



Public-private partnership: 3 P-s, 3 problems?

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Bringing in the middleman (1)



- Making politics - executing policies?
 - Modern economic environment, Europe, globalization
 - Role of state: guiding/harnessing?
 - Commercialization of public services
- Estonian case: liberalization by outsourcing
 - Ministry of Economics: Enterprise Estonia (EE)
 - Ministry of Agriculture: Agricultural Registers and Information Board (ARIB)
 - Ministry of Environment: Environmental Investments Centre (EIC)

Bringing in the middleman (2)



- Case: Ministry of Economics – Enterprise Estonia
 - Amount of allocated money: 893 million (appr 2% of state budget, 23% of ministries budget)
 - Tasks
 - Direct payments
 - EU funds
 - Advising and training for:
 - Entrepreneurs
 - Research and development institutions
 - Public and third sectors
- History: different small development agencies united
- EE is a private institution

Why outsourcing?



■ Aspirations:

- State should make politics
- Executing policies should be elsewhere
 - Agencies
 - Foundations/paying agencies
- Public sector limitation
 - Legally limited to budgetary resources only
 - Less aggressive for having secured funding
 - Tendencies to over-bureaucracies
 - Politically biased
- Different needs create abundance of responses
 - Need for consolidation
 - Need for efficiency

■ Magic formula: PPP!

The Magic Formula



■ PPP ideology/idealism:

- Private sector more efficient
 - In ability to embrace public finances
 - In providing services
 - both enhancing quality
 - creating new services
- Private sector better
 - In acknowledging clients needs
 - Making demand-driven decisions

■ Forecasted benefits:

- Better governance of operations/resources
- Effectiveness
- Efficiency

Problem 1: governance by incident



- Governing board consists of 12 members, 6 represent state as major stakeholder
- Problems:
 - Board members can be guided, but not lead
 - Consensus is hard to come, for different and diffusing interests
 - Board members change frequently, due to political nominations
- Result:
 - The governance has not been enhanced the quality of operations
 - Control over resources has actually weakened, bringing in more conflicting interests and dispersing control over decisions
- All in all: governance by incidents

Problem 2: efficiency?



- Different allocations from the budget have been substituted by a single allocation to EE
- Problems:
 - Planning different activities in ministerial level is next to impossible
 - The know-how to assess EE's activities in ministerial level is next to non-existent
 - Demand-driven ideology is damaging the quality of decisions
 - The staff in EE is constantly growing
 - Administrative and operational costs are raising
- Result: efficiency is hardly enhanced

Problem 3: effectiveness ?



■ How effectively can you fulfill public interests via private sector?

■ Problems:

- Difficulties to describe goals
- Difficulties to prescribe actions
 - Audited example:
 - Policy documents stress employment and regional development
 - Actual instruments priorities
 - Innovation, technological advancement
 - Regional singularity
 - Multiplicity of political goals guarantees equally bad results

■ Results:

- Actions do not follow political/strategic goals
- No results in including public finances

Problem: auditing; Lessons learned



- Auditing private enterprise is limited
 - Ministry's internal audit can audit only procedures, not performance
 - Auditing performance is different
 - Goals are vague
 - Goals are different in different levels
 - Demand-driven is universal excuse
 - PPP needs to have
 - Clear commitments and universally understood goals from both sides
 - Good and single governance through different levels
 - Accountable and performance-orientated structure
- In order to really be successful.