Title: An Economic Aspect of the Public Private Partnership Policy

Author: Iliyan Stefanov, University of Dundee

Abstract

The Public Private partnership (PPP) has been designed for filling up the gap between what the society needs in the areas of the infrastructure, health and education, and what the government can provide in those areas if the policy makers fight elections on the grounds of keeping the taxes low. We investigate how the incentives, which drive each partner in this partnership, can co-exist, and whether is possible one of the partners to take a free ride. We build a model to show how this relationship works and what leakages the system may experience. Based on that we further investigate what should be the properties of the PPP contract if the right balance between both parties is to be kept. It turns out that the necessary restrictions are a considerable number and some of them are difficult to enforce. In addition, the claim that the private partner will bring new investments remains very weakly founded. The result shows that once the PPP direction is chosen the reverse move becomes too costly and therefore unlikely to be undertaken. It also shows that the achievement of the proposed goals is not certain, although the costs involved are certain to be paid. It seems that the PPP, therefore, has rather limited scale for implication.