

## DIFFERENT WAYS OF ANALYSING THE EFFECTS OF PUBLIC-PRIVATE PARTNERSHIP IN ORGANIZING PUBLIC SERVICES

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### ABSTRACT

Public-private partnership has been presented as an opportunity to improve the input and output legitimacy of global environmental governance. Functional decentralization can generate a considerable improvement in the quality of life of the population and in the functioning of a city and its services. We reported in this paper some conclusions regarding externalisation, public-private partnership and improving the quality of life of the correct organizing of public services. We exemplified the well practice examples from Canadian Experience, Northern Europe Experience, UK private sector participation in Governance, and the Romanian case. After an important qualitative analyse of all these results we established if the New Public Management ideas are correct, or not. Some of the results contradict the New Public Management ideas: mainly that private sector participation through public-private partnerships in the delivery of public services will inevitably lead to a better use of scarce resources, and consequentially to lower user prices and higher quality goods and services. Our empirical analysis demonstrates that user prices have a stronger relationship with the organizational costs than with property or the adopted management model in the delivery of public services. The article offers a view of understanding that any solution to rebalancing budgets and world markets or to improving jobs and incomes will involve the public sector will be key issues for all comparative political economists studying the fundamental conflicts over income, equality and jobs in the years to come.

**Keywords:** *decentralization, public services, public-private partnership, performance*

### 1. INTRODUCTION

The efficient implementation of decentralization is an effective path to raising our European standards regarding local governance, as well as a coordinate for improving the administrative activities at the internal level, by offering quality public services for everyone. Who knows best, if not the local authorities voted by the citizens and which answer to them, what the development priorities of the local communities are and accept the obligation to carry them out? We believe in decentralization, not because we have to answer to the European Union's, World Bank's or any other international organization's requirements, but due to the fact that we know that a whole series of public services are more efficiently offered at the local level. Pre-university education, social assistance, public utilities and road infrastructure are only a few of the public services in which the local public authorities are better positioned regarding the administration of the resources and are adapted to that specific community [1]. Just like the whole public administration process of reform, decentralization must not be viewed as the sole objective; it must be viewed as achieving clear objectives: improving quality, efficiency and public service equity. Unfortunately, the decentralization policy has been for a long time a constant in the public speeches of the politicians that leaves you with the impression that the interest in this area is only at the declarative level, and is not honest. The main assignment of decentralization is to consolidate the autonomy of the local governance within the regional administrative units, and this can be achieved by broadening the range of competences as well as the power of decision

regarding the basic public services organized at the local level and the transfer of the indispensable financial resources. The rationales that justify decentralization are in reality a lot more: cutting down the public spending, improving efficiency in offering public services by passing them on to the local public administration, bringing the decisional act closer to the beneficiary, civil society's involvement in the governing process.

There can be multiple benefits if the rules of the game are followed: decentralized public services – allotted financial resources – transparency and civil society's involvement in the local decisional process – all of these activities carried out under the strict observation and control of the central public authorities through their regional delegates. We will closely analyse all of these stages in order to point out the importance of each component and to lay out the role for each actor involved in the proper functioning of certain fundamental activities for each community.

### 2. PROBLEM FORMULATION

Regarding the public services, a lot of them have been decentralized on paper, totally or in part, and presently the local public authorities exercise three categories of competences, according to art. 5 row 1 from Law no. 215/2001 and article no. 2 and no. 19-28 from Law no. 195/2006: exclusive, different and delegated. The exclusive competences are the ones attributed by law to the public local administration authorities, responsible for achieving them. In accordance with these attributed competences, the public administration authorities have the right to decide and have the necessary resources and means in achieving

these competences, respecting the norms, criteria, and set standards by the law.

The different competences are exerted by the local public administration authorities jointly with other levels from the public administration (county or central), with a clear separation of financing and decisional power for each one responsible. The delegated competences are attributed by law to the local public administration authorities, simultaneously with the proper financial resources from the central public authorities, in order to exercise them on their behalf and implemented limits by them. The obligation to assure the total financial support regarding the delegated competences, belong to the central authorities, according to art. 6 row 2 from Law no. 195/2006. The newly proposed public services for decentralization according to the Governing Program 2013/2017, undertaken by the government, are:

- ✓ Pre-university education, by transferring to the local authorities' level (towns, communes, municipalities and counties) of competences regarding organization and functioning of the schools' network, naming/dismissing from post of directors, and at the educational establishments' level the dismissal of those involved in the management of the human resources.
- ✓ Public health, by transferring the management regarding the communes', towns', municipal' and counties' hospitals to the local authorities.
- ✓ Public order, by establishing commune's police with competences to include car traffic on the public roads within the townships
- ✓ Agriculture, by transferring the agricultural attributions of the counties' offices to the Counties' counsels, except those for inspection and control.
- ✓ Environment protection, by decentralizing the environment protection counties' offices attributions to the Counties' counsels, except those for inspection and control. Regarding the decentralization within the cultural sector, it will be continued by transferring the cultural institutions' competences to the National Ministry of Culture and Patrimony, and in the transportation sector, the fluvial ports' decentralization that were left under the subordination of the Ministry of Transportation and Infrastructure, as well as the subway system.
- ✓ Regarding the social assistance already decentralized, the objectives are the improvement of the financing framework and monitoring by laying out cost and quality standards.
- ✓ It needs to be pointed out the fact that the transfer of responsibilities will be assigned to the local authorities simultaneously with the right on land and buildings that are still under the administration of ministries or central institutions, as well as businesses with state capital.
- ✓ Increasing the decisional extent of the public administration authorities must involve the

demand for accountability on behalf of the deciding players without the possibility of holding accountable other people, except in certain, clearly stated conditions, due to the fact that every authority wants to decide, but have the tendency "to run" from responsibilities.

In order to properly evaluate the chances the local public administration has in order to efficiently achieve the established competences In its task, we must objectively evaluate the financial resources they have available. The most sensitive and hard part of decentralization is the financial relation that must be established among the state and the local communities. Placing the new services in the hands of the local communities' management will obviously determine a rise in the local public spending, whilst the present tendencies are to reduce these spending. The preoccupation with determining the necessary financial resources in order to sustain the variety of public services is a characteristic of all the states, mainly because of the unfavorable international financial climate. This doesn't mean that in more favorable financial times, the problem financing the public services hasn't been a priority; it only means that in difficult financial times the solutions entail certain restrictions at the resources' level, which will be perceived in the quality level of the services offered.

The main hurdle of decentralization is in fact the financial aspect, representing a hindrance in more ways than one. A defective transfer, with none existing or lack of necessary resources, will undoubtedly lead to major imbalances of the local budgets, and the new services will become a burden for the local authorities. The problems are even much more difficult in the poor communities, where its own collection source is limited and are dependent on the financial sums from the state budget. Under these conditions, apart from decentralization's main objective to offer quality public services and to bring closer to the community the decisional factor, the situation will worsen.

The financial autonomy of the local communities is the premise for the success of decentralization, and because of that the local communities must have at their disposal their own adequate financial resources in order to deal with their responsibilities, to determine freely the revenues and spending and not to be subjected to inspections except a posteriori regarding their financial decisions[2]. The communities' right to financial autonomy must be respected since it is established by the legal dispositions: "the local autonomy is only administrative and financial, being exerted on the basis and within the limits of the law"[3]. Furthermore, the provisions of the "European Local Autonomy Charter" state that "the local public administration authorities have the right to their own, adequate funding, which will be at their disposal freely in order to fulfill their responsibilities", these resources "must be in direct accordance to the competences stated by the constitution or law", as well as "the protection of the administrative territorial units with an unfavorable financial situation, necessitate the implementation of balancing financial procedures or corresponding measures, in order to

correct the effects of unequal allocation of the potential financing resources". (Article no. 9).

### 3. PROBLEM SOLUTION

We insist on the importance of establishing a balance among the competences of the local public authorities and the financial resources needed for exerting these competences. Not all the local communities have the same financial support, due to the fact that the own local revenue greatly depends on the degree of economic development of each community. The ability to gain its own revenue from "levies, taxes, contributions, other proceeds, other earnings and share splits from the income tax" determine disparities at the communities' level from that territory or even in that region, thus the poorer communities are in a position of not being able to ensure the proper functioning of the decentralized public services. It is important that in these situations we have to make use of the different balancing mechanisms, which represent an indispensable, fundamental mechanism, its objective being the distribution of wealth and decreasing the inequalities among the local communities.

At this moment, the amended Law no. 273/2006 makes important disclaimers regarding the transfer strategy of the decentralized services to the local communities' management and that of the balancing budgets' policies. In order to ensure vertical and horizontal balancing budgets, the territorial administrative units will receive in the first case from certain state budget revenues, amounts deducted with a specific destination and amounts deducted for balancing the budgets, in the second case.

Therefore, according to article no.6, the government's transferring of the administration and financing of the local public administration authorities for certain public spending, as a result of decentralized activities, as well as other public new spending will be carried abide by the law, only if the necessary financial resources for accomplishing these tasks are ensured and they are as follows:

- ✓ In the first year, by distinctly encompassing in the budget's law annex of the deducted amounts with a special purpose, necessary for the financing of the transferred public spending or of the new spending, as well as that of the distribution criteria;
- ✓ In the following years, by encompassing those certain resources in the deducted amounts as a whole, for balancing the assigned local budgets of the territorial administrative units, except those distinctly specified by the state budget's law annex.

One argument of this research is made of the recent comparative literatures have yet to adequately consider governments themselves, and how changes to their budgeting, operation and collective bargaining structures have affected jobs and income inequality. Drawing on a range of recent OECD and trade union statistics, as well as qualitative studies, it is claimed that governments converged substantially over period 1990-2005, introducing fiscal austerity measures and making

substantive changes to public sector management and operating through privatization, marketization and public-private partnership. Did left parties, partisanship or levels of corporatism affect the general patterns and variations in retrenchment, restricting and flexible employment?[4]

In Sweden and Finland, two countries formerly seen as upholding a social democratic model of welfare state services and public sector delivery, government have followed OECD trends of market oriented reform. In the wake of financial crises in the middle of 1990s, the size of the central government was shrunk to aprx.7-8 per cent of GDP and public government employment as a percentage of total public employment declined rapidly from 26 per cent in 1990 to 17 per cent in the middle of 1990s[5]. As in other countries that underwent rapid public sector reform, in Sweden and Finland decentralization was used to dump political problems onto municipal levels of government with fewer funds. Unsurprisingly, municipalities began to cut labor costs and benefits, and cities began to compete with one another competitive reductions. Decentralization also provided Social Democratic coalitions with the opportunity to streamline public services, especially in health and social services, by laying off public sector workers and having fewer people perform the same number of tasks.

Social democratic coalition governments in Finland and Sweden also dramatically scaled back social expenditure in the 1990's. In Finland, social expenditure fell from 34,9 per cent in 1992 to 24,5 percent in 2000. In Sweden, social expenditure declined from a high of 36 per cent of GDP in 1993 to 29,5 per cent in 2000. These were the largest declines from peak levels of spending in the OECD, well above the average decline in social expenditure of 3.2 per cent. "Public service employment also fell dramatically in Sweden by almost 7 per cent, a figure only matched by the declines in Austria, where privatization and cutbacks reduced public sector levels by 6,7 percent". In both countries, unions responded with official strikes, walkouts, work to rule, and overtime bans during the 1980s and 1990s in an attempt to protect public sector employment and better wages.[6]

Labor movements did launch advocacy campaigns and strikes against privatization, labor market deregulation, and low pay. Most notably in France and Italy, over the past 15 years, unions protested the right's sell off of the gas and electricity industries, and in 2003 in both countries public sector workers were at the forefront of general strikes against privatization, as well deteriorating public services and worsening pay and work conditions in the public sector.[7]

In Canada, the Canadian Union of Public Employees successfully blocked the privatization of an electricity company and was instrumental in leading the public campaign to return water facilities to municipal control.

### 4. CONCLUSIONS

Regarding the balancing local budgets' policies, the law establishes deducted amounts distributed to counties using the following criteria: on one hand, the financial

ability determined by the income tax per capita, in the amount of 70%, and on the county's surface area, in the amount of 30% on the other hand. Public-private partnership is currently sought by scholars and policy-makers as a tool for overcoming the financial crisis of the State and low performance in public administration. "It is deemed as an opportunity to bring added value to projects and their contents in order to meet new, emerging social demands"[8]. Despite the growing attention paid to public-private partnership, international literature has been questioning their actual effectiveness and viability. Public-private partnership suffers from a lack of strategy-making and dynamism in public sector organization: public action geared towards public business cooperation requires advanced accounting, management and steering skills that cannot be usually developed. Such issues match with the latest developments in the field of urban regeneration and represent a major stake for local governments. Leaving aside the many facets of public-private cooperation, it is possible to notice two aspects of general interest which can be used mainly to signal the "rise of new tools" for government, that is, the discovery of alternate ways for local governments to take advantage of a third party either in the setting of their strategic agendas or the performance of particular tasks[9]. Secondly, the term public-private partnership can be referred to "any initiative, entailing the "pooling" of complementary resources held by several organizations, within a regulatory framework, setting shares of risks and responsibilities among the parties concerned"[10].

Public-private partnership is a well solution of implementing financial decentralization: it refers to new sources for financing the delivery of public utilities and the chance of loosening the grip on public budgets. It generates innovative solutions to the emerging issues of contemporary society, solutions that might be achieved in no other ordinary day.

To many, the recent global crisis has been the midwife for the return of "Leviathan" of "big government" that interferes with markets and economy efficiency. But a question little asked is *What kind of government?* Because throughout the past 25 years, advanced industrial governments have made substantive reforms. Today, the private sector-because of privatization and contracting out-provides more than 40 per cent of public goods. Public sector reforms have led

to the widespread introduction of market competition throughout departments and governmental agencies. How these will reinforce market strategies for wage restraint and boost service or export growth or provide opportunities for parties and labour movements to explore alternative models could be uncertain.

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