in vague association of each term with partnerships. Of course, it would be useful to not merely provide a definition, but to explain the nature, meaning, boundaries, contextual environment, and connections of an item in question to other PPP terms and concepts.

An additional term that calls for explanation and a statement of a problem, for example, in the context of Kazakhstan and Russia specifically, is *risk management.* Its most common understanding in these two countries is that it includes only initial risk allocation between partners that is specified in the original PPP contract (Zusman, 2008; Azizov, 2009; Alpatov *et al*., 2010; Shabashevich, 2011). This view sets strong constraints on the understanding of risk management because few of its essential elements are missing. Risk management also has to include risk re-allocation, risk mitigation, and related tools. From this broader perspective, it is no surprise that in both countries discussion of few important elements of risk management is missing.

In reference to risk management, researchers must define and explain various types of risk that PPPs may face, specifically those risks that may be unique to the context of a transitional country. An example of such a risk is a reduced ability of the private sector partner to use the courts system for resolving disputes with the public sector partner. This is because in countries such as Kazakhstan and Russia the courts system is not fully independent of the government. In addition, the possibilities for turning to out-of-court dispute resolution mechanisms (Cook, 2007) also appear limited as they essentially just emerge and their legal status in both countries remains unclear. Careful delineation of these risks and their boundaries may considerably enhance understanding of how partnerships work in these countries.

To summarise, PPP aspects that may have special contextual meaning in a transitional country call for thorough explanation. This will permit comparisons with similar PPP aspects which the Western literature discusses, and is likely to contribute to the growing body of knowledge about partnerships in transitional economies.

Conclusion

The article presents critical elements associated with PPP and necessary for theoretical building, theory testing and further research. The value of this paper is in providing clarification of a position adopted by some authors and governments regarding a specific PPP aspect rather than just presenting another author's view. Certainly, it is up to a researcher to decide what stance she or he wants to take in reference to the meaning of a PPP or a specific PPP issue. However, familiarising oneself with available approaches may help a researcher to make an informed choice. This particularly applies to those who do research in the PPP field in transitional countries because partnerships are new there and the PPP literature is in its infancy.

As partnerships form on a basis of certain concepts, governments inevitably depend on the direction in which concepts, terminology and meanings are developing. From this perspective, this paper informs PPP practitioners in government agencies who may also benefit from contrasting and comparing different views related to PPP aspects. In turn, practicioners in transitional countries may also contribute to the body of knowledge about

PPPs by enhancing understanding of PPP tools and forms that evolve in the course of project implementation.

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PPP studies	**Underpinning theory**	**Core assumptions**	**Influential authors**
PPP as a policy tool	Theory of market efficiency; value for money	Private markets are superior to the public sector in efficient resource allocation. PPP brings along more benefits than drawbacks.	Osborne, 2000; Wettenhall, 2003; Grimsey and Lewis, 2004; Hodge and Greve, 2005
PPP as organisational and financial arrangement	Value for money; transaction cost economics; governance theory	PPP should ensure lower costs and greater benefits compared to government in-house service provision. Effective governance is the key to	Klijn and Teisman, 2000; Asenova and Beck, 2003; Vining and Boardman, 2008

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		success.	
PPP performance, risk allocation, critical success factors	Effective risk allocation theory; governance theory	Risk should be transferred to the party best able to manage it with the lowest cost. Effective governance is the key to success.	Hall, 2008a, 2008b; Sadka, 2007; Morallos and Amekudzi, 2008

Table 1 Principal PPP fields of study and underpinning theories

Source: compiled by the authors.

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