

# **THE IMPROVEMENT OF PUBLIC SERVICES QUALITY THROUGH PUBLIC - PRIVATE PARTNERSHIP IN ALBANIA**

**Arjan Gjini**

PhD, Candidate, Albanian University of Tirana, Albania

arjangjini@hotmail.com

## **Abstract**

*The public-private partnership is a new way of public services management in Albania which is now becoming very popular. Similar to other concepts there does not exist much consensus with what is defined as "the quality of public service", let alone with the ways providing it. Based on browsed literature, experience and everyday work, I do have noticed that "the quality of public service" can be considered in two aspects sometimes contradictory. Focus on citizen, beneficiary and their real funder, necessary information gathering, actual or future needs determination, the accomplishment of these needs, efficient response in time, setting written standards about the offered service, legal regulation, communication improvement in the organization, simplicity, clarity, free access, all these somehow constitute some agreed on objectives to be achieved. One of the most noticed behaviors of recent decades about public services revival has been that of partnership with other sections, mainly with the private one known as public-private partnership. This kind of approach mainly focused on external processes such as competition, adjustment to trade mechanisms, increase of efficiency, investments appeal etc, but also affected the adjustment processes of public organizations which, on the other hand, have been a cause-effect of this partnership.*

*Keywords: Efficiency; partnership; services; public interest; consistency*

## **INTRODUCTION**

In order to have effective and qualitative public services, they must be projected according to wishes of the users and not according to what might seem appropriate to the service offerer and in this case I mean public organizations. Rigid and centralized state control on these services, insufficiency or noncompliance of public investments, the necessity to be flexible when faced

with trade requests and conditions, as well to offer a qualitative service, have brought the need of cooperation with private section.

This is when finding and right division of responsibilities between private and public section is made, leaving the latter the role of regulator and the private one the role of service, operations offer leading in this way to the increase of service level of infrastructure users, operations efficiency and improvement of public funds distribution which are restricted.

High fruitfulness coverage in public services is required to be accomplished through cost reduction and in the same time through the increase of quality level of these services. This is the real challenge, looking more like a test. In order to overcome this test, the public section has focused on market, its recent mechanisms or management methods used by private section in production and distribution of services, changing in this way the public-private partnership into the main managing form characterizing the reforms of public section in recent years.

Public-private partnership in Albania, following a global trend, has been recently considered as a solution to the concerning situation in public services, also because of the social-economic and radically legal changes available to orient in offering qualitative public services.

The achievement of a relation such as public-private partnership tries to combine their most positive elements. It will result successful, if it fulfills the conditions, manages to achieve and return the investment of private section from one side and offers qualitative service to citizens and accomplishes the "public interest" from the other side.

In reality it is to be emphasized that these two sides are tightly connected and dependent on each other, which constitutes the strength and risk of this partnership. Theoretically, especially if we are to refer to different authors on Public-Private Partnership, approximately most of them state "following similar or different objectives".

Based on what was mentioned above, what threatens this kind of partnership in Albania is not only the mutual coordination between the two sections with different objectives or "activities", because even when they stay apart they do reveal problems in their efficient functioning.

## RESEARCH APPROACH

The methodology used in this paper consists mainly in literature review and comparative and descriptive analysis based on the data provided for Albania and different countries of the region. To the preparation of this study a considerable amount of literature has been used. The literature includes: local legislation, documents, European Commission directives or guides,

important publications of BB, studies of Deloitte Research or other important institutions of international level etc.

Various important materials published on internet are also included. Firstly, the study begins with materials gathering focusing on theoretic-academic, principled, historic, methodical, compared and applicative issue. This focus enabled knowledge and formation of the study on public service quality, its issues, ways of improvement and definitely on Public-Private Partnership.

## **A THEORETIC VIEW ON PUBLIC-PRIVATE PARTNERSHIP**

Local economic growth, increasing requests, service concerns have brought the need to ask for managing reforms in public section. This is also an actual concern in many countries and will continue to be as long as the governments keep seeking ways of modernizing their public administration systems, improve service distribution, reply to internal and external pressures as well as confront to globalization challenges.

Finding new manners has brought innovation in production and distribution of services, has created new concepts such as Public-Private Partnership, which focuses, among others, on using trade mechanisms of private section, with the intention to bring management changes in public one.

In the core of this management lies the idea that the orientation of public section towards trade, adjustment of the latter mechanisms will enable a satisfactory form of cost-efficiency report, without negative side effects in the objectives of this section

Modernization of public section has actually been one of the main priorities of the government since the 80s, while the public-private partnership has been a managing form characterizing public section reforms of recent decades.

The public section has been facing more and more the cost increase from services. In order to change this phenomenon, it had to not only adjust management methods loaned from private section but, also invite the latter to produce or distribute public services, leading to the creation of what is considered as Public-Private Partnership.

Main elements of the performance in an economic system are the efficiency and equity. They might be the main reasons of the free trade mechanisms behavior, as well as in the case of production and distribution of public services. On the other hand, as allocation mechanisms in free trade might have failed and later on has been asked for the help and intervention of the governments to improve the public section management in misallocation of the sources, the PPP has been considered as a way to combine advantages between the two sections, public and private. The partnership came as a result not only of the restriction in public funds, as far as

investments are concerned, but also as a consequence of the demand to increase quality, expectation and efficiency in public services.

The European Commission, through its guide on a successful public-private partnership has identified the important role of private section in some aspects of the PPP schemes, concretely as follows:

Providing extra capital;

Reducing public costs;

Providing qualitative abilities in human sources;

Providing added value to service beneficiaries;

Creating accessible service.

Despite the advantages of these schemes, there are also some drawbacks to consider, their creation, application and management exactly because of their complexity. Initially, the PPP was involved in the procurement of social infrastructure assets and non-basic services. Later, the PPP was applied on transport, electrical power, dwellings construction, health care, water supply and recycling urban waste. Politics on the PPP were set in parallel to the ability of public section to provide infrastructure through PPPs and later to the establishment and revision of an appropriate legal frame in the context of this collaboration.

Different countries of the world have successful experiences in public-private management. For example, Japan succeeds in the section of gas tubing, in Canada 20% of the new infrastructure is designed, constructed and operated by private section, Great Britain is considered as one of the main promoters of the involvement in private section through its own representation of Private Financial Initiative. This kind of initiative was applied in all types of infrastructure and services and now it represents a considerable percentage in economy on these services.

The Australian government used the PPP to obtain a part of its social infrastructure; Irish government used them in the transport infrastructure; the government of Netherlands used them in popular dwellings and urban construction projects; last, the Indian one used them in road constructions. Moreover, the involvement of private section in transitive countries began with privatization of state enterprises according to specific programmes because of the lack in management capacity of governments or with the intention to prohibit state enterprises dependency on state aids.

Public-Private Partnership appeared in a time when construction projects became complex, unable to be managed and offered by public section. Participation of private sector in transport, infrastructure and water supply is an earlier feature, while it is increasingly being

noticed the involvement of this sector in covering vulnerable needs, such as those of services in numerous sections, from the environmental to health care or educational one.

As far as the information above is concerned, as an example we can mention the case of Swedish government, where after being involved in private sector of construction projects, private companies were later allowed to take part also in public procurements such as those of education, the elderly care, health care or other public services.

In this way, if we are to refer to the PPP literature, this is defined differently by theoreticians, academics, public institutions or international organizations. The main element present in all these definitions is collaboration: segregation of responsibilities, risk division and bilateral benefit, mutual or separate objectives pursuit, mutual investment, good management of resources. Some of the theoretical definitions consist in as follows:

**Management reform:**

“Partnership” means contractual agreement, cooperative reports, mutual activities helping in politics development, programmes support, government services and their distribution (Osborne, 2000).

**Risk reduction:**

Public-Private Partnership, which is a report between public and private sectors, established on the contribution of each one, is an enterprise that perfectly fulfills the public needs through appropriate distribution of sources, risk and benefit (Carr, 1998).

PPP is an intercourse that consists in separate and/or mutual objectives as well as a division of the specific roles and responsibilities among participants, an intercourse that might be formal, informal, contractual or voluntary between two or more parties. There exists practically a mutual investment in sources and as a consequence, even a mutual split of the risk, authority and benefit to all the partners (Lewis, 2002).

**Reformation:**

The contract between two or more entities, helps them work mutually in offering public services through separate or common objectives, also a specific level of authority and responsibility division, mutual investment in sources, risk split and bilateral benefit takes place (United Kingdom HM Treasury, 1998).

A PPP includes risk, responsibility and benefit split and it is undertaken when there is a certain value of money even for tax payers (WB, 2003).

**Power division:**

In the broad spectrum of alternative schemes and structures of the PPPs, what has great importance is their selection by adjusting them carefully to the project characteristics in any concrete case. In practice, there are made some distinctions between public/sub-contract procurement, privatization and the PPP, defining sub-contract and privatization as the two edges of a segment that represents the forms of private sector involvement in the public one, while the PPP is placed somewhere in the middle of the segment. In the case of sub-contract, the private sector is included partly in the insurance of a service that public sector previously offered the service to. This case shows a very small transfer of the control or risk to the private sector and has not important involvement of it in decisions.

To each agreement, in the case of public contracts, each public organ refers to private operators with the intention to procure tasks or services. This must be carried out by a fair and transparent process and the law to be enforced is “To public procurement procedures” (law no. 9643, date 20.11.2006 changed). The main reason to this procedure is the achievement of efficiency and this is mainly achieved by offering security in public funds use and selection of serious, stable and competent partners in trade.

Potentially, in comparison to some other more developed forms of Public-Private Partnership, the public procurement reveals some malfunctions that are found in the case of services offer by public sector itself. Even though the public funds are saved up, there still seems to have expenses of public money and in the same time no private sector undertakes the risk. A fundamental role not to be ignored is that of public administration that deals with difficulties during observation process and public contract implementation in compiling corresponding technical specifications, their solidification and inability to improve or adjust them to new situations created by respective specifications and also because of the the fact that private subject somehow lacks in cost reduction, a fact that appears naturally when it operates with its funds.

Authority and decision making in private sector, in the case of the PPP, as was also mentioned above, begin and appear when control shifts. In this contract, the private partner provides the capital and simultaneously being the service offerer.

The distinction between full privatization and a PPP contract lies in the fact that in the latter the public sector plays still an important role, while in full privatization the involvement of the government has a secondary role, except of the case when a legal frame is necessary to privatized entity. Privatization is the shift of real rights and recognition of government role into monitoring and standardization of the role of other social institutions in releasing public goods and services.

## **PUBLIC-PRIVATE PARTNERSHIP, ITS PRACTICAL TOPICALITY**

The necessity of the PPP has already been consolidated. Its application in practice has revealed some issues that should be taken into constant consideration, for an efficient implementation of this partnership. Concretely, an important demand of the European right (*acquis communautaire*) remains the non-violation of free trade principles and providing a fair competition. The phase of choosing the public partnership executive on mutual pros is a moment to be analysed, also the determination of the conditions related to renovation of the contract is to be considered.

The PPPs are agreements spread in a relatively long time and this is conditioned because of the great initial investment from the part of private subject and its guarantee to return the investment. The duration of partnership for sure brings the risk of creating a close, not credible trade. Thus, as it was mentioned, it is one of the reasons that respect to selection procedures and rules providing competence, transparency and proportionality take a fundamental importance, as a moment that determines the efficiency of each case of the PPPs.

Public-Private Partnership faces various risks that are common during the implementation of an efficient project. The risks include: lack in a real well-structured plan, technical risk, because of third parties; construction risk which might result from prolonged terms and costs excess; operation risk, a result of high costs of maintenance and operation; income risk, result of lack in service; financial risk, a result of financial costs; environmental risk as a consequence of the impact that projects have on the environment; political and legal risk as a result of legal changes or non-supporting politics of the government; risk of great impact.

As concerning cases are considered the income from service offer that might cover operative costs and those financial that provide the return of investment values. There also exist other factors that might lead in failure of these PPPs viz. inefficient organizational structures, lack in long-term orientation in the PPPs stability.

To provide the conditions and a safe climate, the risk must be avoided and the governments might apply a package just for the one partnership that pays attention to all the phases of a PPP from planning, transaction to its management (Deloitte Research, 2006).

## **CONCLUSIONS**

In the end of this study, i am going to focus on the existence necessity of a legal or regulative frame of the PPP, which might be in the same time a barrier to the achievement of a successful partnership and of course qualitative services. A public advantage is also the interference of the private sector and in this case it happens by continually considering the public interest defense

and the increase of this service. The forms of public-private partnership performance are various but, however, it is difficult to determine an appropriate model for Albanian case.

I think it would be of great risk if total privatization of services would take place, because this would require the existence of serious private subjects, efficient strategies but, however, only competition to free trade can lead to such an event.

The Public-Private Partnership realization, based on its specifics, requires a careful legal or contractual regulation, human capacities both at the moment of subject selection and after the implementation and monitoring of the contract. The realization gains great importance, in the case of the PPPs, exactly because of the fact that it is about the administration of an infrastructure means defined as public, through which a number of influential public services are offered to the citizens.

The reality of Public-Private Partnership in Albania has shown mainly acceptable results but, there have also been present issues and concerns in these services such as the need to a better legislation, inefficient study, unreliable competition etc.

It is to be emphasized that this partnership egged a qualitative move in the management of public services and despite various difficulties it seems like a form that will resist for a long time.

## REFERENCES

- Allan, J. R. (1999). Public-Private Partnerships- A Review of Literature and Practice.
- Bettignies, J. and T.W. Ross (2004). The Economics of Public Private Partnerships.
- Deloitte Research, (2006). Closing the Infrastructure Gap: The Role of Public-Private Partnerships.
- European Commission, (2003). Guidelines for successful public - private partnerships.
- Grimsey, D. and M. Lewis, (2004), Public-Private Partnerships.
- New South Wales Treasury, (2009). New South Wales Public-Private Partnerships – An Evolution.
- OECD, (1993). Public Management Development Survey, Paris.
- OECD, (2009). Bridging State capacity Gaps in Situations of Fragility Partnerships Revolution in Infrastructure. Provision and Project Finance.
- Savas, E. (2000). Privatization and Public-Private Partnerships.