Rethinking public private partnerships

Verweij, Stefan

Published in:
Public Administration Review

DOI:
10.1111/puar.13559

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version
Publisher's PDF, also known as Version of record

Publication date:
2022

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

Copyright
Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

The publication may also be distributed here under the terms of Article 25fa of the Dutch Copyright Act, indicated by the “Taverne” license. More information can be found on the University of Groningen website: https://www.rug.nl/library/open-access/self-archiving-pure/taverne-amendment.

Take-down policy
If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): http://www.rug.nl/research/portal. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.

Download date: 18-09-2023
Rethinking Public Private Partnerships

Mervyn K. Lewis, (Cheltenham, Edward Elgar, 2021) 160 pp. (£70.00 paperback, paperback ISBN 978-1-78990-639-4. The eBook version is priced from £25/$26 from eBook vendors while in print the book can be ordered from the Edward Elgar Publishing website)

Stefan Verweij

University of Groningen, Groningen, the Netherlands
Email: s.verweij@rug.nl

Recent developments in the construction sector have fueled a debate about the future of public–private partnerships (PPPs), in particular that of long-term infrastructure contracts (LTICs) such as design-build-finance-maintain-operate (DBFMO) contracts. These contracts are characterized by the integration or “bundling” of different project phases into a single contract, the significant transfer of risks to the private sector, and private financing. In the U.K., for instance, in the wake of the bankruptcy of construction company Carillion and because private financing is said to provide limited or no better value-for-money (VfM) than public financing, no new contracts under the Private Finance Initiative (PFI) are signed (Davies, 2018; Global Construction Review, 2018). In the Netherlands, after financial problems in various large infrastructure projects and because of the perceived poor health and poor innovation capacity of the construction sector (Den Berg, Harm, & Riemersma, 2021; Koenen, 2018), the Ministry of Infrastructure and Water Management is now reconsidering the use of DBFMO contracts (Koenen, 2019; Rijkswaterstaat, 2019). Such developments warrant a rethinking of PPPs and Lewis’ book (2021) caters to that need.

In the opening chapter of his book, Lewis (2021) reviews recent developments, including the abandonment of the PFI but also recent reports from the European Network on Debt and Development (Eurodad) and the European Court of Auditors (2018), to illustrate the growing discontent with and unpopularity of PPPs. Given these recent developments and reports, he endeavors to rethink PPPs. What can PPPs do and what can they not do? Are they good Vf and can they ever be?

Why would policy makers and infrastructure planners choose to procure infrastructure projects and services through PPPs? What is the future of PPPs? The book is focused on PPPs in the U.K. and Australia mainly (although it also features discussions of European PPPs and reports), and by implication, it focuses on LTIC partnerships such as DBFMO.

Before delving into these questions in the main chapters of the book, Lewis (2021) starts in chapter 2 by summarizing and reviewing some key academic works about PPPs, including Linder (1999), Osborne (2000), Savas (2000), and Grimsey and Lewis (2004). The chapter explains the origins of the LTIC partnership model (which is the focus of the book), its attractiveness at the time, and also explains that private sector involvement in the delivery of public infrastructure services is not new, but rather like a “swinging pendulum, going between pure public provision to pure private provision” (Vives et al., 2010; in Lewis, 2021, p. 18). The chapter concludes with an explanation of how the dissatisfaction with the traditional procurement model, where the public sector puts out separate contracts for the different project phases of design, construction, maintenance, and operation, and publicly finances these, coupled with the influence of New Public Management, gave rise to the popularity of the LTIC partnership model in the first place. The well-known study by Bent Flyvbjerg et al. (2003), also elaborated in chapter 6 of the book, for instance, proved that infrastructure projects show persistent patterns of cost overruns and time delays, globally and over time, and proposed that increasing private involvement in the projects through, inter alia, the use of performance specifications and the involvement of risk capital (both characteristics of PPPs) could improve decision-making on and planning of public infrastructure projects. In his book, Lewis (2021) also argues that PPPs, by and large, indeed seem to have delivered on these promises, as they contain incentives for the private partner to deliver projects on time, on budget, and with improved quality of services, that are also effective in these regards. In chapter 3, the characteristics of PPPs laid out in the first two chapters are revisited by summarizing recent writings, for instance by Monk et al. (2019), on the myths and misconceptions of PPPs. It makes clear that PPPs certainly have their merits but are no cure for all ills, either. As with any procurement model, there are advantages and disadvantages, strengths and limitations. The first three chapters combined present a well-drafted review of the current discussions on PPPs, informed by the classics as well as recent academic literature.

In chapter 4, the focus shifts to an examination of the VfM of PPPs. Can PPPs ever be good value? The question is approached by reviewing recent discussions about PPPs, both theoretical and in policy making. Importantly, the
chapter raises attention to the point that, although PPPs are not necessarily better VfM in the financial sense—PPPs are rather a different model of financing—there are non-financial benefits of PPPs such as accelerated delivery, enhanced delivery, and wider social benefits (European PPP Expertise Centre, 2011). Even if PPPs are more expensive, their benefits may outweigh their costs. In my view, these are important remarks, and it is good that Lewis (2021) draws attention to them, especially because recent debates and contemplations by policy makers take the costs of PPPs and of private financing, it seems, as the single or most important reason to abandon PPPs. It seems that policy makers are en route to throwing the baby out with the bathwater (Verweij et al., 2021), the danger being that clear advantages of PPPs, such as those detailed in chapter 5 of the book and which include more realistic planning and improved risk management because of the involvement of private financing (risk capital), are also abandoned.

In the final two chapters of the book, Lewis (2021) takes stock. Everything considered, where to go from here? Throughout the book, Lewis provided a balanced account of the developments in the thinking about PPPs, including their benefits and weaknesses, their merits, and their problems. Considering those, conclusions include that the question as to whether PPPs deliver VfM remains an open one, that PPPs are not the best procurement model for all projects, and that their potential added value should be considered on a case-to-case basis. LTIC partnerships are mainly partnerships in the legal sense, “in that PPPs embody strong legal safeguards for the two main parties involved… and put matters on a firm contractual footing” (2021, p. 122). He concludes that “while PPPs are not to be preferred for all projects… with the right incentives in place, it is possible for much infrastructure to be delivered on time and on budget, and with the sought after outcomes for the public” (2021, p. 123). Here, he also induces, in my view, a sense of realism and nuance, that “models do not deliver projects, people do” and that “more genuine collaboration may be needed and the ‘partnership’ element of PPPs brought to the fore” (2021, p. 115).

In making some concluding observations, Lewis writes that the academic literature “has tended to focus on comparative studies on the performance of the construction stage of the PPP as compared to other traditional models” (2021, p. 119) and that a “comparative study cannot establish that PPPs, or for that matter any other model, can actually deliver better VfM than other alternative models” (2021, p. 121). Although I agree with Lewis that more research is needed into which procurement models are the best fit for certain (types of) projects and into the management of the contracts, I’d contend that actually not that much is known about the performance advantage of PPPs compared to traditional procurement, with most of the comparative research being based on ex-ante performance data that say little about the realized and materialized performance of projects (Petersen, 2019), and with many other studies comparing projects from different policy sectors and countries in one sample, as such making it more difficult to draw conclusions about the performance of certain contract types (procurement models) compared to other contract types. As I argued elsewhere (Verweij & Van Meerkerk, 2020, 2021), we are still in need of comparative studies into the realized performance of PPPs, also in the sense that this may contribute to improved benchmarking of projects, and perhaps also in the sense of contributing to improved “reference forecasting” as proposed by Flyvbjerg and discussed by Lewis (2021, pp. 92–93) himself.

The book mainly features summaries and discussions of core works in the PPP literature, as well as more recent academic writings and policy reports. The strength of the book is that it brings these together into a coherent narrative and, in that way, presents a balanced chronology of PPPs; balanced in terms of featuring both academic and policy writings, and balanced in terms of discussing both the strengths and weaknesses of PPPs. In the opening chapter of the book, Lewis wrote that “a cleavage has emerged between practitioners and academics… that needs to be recognized” and that the challenge was to see if that breach could be bridged (Lewis, 2021, p. 4). In my view, the book has made an important and successful contribution to meeting that challenge.

**ORCID**

Stefan Verweij 〡https://orcid.org/0000-0002-6477-2734

**REFERENCES**


**AUTHOR BIOGRAPHY**

**Stefan Verweij** is an Assistant Professor of Infrastructure Planning, Governance, and Methodology at the University of Groningen, the Netherlands. He specializes in collaboration in cross-sector governance networks—with a particular focus on public-private partnerships in infrastructure planning—and in comparative research methods.

**Email**: s.verweij@rug.nl