

CHAPTER 3

LITERATURE SURVEY

It is widely acknowledged within the relevant literature that there is no clear definition for PPP which would cover all aspects of different relationships that these PPPs encompass (Daube, Vollrath, and Alfen, 2007; Hodge and Greve, 2007; OECD, 2008) and at the same time restricting it to a more narrow description. As Weihe (2006) argues, the concept of PPP is nebulous – it “allows for great variance across parameters such as time, closeness of cooperation, types of products/services, costs, complexity, level of institutionalization as well as number of actors involved”, as a result, nearly any type of the relationships that include both the private and the public sector (whether it is a service contract or a joint venture) may be called a public-private partnership (PwC, 2005). In order to make some distinction between the variety of definitions present, Weihe (2006) attempted to classify them into five categories: local regeneration, policy, infrastructure³, development and governance approaches. The local regeneration and the policy approaches are similar due to perceiving PPP concept as a very wide definition that covers changes in policies of environment, economic renewal, development, and institutional set up. The difference between the two is that the local regeneration approach focuses on the local level while policy approach – on the national. The third approach – the infrastructure approach – covers the cooperation of private and public sector in order to create and maintain infrastructure, as well as deal with the financial and legal aspects of such projects. The fourth approach – the development approach – concentrates on the development of infrastructure in developing countries where corruption, social deprivation, global disasters are present. This approach includes many forms of cooperation between the public and private sectors such as strategic or entrepreneurial partnerships. The last approach is the governance approach which does not specify any context or policy as it emphasizes on organizational and management side, as well as

new ways of cooperation and governing. For the purpose of this thesis, the concept of PPP will be limited to the infrastructure approach.

DEFINITION

Even though the concept has been narrowed down, there are still many definitions explaining what a PPP is under the approach chosen. For example, the European Commission (2004, p. 3) defines PPPs as “forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service”; whereas OECD (2008, p. 12) defines it as “an arrangement between the government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners”. Further examples of definition include the one proposed by IMF (2006, p. 1) that explains the concept as the “arrangements where the private sector supplies infrastructure assets and infrastructure-based services that traditionally have been provided by the government”, and EIB (2004, p. 2) that views PPP as a relationship of the two sectors which has an aim “of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services...<it is> used to describe a wide variety of working arrangements from loose, informal and strategic partnerships, to design build finance and operate (DBFO) type service contracts and formal joint venture companies”. An overview of the PPP definitions under the variety of international organizations draws some conclusions on the basic set of features that characterize PPP under the infrastructure approach:

- long term contractual arrangement between the public and private sector;
- functions are bundled;
- responsibility for the provision of the services is shared;

- resources are shared:
 - ❖ the private sector brings in capital, skills, experience, commercial innovation, etc.;
 - ❖ the public sector delivers skills, political authority, access to publicly run services, assets, etc.;
- risks and rewards are shared.

In order to understand the PPP concept fully, it is also useful to distinguish it from the traditional procurement mode. The reason for this is that the boundaries between the two modes are ambiguous. In order to remove this ambiguity the main differences between the two modes are identified and explained.

First of all, the main differentiating point between PPP and traditional procurement is that in PPPs risks are shared between the private and public partners whereas in a conventional procurement most of the risks are retained by the government⁴ (European Commission, 2005; OECD, 2008) . This is in line with the functions included in the contracts. In a PPP different tasks are bundled together and, as a result, private partner takes responsibility for the whole package of the associated risks. In the conventional procurement, on the other hand, the government usually purchases a single function from a private partner and as a result, the private partner is responsible only for the risks associated with this function. Consequently, in the traditional procurement the private partner has no incentives to incorporate decisions that may favour future operations as after completion of the task, the private partner is no longer involved in the operations of the asset/service. For instance, if the government proposed a tender to deliver a package of services, such as design, build and maintain a facility, the private partner involved would be incentivized from the very beginning to make decision that could minimize the future risks associated with cost overruns. Such an example has been identified in the international experience by Grimsey and Lewis (2004, p. 135), where an innovative decision to construct 45-degree windowsills in UK hospital was proposed

with an intention to save future cleaning costs. It is hardly likely that such a decision would have been made in the conventional procurement case. A government would propose a tender to design a facility with input requirements already specified. The specific requirements can be seen as a frame from the private partner's point of view as these requirements restrict private partner to innovate and come up with more efficient solutions. The aim of the private partner responsible, for a design function is to design a facility while incorporating all the details required and within the budget stated. The review of function bundling and risk allocation in both procurement cases help to determine what defines a PPP and a traditional procurement approach.

Secondly, the two modes differ between each other when the function specification is considered. What this means is that, in a PPP, government states what it expects from the private partner in output terms, whereas in the conventional procurement it does that through input specification. Considering the aforementioned example, in a PPP case, government might require a hospital to be big enough to accommodate 300 people and to be kept in a good condition by clarifying what good condition means, whereas in the conventional procurement option, a government would request a certain size, with a certain number of rooms, with specific materials used, etc. In the PPP case, private partner is free to use its skills and innovation in order to provide the outputs required in a most efficient way, whereas the latter case freedom of private sector is restricted to the requirements specified.

Thirdly, in a PPP approach, returns to the private partner are linked to the performance of their functions, i.e., the provision of outputs specified by the government, whereas in a conventional procurement approach, private partner is remunerated for the completion of a specific function. This contributes to the level of incentives attached to the private partner. In a PPP case, if a private partner does not operate as expected, it might incur some sort of penalties (Harris, 2004), if it operates better than expected, it may be awarded by, for example, receiving higher

portion of additional profits. In a traditional procurement case, on the other hand, private partner is not awarded for an extra value added to the task it was responsible for, however, it might be penalized for the uncompleted function. Considering all this, the private partner in a traditional procurement is not encouraged to provide more than the government requested for, which means some possible gains might be overlooked.

Fourthly, the relationships involved in both of the procurement modes differ (OECD, 2008). In the traditional procurement, in order to deliver the services and infrastructure required, the government acts as an intermediary – on the one side it deals with direct users of the services, taxpayers, and financial markets, and on the other side – with other private companies. The idea behind such a relationship structure is that the government gathers financing directly from the users of the service, taxpayers and financial markets, and uses it to remunerate the other side – the private companies for the capital goods provided to deliver the public service and develop the infrastructure. If the project is handled through a public-private partnership, the intermediary role of the government is decreased – public authority deals with the taxpayers and the single private operator only. The role of the private operator, on the other hand, is enhanced. Private operator becomes responsible for the intermediary role – it collects financing from the direct users of the service and financial markets and remunerates the other side – other private companies for the capital goods provided.

TYPES OF PPPS

The spectrum of different PPPs range from the short term service contracts to concessions. Nevertheless, as the focus of this thesis is the concept of PPP under an infrastructure approach, the overview of different PPP modes will be limited to the ones that are covered by the PPP approach chosen. These modes have common characteristics, such as: being long term, involving risk transfer, shared responsibility, resources and rewards.

In general, private partner involvement arrangements in PPPs differ between each other depending on the level of responsibilities and risks transferred to the private partner (Amekudzi and Morillos, 2008). The responsibilities concerned include activities such as: designing, building, financing, maintaining, operating, and owning the facilities. The allocation of risks will be discussed in more detail later in the study, however, what matters at this point is the amount of risks transferred and retained by the government.

Most common forms in the infrastructure approaches are:

- Turnkey procurement, which includes: BOT (build-operate-transfer), BBO (buy-build-operate), etc. (European Commission, 2003, 2005);
- DBFO (Design-Build-Finance-Operate), which includes: DBOM (designbuild-operate-maintain), BOOT (build-own-operate-transfer), concessions, etc. (Deloitte Research, 2006; European Commission, 2005; IMF, 2004).

Turnkey procurement⁶ is described as the scheme where the private partner takes on the responsibility to design, construct and operate the asset, whereas the public sector retains the responsibility for the financial risks involved. Using this procurement mode, public sector sets the quality outputs required and by doing so it ensures that the private sector brings the necessary efficiency gains as well as the asset is maintained to the standards expected. This mode of procurement is used in water and waste management projects as it ensures incentivized management and maintenance of the asset through the bundling of functions passed on to the private partner (European Commission, 2005).

DBFO scheme⁷ is characterized by involving a private partner with responsibilities (financing, designing, building, constructing, and operating the asset/service) attached to it. Public sector's role is to set the specific output requirements for the private partner, whereas private partner's role is to fulfill those requirements. The DBFO schemes are usually long term and involve bundling of functions in order to provide private partners with the

necessary incentives for it to operate in the most efficient and innovative way. These schemes involve performance linked payment mechanisms with an aim to ensure the presence of motivation for the private partner to operate on its full capacity. The idea behind such schemes is that the private partner designs, builds, operates and maintains the asset for the agreed term. At the end of this term, the asset is either transferred back to the government or is left under the ownership of the private partner – depending on the specific structure of the scheme chosen. For example, one of the most common schemes under DBFO is concession. Concession is described as a PPP scheme, where exclusive rights to operate an asset or provide certain services are granted to a private company (usually a SPV⁸), which in return has to design, build, finance and operate the asset/service for the time agreed upon. These exclusive rights usually permit the private partners to collect the revenues from the direct users of the asset/service. Concessionaires typically own the rights to the asset/service during the time of concession, however, at the end of this period the ownership of the asset/service is usually transferred back to the public sector (Deloitte Research, 2006; European Commission, 2005; IMF, 2006). Literature overview shows that concession is usually assumed to be a form of PPP (Deloitte Research, 2006; European Commission, 2004; IMF, 2006; Ng, Xie, Cheung, and Jefferies, 2007; PwC, 2005), however, OECD (2008) argues the opposite. First of all, it states, that the amount of risk transferred differs in PPPs and concessions: concessions involve higher level of risks allocated to the private partner, compared to other forms of PPPs. Secondly, it is usual for concessionaires to collect revenues from the direct users of the asset/service and, according to OECD, this feature differentiates concession from other PPP forms. As a result, OECD concludes that concessions should not be treated as a PPP.

The international experience shows that most of the time DBFO schemes are used in transport sector for building highways, bridges, railways, whereas concessions are chosen for mobile phone services, toll roads or provision of municipal water.

The similarities between the turnkey procurement and DBFO schemes are that the activities involved are same in both of the schemes, differing only in the amount of functions involved in the arrangements. What differentiates the two schemes is that in the first one the majority of risks remains within the public sector, whereas in the latter – risks are shared between the partners, allowing for the possibility to transfer the optimal amount of risks to the private partner.

REASONS FOR IMPLEMENTING PPPS

The main objective of procuring a public project through a PPP mechanism is to achieve value for money (VFM) (Grimsey and Lewis, 2004; Harris, 2004; New South Wales Government; Quiggin, 2004; Shaoul, 2005) which as Grimsey and Lewis (2005, p. 347) argue is “the optimum combination of whole life cycle costs, risks, completion time and quality in order to meet public requirements”. This definition assents to the one implied by the European Commission (2003, p. 55) which identifies a set of factors that determine value for money: life cycle costs, allocation of risks, time required to implement a project, quality of a service, and ability to generate additional revenues. Following this, a general principal used to determine whether a project should be implemented through a PPP or a traditional procurement is to evaluate which procurement mode ensures lower life cycle costs, better allocation of risks, quicker implementation, higher quality and additional profits. In other words, additional value for money represents additional efficiency gains – delivering or maintaining the same service or asset in a more cost efficient or a more qualitative way than it would have been if the government retained the full responsibility for delivering/maintaining service/asset concerned (EIB, 2004, p. 4; Meidute and Paliulis, 2011; Nisar, 2006). EIB (2004) argues that the critical aspect in order to reach value for money is the ability to share risks and rewards appropriately. OECD (2008) confirms this view recognizing that main reasons for PPP establishment are the appropriate risk allocation and value for money gains⁹. Grimsey and Lewis (2005, p. 347), however, imply that the value for money gains can only be achieved if the following conditions are present: a competitive environment, optimal risk allocation and if the

comparison between the financing options is handled in a "fair, realistic and comprehensive" way. Furthermore, when questioning PPP's ability to deliver additional gains, one should consider the qualitative benefits of PPPs – whether they are achievable and whether they really provide the benefits expected. It is essential therefore to check whether the private partner is capable of bringing in skills that the government lacks and whether it has the expertise and know-how necessary to operate more efficiently compared to the government (PwC, 2005).

According to the literature review, further reasons that lie behind the use of PPP as a procurement mode differ between countries depending on the environment present. For example, the main aim of a PPP at the early stage of its development in the United Kingdom was to finance the public infrastructure projects (Grimsey and Lewis, 2004; IMF, 2006; Meidute and Paliulis, 2011). The issue at that time consisted of a growing need for public infrastructure development (as it also is the case in Hong Kong (Cheung, Chan, and Kajewski, 2009)) and a lack of available public funds to finance this need. As a result, a new initiative took place – Private Finance Initiative (PFI) – with the purpose to provide additional funds for public infrastructure projects. On the other hand, countries like Australia do not have such an issue. They are capable of financing projects by themselves, however, they still choose to involve the private sector for the possibility of achieving additional value (Cheung et al., 2009). Moreover, Hong Kong and Australia involve a private partner into the procurement of public services with the aim to ensure a better quality of services. This, on the other hand, does not seem to be the prioritized reason for the PPP development in the United Kingdom, which emphasizes the point that reasons to implement PPP depend on the circumstances surrounding countries' economic and political environment.

In many of the countries the choice for PPPs, however, is due to financial reasons (such as lack of public funds and restricted public investment). This reason is amplified when "a tight fiscal environment following the development of European Monetary Union" (EIB, 2004, p. 4) is

considered as due to this European countries experience difficulties in organizing large investment sums to finance public infrastructure projects from the public funds only.

All in all, in theory, the main reason to develop PPPs lies behind the concept of value for money, creating additional benefits due to private partner's expertise, know-how, ability to operate efficiently and generate additional revenues. Despite the theoretical foundations, it is evident that PPPs are also often used in cases when there is a lack of public funds for the growing need for public infrastructure.

VALUE FOR MONEY

The allocation and valuation of project's risks is inherent in the value for money concept (European Commission, 2003; Grimsey and Lewis, 2004; Nisar, 2006; Sarmiento, 2010). The aim of the risk transfer is to transfer only those risks that the private partner could offset in a most efficient and least costly way (Grimsey and Lewis, 2004; Harris, 2004; Nisar, 2006). Risk allocation produces highest value for money once the optimal risk transfer point is identified: transferring too much or too little risks results in either procuring an inefficient project or procuring a project with excess costs incurred by the government (for example, if risks are transferred to the private partner that it does not have control over or cannot control it at least-cost, then the private partner will require higher premium for these additional risks assumed (Hodge, 2004)), consequently, producing lower value for money (Amekudzi and Morillos, 2008).

Unfortunately, there is no universal solution regarding risks allocation for every single project, however, there is a general agreement on how different risks should be allocated. To begin with, risks in general are allocated to different categories, such as, for example, proposed by OECD (2008): legal and political risks in addition to the commercial ones. Categories are differentiated on the basis of who takes the responsibility for the risks concerned – private partner or the government authority. For example, construction, supply and demand side risks lie under the commercial risk category (market risk, project risk and internal risk) as they are handled better

by the private partner, whereas legal and political risks are assumed to be handled better by the government. Other categorization is proposed by Li, Akintoye, and Hardcastle (2001), who distribute risks into three levels: macro, meso and micro. Macro level covers risks outside the project – environmental, political, legal risks that are concerned with national or industry level. Meso level risks emerge within the project's implementation phase – design, construction, operation. Finally, the micro level risks concern risks that appear between the partners involved, they rest on the idea that both of the parties have different incentives and objectives, and therefore, risks due to power struggle, differences in working methods and environment between the partners may emerge.

ADVANTAGES AND DISADVANTAGES OF PPP

As it has already been reviewed, the appropriately constructed PPPs entail the advantage of delivering better value for money compared to the traditional procurement approach. Delivering projects on time and on budget set (Meidute and Paliulis, 2011) are two of the most important advantages that are hidden under the concept of value for money. As study conducted by UK's National Audit Office (2003) showed, from all conventionally procured projects, 70 percent were delivered late and 73 percent with costs exceeding the initial budget (data of 1999), whereas only 22 percent of PFI projects were late and only 24 percent delivered project in excess of the budget (data of 2002). The reason for such a difference lies behind the risks transferred in line with additional responsibility and accountability attached to the private partner in the case of PPP, what incentivizes the private partner to operate in the most efficient way. In addition, due to the long term characteristics of the partnerships, partners involved tend to act in a more cooperative way to each other in this case creating additional synergy benefits. Private partner manages complex financial arrangements as well as highly technical tasks more efficiently by using its innovative skills, on the other hand – the public sector preferably controls the legal system, regulation and policies. As a result, a combination

of the leading features of both of the partners produces a higher value (Harris, 2004).

The other advantage of PPPs lies behind the construction of the proposal to procure a public project. Government constructs PPP proposals that focus more on outputs rather than inputs. As a result, such mindset encourages government to perform a thorough discussion on which services should be provided, what standards should be expected, and what is the aim of the service provided/asset developed. Such a detailed discussion on service provision or asset development requires a detailed analysis of the project which in some of the cases may hinder the government from moving ahead if the project becomes inadequate. In addition, such kind of initial discussions encourage the government to think about the project with long term strategic goals in mind rather than focus on short term objectives.

Furthermore, PPP's ability to spread the costs of large investments over the lifetime of the asset is seen as an attractive advantage for the public sector. This eases the current debt of the government sector as it does not have to incur large cash outflows immediately. It follows, that the government can get projects financed even though in reality there are no public funds available. This advantage could be considered from two points of view: first – large investment costs are spread out, and second – private funds are considered as the new financing opportunities for the government (Meidute and Paliulis, 2011). On the other hand, this advantage should be considered with caution as sometimes the government might be incentivized to prove better value for money for a PPP project than it actually is just to guarantee the financing of the project.

Finally, from the private partner's point of view, PPPs deliver opportunity for the private sector to get involved in the new markets (telecommunication, municipal water systems, energy, etc.) that otherwise would be closed for the private sector's participation. In addition to this, the private partner involved in the new markets has a support of the government, which may facilitate gathering the funds required.

On the other hand, one of the main disadvantages of PPPs is large bidding and contractual costs, which refer both to the government and the private partner. Large bidding costs of the PPP projects act as a rejecting force for the private parties as they are unwilling to invest heavily in the bidding process just to be rejected later. What concerns government, large preparation costs consist of feasibility studies, lawyers, etc. Moreover, PPP projects are highly complicated. Usually, they involve more than two parties: public, private and banking sectors, and all of these parties have their own contradicting aims. In order to construct a unified agreement, a lot of time and capital needs to be invested on complex negotiations.

Furthermore, PPPs are said to deliver benefits because they transfer a significant amount of risks to the private partner. Nevertheless, it should be kept in mind that even though most of the risks are transferred to the private partner, the final entity that is responsible for providing services to the public is the government. As a matter of fact, if the private partner goes bankrupt, solely the government has to deal with the consequences and try to find other expedients how to keep delivering the service to the public. This implies that even though the risks are contractually transferred to the private partner, in practice, government retains a large portion of them in case of the private partner's failure.

Moreover, in a PPP agreement, government bounds itself to a single private partner for a long term period and it agrees today for services/assets that will be in use in future. There is a certain amount of risk concerning the future consumers' need for the specific service. The idea behind the risks concerned is that the partnership may end up delivering services that are no longer required by the public. As a result, the partnership will appear to be less valuable than initially expected.

Finally, PPPs work well only for specific projects, which are complex and require specific private partner's know-how, skills, and experience. Therefore, advantages that are attached to PPPs are attained only if certain project characteristics are met, whereas if the project is simple, executing it

through a PPP implies higher preparation costs, and as a result, lower value for money.

Considering all of the above, the main idea behind the PPP option is to have a project intricate enough that its complexity could justify additional preparation and negotiation costs. Developing a project through a PPP usually ensures additional benefits such as implementing the project on time and on budget. Nevertheless, these benefits should be considered while keeping in mind the risks involved in having the long term agreement between private and public sectors for a certain service provisions.

CRITICISM OF PPPS

Even though the majority of the international institutions seem to favour the PPP option (EC, UK Treasury, OECD, IMF), some of the researchers see PPPs as a language game in the politics – PPP is regarded as another way of privatizing a service/asset (Hodge and Greve, 2007). This point of view has been neglected by many other researchers who represent arguments proving that PPPs differ from the privatization (Grimsey and Lewis, 2004; Harris, 2004; Hong Kong Efficiency Unit, 2008; OECD, 2008). One of the first differences identified is the sale/transfer concerned. PPP involves government granting a right to the private party to develop and provide certain services/assets for a period of time, whereas privatization, in general terms, involves the sale of the asset. This assents to the amount of risks transferred. In PPP case, the amount transferred differs on the type of PPP chosen. Concession is the mode of PPP that involves the largest amount of risks transferred to the private partner; however, it still does not encompass the transfer of all risks. On the other hand, privatization includes the sale of the full package, which means the transfer of all associated risks. In this case, government is left with no direct responsibility for the service provided/asset developed, whereas in a PPP case, government is the one that retains the initial control and responsibility for the service/asset (Harris, 2004). If the private partner goes bankrupt, the service/asset is transferred back to the government. If the private partner does not operate to the standard required, the government has a right to intervene and punish

the private partner. All in all, it is true that privatization and PPP share some similarities, but the idea of PPP is that it shares some superior features of the privatization as well as of the conventional procurement mode – as Grimsey and Lewis (2004) argue: PPP fills in the missing gap between privatization and the traditional procurement approach.

Other critiques concentrate on the idea that the government should be fully responsible for the services provided as this is the role of the government and not the private sector. However, as Harris (2004, p. 3) argues, the provision of public services (such as free education, transportation or health) by the government is “comparatively recent development”. So the question rises whether it is the actual provision of the services or is it the regulation and control of the service provision (what kind of services to deliver, what kind of standard should be kept, what policy to follow, etc.) that is the role of the government? As Harris (2004) concludes the role of the government is to ensure that a policy is being adopted. If delivering the policy through the parties that are able to do that in the best possible way while additionally creating value for money to the public means that the private partner should be involved, then the advantages of private partner’s efficiency and innovative skills should be utilized.

Further critique concerns the view that PPPs are a ‘trendy’ politics. This means that countries might favour PPPs over the conventional procurement due to the lack of public funds available. Owing to this, the government is left with a choice not between a PPP and a conventional procurement project but with a choice between a project and no project at all as a government is unable to finance the project from its own funds (Robinson, 2000; Shaoul, 2005). The problem of such a preference for PPPs is that there is a high degree of possibility for approval of projects that do not generate better value for money but are accepted for the financial resources only – getting a project procured while having debt off government’s balance sheet (Maski and Tirole, 2008). In addition to this, as value of PPPs are most of the times assessed by using PSC, problems appear when hypothetical risk-adjusted nature of the model is considered. The PSC depends highly on

the assumptions employed (Amekudzi and Morillos, 2008), one of the most important one being the rate used to discount the cash flows of the PSC. Furthermore, when risks allocation is performed, it is criticized that not all of the risks may be identified and valued (Amekudzi and Morillos, 2008; OECD, 2008; Shaoul, 2005), thus leading to inaccurate PSC estimate. As OECD (2008) argues some of the risks may be left out and neither of the party initially agrees to take responsibility for it, however, once the risk evolves, it is the government and the public that have to bear the consequences and not the private partner, leaving some element of value for money out of the initial estimate. Considering all this, the value for money estimate may be easily adjusted in order to make the PPP proposal more attractive, which is seen as a problem when the only reason for PPP project implementation is the lack of public funds.

Moreover, it has been noted that an advantage of PPP is its ability to spread out the huge initial investment costs throughout the years of the lifetime of the asset. This means that the government avoids large investments today and is able to incur them later on in smaller amounts. However, who may guarantee that the government with increasing number of PPPs will be capable of financing these payments in later years? Will it pass this contingent liability to the future taxpayers (Harris, 2004)? In addition, who can be reassured that the same service/infrastructure will be necessary in, for example, 30 years? In addition, will the taxpayers be happy for paying taxes for the services that are unnecessary anymore? These questions are especially relevant to the cases of PPPs where the government contracts to pay availability payments for the services provided by the private partner.

Overall, PPPs attract some significant critiques, however, it should be noted that PPPs are not a magic solution for the conventional procurement issues. The true experiences of PPPs have not been observed yet as it takes time to acknowledge the full impact of each PPP, however, the initial stages of the PPP and the theoretical foundations allow PPPs to be

considered as a possible way to bring on additional efficiency gains to the public sector.