

PUBLIC PRIVATE PARTNERSHIP OFFERS NO MAGIC SOLUTIONS, BUT A METHOD FOR RESOLVING COMMUNITY NEEDS.

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Public-private partnership (PPP) is considered an important tool in financing public sector investments, its purpose being to provide more capital to invest in the most efficient manner.

PPPs development has become more important as the economic and financial crisis has challenged the ability of the public budgets to raise adequate financial means and to allocate resources to specific projects. Local governments agree with the participation in realization of PPPs, which leads to increased efficiency, a shorter implementation and a value of the provision of services as large as possible. The advantages of implementing concern: appropriate sharing of risks and responsibilities; mainly public sector retains sovereign powers and the private sector has tasks requiring the implementation; private investment lifecycle as decisive elements of the forms of stimulation of PPP is long; it provides a long-term contractual relationship and offers innovation, in particular by specification of results, level of service and payment mechanisms .

In the Member States of the European Union, the adoption of public-private partnership was made differently from one sector to another and from one country to another. At this point one can distinguish three types, namely: " Advanced PPP adopters" with very important projects in the transport sector (road, rail) and in the construction of public buildings and equipment (schools, hospitals, prisons) but also in the environment sector(water / waste treatment, waste management); "Medium PPP adopters ", with projects completed or under execution and excellent results in the transport sector; " PPP adopters at a low level ", where PPP is lacking in all sectors and is in a preliminary stage of adoption. Great Britain, Spain and Romania are three countries and at the same time three levels of adopting, corresponding to the three types of PPP adopters.

Although the partnership is thought as one which must bring benefits to both parties involved in the implementation, it can happen that the Partnership and Cooperation effort to fail. Reasons for failure may be due to several reasons, including the lack of an adequate legal framework, which restricts the possibility of the government to engage in forms of partnership with the private sector or the lack of mutual understanding of the specific sector of the government and the private areas.

Keywords: public private partnership (PPP), public sector, private sector, project, economic recovery, community needs .

Codes JEL: G 32; H 54; L 32.

1. Introduction

"Geography has made us neighbors. History has made us friends. Economics has made us partners and need ... made us allies. Those whom God hath joined man should not separate." John F. Kennedy. (Ton A. C. 2014)

Public private partnership (PPP) is a method of cooperation between the private sector (ie companies, NGOs, business associations), and a public authority in order to realize a profit that may lead to economic and social development of communities to meet the needs of people of that community. European Commission, which enshrined this notion by the

Green Paper on Public Private Partnerships (2004), considers this type of partnership as a "cooperation between public and private entities that involves the establishment of a joint venture entity that implements public contracts or concessions." (Chamber of Commerce, Industry and Agriculture Galati 2007-2013).

Public-private partnership is considered an important tool in the public sector in order to provide more capital to invest in the most efficient manner.

It can be an effective means to deliver infrastructure projects, to provide public services and innovation generally in the context of economic recovery efforts.

In some cases, PPPs involve the financing, design, construction, renovation, management or maintenance of an infrastructure. "While the combination of real growth of services demand and scarcity of resources of a public authority requires finding a feasible alternative to provide the service, it is important to note that a partnership of a public Authority with the private sector is viewed as an effective way to doing business. Services, whether public or private, are best delivered by professionals working other than in-house employees who are concerned only with the operating or focus only on a few goals. Partnership is used only as a reaction to a decrease in resources of the Public Authority". (Paul Andreea Maria 2009).

Patrice Noisette defines public-private partnership as "an association of decisions and public and private funds within the same system of action, with the objective to satisfy both the expectations of consumers and citizens ." (Noisette P. 1994; 261-282)

This definition stresses the guarantee recognition and solidarity of objectives of proportional sharing of risks and remuneration and permanent adaptation of public and private sector activities in the environment.

Starting from these considerations, it can be said that public-private cooperation offers several advantages, most obvious being: accelerating the achievement of objectives and planned infrastructure projects; conjugation of taking over of responsibilities and risks of the private sector layoffs; prompt public sector services and making payments; reduce overall project costs; stimulating their contractual obligations; improving the quality of public utility services; improving public sector management through exposure of services to the rigors of competition.

2. Research Methodology

The paper combines qualitative and quantitative research, using specific methods, document analysis and content analysis. To achieve the objectives we turned to a series of bibliographical sources consisting of books, accounting regulations, tax and legal studies and articles published in various national and international bodies in the field. To this end, we collected data from the European Commission, the European Investment Bank (EIB), the European Commission, Institute for Public Policy Bucharest (IPP), Chown Dewhurst (Independent UK and International tax advisers) in order to realize an analysis of the level of achievement of the EU Public Private Partnership .

3. The results of research

At EU level, the concept of Public Private Partnership is defined as cooperation between the private and public sector for the purpose of ensuring funding for key projects aimed at achieving common goals, such as promoting alternative energy sources, energy efficiency and efficient use of resources, climate change response , sustainable transport, providing high quality and affordable health services, and achieve significant research projects such as the Joint Technology initiatives designed to give Europe a leading role in strategic technology. According to the report commissioned by the German Federal Department of Transport Construction and Real Estate Service "the term Public Private Partnership"

refers to a long-term cooperation regulated by contract between the public and private sectors, for the effective discharge of public duties by combining resources needed (eg knowhow, operating funds, capital, personnel) and by partners and the distribution of the duly existing project risk, in accordance with risk management competence of project partners." (South East Europe 2013: 4)

In world practice we define three models of partnership, namely:

The French model which involves reorganizing businesses, depicting a construction of relations between business and the government in which municipal property the engineering infrastructure objects is maintained. Their management is performed by business representatives on a contract basis.

This model is called the "French model" since it was initiated in France, being the first country that made public-private partnership in various forms since ancient times. Currently, it can be found in many countries especially in developing countries. It is a way to form, based on competition, partnerships between business and power, wearing different forms.

The main feature is that power does not take a direct part in the management itself. By indices formulated as objective and by the monitoring system, business representatives are obliged to operate contract tasks, and in case of violation and failure of pre-established indices they may take measures to correct the situation. The advantage of this model is the fact that it brings sufficient investment in the system and minimizes the risks.

The British model aims at the privatization of objects, ie their conversion into privately owned companies. In the water supply field this system has been widely used in two countries: the United Kingdom and Chile. The essence of the model is to privatize communal sphere of fixed assets by the private structure and to remove it of local government responsibility for the provision of utility services. In order for this method not to lead to "*natural monopoly*", tariffs for communal services are coordinated by government institutions. This model was applied in the city of Tallinn since 1990.

The German model consists in transforming municipal enterprises in areas such as service supplies of water supply and sewerage and thermal power sector into joint stock companies, the controlling stake or 100 % of the shares belonging to the municipality.

In this case the founder forwards all the infrastructure of the company as part of the statutory fund. Although fixed assets fall within the statutory fund of the company, local government remains the main owner. The disadvantage of this model is the fact that it is not based on a real entrepreneurial activity and does not solve the main problem of creating an efficient management.

Control is exercised by the local government, which lacks sufficient funds and private business is not interested to invest in such conditions: power and business interests are different. This model aims at improving the quality and accessibility of power utilities while business representatives expect immediate benefits and profits.

In Germany funds for reconstruction and modernization of housing are offered as grants or loans from the state budget , the cost of which is very small.

This way there have been materialized the four main characteristics of public-private partnership:

- Increase efficiency by appropriate sharing of risks and responsibilities; mainly public sector retains sovereign powers and the private sector has tasks requiring the implementation;
- private investment lifecycle as decisive elements of the forms of stimulation of PPP is long; provides a long-term contractual relationship; and
- provides innovation, in particular by specification of results, level of service and payment mechanisms, as a new way of describing the services to be provided.

In the Member States of the European Union, the adoption of public-private partnership was made differently from one sector to another and from one country to another. At this point one can distinguish three types, namely:

- "Advanced PPP adopters" which occur in countries such as France, Britain, Germany, Italy and Ireland. Here there have made very important projects in the transport sector (road, rail) and the construction of public buildings and equipment (schools, hospitals, prisons) but also in the environmental sector (water/waste treatment, waste management).
- "Medium PPP adopters" in countries such as Portugal and Spain , with many projects completed or under execution and excellent results in the transport sector. However, other areas are experiencing serious difficulties, requiring a legislative revival
- "PPP adopters at a low level" (the last coming in the field), in countries that are still trying an approach to public-private partnership, Romania, Bulgaria, Luxembourg and Sweden. It is lacking in all sectors and it is in a preliminary stage of adoption.

Most EU member states have either limited experience of PPPs or none at all. Others, such as the UK and Ireland have created specialized departments or use traditional instruments for developing partnerships. In Belgium we meet different levels of their adopting, medium in Flemish Region while in the Walloon Region we meet a low level. In Greece we also meet higher levels of public private partnership (Athens International Airport , transport, sport and entertainment) while in other areas the partnership is nonexistent.

In the Seventh Framework Programme for research in technology, it has been introduced a new type of PPP European level programs. This new instrument was created to promote European research in fields where the objectives are of a very large importance and the classical instruments proved insufficient. Joint Technology Initiative (JTI) was conducted under Article 171 of the EC Treaty, which allows Community joint ventures to achieve properly the Community programs of research , technological development and

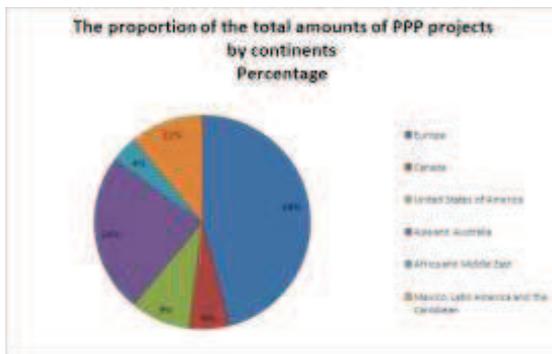
demonstration programs. (Catana Emilia Lucia 2007: 6). "This will allow mobilization of private and public investment for recovery and structural change in the long term." (Mihai Petrescu 2010: 56)

The first ITCs have been developed for five areas: innovative medicines, aeronautics, fuel and hydrogen cells, nano-electronics and embedded computing systems. The JTIs have very large total budgets ranging from 1 and 3 billion EUR amount that can be used by 2017.

In three of ICT 's (innovative medicines , Clean Sky, Fuel and Hydrogen Cells (electrochemical system that converts chemical energy into electrical energy)), public resources are made only from Community funds, provided only by ITC budget , while for the other two ICTs, ARTEMIS (nano) and ENIAC (embedded Computing Systems), resources are combined with funds of the participating Member States or countries associated to the Seventh framework Programme. Contributing partners on projects in which they are involved is taking place "in goods" . Both partners the public and the private , contribute to the running costs (administrative) of the ITC .

Worldwide, according to data published by the OECD (Organization for Economic Co-operation and Development), total PPP projects total nominal value in US dollars and continents, between 1985 and 2011 are shown in the following chart .

Chart 1: The proportion of the total amounts of PPP projects by continents in the period 1985-2011



Provided by authors; source: Istrate & Puentes, 2011

As may be noticed, Europe PPP projects dominate the market with 46 % of the world. The first private finance initiative contract was implanted in 1992 in the UK. Europe is followed by Asia and Australia with 24%. US recorded a 9% share of the total global projects realized, recording a total of 377 type PPP infrastructure projects. Mexico, Latin America, the Caribbean recorded 11% Canada 6 %, while in Africa we find the lowest rate of 4%. Middle East, although it is a global business center yet the most sensitive area of the world in terms of strategic, political, economic and cultural point of view, contains only 4%.

Great Britain, Spain and Romania are three countries and at the same time three levels of adopting PPP, corresponding to the three types of PPP adopters. That was why I selected them for this study.

Great Britain is the second country to adopt public-private partnership. Public Private Partnership projects were introduced in 1992 and have been grouped under the name of Funding by Private Initiative (PFI), an institution that belongs to the Ministry of Finance . Extensive experience in this field makes preparing a major PPP contract to last about a year, at the end of which it is achieved the ultimate goal of PPP: "Value for money" (value for funds invested). Public-private partnership followed a long way in the UK in 2013, a total of 935 PPP projects being carried out with total amounting to 66 billion pounds. According to remarks made by Brian Davies 88% of PPP contracts in the UK end prematurely and cost overruns in 21 % of cases can be made to the private company, if they do not have absolutely objective reasons . (Alexandru Marinescu , 2010: 227-228). English higher education institutions are independent bodies, part of the private system. However, they receive significant amounts of public funds the proper administration of which is a liability to the Higher Education Funding Council of England and, ultimately, to Parliament. In 2011 in the UK it was launched a grandiose project for the construction of homes for PPP students (Falmouth College of Arts- FCA). It was designed. built, financed and operated by Sanctuary Housing Association (SHA) , as a private partner for a period of 25 years. Risks related to empty properties is assumed by FCA and the financial risk too. FCA pays predetermined amount SHA, students also contributing with a reasonable amount. Another impressive PPP project is carried out in the UK waste management. In 1998, Kirklees city, town lacking space in landfills, has adopted a strategy and waste management. In this regard it was signed an agreement with United Waste Services Limited (UWS) in order to provide integrated solutions for waste management. The parties have created the project company Kirklees Waste Service Limited, which was required to reduce by 60% the waste meant for the landfills by recycling, reuse or energy recovery. Investment by UWS was worth 41 million pounds, for which it received a government loan

of 33 million pounds. It should be depreciated by charging a fixed fee for the entire duration of the contract.

Spain PPPs were first adopted in the mid 90s, even though similar types of public-private arrangements have been also used in the 70 and 80s to build highways. The first railway that connects Madrid to Seville was built in 1992 entirely with funds from the EU and from the government. The focus on infrastructure was great, as demonstrated the PPP Infrastructure Plan developed by Aznar government between 2000 and 2007. It has provided a total investment of 103 billion Euros by 2010 for the development of railway and road construction. PSOE government approved a plan for 2005- 2020 which continues to give priority to the railway construction in the detriment of road construction. PPPs were developed in the health sector: Madrid Nuevas Infraestructuras Sanitarias 2007 designed nine new hospitals in Madrid.

But until now, only the project for a hospital was launched in 2004 with a 30-year concession for the construction, commissioning and maintenance of the project. If this reaches its goal, the program will be implemented in other areas of the country.

Despite the successes described above, the expansion of PPPs in other sectors is not quite accelerated. For example, the national water management project was abandoned by the new government due to strong environmental opposition, being replaced with projects that target the construction of desalination plants. Drawbacks observed in the implementation of PPPs in Spain are related to project financing.

Access to international capital markets is rather limited due to the dominance of local actors. The existing legislative framework is not very clear regarding the rights of the parties, if problems arise during implementation.

In Romania financing infrastructure projects through partnership is possible due to legal regulations that have been issued since 2002. They have allowed local authorities to know the peculiarities of public-private partnerships as a way to support local development generally and faster and effective settlement of local issues of public interest.

The success of achieving partnerships between public sector organizations and the private one is not due only to the specific characteristics of this approach, but it depends mainly on the intensity of cooperation relations between government and business representatives locally.

In developed countries, a significant role in the development of public-private partnerships do not have only the parties directly involved in the partnership contract , but also some local and central institutions holding a significant responsibility regarding the establishment of partnerships between the public and private sectors.

The most interesting PPP projects, at the level of intent yet, are targeting the areas of health, construction, infrastructure, IT , transport and energy. Maramures County Council plans to expand and modernize the airport in Baia Mare (estimated 44 mil. Euro), but also to build a concrete bridge over the river Tisa and road infrastructure linking the border crossing checkpoint in the Sighetu Marmatiei-Slatina (Slotvino) Ukraine (estimated 11 mil. Euro).

In the field of IT, Ministry of Justice plans to achieve Integrated Information System for Electronic Access to Justice (SIIAEJ), which will provide litigants the opportunity to submit electronic documents pending cases in courts , and conducting acts of procedure , as much as possible in electronic format (estimated value 20 mil. Euro). In energy, the Municipality of Tulcea is targeting a high efficiency cogeneration plant in Tulcea county and Braila Municipality aims to create a system of eco-efficient street lighting.

One of the areas potentially interested in launching PPP projects is the transport field. To attract additional grant funds from business, CFR SA is preparing to launch several projects under PPP or concession, such as achieving high-speed lines, the construction and arrangement of modern intermodal terminals, and other projects aimed at increasing

attractiveness of rail transport as a mode of transport. These are projects with high investment value, such as the project of high-speed rail route: Border Hungary-Romania-Bucharest-Constanta. In terms of road transport in 2013 were concluded three concession projects Comarnic-Brasov, Craiova-Pitesti and the south belt of the capital. Vinci-Strabag-Akor association won the bid last year to achieve the section of highway Comarnic-Brasov. It should be ready in 2017.

This year Bulgaria has signed an agreement with Romania on future PPP in the construction of three bridges over the Danube which were included in the strategic investment plan for the Danube European Commission. Future bridges will be Silistra-Calarasi, Oriahovo-Bechet, Nikopol-Turnu Magurele .

Lack of successful projects conducted in public-private partnership in Romania, is a very big problem that will adversely affect the country's development in the medium and long term. In this respect, Razvan Iorgu, managing director of CBRE Romania, the local market leader in real estate consultancy said: "The fact that there are no successful projects conducted by PPP denotes, in particular, investor distrust in the Romanian state." (Icleanu Elena 2014).

President of the Chamber of Commerce of Great Britain considers that for a good activity in the PPP in Romania "a few conditions are necessary, such as the existence of a stable cash flow, punctual and full payment of all services provided under the contract, the existence of a stable and commercial law a stable rate of profit. " (Alexandru Marinescu , 2010: 227-228)

Since the Structural Funds were only accessible in proportion of 10% of the amounts allocated to Romania in 2007-2013, and the state does not have enough income to fund the necessary investments for economic recovery, PPP is a solution for fundraising. John Chown, founder president of JF Chown & Company said that Romania should seek PPP policies for pensions policies, taxes and capital market. Because of the aging of population, Romania has big spending on pensions and, starting in 2060, pension expenditure is to be second place in the EU, after Slovenia, with a budget share of pensions in GDP of 27.7 %. (Alexandru Marinescu , 2010: 227-228)

4. Conclusion

Development of PPP has become increasingly important as the economic and financial crisis has challenged the ability of the public budgets to raise adequate financial means and to allocate resources to important policies and specific projects.

The interest of the public sector for innovative financial instruments grew, as well as the political will to create conditions for more efficient ways of achieving infrastructure projects, whether in the transport, social, energy or environmental sector. On the other hand, the interest of the private sector to use PPPs could be limited by the current regulatory framework and new economic constraints and other factors namely public sector capacity to carry out PPP projects.

The main reason for local governments to participate in the development of partnerships should be taking advantage of high efficiency, a shorter implementation and a greater value of services provision. All these advantages should be part of the competition between private partners.

Although the partnership is thought as one which must bring benefits to both parties involved in the implementation, it can happen that the Partnership and Cooperation effort to fail. Causes for failure may be due to several reasons, including: lack of an adequate legal framework, which restricts the possibility of the government to engage in forms of partnership with the private sector or the lack of mutual understanding of the specific sector of the government and the private area.

To ensure the success of such collaborations and avoid a big fiasco it is needed primarily a coordination of activities and decisions; a quality management of the joint action, which requires acceptance by the other parties of the operating rules and common rules; partnership agreements well negotiated and structured legally; monitoring of the private partner in all phases of the investment and in exploitation, which requires from the public sector knowledge regarding enterprise management. Lack of appropriate competences in the public institutions could create difficulties in managing the partnership;

At the moment, Romania is still in a nascent stage in terms of accessing public private partnership as an instrument of development. Member experiments presented, which had first initiatives in this field, are a lesson for other countries that have not yet assumed the risk of a public-private partnership .

In Spain a recent amendment was introduced for "the state tax support" with greater financial and structural flexibility. The changes that need to be made for future PPPs and for better access to international capital markets will depend largely on interpretation of the legislative process. Its introduction should be treated with special care; prevention must be introduced in subsidizing partnerships which can not be completed.

Whereas, through PPP projects, private financial resources will complement the effort of public administrations and the risks will be split between the public and private sectors, certainly this kind of projects could play an important role for a quick and healthy economic development. "However, we should not idealize such projects or consider them a / or the only lifeline of the economy." (Vass July 2013)

In Romania, especially at local government level there can be developed beneficial partnerships, which may be successful in areas of particular importance in achieving government objectives to meet citizens' interests, especially to improve the quality of public services and their cost effectiveness.

Local authorities have a key role in the partnership, because they have the powers necessary for the planning and sale of land and buildings, have real estate resources, maintain water supply systems, oversee systematization of housing and industrial development.

A concrete example of involving local authorities in achieving a successful local partnership which is already known by the positive effects not only on local communities, but also by the benefits of public service, resulted from the partnership at national level is the Mobile Service of Emergency, Resuscitation and Extrication (SMURD), established as a public health service, aimed at providing qualified emergency first aid to reduce mortality and complication rates, to provide equal opportunities for all patients and significantly decrease the time of arrival of a specialized medical team to critically ill patients.

The involvement of local authorities allowed the development of SMURD structure in several counties in Romania, by establishing crews within local governments, municipalities and civilian firefighters.

Of all the more or less success stories, you should remember that PPP is not an end in itself but it is useful as long as it improves service quality and economic efficiency, so as to fulfill expectations summarized in the much used phrase "value for money". (Manolea Luiza 2011: 2)

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