

*Vesna Pendovska**
*Aleksandra Maksimovska***
*Elena Neshovska Kjoseva****

PUBLIC-PRIVATE PARTNERSHIP AS AN ALTERNATIVE SOURCE FOR FINANCING PUBLIC NEEDS: EXPERIENCES FROM SOUTH EASTERN EUROPEAN COUNTRIES

Abstract

Motivated to overcome the negative impact from slow economic growth, high budget deficits and fiscal constraints, countries today are gradually leaving behind the traditional role of the government as a primary public service provider. Moreover, the growing pressure on public finances has prompted the need for new resources for financing the public expenditures, so that better value for money is obtained. The concept of public-private partnership is part of this trend and it is expanding rapidly as an alternative provider of public goods and services.

This article analyzes the Public-Private Partnership phenomenon and focuses on its relevance as regard the countries from the region of South Eastern Europe. In particular, this article is aimed to (1) analyze the concept of public-private partnership; (2) compare experiences from the following SEE countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia and Montenegro; (3) synthesize the findings and offer new perspectives on the advantages of public-private partnership. The key question is whether this concept during past few years has enabled these countries to improve the quality, cost-effectiveness and timely provision of public services. The paper is focused on a qualitative research through in-depth review of the legal provisions, and through theoretical knowledge and quantitative empirical data will subliminate conclusions and give few policy recommendations.

Key words: public services, public-private partnership, value for money, South Eastern Europe.

JEL classification codes: H20, H27, H76.

* Vesna Pendovska, PhD., Full Professor, Ss. Cyril and Methodius University in Skopje, Faculty of Law "Iustinianus Primus", Skopje, Republic of Macedonia, phone: +389 70 25 24 25, e-mail: pendovskav@gmail.com.

** Aleksandra Maksimovska, PhD., Full Professor, Ss. Cyril and Methodius University in Skopje, Faculty of Law "Iustinianus Primus", Skopje, Republic of Macedonia, phone: +389 70 677 137, e-mail: a.maksimovska@pf.ukim.edu.mk

*** Elena Neshovska Kjoseva, PhD., Assistant Professor, Ss. Cyril and Methodius University in Skopje, Faculty of Law "Iustinianus Primus", Republic of Macedonia, phone: +389 70 688 557, e-mail: e.neshovska@pf.ukim.edu.mk

“Public-private partnerships are not about funneling charity dollars to development projects; it’s about creating win-win business models.”

Gary Reader,
Global Head of Insurance, KPMG International

I. INTRODUCTION

Traditionally, provision of public services has been seen as the main governmental role and obligation. Over the years, governments struggled to find the most effective way to provide services to the citizens in order to improve their living conditions, to give them more of services for the same budget costs, and to win the elections based on the difference of quantity and quality of the given services. Politically understood, the provision of services was the differentia specifica among various governments. So, it’s understandable that when low economic growth or financial crises and budgets deficits occur, this task is hard to be accomplished by the governments. Therefore, as the appetites of the voters raised, new way of provision of governmental services was needed. Additionally, recent studies showed that the public sector “generates” weak performances, the public services are not innovative and not flexible enough, they are over regulated, too slow and are not consumer or citizen-oriented. They suggested that there is definitely a need to apply the principles and the practices from the private sector to the public sector in order to increase the quality of the public services, to reduce the budgetary allowances for the public services, to become citizen-friendly, and to increase the efficiency and the effectiveness of the public sector. The private sector has the potential to offer enhanced value for money and enables governments to use private sector’s finances, knowledge and expertise. As a result, governments are steadily moving toward the unconventional model of public-private partnership in providing public goods and services.

As a concept the Public-Private Partnership (hereafter: PPP) represents a form of cooperation between a public authority and the private sector and between non-governmental organizations, business people associations or companies respectively. The PPP is merely a complement to public service provider, not its substitute, and it is considered only where it can offer greater value for the money i.e. to provide better public service beside on market principles of 3Es (effectiveness, efficiency and efficacy).

Although governments have been dedicated to providing best public services, the unfavorable economic conditions have placed serious pressure on countries to include in PPP projects. The region of South Eastern Europe is not exempt. In order to encourage private participation in provision of public services, SEE countries have implemented a combination of policy and legal reforms, financing mechanisms, incentives and institutional support. Are such measures sufficient to promote PPP in SEE or is there something missing in the legal, political and social conditions that is necessary to endorse private sector’s involvement in public projects?

The main aim of this paper is to fill these gaps by using a theoretical framework and empirical evidence, *in order to provide an overall review of the policy reforms that are introduced for increasing the use of PPP model in SEE countries.*

The article starts with a literature review focused on the reasons for PPP, and the pros and cons of this alternative source for financing public needs. The second part explains a PPP policy in SEE countries with emphasis on separate legislations; each SEE state is analyzed. The conclusion follows.

II. THE CONCEPT OF PUBLIC-PRIVATE PARTNERSHIP: THEORETICAL BACKGROUND

A public-private partnership ("PPP") is a term used to describe a government-sponsored initiative or scheme which involves the use of private finance to facilitate the provision of services to the public and/or the delivery of social infrastructure assets. Additionally, PPP describes a government service or private business venture, which is funded and operated through cooperation between the government and one or more private sector companies (Tan et al. 2012). Because of the various forms of cooperation between the public authorities and the private sector, it is difficult and at the same time inappropriate to give one standard and internationally accepted definition of the PPP. The PPP concept designates any form of cooperation between the public and private sectors. Of course, juridically, the way of expressing these partnerships differs from a juridical system to another (Dheret et al. 2012).

In 2004 the European Commission adopted the "Green paper on public-private partnerships and community law on public contracts and concessions" which states that a PPP generally includes the following elements:

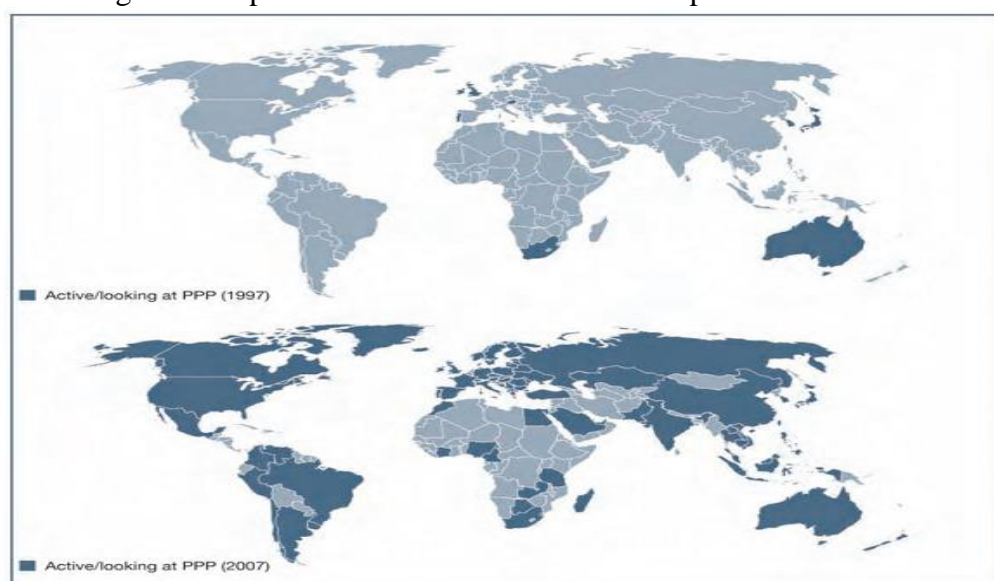
- The relatively long duration of the relationship, involving cooperation between the public partner and the private partner on different aspects of a planned project (...);
- The method of funding the project, in part from the private sector, sometimes by means of complex arrangements between the various players (...);
- The important role of the economic operator, who participates at different stages in the project (...), and
- The distribution of risks between the public partner and the private partner, to whom the risks generally borne by the public sector are transferred (...).

According to the key elements of every PPP's definition, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to sharing the resources, each party shares the potential risks and rewards in the delivery of the public service and/or facility (Conley et al. 2012; Barnier, 2013). Sectors where PPPs have been used successfully are transportation, water/wastewater management, urban planning, infrastructure and utility development, financial management and education.

The PPP concept as a form of cooperation between the public and private sectors as a source for financing public needs have a long history. For example in the Roman Antiquity, the harbor equipment, the plazas and the thermal establishments were exploited through concession granting. *Le Digeste* highlights the fact that those who worked in the public sector and who performed public activities/work were protected. Beginning with the 17th and 18th centuries, in France concession was used for building bridges and canals and the 19th century was considered the Golden Age of the concessions as well, the railways and the urban utilities (water, drainage, transport, light) being built in this way (Verhoest et al. 2013). Similar forms of partnerships we find in the U.S.A in the second half of 19th century in the construction of railways. The public-

private partnership form fell into place at the beginning of '80s in the 20th century through the cooperation between the local authorities and the private bodies for the implementation of some programs regarding the rehabilitation of some industrial areas which fell into decline (Levai, 2014). However, the PPP has started to expand rapidly since the last years of the 20th century. The following figure shows the expansion of PPP worldwide for the period 1997-2007.

Figure 1: Expansion of PPP worldwide for the period 1997-2007



Source: Efficiency Unit, *An Introductory Guide to Public Private Partnership*, 2008, 6.

In addition, the Figure 2 shows the percentage of public infrastructure investments made via PPPs.

Figure 2: Percentage of public infrastructure investments made via PPPs.

Percentage	Countries
Less than 5%	Austria, Germany, Canada, Denmark, France, Netherlands, Hungary, Norway, Spain
5-10%	United Kingdom, Czech Republic, Slovak Republic, Greece, Italy, South Africa, Ireland
10-15%	Korea, New South Wales
More 20%	Mexico, Chile

Source: Hall, David, *PPs: historical truths and economic myths*, Public Service International Research Unit, 2012, 6.

The interest for the promotion of the PPP is directed towards three main courses: (1) investing in infrastructures; (2) increasing the efficiency of the financial resource usage, and (3) better commercial usage of the invested funds. Usually, there are two fundamental drivers for PPPs. Firstly, PPPs enable the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally procured and delivered by the public sector. Secondly, a PPP is structured so that the public sector body

seeking to make a capital investment does not incur any borrowing. Rather, the PPP borrowing is incurred by the private sector vehicle implementing the project and therefore, from the public sector's perspective, a PPP is an "off-balance sheet" method of financing the delivery of new or refurbished public sector assets (Bettignies et al. 2004). It is also considered that the great interest shown for the PPP development is a result of three factors: the governments' interest for an effective reallocation of the available financial resources respecting the principle of value for money; the private service providers' great capacity in the public services offer; and the determination for a bigger collaboration between public and private sector in organizing and providing public services.

Successful PPPs are characterized by comprehensive planning, competitive procurement, clear contractual rules and credible contract enforcement. A PPP project typically includes the following phases:

Phase 1: A public sector entity (usually a central government body/local authority) identifies the need to deliver a particular project, such as building a railway line or a hospital, and then runs a competitive process under which private sector entities offer in order to win the right to deliver the project. The winning private company is then awarded a concession to implement its solution.

Phase 2: A private sector entity contracts with the public entity and raises funds from investors and lenders in order to deliver the project.

Phase 3: The Project Company enters into a contract with the public sector that is the key document detailing the terms and conditions of the project.

Phase 4: The Project Company deliveries management services and construction works detailed in the Concession Agreement.

1. Features and Principles of the PPP concept

Regardless of variety of definitions, the PPP concept is characterized with the following features:

- PPP projects are long-term partnerships (typical projects have the duration between 20 and 40 years);
- The private partner carries the risk for the invested capital, not the public sector, as it is the case of projects based on outsourcing. PPP projects enable the risk to be optimally spread, and each subject of the partnership to take the risks they are able to manage best;
- Differently from other types of projects where the public sector enters into co-operation with the private sector, the outputs of this co-operation are defined from the beginning. Therefore, on one side, the public sector exactly specifies the type of the service the private sector has to provide, its quality, the price and the control mechanisms. On the other side, the private sector implements the entire project by ensuring its funding and maintenance (Farrugia et al. 2008).

All PPP contracts are guided by the following principles:

- Value for money – PPPs should give greater value for money than the best public sector project designed to achieve similar service results.
- Risk allocation – This principle is used to optimize, rather than maximize the transfer of project risks to the private company that is best able to control and manage the project in a manner that greater value for money is achieved (Corrigan et al. 2005).
- Ability to pay – The PPP option must demonstrate long-term affordability.

- Competition – The public sector has to guarantee a competitive process of selection of the right private partner in order to obtain value for money and efficiency.
- Local content and technology transfer – PPP projects encourage maximum use of local content and technology transfer and facilitate promotion of local industries and national private sector.
- Public interest and consumer rights – The public entity chooses the PPP project that has a positive impact upon the public interest and citizens' rights as consumers of the certain public service.
- Accountability and Transparency – PPP project has to be completed according the principles of accountability and transparency.

2. Advantages and Limitations of the PPP.

In addition to principles for successful PPP project, the public entity compares the pro and cons of financing public needs through cooperation with private sector. If advantages prevail over the risks, then PPP is a cost-effective resource for financing a public project.

The literature usually points out these main advantages of the PPP concept (Francoz, 2010; Parvu, 2009; Domljan, 2011):

- Investment decisions under PPP contracts tend to be based on a long-term view rather than short-term concerns;
- Risk and work are transferred to the party which is best able to manage it at the least cost, achieving best value;
- Projects go through a competitive pricing process, meaning that the cost of public services is benchmarked against market standards;
- The timings and expenditures tend to be more certain and therefore deliver better value for money. Where PPPs are not completed to budget, the private sector usually bears the cost;
- The cross-transfer of public and private sector skills, knowledge and expertise can create innovation and efficiency;
- The private sector often brings with it greater construction capacity, labor capacity and resources than would be available to the public sector;
- Payments to the private sector in PPP projects are usually linked to how they perform, creating incentives and efficiency;
- PPP projects are not subject to political interference and deferred payments for the government;
- Transfer of risks is the most important driver when the country looks at the advantages of PPP projects. In PPP projects, there is a possibility to transfer most or all of the risks to the private entity (for a price). Risk and opportunity go hand in hand. The private entities can and want to explore opportunities, even though they involve risks;
- Minimizing the government by outsourcing non-core activities is another important advantage. One of the state's objectives is to reduce the government and move as much as possible of its tasks over to the private sector;
- Possibility for multiple uses of the facilities. The state is not stimulated to explore this possibility, since it does not compete on the market. The possibility for the private sector to use the facilities in multiple ways represents another advantage of PPP;

- Constant cash flow. The state budget is formed of fixed budgets for each ministry. Major investments are temporary modifications of the budget of a ministry, and this problem can be difficult to deal with within the budgetary process. Avoiding major investments by having a constant cash flow is an important driver when the state looks at the advantages of PPP, and

- Quicker execution of a project (once contract is signed).

On other hand, the opponents of the PPP phenomenon address the following weaknesses (Kappeler, 2010; Colverson, 2012):

- The number of parties involved and the long-term nature of their relationships often result in complicated contracts and complex negotiations, and therefore high transaction and legal costs. PPP projects can take years to complete;

- There is a risk that the private sector party will become insolvent or make large profits during the course of the project – this can cause political problems for the public entity;

- The long-term nature of a PPP project means that debt is incurred long before the benefits appear;

- Sometimes a public sector entity could borrow more cheaply alone than it could via the private sector. This has to be balanced against the fact that capital expenditure incurred by a public sector body counts as government expenditure which at certain stages of the economic cycle will score against the various statistical measures of government borrowing.

The following Figure shows the PPP advantages and limitations for the three involved parties i.e. PPP advantages and limitations from public sector, private company and users` point of view.

Figure 3: Advantages and Limitations of PPP.

	Advantages	Limitations
Public sector	<ul style="list-style-type: none"> - Reduce public debt - Preserves the country rating - New financial sources for development - Clear accountability (no hidden costs) - Faster procurement - Promotes innovation - Access to an expertise not available in the public sector - Minimizes development risk - Better compliance with environmental regulation - Improves cost effectiveness - Less political interference - Improve the service performance - Transfer the responsibility - No public employees to manage - No more strikes to manage - Improve operating efficiency 	<ul style="list-style-type: none"> - Attractiveness of sectors (water/telecom) - Bidding process (few bidders) - Private funding is expansive - Sensitivity of investors to political risk, - High transaction costs (financial advisor, lawyers) - Long term commitment of the lease payment - Accusation to favorise private/foreign companies - Government supports to attract investors - Capacity constraints & asymmetry of expertise - Financial risk (termination fees) - Loss of influence on investment - Loss of control and technical skills

	<ul style="list-style-type: none"> - Reduction in scope for user claims - Penalties for poor performance - Replacement for poor service - Flexible concession period - Right to terminate contract 	<ul style="list-style-type: none"> - Reduction of bargaining position with civil works companies - Loss of technical staff - Loss of the best managers of the public sector - Disputes can affect the reputation of the country - Creation of a private monopoly
Private sector	<ul style="list-style-type: none"> - Debt is on the project company (off balance) - Partnership for future PPPs - Government supports (subsidies, tax, guarantees) - Economies of scale - Creates the local standard - Powerful incentives to perform 	<ul style="list-style-type: none"> - Lack of skilled teams - Lack of bankability - High transaction costs (advisors, lawyers) - High margins of project debt - Cost of project bonds - Completion guarantee required - Accusation of corruption - Risk if a bad design - Expropriation of the population - Demonstrations against price increase - Penalties for underperformance - Social conflicts with trade unions - Measurability of quality is a matter of discussion
Users	<ul style="list-style-type: none"> - Creation of a new service - Social tariffs for low income - Better quality for a lower price (running water/tanks), - Improved reliability, - Less public debt means less taxes - Better maintenance - Better compliance with environmental regulation 	<ul style="list-style-type: none"> - Creation of a private monopoly - Raising of prices for users of infrastructure - Quality & accessibility of services - Transfer of exchange risk - No more hidden subsidies - Disputes can affect the quality of service - Termination can affect the continuity of service

3. Requirements for Successful PPPs

Every government that strives to establish a PPP framework, that will encourage the private sector participation in financing public project and will result with good PPPs that create economic growth and benefits and achieve value for money, has to fulfill these consecutive conditions:

Figure 4: Requirements for successful PPPs.

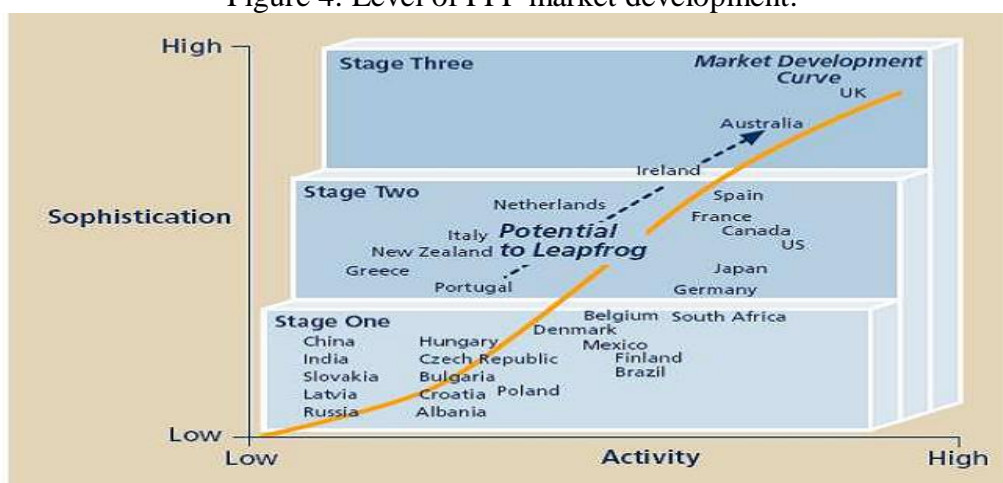
Stage One	Stage Two	Stage Three
<ul style="list-style-type: none"> - Define policy framework - Test legal viability - Identify project pipeline 	<ul style="list-style-type: none"> - Introduce legislative reform - Publish policy and 	<ul style="list-style-type: none"> - Establish fully defined and comprehensive system - Remove legal

<ul style="list-style-type: none"> - Develop foundation concepts - Apply lessons from earlier deals to other sectors - Start to build marketplace 	<p>practice guidelines</p> <ul style="list-style-type: none"> - Establish dedicated PPP units - Refine PPP delivery models - Continue to foster marketplace - Expand project pipelines and extend to new sectors - Leverage new sources of funds 	<p>impediments</p> <ul style="list-style-type: none"> - Long-term political consensus - Accessibility to full range of funding sources - Well-trained civil service that will utilize PPP experiences
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Source: United Nations, *Guidebook on Promoting Good Governance in Public-Private Partnerships*, UN, Geneva, 2008, 20.

According to these criteria, United Nations (2008) ranked the countries giving this scheme:

Figure 4: Level of PPP market development.



Source: United Nations, *Guidebook on Promoting Good Governance in Public-Private Partnerships*, UN, Geneva, 2008, 20.

III. The PPP Concept in SEE Countries: Experiences and Challenges

In the last 20 years, *Albania* has supported the development of the private sector mainly through privatizations (divestitures), concessions, and regulatory procedures to facilitate business operations. More recently, the Government has sought to achieve key national economic development goals through PPPs. Since the legal framework on concession was put in place in 2006, there have been numerous of examples of concessions contract awards to the private investors (Vehbi, 2015). In Albania, the experience with developing PPPs is still relatively new. The main legal act related to concession contracts is Law on concessions and public private partnerships and the Public Procurement Law. These two Laws were passed to establish clear rules and procedures for publish purchases, to increase competition and transparency in public

procurement, to ensure that all economic operators interested in public contracts are treated fairly and to protect the public interest by ensuring that public funds are spent properly, reliably and efficiently. There is not a separate regulatory and procedural framework on procurement of PPPs; rather PPPs must follow the same general public procurement regulatory framework. Nearly all line ministries in Albania have cited this as a major constraint to their ability to implement and procure PPPs. This is one area that is recommended for changes and improvements to Albania's PPP framework (Aneziane, Dumitrescu, 2014).

In *Bosnia and Herzegovina*, at the national level, the Council of Ministers is responsible for the decision on types, subjects and volumes of concessions to be granted. The decision of the Council of Ministers needs to be approved by the BiH Parliamentary Assembly. Due to the complex administrative system, the PPP legislation is a mixture set of state, entity and local authority-pay PPP laws complemented by national, federal and local concession laws. The key challenges that were identified for successful PPPs in BiH are as follows: complex legal and administrative system; lack of mutual trust between private and public sector, and their willingness to enter into a mutually beneficial arrangement and lack of know-how and financial means to carry out feasibility studies, project assessments and preparation (Kadric et al. 2013).

Bulgaria's experience in the field of PPP dates back after the fall of the communist regime in 1989. The relevant legal framework has undergone a series of transformations, the most noticeable of which is being influenced by the need to align Bulgarian legislation with the *acquis communautaire* in view of the country's accession to the European Union. The PPP practice under the new Concessions Act of 2006 has shown good progress but has also revealed some deficiencies in terms of the range of possible PPP mechanisms and administrative coordination and monitoring of the projects. To address these issues and to create a feasible business and legislative environment for the implementation of large-scale infrastructure projects, a legislative initiative was undertaken in 2010 resulting in the adoption of a new PPP Act that is in force as of 1 January 2013 (Ganeva, 2014). The Real Sector Finance within the Ministry of Finance serves as a specialized unit for PPPs. The experience of Bulgaria so far in the field of PPP has shown that the primary obstacle hindering the implementation of significant, large -scale infrastructure projects, has been the lack of political will and the reluctance of the authorities to accept the concept of risk sharing between the public and the private partner, which is one of the primary features inherent in PPP (Delcev, 2013).

Croatia is one of the first countries that have recognized the importance of PPP and initiated projects of this type. The implementation of the Law on PPP in the Republic of Croatia is entrusted to the PPP Agency. Any PPP proposal and any draft contract need to be approved by this Agency. In addition, after the approval of the project drafts, this institution publishes the list of PPP projects. All concluded contracts are enlisted in the register. Thus, a database of PPPs is established, while the transparency of the entire project is ensured (Muk et al. 2010). However, despite the fact that Croatia was among the first countries to recognize the significance of PPP it also faces significantly challenges in PPP closing. Namely, there are some examples of PPPs that have not brought the desired results to the state especially because some of the PPP projects were widely politicized in public debates, due to multiple deficiencies in the implementation phase (Persoli, 2007; Juric, 2011).

Macedonia introduced the PPP concept into its legal system by adopting the Concession and Other Forms of Public-Private Partnerships Act of 2007. Prior to that, only concessions were covered by specific legislation, and they were also regulated by various sector-specific laws,

while some other PPP models could be derived from generally applicable laws, including the Public Procurement Act (Georgievski, 2009). The current applicable legal framework is consisted of the Concession and Other Forms of Public-Private Partnerships Act of 2012 that is intended to set out a comprehensive legal framework for all the concessions and PPPs and Public Procurement Law. These two Laws are based upon the principles of equal treatment, non discrimination and transparency of the PPP procedures. The Ministry of Economy is the key institution responsible for administering the PPP Register.

The Government of *Moldova* understands that successful PPPs require an effective regulatory and institutional environment providing for the best use of partners' resources. As a result, a range of measures have been adopted so far to streamline the regulatory and institutional framework. In 2008 the Law on Public-Private Partnerships has been adopted establishing basic principles and possible forms of relationship between public and private sectors. In order to bring the existing legal framework in accordance with the provisions of the Law on Public-Private Partnerships, the Government has promoted amendments to a dozen of other laws including, on entrepreneurship and enterprises, concession, local public finance, public procurement, to name only the most important (Rogov, 2010). The current regulatory environment eliminates administrative barriers, expands autonomy of the local public authorities, and simplifies the access of private investment to the public sector (Potlog, 2011). The institutional framework involves the Ministry of Economy and the Public Property Agency that coordinates the initiation and implementation of PPPs at national level and promotes their proper implementation.

Romania's current Public-Private Partnership Law from 2010 is not used in practice, mostly because of its unclear provisions regarding key topics such as public partners' financial contribution to projects, the guarantees for financing institutions in case of a project's failure, and a clear distinction between projects that can be marketed as public-private partnerships versus projects that can be marketed as concessions. In addition, ongoing political debates over the shortcomings of the existing law have led to the initiation of another public-private partnership law, which is currently in the process of adoption (Munteanu – Jipescu et al. 2015).

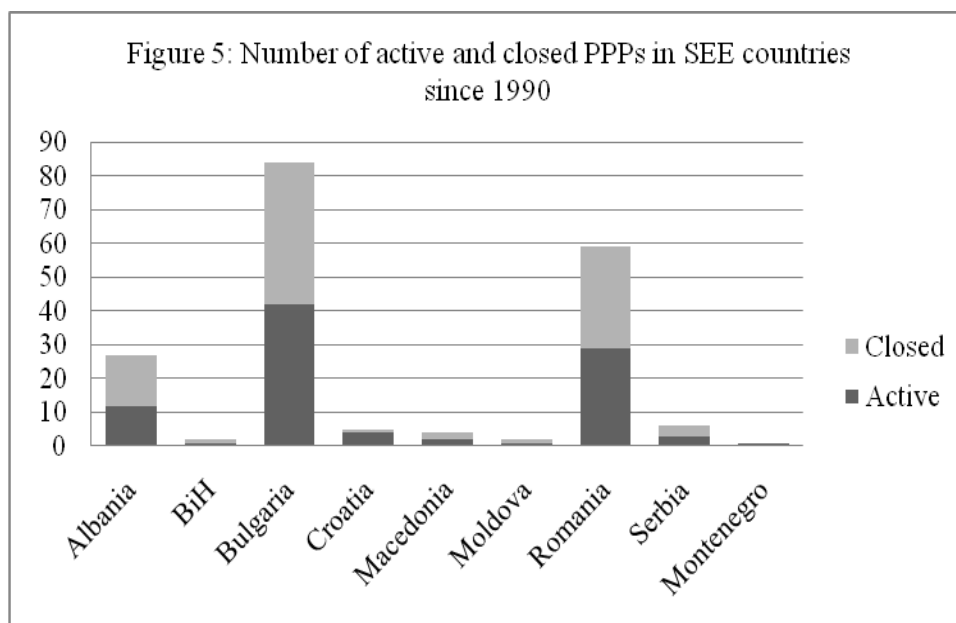
In *Serbia* the first law to deal comprehensively with PPPs is the Law on PPP and Concession adopted in 2011. The purpose of the PPP Law was to create a favorable legal framework for promoting and implementing privately financed projects in infrastructure and public services. The PPP Law introduced the concept of PPPs into the Serbian legal system for the first time. The Commission for Public Private Partnership was established in 2012 as the central government body in charge of PPPs. However, PPP is not implemented in the Republic of Serbia as much as it is possible by the nature of this institute and the type of linking. Very rare practice regarding PPP indicates on the fact that legal solutions are not precise appropriately, as well as that PPP is mostly related to the concession (Knezevic, 2013; Stankovic et al. 2013).

In *Montenegro* the development of modern PPPs started with the adoption of the Law on Participation of the Private Sector for the Delivery of Public Services in 2002. This law aimed at improving the cooperation between the public and the private sectors in the delivery of public services. Further developments took place in 2009 following the entry into force of a new Law on Concessions. Since the adoption of these laws, over 180 contracts establishing cooperation of the public and the private sector in the delivery of public services were signed in Montenegro. The majority of these contracts are concessions for the exploitation of natural resources. Although no PPP unit has been established to date, two institutions, namely the Prime Minister's

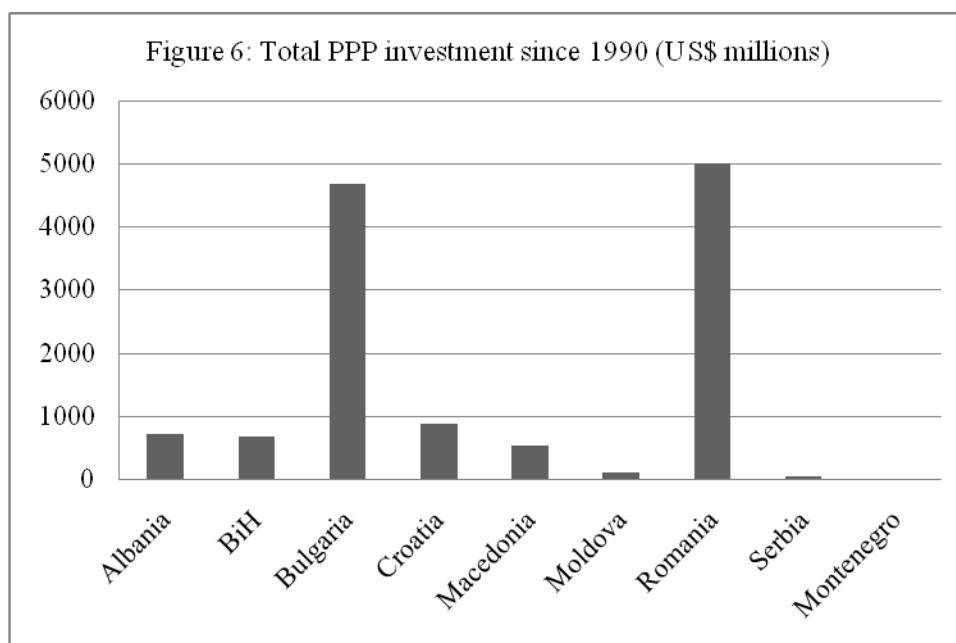
Office and the Commission for Concessions, have played a significant role in the promotion of PPPs.

1. Comparable Review of the PPP in SEE countries.

In the following figures, differences in the PPPs area between SEE countries are shown, since 1990.



Source: PPP Knowledge Lab, available at www.pppknowledgelab.org.



Source: PPP Knowledge Lab, available at www.pppknowledgelab.org.

IV. CONCLUSION.

The role of the public-private partnership has gained an increasing attention in SEE countries lately. It identified the idea of collaboration between different sectors (public, private, social) in order to properly and efficiently solve many of the public needs through participation of all social actors. Based on the principle of voluntary cooperation, the public-private partnership represents the belief of public and private sector that their gain would be bigger than if they acted alone.

There are multiple advantages of the public-private partnerships: various solutions for the private financing of public projects, decreasing costs for the central or local administrations, use of private know-how and management within public projects, increased efficiency in the project development, a shorter implementation period, technical innovation and a higher quality level of the provided services. However, the highest interest is represented by the fact that part of the project risks is transferred to the private partner. The main risk of a PPP consists in the fact that, in the absence of a careful regulation and monitoring of the procedure used for the selection of the private partner and of the completion of the PPP-type projects, such projects can become a risky means of utilizing the country's resources.

SEE countries have recognized the significance of the PPP phenomenon and established legal and institutional framework. However, the comparable review shows that introducing PPP laws and proper agency are not *conditio sine qua non* for implementation of efficient PPP project. Great differences among SEE countries only confirm the fact that PPP is not a miracle solution and that PPP cannot solve every single public need. The case study of SEE countries has demonstrated some real problems particularly in the phase of PPP project implementation. Almost every PPP project in these countries faced serious challenges especially as a result of lack of willingness among PPP partners to take responsibility and service users' hesitation on PPP cost-efficiency and quality.

The main lessons to be learned from this analyze are that political forces consistence and willingness and public acceptance are key PPP factors of success. There is no a universal PPP model and each PPP has its strengths and weaknesses. We strongly recommend countries to create national PPP platform that will represent state's legal, institutional, political and social circumstances. Though, in the PPP reforming process, SEE countries have to accomplish the following determinants of successful PPPs: ensuring open market access and fair competition; protecting the public interest and maximizing value added; defining the optimal level of grant financing both to realize a viable and sustainable project but also to avoid any opportunity for windfall profits from grants, and assessing the most effective type of PPP for a given project. We hope that the progress in this area is yet to come.

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