

Ekaterina Kharkova

Relevance Public-Private Partnerships for consulting

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Екатерина Харькова
**Relevance of Public-
Private Partnerships
for consulting services**

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Аннотация

Research strategy for estimating of the relevance of Public-Private Partnerships as one of potential targets for consulting services particularly with regard to the real estate sector of Germany

Содержание

1

Introduction

The number of PPPs in Germany grew up tremendously in the last years, which demonstrates the numerous advantages resulting from the cooperation between the public and the private sectors (Figure 1). In accordance with Federal Statistical Office, in December 2015, about 200 PPP projects (conclusion of the contract) are taken into account in national accounts in Germany¹.

Year

of PPP projects

2002

2

2004

12

2006

23

¹ Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts. https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/VGR/EUStabilitaetspakt/Tabellen/EurostatEDPInfo.pdf;jsessionid=C0067653FC506E1D5AD000E3342EF923.Interne_blob=publicationFile

2008

28

2010

15

2012

8

2014

6

2016

3

Figure 1: PPP projects in Germany²

What is a Public-Private Partnership? In its widest sense, a PPP can be defined as a long-term contractual agreement between the public authorities and the private sector. Generally, any combination or blending of public and private resources can be called a “public-private partnership.”

The demand for Public Private Partnerships as an increasingly

² The Experience and Reference on PPP Development in Germany. <http://article.sciencepublishinggroup.com/pdf/10.11648.j.ijefm.20170506.18.pdf>

attractive tool for infrastructure and urban development is evident, especially in an economic climate where fewer resources are available for public needs. PPPs are involved in a wide range of social and economics projects, but they are mostly popular to build and operate hospitals, schools, prisons, roads, bridges and tunnels and rail networks. They generate a large amount of private and public capital. In this way, such partnerships can be a good target for diverse consulting services.

The main purpose of this paper is to define an object, the methods, and institutional as well as business frameworks of strategic research approach for the accumulation of information to estimate the relevance of the Public-Private Partnerships as one of the potential Targets for consulting services for one of the Big Four consulting companies.

The paper begins by describing of the significance of the theme and discussing the object and the method of strategic research approach before moving on to elaborate on the research frameworks as well as research sources and research timing.

The next section will analyze why the matter of PPP has been accomplished, which are the object and the methods that are applied for researching of this problem (Section 2), which frameworks should be set up to confine results analysis (Section 3), which kind of information is necessary to make an investigation of this economics sector and how much time and information resources should be planned for the research (Section 4).

The most important findings of this paper are presented in the summary which contains among others the main steps for the conducting of the investigation.

2

Significance, object and methods

The research about the relevance of PPP for one of the Big Four consulting companies as the most preferred forms of cooperation between private and public sector is to start with a depiction of the significance this theme, a definition of the research object and a description of the applied methods.

2.1

Significance

Public Private Partnerships (PPPs) are modern and efficient forms of administration. They have recently gained prominence as a term to describe a business relationship in which public and private resources are blended to achieve a goal or set of goals judged to be of a collaborative benefit to both the private entity and the public.

What are the reasons for the research of this kind of cooperation? What are the experiences with articles published about PPP and findable in the official sources? What is the role of PPPs in the business world, and what can one expect from them? These questions anticipate the research and assign a reason for this.

2.2

Object

The object of the research is the PPP in the real estate sector of Germany as a potential Target for consulting services. The legal as well as economic form of this type of cooperation must be defined in the same way as it is defined in official and legal acts. On grounds of the PPP definition the main characteristics as well as the basic features of PPP can be deduced. Further the types of the PPPs and their classification according to various criteria must be presented.

2.3

Methods

The main method conducted in the strategic research approach is secondary research (often named desk research), more precisely internet research. To the extent that the internet is widely and readily accessible to hundreds of millions of people in many parts of the world, it can provide practically instant information, and is having a profound impact on the way in which ideas are formed and knowledge is created.

The inception phase of investigation would consist of: Desk research into the range and impact of partnerships in target country at micro and macro level; the development of evaluative tools from this data; and the preparation of the results setting out these findings and the research frameworks. In the next phase, these tools would be applied within the framework to micro and macro level partnerships identified earlier, the results analysed,

presented in a study.

Moreover, for the purpose of the evaluation of the internet information a comparison would be used as one of the analytical methods for evaluation of similarities and differences as well as advantages and disadvantages, strengths and weaknesses, and opportunities and threats.

3

Frameworks

The research frameworks include geographical, institutional, and business components. (Figure 2)

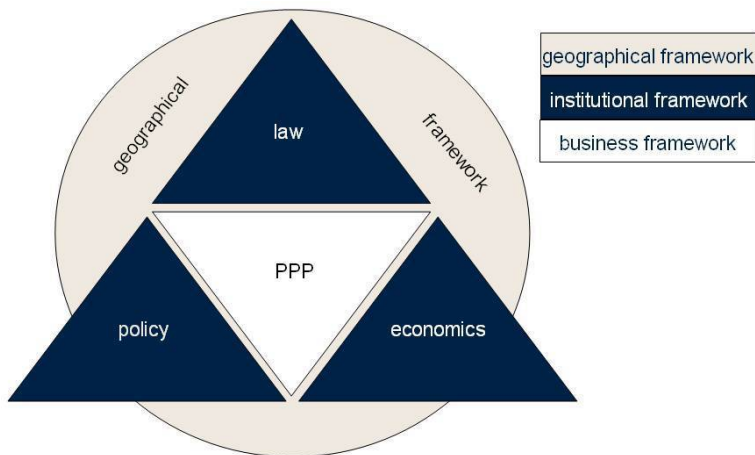


Figure 2: Research frameworks

3.1

Geographical framework

The geographical framework embraces Germany as the research target-country (domestic level), and the European Union as potential legislator for domestic PPP's activity (EU level).

The geographical framework defines the institutional and the legal frameworks. It is important to identify clear channels of responsibility and accountability of public institutions in the target-country as well as legal basis and legal regulations in terms of PPPs in analyzed country.

3.2

Institutional framework

The institutional framework has significant and large effects on the efficiency and growth rate of PPPs. It embraces political, legal and economic conditions for PPP activity. An important component of a supportive institutional framework is the capacity of the country's public agencies to plan and implement the policies, laws and regulations affecting both, the public and the private sector.

A PPP resembles a major commitment on the side of the private sector, which needs to know that politicians are committed to private involvement. Effective regulation

requires the implementation of a supporting legal and regulatory framework to create an environment that promotes public confidence, ensures stability, and transparency. From an economic perspective, it may be important to research competition, investment, innovation, and growth of the sector.

Moreover, an analysis of political, legal and economic risks plays a major role because these risks have a strong impact on the success and the opportunities evolving from PPPs.

3.3

Business framework

The business framework defines the microeconomic basics for PPP activity. In consideration of the research object, it is reasonable to concentrate the investigation on following business units:

Organization

Financing

Accounting & Reporting

Organization As mentioned, PPP is one form of cooperation between two or more parties. The business framework defines how the collaboration between all the partners can be organized, how the management structure is and what kind of controlling mechanisms can be used to manage entire PPP processes and activities.

Financing Private sector sources of funding are usually a feature of PPPs. This reflects the fact that, by providing the finance, the private sector is able to optimise the mix of initial and through-life spending and will also engage in rigorous risk management procedures. An important step is to define risk sharing as well as types and level of risk. Further, the available capital structure, risk structure, and optimal funding structure must be considered.

Accounting & Reporting The long-term contractual nature of the business relationship leads to difficult financial issues, related to taxation, cash flow budgeting and disclosure rules. The number of entities with an interest in the outcome puts a premium on accountability in the broadest sense. Neither traditional models of public sector accountability nor those developed for private sector entities are adequate. An extra approach is required which takes into account the complexity of the risk-sharing mechanisms and identifies clearly the rights and responsibilities of the various partners clearly. It is also important to investigate whether there is any comprehensive fiscal accounting and reporting standard developed specifically for PPPs.

4

Search sources

The strategic research approach is based on related search

sources being taken in internet about PPPs including:

Academic papers: Theories, methods, and interventions to understand the genesis of PPPs, their essence and intended aims;

Legal basis: Legal acts, prescriptions, and policies for regulation of PPP activity (domestic and EU levels);

Press releases: Studies, analyzes, and trend research in official internet sources;

Websites of PPP-Initiatives: Overview of experience resulting, support information and other.

Material should be drawn from a wide range of academic disciplines, including economics, law, and business administration.

As a first step, the search should be limited to English- and German-language articles. Moreover, it should analyse all acquainted official sources such as databases and archives of European Commission, European Council, Eurostat, International Federation of Accountants, International Financial Reporting Interpretations Committee, International Monetary Fund, Germany's government and others.

The chosen sources must provide the relevant complete and reliable information about the research theme. The purposes of the search of the various sources are to gain an overview of the published literature on public-private partnership in real estate and to summarize key articles relevant to the mission of this research.

Conclusion

PPPs are becoming increasingly used in various parts of the world. They provide a means for both the public and private sectors to participate in areas that were previously considered to be public responsibilities. PPPs offer a powerful model for a government and the industry to work together rapidly, creatively and collaboratively in order to achieve common goals. In this way, such partnerships can be a good target for diverse consulting services. The relevance of PPP as one of the potential targets for one of the Big Four consulting companies should be estimated in an analytical research.

The strategic research approach includes the following four steps:

In the first step it is to describe the significance of the matter of PPP, to define the research object and to identify the applied methods.

Further it must be defined what kinds of research frameworks are relevant, how they can be interpreted, and what they must include.

There are many sources available which can be used in the research. In the next step it is to decide what kind of sources must be chosen in order to provide the relevant complete and reliable information about the matter of research and to summarize key articles relevant to the respective mission.

After these three steps, the last phase of the research, the accumulation of information required for the analytical part of the research and the analysis of this information follows.

The research runs through six calendar weeks. The results and most important findings will be present in a study: Public Private Partnerships in German Real Estate Sector.

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