**Analyzing the network in Public-Private Partnerships: Purposes, actors, functions.**

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**I Introduction**

**The 1990’s has seen the establishment of Public –Private Partnerships as a new key tool for implementing public policies ranging from social to economic policies (Osborne). Traditionally, Governments by themselves found finances, built infrastructures (roads, school etc) and provided services (health care, transportation). In providing such services, they faced various problems ranging from their budget deficit to the increase of the populations’ needs. Aware of their financial limits and the increase of the demand, they involved themselves more and more in partnership. In countries like United Kingdom, PPPs are a cornerstone of the developing stakeholder society of the new labor government and an essential tool to implement significant social policies such as the regeneration of urban areas and the struggle to combat youth unemployment (Falconer and Ross 1998).**

**In Hungary, PPPs are being seen as a means through which both to restructure the provisions of public services to meet social needs and to develop a civil society in the aftermath of the communists regions (Osborne and Kaposvari 1997, 1998).**

**Now, PPPs are part of the New Public Management and used as a tool of management and governance. Why is a concept barely mentioned two decades ago now attracting such interest? Many researches explored the field and mostly they are oriented to the financial aspect relating to the risks and profits. Only very few oriented their investigations in the type of organization the PPPs are indeed. The relationships between the actors are very often overlooked. Therefore, the purpose of this paper is to address the network of relations that occurs in PPPs. First the paper will review the concepts of network form and PPPs.The exploration of the network in PPPs is concerned with its purposes, actors and functions. Second, these components of the network in PPPs will be analyzed. And finally, the paper will suggest better alternatives for identified problems.**

**II Theoretical review of network**

1. **The concept of network**

**Social network theory is one of the rare theories that are not reductionist in social sciences. The theory applies to a variety of levels of analysis from small group to entire global systems. The concept of network is applicable to human beings, institutions and systems. In the field of information and communication system, the term of network is utilized when organizations are attempting to unify their scattered units into one integrated unit via ICTS as well as via professional networks for knowledge sharing and coordination. (Inge Hamannid- Jean Oddvar Sornes). Two distinctive features appear in this definition.**

**First, there is unification of different parts into one. There is existence of relation and connection between parts.**

**Second, the purpose of the network is to share knowledge and to coordinate. It comes out implicitly that the unification helps get more efficiency.**

**Powell and Smith Doerr define a network as a set of relations among actors (either individual or organization) which had both content and a form. Still the same features of network are mentioned in the definition and that focus on the relations between parts. But this time, the actors are different and concern individuals or organization. This kind of network interests more network theorists.**

 **The same features of network appear again in Charles Kadushin’s definition of network as a set of objects (in mathematical terms, nodes) and a mapping or description of relations between the objects or nodes. Rather than actors or organizations, Charles used another term nodes to mean the different actors involved in the network and this time actors are objects instead of individuals hence the various features of the concept.**

**Three main characteristics are attached to the concept of network applied to any field.**

**First, in any network, there is more than one part, element, individual or organization.**

**Second, the different parts are tied with relations. The relationship can be of various kinds.**

**Third, the different parts involved in the network look for advantages. Williamsons argues that firms engage in network for reducing the transactions costs and agency costs. The search for advantages is confirmed by the sociologists (Powell Granovetta) who mention the resolution of resources dependency, the acquisition of knowledge, and the gain of economical benefits that might come from network.**

**The network concept as it is mentioned above is a broad concept that encompasses many fields ranging from family to organizations. However, the network of organization seems to interest much the network theorists. That’s why in the second part, the paper emphasizes the network in PPPs. It helps understand the formation of the network, the reasons why the public sector engages into partnership with the private sector, and what are the functions of the network.**

1. **Network in PPPs**

 **The term partnership is expressive enough to mean that there is more than one actor engaged in the arrangement. The social network is conveyed by the use of terminology such as partnership, cooperation and collaboration (Ronald, Straton,Lucas). These terms are enough expressive with the idea of relationship between actors.**

**Using the term network governance rather than PPPs Martin and Jacob define it as” a relatively stable, horizontal articulation of interdependent, but operational autonomous actors who interact through negotiations that take place within a relatively institutionalized community which is self regulating within limits set by external agencies and contributes to the production of public purpose”**

**This definition ascribes the common features of PPPs. The horizontal articulation of actors emphasizes the nature of relationship that places the actors at the same level.**

**The formation of network in the PPPs responds to the need on the behalf of actors to be more efficient in providing services, building infrastructures or implementing projects. In this following part, we emphasize the purpose of network in PPPs.**

**The purposes**

**PPPs are used for different purposes. First, some researchers focus on PPPs as an instrument of management. The New Public Management has opted for the transfer of public provisions from public sector to private sector. This shift is justified by the impossibility of the public sector to satisfy properly the needs of citizens. For a good quality in the provision of services, the public engages in a partnership. Governments consider PPPs as a tool management through which they attempt to implement public policies and accept to share risks with the private partner.**

**The management aspect of PPPs is firstly attached to the inter organization arrangement or alliance set by two parts. Secondly the management of risks is very determinant in the partnership. Thirdly, the partnership aims to provide good product and services.**

**Second, PPPs are used to finance projects like roads. For example in Senegal the private partner finances the building of a road operates and transfers it after the concession period of 25 years. This practice called BOT (build Operate Transfer) is very common in PPPs. It equips governments with infrastructures and partners share the benefits. Campbell (2001) suggests a definition of PPPs focusing on financial arrangements that is “a project generally involves the design, construction, financing and maintenance and in some cases operation of public infrastructure or a public facility by the private sector under a long term contact”**

**Campbell’s definition emphasizes the achievement of PPPs in terms of infrastructures such as toll roads, schools, hospitals.**

**The modes of financial arrangements can vary. Infrastructures can be either entirely financed by the private sector or co financed by the public and private sectors. Example in Senegal, for the construction of the toll road, the government, the private sector and the network community participate in the funding. Similar features are found in Sellegren’s definition, when PPPs are defined with involvement or funding from more one than one agency.**

**Third, some definitions emphasize the development purposes of PPPs. Bennet and Krebs (1994) defines PPPs as cooperation between actors where they agree to work together towards a specified economic-development objective to develop a local area or the local economy.**

**One aspect appears clearly and is attached to the aim to achieve economic development of an area through PPPs. In Senegal the Usaid (United States Aid for international Development in partnership with the government supported the agriculture of rice.**

**Fourth, PPPs according to Gibleman and Deemone are “just a fashionable word”. The shift from privatization to PPPs is a strategy used by governments to avoid nationalists’ reactions. Further Savas admits PPPs invite more organizations; and enable them to get a market share of public service provision.**

**The common thing the definition shares is the existence of various purposes in different types of partnerships.**

**In the next point we deal with one component of the network that is the actors.**

**The actors in PPPs network.**

**The definitions of PPPs emphasize the relationships existing between actors. The relationship can be called differently (partnership, collaboration, cooperation, alliance etc). They all mention the different actors involved in the network. Actors include the public sector, the non-profit organization, and business group.**

**The definition from Commonwealth states of Massachusetts (CMS) beyond the traditional actors (public and private sectors), includes other actors in the partnership and shows the wide scope of PPPs. According to CSM a partnership is “collaboration among business, non -profit organization and government in which risks and skills are shared in project that benefits each partner as well as the community” (Stratton 1989). This definition broadens the scope and the contributions of the partnership.**

**The actors involved in the partnership have different interests but are bound to be together because neither of them can fulfill the assignment alone. As reported by Adelokundo Lucas, a chief factor encouraging for public-private partnership is that neither side can achieve its special goals alone; collaboration is unavoidable. In the same vein Ronald W. McQuaid said it in other words “the sum is greater than the parts”.**

**This definition raises two prospects. First, actors, taken individually are incapable of achieving their goals.**

**Second prospect is the necessity to get together for achieving goals.**

**The active or passive role of each actor depends on the PPPs. We remark that the citizens are more implicated in PPPs related to policy making. Their participation is active when it is question of implementing policies.**

 **According to Michael R.Reich, Partnership involved both ‘big P’Partners who assume core responsible for the joint enterprise, and a ‘little p’partners whose participation is necessary for successful implementation.**

**Bennett and Mc Coshan (1993) argue that partnerships between agents may be unequal as it may be more important for one partner than the other(s) or one partner can coerce or mandate the others (e.g. through providing or with-holding finance).**

**This definition raises two things. First, power in the partnership is not equal. That means some actors have more power and more influence than others.**

**Second, that power can be used as a weapon to combat other actors. In Senegal, the private actor GTI charged with providing energy stopped its production and constrained the government to respect his financial engagement. This situation created a shortage of electricity in the country.**

**Within the network, actors interact with each other through negotiations in which they use their unequally distributed power and resources to gain influence on the issues at stake (Martin and Jacob)**

**The negotiations and bargaining can be very tough where actors attempt to maximize their outcome.**

**Today, institutions organizations and groups of people get into network because of many reasons. The following point emphasizes the functions of network mainly in PPPs**

**The Functions of network in PPPs**

**The constitution of network in PPPs is a functional response to the incapacity of actors to achieve objectives alone. In getting into network they benefit of advantages ranging from efficiency to knowledge. The definitions of PPPs emphasize the facts that actors engage in partnership for efficiency, reduction of risks, resolving resources dependencies, gain of legitimacy and learning. Example, infrastructure PPPs reduce the resources dependencies and limit risks. These features are carried out in the definition of Sellegren who defines partnership as “a scheme with involvement or funding from more than one agency”.**

**The exchange between actors in partnership facilitates learning and acquisition of knowledge because of the flow of information.**

**“Kotler et al” state the positive external perception created by the partnership when promoting a city or an area.**

**This statement displays the trust that might be created by the participation of actors like the local population. It also implicitly tackles the legitimacy that network can give to the projects.**

**In the definition of the Dutch public management scholars Van Ham and Koppenjan PPPs are “cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products through an institutional lens”.**

**This definition has several features. First it underlines cooperation of some durability, where cooperation cannot only take in short term contract.**

**Second they reduce the resources dependencies by exchanging. Third they minimize the risks that could be higher if supported alone. And finally, the partnership brings about efficiency.**

**III Analysis**

**From the review of network issues, some characteristics can be retained.**

**First, the concept network can be carried out by terms like partnership, cooperation, collaboration, alliance, network governance.**

**Second, all network is based on a social structure. That means there is existence of relationship between actors.**

**Third, network aims to reach its goals through interdependency and exchange.**

**Fourth, network carries out a certain number of advantages.**

**We remark that PPPs display the same characteristics as any network ranging from the purposes to advantages. However the network in the PPPs can be used in different purposes.**

**First, public and private sectors are engaged in network to manage resources, risks and to decide together strategies for a better provision of services or an efficient implementation of policies.**

**Second, the network in the partnership aims to resolve financial problems through an alliance with the private partner for building roads, hospitals etc.**

**Third, the network aims to develop local or national economy through public projects.**

**Fourth, the public partner likes to offer the private market shares in the public projects.**

**Actors of PPPs are all limited. None of them have the monopoly of resources (finances, knowledge, and information). Their incapacity explains the necessity to get together.**

**There is a period of instability marked by negotiations and bargaining where, actors seek to maximize their outcomes or influence. Then the period of instability is followed by a period of stability sealed by an agreement or a contract.**

 **The distribution of power in PPPs is unequal and determines the influence of one actor.**

**As supported by Erik Hans and Geert talking about big p and little p to recall the lower degree of implication like citizens in some projects.**

**We remark also that actors get into PPPs arrangements because of its advantages such as reduction of risks, legitimacy, resolving resources dependencies. But these are the visible part of the iceberg. Actors may have conflictual relations where actors use their power to coerce or threaten their partners. The example of Senegal and GTI is illustrative.**

**IV. Suggestion**

**The analysis of the network in the PPPs has identified some weaknesses that need to be addressed.**

* **Allow citizens to participate in decision- making process**
* **Avoid using PPPs as a way to enrich organizations, individuals by giving them market shares in public projects(corruption)**
* **Choose partners capable of implementing public policies and projects efficiently.**
* **Set clear objectives accepted by all partners.**

**V. Conclusion**

**The concept of network can be applied in any field and the features remain the same. The network general purpose is the search for efficiency.**

**The network explored in the PPPs presents the same approach. Partners are tied into relations for the purpose to achieve their goals. Partners are conscious about their limits in terms of resources and information. Therefore, they feel the necessity to get into partnership. Their relationship can offer various advantages including risks sharing, mutual learning and benefits. However, it may occur within the partnership some weaknesses related to the abuse of power used as a weapon to coerce partners or to block public projects.**

**In definitive, for successful PPPs, we need to take into account the above suggestions.**

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