The logic of public–private partnerships : the enduring interdependency of politics and markets

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Hodge, Graeme A. & Greve, Carsten. The Logic of Public–Private Partnerships: The Enduring Interdependency of Politics and Markets (Cheltenham, UK; Northampton, MA: Edward Elgar, 2019), 304 pp. US\$135 (hardback), ISBN: 9781784716684, DOI: <https://doi.org/10.4337/9781784716691>

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This book advances a comprehensive and pragmatic understanding of the public-private partnership (PPP) arrangement pertaining to long-term infrastructure contracts. Importantly, it offers a distinct, multi-disciplinary interrogation of the PPP model, ranging from the timeless political science question on the relationship between politics (and the public sector) and the market, to contemporary public administration issues related to the transfer of risks embedded in PPPs, to cross-national PPP policy convergence, to the measurement of PPP success. In discussing broader trends and the implications of “good governance,” the authors highlight the necessity of a shift in thinking, from so-called “public versus private” debates to a “public and private” approach. In particular, readers can gain a clear understanding of how to evaluate PPP performance using information from the political, financial, and organizational environments in which PPP projects operate. Furthermore, the book will find appeal not just among scholars and students whose research interests focus on public

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management, but also among practitioners who grapple with project service delivery decisions or who might consider investments in the PPP infrastructure landscape. For multiple audiences, the book will serve as a scholarly and practical reference.

The book is comprised of ten chapters. Chapter 1 begins by providing some thought-provoking ontological questions, such as what the labels “public” and “private” mean and what each sector fundamentally seeks to achieve. This leads to a discussion of the ever-changing constitutions and roles of each sector (government and the market), and of their respective values: fairness and equity in the public sector *versus* efficiency and competition on the private side. This chapter also covers a wide range of historical examples and philosophical arguments within the capitalism-versus-rule of law dichotomy. The authors find some evidence that the public and private spheres “act alike”—in that neither is particularly *apolitical*—when responding to uncertainty and evolving social, economic and legal environments. In addition, in acknowledging the importance of collaborative partnerships, which the authors describe as *interdependency*, between the two sectors for the future success of PPPs, the authors contribute to an improved understanding of the practical strengths and weaknesses of the PPP model. Notably, in support of John Kingdon’s (1984) policy development and implementation concept, they categorize and systematically examine several long-term infrastructure contract cases from around the globe, including examples from the United Kingdom (UK), China, Japan, and France.

Chapter 2 discusses a variety of definitions of PPPs, along with some real-life case descriptions of projects from around the world. In addition, the chapter details five dimensions of PPP arrangements for infrastructure, which encompass the individual project, project delivery methods (or organizational form), policy and symbols, governance tools, and the broader historical context and culture (Hodge & Greve, 2013). Next, the authors advance a new conceptual model for evaluating infrastructure PPPs and provide a review of some

successful PPP cases through the lens of value-for-money (VFM). Most importantly, in this chapter, the authors delve deeply into two questions pertinent to the success of PPPs: how to define “better performance” of a PPP, and how to determine “for whom.”

Chapter 3 reviews the historical trajectory of infrastructure PPPs, in both institutional and political contexts, over the past 25 years. One of the strengths of the review is the inclusion of four distinct periods pertaining to the international spread of the PPP model. Drawing on longstanding perspectives on PPPs from academia, such as new institutionalism and policy interventions, the authors discuss the success of PPPs among the so-called “front-runners” in PPP development, including the UK, Australia, and Canada in the early 1990s; they trace the evolution of PPPs during the 2000s economic boom; and they explore changes in PPPs during the global financial crisis of the late 2000s. Finally, the authors address contemporary mega-projects under the PPP model in countries with transitional economies, such as China, numerous South American states, and several countries in Africa, over the period 2013-2018. Readers not intimately familiar with the PPP landscape will be able to make sense of why and how PPPs have evolved and become so popular internationally as part of economic rationalism, beyond merely serving as a form of statecraft or an infrastructure delivery mechanism.

Chapter 4 provides a well-balanced overview of the widely cited economic propositions both for and against the PPP model. Critically, it identifies gaps between theories on the economic logic of PPPs and the empirical evidence on PPP implementation, thereby highlighting opportunities for future research. In particular, the authors note that, while economists tend to agree on the superiority of the PPP model over the traditional public service delivery model (government procurement) due to potential efficiencies (e.g., innovation and cost-savings), stakeholders engaged in long-term, ongoing partnerships are challenged to effectively manage infrastructure projects and to appraise the outcomes in

practice. By reviewing a series of technical issues, such as discount rates, VFM calculations, renegotiation, and returns on investment, the authors provide an important discussion of these challenges. Perhaps more interestingly, the chapter also presents some psychological and cognitive challenges that individuals and institutions participating in PPP projects face, building examples around actors' risk- and loss-aversion and their subsequent risk-transfer decisions; preferences for visible, more immediate pay-offs; and other challenges.

Chapter 5 scrutinises the critical roles that multiple stakeholders—governments, global institutions, companies, banks and consultants—play in influencing the PPP market landscape. Using extensively documented analyses of governmental initiatives like the Trump Infrastructure Plan in the United States and the governmental PPP policy initiative in China, the authors present a cogent picture of how governmental programmes aim to develop infrastructure markets and by extension, the market dimension of the PPP infrastructure landscape.

Chapter 6 addresses underexplored issues pertaining to the governance of medium- to long-term PPP projects. Based on interview data from PPP professionals in Australia, the chapter highlights the contractual and institutional challenges that may contribute to PPP failure, such as a lack of in-house expertise and experience, limited resources, inflexibility, a lack of commitment to long concession periods, unhealthy partnering relationships, and transactions cost problems. The presentation of these critical real-world conditions underlying social infrastructure projects allows readers to follow the arguments easily and reminds them of the technical and psychological risk factors of PPPs illustrated in Chapter 4. To overcome such managerial difficulties, the authors further emphasize the significance of strong institutional frameworks to govern inherently complex PPP arrangements. The careful attention that the authors give to the governance of PPPs in turn encourages the reader to recall critical public values such as transparency, equity, accountability, and trust.

Chapter 7 takes up the long overdue task of studying the global popularity of PPPs from the perspective of international organizations, such as ASEAN, the European Union, the IMF, the OECD, and the World Bank. By studying this issue through an innovative mixture of theory (e.g., the Advocacy Coalition Framework and historical institutionalism) as well as PPP-related policy documents from the organizations (e.g., the ASEAN countries), the authors find, perhaps unsurprisingly, that international organizations and member countries are likely to cooperate with each other on select PPP policy development strategies. In other words, through a policy learning mechanism, different organizations tend to encounter similar experiences, dilemmas, and management models and tools. Presumably, the principal reasons behind this policy convergence include “an economic growth strategy and a sustainability and resilience agenda for governments” (p. 210). Just as importantly, the authors provide insight into how each organization promotes its own policy strategies for PPP development. For example, in addition to offering leadership and political support, international organizations also rely critically on think tanks and universities to provide guidelines and recommendations that support the organizations.

Chapter 8 provides a thoughtful demarcation of the broad ideational shifts in the PPP literature from country case studies to cross-national comparative PPP research; from a focus on the technical aspects of PPPs to social and political PPP concerns; and from seeing PPPs as a monolithic phenomenon to treating PPPs as ever-changing experiments. The chapter also makes an authoritative call to orient the future PPP global research agenda along lines that include financial PPP issues and the internationalization of PPP-related policies.

Chapter 9 ontologically revisits the noteworthy concepts of “infrastructure” and “governance” and consequently, “infrastructure governance.” Interestingly, as the authors present it, infrastructure governance is representative of a more decentralised approach to,

and is arguably the best conceptual encapsulation of, the multi-sectoral complexity of PPP-driven infrastructure projects.

Finally, Chapter 10 provides a concise summary of the major arguments advanced throughout the book, and it concludes with an insightful remark about how the PPP model has evolved from an endeavour for effective and efficient public service delivery to a context in which global infrastructure regimes compete for economic, policy and political influence.

Much can be offered in terms of praise for the extremely comprehensive and detailed treatment of the PPP model in this book. First, its appropriate description of long-term partnering relationships between the public sector and private counterparts gives readers more reliable evidence of the dynamics of PPPs and helps them better understand the multi-sectoral and international complexity and uncertainty of the landscape around infrastructure PPPs. Notably, despite the public and private sectors' complex and highly contested relationship in governing PPPs, Hodge and Greve basically posit that the underlying values of the two sectors do not necessarily generate trade-offs and conflict. According to the authors, "[e]ach sector has a set of relevant accompanying 'secondary values' which mirror the opposing sector's primary values" (p. 3). Further, the authors' ability to advance fundamental ideas in the book in a succinct manner is probably best epitomised by their definition of the *enduring logic* of PPPs, noting that "a PPP becomes an accepted policy when it satisfies the demands of both the political realm and the market realm" (p. 22).

Second, this book encourages readers to consider how to effectively manage PPP-driven infrastructure projects to provide satisfactory (or better) outcomes, and further, how to measure the service performance of PPPs. In line with other recent PPP studies (e.g., see Baker, 2016; Kim & Kwa, 2020), Hodge and Greve appear quite cognizant of the difficulties that arise in identifying and developing clear and robust performance dimensions along with clear measurement indicators. Because "there are different kinds of criteria and values for

performance” (Hodge & Greve, 2017, p. 61), which may vary across service areas as well as from country to country, the authors argue that actors engaged in a PPP project may want to compare the risks and benefits stemming from the project and to prioritize between their present values and future ones. More importantly, the authors note the critical importance of studying the role of institutional and legal frameworks in the PPP landscape.

Another key strength of the book is its thoughtful and well-documented integration of philosophical and historical scholarship with policy data and analysis. For instance, Chapter 3’s clearly structured juxtaposition of economic theory in support of the PPP model with the mixed empirical evidence regarding PPPs, and Chapter 7’s systematic examination of relevant institutional theories against international policy documentary evidence, both serve as refreshing opportunities for readers to discern the operational benefits and the difficulties of designing and implementing infrastructure PPPs in different legal and policy contexts. Furthermore, in the wake of well-defended and empirically grounded principles to further the PPP cause offered in Chapters 8 and 10, the reader is empowered to consider strategies that might bridge not only the gaps between theory and practice but also the gaps between the public and private sectors in infrastructure PPPs.

Some shortcomings in the book are also worth noting. Hodge and Greve point out that one of the book’s guiding questions is “...[w]hat does our learning thus far imply for the future evolution of PPP?” (p. 1). It is important to highlight that the ‘future evolution’ of PPPs includes both scholarly and practical advances, and although this book adds valuable theoretical leverage to research on PPPs, along with real-life cases gathered from a variety of sources globally, it seems to stop short of producing a coherent framework for the effective management of PPPs. As a result, practitioner readers may be left wanting in terms of the systematic steps to further improve the design, implementation and evaluation of the PPP model in future applications. In addition, the book’s generalizability is somewhat limited; to

add confidence to the findings, future studies should revisit the topic using empirical (longitudinal) data or conduct rigorous investigations into more contextual factors based on additional case studies in underexplored regions, such as Southeast Asia, South America, and Africa. A last minor concern is that the balanced clarification of the main concept of “infrastructure” as consisting of physical and service structures occurs not at the beginning of Chapter 1 but rather from Chapter 9 onward. This may lead to some initial confusion over the exact form of PPPs under analysis in the book.

In sum, this book is a highly recommended read for any scholar or practitioner already invested in, or beginning to think about, PPPs in the infrastructure arena. As a scholarly reference, the book undoubtedly provides a deep reservoir of PPP concepts and principles that can be validated in specific country or policy contexts in future research. As a practical reference, the book’s global scope ensures that its easily accessible tips for the design, building, operations and governance of PPPs prepare practitioners to undertake projects in almost any jurisdiction in the world.

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