Public –Private Partnerships: an innovative tool for decentralizing the production of public goods in contemporary Greece

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Abstract

Although the classic mechanisms for delivering public goods and services have exhibited a number of weaknesses, institutional partnerships between the public and the private sector in Greece had, until recently, been mainly limited to the materialization of large scale concession agreements. The new legislative framework has, however, attempted to set new terms for the adoption of smaller scale public private partnerships (PPPs) by central as well as local public authorities. Taking into account the structural weaknesses of the country's highly centralized administrative system, the present paper intends to form a more concrete theoretical argument on benefits and threats engaged by a, potentially, wider application of local PPPs for promoting a "bottom-up" form of governance, in Greece. Contemporary practice will be illustrated through brief examination of a government initiative for the promotion of local partnerships.

Key words: *Public Private Partnerships, Greece, public goods, local government, decentralized governance*

Introduction

One can argue that existing literature on contemporary Greece has widely covered the need to proceed in decentralization of state governance, as a major promoter of regional development. It has also been clarified that activating private initiative and, consequently, private capital, constitutes a key factor in achieving economic growth (Barro & Sala- i-Martin, 1995; Repas, 1991). However, the importance of using the private sector as a partner in the process of materializing projects of public interest has not yet been thoroughly analysed in the context of contemporary Greece's economic as well as administrative status.

Private financing of public works is not a new trend in the international arena: even since the 19^{th} century concession agreements were quite common for the delivery of various projects (Trova & Koutras, 2001). Even so, until the late 1970's the public sector has been considered responsible for the development of public infrastructure and services through state budget financing (MEF, 2004). Public private partnerships (PPPs) have been developing, in their contemporary forms, since the 1980's, as an answer to poor public sector performance, state budgetary constraints as well as increased international competition, demanding for means to promote new opportunities for private capital (Boix, 1997). A basic element in PPPs' development has been the promotion of "new public management" and the reforming of central administration (Hebson et al, 2003). In this process, local government partnerships with private actors has played a key role both in introducing innovative forms of bottom-up governance, as well as in promoting local development (Andersen, 2004, Pichierri, 2002;Xie & Stough, 2002)

Greece, also, has recently begun to exploit the potentials of implementing partnerships. First came the adoption of concession agreements for materialization of three large scale projects during the 1990's, later through the implementation of a legal and institutional framework in 2005. It is important, however, to see how PPPs can be integrated in the Greek system of delivering public works, especially regarding the adoption of partnerships by local governments, who try to function in a highly centralized environment.

First we will describe in short the context in which public interest projects have been materializing in Greece (EU funding, classic public procurement) during the last decades, on central and local level and, next, try to identify its weaknesses (delays in delivery, insufficient absorption of EU's funds, "top-down" programming and management). Next, we will present public private partnerships and try to identify their basic general advantages. This paper will then attempt to connect the above mentioned characteristics to the existing needs of Greek local authorities. Emphasis will be placed on theoretical opportunities as well as potential threats of using partnerships as a tool for promoting local development, strengthening local authorities and achieving decentralized governance. Finally, before concluding, we will briefly examine a central government initiative, which aims to the promotion of local PPPs, as well as how Greek municipalities are currently responding to this challenge.

1. Producing public goods in Greece: problems and prospects

In order for one to understand the background of producing and delivering public goods in Greece, a brief presentation of the administrative Greek system is needed. According to Photis & Koutsopoulos (1996), Greece has a government system characterized by a centralized, strictly hierarchical top-down structure and a pseudo – decentralized administration, where local and regional authorities are not offered the necessary competences so as to function autonomously. In brief, the Greek system fails to offer all echelons of authority the necessary political, administrative and economic functions as well as adequate infrastructure, which would allow them to actively participate in governing processes. In this context, the delivery of public infrastructure and services has mainly been the responsibility of the central government.

Classic Public Procurement and EU funding

Public works in Greece have been traditionally materialized through the method of classic public procurement. In this case the public sector selects a private contractor through competitive tendering procedures. The project is financed, operated and owned by public authorities while the private sector is solely responsible for the constructing phase. Up to the beginning of the 1990's public works had been awarded to private contractors according to the "lowest price criterion". This, along with the absence of reliable control mechanisms, offered the private sector strong incentive to present artificially low bids and limit construction costs after being awarded the project. Otherwise, constructors had the legal option to demand refund of the difference in costs after the completion of the project (Dimitrakopoulos, 2001). As a result, public works materialized through this method often presented poor construction quality and very low value for money.

The public procurement legislation reforming during the 1990's partly solved the above mentioned weaknesses and finally the "mathematical type criterion" replaced that of the "lowest price". However, it has been generally acknowledged that classic public procurement presents weaknesses with regard to cost overruns as well as late delivery, which are mainly due to poor planning as well as ineffective allocation of risks (BEI, 2005; NAO, 2004; 2003;Ganuza, 2003).

It must, also, be pointed out that the central government has institutionally controlled all public procurement schemes mainly through the Ministry for the Environment, Planning and Public Works (MEPPW), which has often caused coordination problems with other central government institutions and ministries involved in implementation procedures. Another aspect of the same problem is the fact that sectoral actions had been promoted while ignoring the wider policy goals that should be pursued (TCG, 2005; Dimitrakopoulos, 2001).

Furthermore, data on procurement markets in OECD countries indicates that Greece has one of the, comparatively, highest ratios (0.56) in central government to general government spending (Evenett & Hoekman, 2004). This implies the low involvement of local government to procurement procedures. To sum up, one could generally conclude that the MEPPW, as representative of the Greek central government, has been playing the major role in classic procurement processes, leaving relatively behind regional and local authorities on the financing and decision - making level.

Since the 1980's the country has also benefited from EU grants and funding that have significantly contributed to the materialization of more decentralized projects, aiming to the reduction of regional disparities. There have, however, been problems regarding Greece's, as well as other member countries', capacity to successfully absorb and distribute Community funding.

Even since the first Community Support Framework (CSF), the weak and problematic structure of Greek public administration led to poor management of EU funding. The main problems, during the period 1989-1993 seemed to arise from the incapability to support the delivery of public infrastructure projects (Getimis & Marava, 2002). Weak absorption of Community funding, delays in implementation procedures and problems in negotiations continued through the next programming periods (see indicatively: www.hellaskps.gr; Court of Auditors & EC, 1998; "To Vima", 24/12/2005; "Kathimerini", 03/01/2007). By the end of 2006, 30.197 projects had been approved for funding by the EU (through the 3rd Community Support Framework (CSF), the Cohesion Fund or Community Initiatives), for a total budget of about 42.644 billion €, of which only 4.31% had been absorbed[1] (KEDKE , 2007).

In all cases, the Greek central government kept the main role in monitoring the Community programme's allocation to local authorities (Getimis & Grigoriadou, 2004). It is indicative that during the programming period 2000-2006 local governments benefited only of 12.13% of total EU funding in Greece. It is also worth noticing that by 31/12/2006 the absorption rate for local government projects equaled 42.66% while 30% of approved projects hadn't concluded with contractual arrangements.

Nowadays, given the increased interregional inequalities that followed the inclusion of new member countries, together with the persistence of budgetary constraints, EU has started to set in motion new types of support frameworks that will attempt to promote the use of private capital as a tool for continuing its cohesion strategies. For the next programming period (2007-2013) 350 billion € will be invested by the Community in new regional policy

[1] Absorption= percentage of spending to budget of approved projects.

programs. It has been made clear, though, that it would not be wise to rely solely on public expenditure. That's why Initiatives such as JESSICA[2], are based on non-grant development funds, promoting recyclable and recoverable financial mechanisms, thus allowing the recovered funds to be reinvested in the future (Inforegio, 2006; EC, EIB & CEB, 2006; Hübner, 2006).

All these mentioned, it becomes clear that contemporary Greece has long been in need to search for new instruments, in order to adequately answer the country's needs for public infrastructure and services. The use of private capital as well as "know-how" seems to offer a solution to long lasting budgetary constraints as well as to unsuccessful classic public procurement methods.

Public private partnerships in Greece

The "trend" of public private partnerships (PPPs) has first been introduced in Greece through the form of "concession agreements"[3], which, at the time, have been said to form a kind of "legal paradox"(Trova & Koutras, 2001). Taking into account Greek administrative culture as well as lack of relevant experience, PPPs' implementation began through central government partnerships with the private sector. The main result has been the materialization of three large scale infrastructure projects: the Athens Ring-Road "Attiki Odos", the Athens International Airport "E. Venizelos" and the Rio-Antirrio bridge. When briefly presenting these first PPPs that have been implemented in Greece during the 1990's, one can make three basic observations:

Firstly, all three cases concern long planned projects, which were given considerable notice during the pre-contractual phases, which lasted for 4 to 5 years. At the end, the contractual agreements have been legally supported through the voting of separate laws by the Greek Parliament[4], which seemed indispensable, considering both the lack of explicit legislation on PPPs as well as prior relevant experience (Koutras et al, 2005).

Secondly, the Ring-Road, the Athens Airport and the Rio-Antirrio bridge have been partly financed by the EU and the European Investment Bank. (EDEXY, 2003).

Thirdly, they concern long term (23 years for "Attiki Odos", 30 years for "E.Venizelos" and 42 years for the Rio-Antirrio bridge) concession agreements, where the private contractor has the right to collect tolls ("Attiki Odos" and Rio-Antirrio bridge) or charges (Athens Airport) from users.

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[2] JESSICA: Joint European Support for Sustainable Investment in City Areas. EU is parallely promoting JASPERS and JEREMIE initiatives for the improvement of access to finance as well as technical assistance in planning, programming and preparation of projects in member states.

[3] With PD 23/1993.

[4] More specifically, Law 2338/1995 concerned the "E. Venizelos" International Airport, Law 2395/1996 concerned the Rio-Antirrio bridge and Law 2445/1996 concerned "Attiki Odos".

Apart from the above mentioned infrastructure projects, few preliminary forms of PPPs have been implemented on local level, either through the forming of Municipal Enterprises (Getimis & Grigoriadou, 2004) or by engaging private funds in order to perform small scale urban interventions (Kyvelou & Karaiskou, 2007; EDEXY, 2003)

In September 2005 the Greek Parliament voted law 3398/2005, which concerns relatively small to medium budget PPP schemes (of less than 200 million €). The law also implemented the Special Secretariat for Public Private Partnerships, a central unit under the Ministry of Economics and Finance, for the promotion, support and observation of Greek partnerships. In any case the importance of this new law lies in that it regulated the terms and conditions under which partnerships between the public and the private sector can be developed in Greece while explicitly permitting local authorities to use PPPs as a tool for promoting their proper goals (see Koutras et al, 2005).

At this point, it seems necessary to briefly present some of the basic principles and general advantages of public private partnerships in order to justify their worldwide application in national or local level.

2. Main characteristics of public – private partnerships

Relevant literature offers an impressive variety of definitions for public private partnerships. It can be accepted that one narrow definition for PPPs will not be of practical value, since partnerships take a variety of forms and expressions across different countries and depend largely on the nature of schemes (PriceWaterhouseCoopers, 2004;Xie & Stough, 2002). In any case, a public private partnership is formed when public and private actors decide to collaborate in order to answer to public needs in the most effective possible way, by sharing resources, risks and benefits (Caisse des Dépôts, 2003). Otherwise, PPPs have been identified by the European Commission as forms of collaboration of public authorities with the world of enterprises, aiming to guarantee the financing, construction, renovation, management or maintenance of infrastructure or the allocation of a service (EC, 2004)

When referring to PPPs one must outline the basic principles that distinguish this innovative form of delivering public goods and services. This is considered important since many authors fail to separate partnerships from other public private interactions, such as privatization and contracting out, thus enhancing PPPs with characteristics that deprive them of their basic notions. Indeed, public private partnerships could be identified by three major principles: durability, synergy and complexity (van Ham & Koppenjam, 1999).

In this context we should stress that public private partnerships are long term commitments between actors, at least one of which is public (Sack, 2004). These co operations usually extend from 25 to 35 years, depending on the nature of the project and are supported either through a clearly contractual relationship or by the creation of a special mixed capital legal entity –usually referred to as Special Purpose Vehicle (SPV)-, mutually controlled by all actors (EU, 2004).We should, note that PPPs can also take the form of finite or infinite time contracts. In this case the difference lies on the incentives of the private sector, whish are based on the salvage value of the investment at the expiration of the operating phase (Mulder, 2004).

Taking into account the above, the basic principle of PPPs is the sharing of responsibilities. Public and private partners undertake a public interest project by attempting to identify all risks involved and then assign all actors with the responsibilities each is best fit to handle. This aspect underlines the mutual contribution of resources, which takes a variety of forms, always in accordance to the type of project and the agreed goals (McQuaid, 1994). An important aspect of risk sharing, however, is that different actors exhibit differentiated perception of the same risks (Gallimore et al, 1997). In any case a general overview demonstrates that usually, the private sector assumes partly or wholly the financial risk of a PPP scheme[5], while the public sector undertakes risks concerning the framework in which the project will be materialized and operated successfully[6].

Complexity is another main characteristic of schemes materialized through public private partnerships. Alternatively said, PPPs usually concern projects with a number of aspects and of which the outcomes will affect a variety of interests. The State, thus, chooses to cooperate with private parties because it realizes that it is in no position to define all the conditions required to achieve the desired output (van Ham & Koppenjam, 1999).

Additionally to the above, PPPs follow two rules. The fist rule dictates that in a partnership the public sector's main role is setting strict conditions in order to defend public interest. Secondly, when involved in a PPP, the private sector is compensated according to its performance and the duration of the cooperation (MEFI, 2005). This last remark is crucial for achieving a long term balanced relationship between the involved sectors and avoid conflict of interests within the partnership.

Consequently to the above mentioned characteristics, a number of positive effects have been reported to derive from public private partnerships. It can be argued that PPPs present financial advantages in the production and delivery of goods, advantages for the development of entrepreneurship and, finally, positive effects to the national/local economy and society. We will present these advantages in the next part of this paper.

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[5] In any case any financial contribution of the public sector should be sufficiently justified in a PPP. The World Bank suggests that public financing is justified if social welfare gain exceeds the amount of public money invested multiplied by the cost public funds: $\mathbf{W_{PC}\text{-}W_{NPC} \geq C_P{*}MCPF}$ (World Bank, 2005).

[6] For example, the public authority usually assumes the risk of acquiring land and construction permits, of possible shifts in the political scene and of early project devaluation due to public sector activities (see MEFI ,2005; EC, 2003).

3. General positive effects of PPPs

It is generally recognized that the main incentive for adopting PPPs is achieving better "Value for Money" (VFM). By this term we refer to the reduction of the construction, operating and, in some cases, maintenance cost of the project, compared to achieving the desired outcome through alternative financing and procurement methods (DPL, 2002).

Partnerships achieve VFM due to the participation of the private sector, under the specific conditions set by the PPP contract. Contrary to public organizations, the private sector operates in a competitive environment, where effective planning and management is crucial for its survival. Therefore, a private company's main incentive is maximization of profit and market leadership. In the case of public private partnerships, these principles work in favor of a project of public interest in two ways:

Firstly, there is evidence for PPPs to achieve increased efficiency in terms of budget and time delivery. A long experience with budget excesses of public works shows that the profit motive of the private sector is a more effective factor in controlling costs than the legal and ethical obligations of public authorities to protect the taxpayers' money. Secondly, during the operation period, taking advantage of the private's sector managerial know-how and market placement leads to better whole – of – life asset management and, thus, better performances for the project. These two remarks mainly derive form the fact that in classic procurement for the construction of a public work, the contractor has every reason to blow up the budget so as to expand profit margins, whereas in a PPP the private partner is not compensated according to costs but according to performance (Plaskovitis & Karaiskou, 2007). Indeed, evidence from the United Kingdom reveal that about 78% of PPPs have respected the initial budget set by the contract and only 24% of such schemes presented late delivery[7] (NAO, 2003).

Achieving better VFM is also connected to PPPs risk sharing and compensation policy. In public private partnerships, the private sector usually undertakes the risks of financing, planning and delivering the project while having to respect the output specifications set by state authorities, in order to be adequately compensated. This factor is in itself an important incentive to any entrepreneur for minimizing costs and maximizing quality (Poschmann, 2003; APCC, 2002).

Public private partnerships offer another important advantage: the possibility of achieving economies of scale and gains in terms of increased productivity. Indeed, the State can cooperate with more than one private company for the materialization of a series of

[7] A relevant survey of the European Investment Bank in PPPs has shown that the success of PPPs regarding the respect on the initial budget and time of delivery is mainly due to the detailed nature of contracts adopted in such schemes (see BEI, 2005).

supplementary projects through one single contract (BEI, 2005; MEFI, 2005). This kind of programming, on the one hand allows authorities to save time by initiating one tendering process for more than one schemes and secondly, offers the chance for parallel coordination of activities between partners, so that the ratio of used resources to the produced output is digressive.

Apart from the VFM factor, partnerships can have positive effects to the development of private sector and entrepreneurship. This partly lies on the opening of new markets, traditionally controlled by the public sector (Sturgess, 2006). By developing creative partnerships, the State can still control output quality and, at the same time, open paths for the creation of mixed economy markets of public goods and services that offer new opportunities to private initiative.

In many cases, state authorities, also offer their partners incentives and facilitations in order to improve the financing conditions of the project (Gligorijevic, 2004; JRF, 1998). Taking into account that PPPs are based on "non-resource" financing (MEF, 2006), where cash flows occur at the operation stage, these incentives usually take the form of tax reductions or state guarantees and intend to facilitate the effort of the private partner in securing the necessary funds during the construction period. Moreover, the public sector, whenever possible, further reduces the financing cost of the project by granting state owned land to the private sector. In this manner it is made easier for private companies to enter the PPP market and improve their placement.

Other important advantages of PPPs originate from the very concept of the word "partnership". Indeed, most authors agree that creating partnerships between the public and the private sector, in a more vast sense, benefits social justice and empowers the creation of participative procedures open to all interested parties. Networking is crucial in the development of cooperation between sectors and, in this context, actors such as NGOs and other social partners are often given place to participate in schemes with increased social impact. Such procedures improve transparency and may lead to better securing public interest through the embedment of specific contractual terms (UNDP, 2000).

All the above mentioned advantages of public private partnerships can apply to national as well as local level, depending on the nature of PPP schemes. For the purpose of the present paper we will focus on the positive effects of public private partnerships in local economies and decentralization processes.

4. PPPs and local development

Local development could be defined as the participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies mainly based on the competitive use of local resources (Canzanelli, 2001). This definition has been chosen in order to stress the importance placed in recent literature on the creation of partnerships for developing local economies. In the case of Greece, where strategies for local economic development seem to lay principally on central government guidelines and policies, the promotion of "local partnering" seems to be even more crucial. Based on the advantages mentioned in the former part of this paper, it is helpful to outline some possible positive effects of public private partnerships, this time in the context of local economies.

PPPs have been primarily developed in order to attract private funds to public interest projects at times of state budgetary constraints (Mohr, 2004; Poschman, 2003; Spackman, 2002; Bhat, 2000). In any case taking advantage of private financing means saving public money which could be used as public investment in other sectors, where partnerships or other forms of private financing are not considered desirable or even feasible. Local authorities can, thus, use PPPs supplementary to other public sector schemes for the delivery of infrastructure and services[8]. In this context, we could state that this overall increased investment activity as well as public infrastructure[9] in the region favors local economic growth, productivity, and competitiveness (Regan, 2005).

We have also stated that public private partnerships favour the development of the private sector in a number of ways. Facing this from the local economic development perspective, we should also refer to the fact that, by enabling the private sector to be activated in local markets of public goods and services, PPPs improve local productivity. Furthermore, Silva & Rodriguez (2005) have recognized the value of PPPs in empowering local cooperations, not only between the public and the private sectors, but also between private organizations themselves. "Collective entrepreneurship" is one aspect of this kind of cooperations, where companies of the same or complementary sectors can coordinate their decision - making processes. This sectoral or intersectoral coordination may offer positive outcomes such as

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[8] It has been noted that, due to the market environment formed in contemporary mixed economies, public and private actors are often coordinated in their activities. Public and private capital may not only be considered as complementary but also as substitute "goods". In this sense, productivity curves for one product may be identical, independently to whether it is being financed by public or private capital (CRC, 2001; Da Vezies & Prud'Homme, 1994). At the same time, though, the hypothesis of "substitution" raises the question of whether increased public investment creates "crowding-out" phenomena, thus having negative effects on private investment (see Apergis, 2000). Since this discussion lies beyond the scope of the present paper, we integrate the effects of private and public capital to overall increased investment, which is considered as a positive factor of productivity, competitiveness and economic development.

[9] However, the contribution of infrastructure capital to economic growth is a rather controversial issue. There are reported empirical analyses that found no statistically significant association between the two components. We can state, though, that in the short term increased employment in the infrastructure sector presents positive effects to the economy while increased infrastructure capital leads to increased productivity in the long term (Plaskovitis, 2004).

diffusion of new technologies, development of innovation and specialization of human resources.

We could state that there are two ways of instigating the positive effects of partnerships to local development (Pichierri, 2002): it could be based on processes triggered either purely by actors and resources from inside the area in question or by a combination of endogenous and exogenous actors and resources. In this sense, to achieve endogenous local development, municipal authorities attempt to organize a PPP strategy by partnering with local companies that meet the desired standards and using local investment opportunities productively. Otherwise, local authorities could aim to attract economic actions from other territories, thus stimulating a direct or indirect competition, as a way for achieving economic development (Metaxas & Kallioras, 2004; Godard, 1996). Local competitiveness could be instigated by the cooperation between local actors as a base for the attraction of further investment in the region, while ensuring the functional survival and development of local businesses. In this context, forming a decentralized type of governance remains crucial for the empowerment of local decision – making processes.

5. Forming a new type of decentralized governance in Greece through local public private partnerships: prospects and threats

As stated earlier in the present paper, Greece has a rather centralized administrative system, where local authorities handle centrally controlled funds and enjoy relatively limited decisive competences. In this context, it should be interesting to investigate, on the one hand, the way in which local authorities can use partnerships in order to overcome the obstacles placed by the existing administrative Greek system, as well as how PPPs might, in the long term, encourage decentralization of the decision-making process, regarding the delivery of public goods and services.

Strengthening Local Authorities

Greek municipalities mainly finance their regular activities through a centrally controlled budget (Central Independent Revenues – CAP) and limited tax revenues or can seek for irregular revenues through public borrowing or disposing of municipal property (law 1828/1989). Taking into account that about 58% of their revenues derive from the central government budget (Lalenis & Liogkas, 2002), local authorities, by not being able to plan their own resources, simply lack the flexibility to finance more ambitious local schemes. PPPs, on the other hand, can be based on the use of private capital, thus relieving municipalities of the immediate financial burden of the project. In this sense, partnerships offer local authorities a new financial tool for overcoming their increased dependency on the central government

Another issue on the Greek administrative system lies on the structural and operational weaknesses of local authorities. Inefficient bureaucratic mechanisms are a main characteristic of Greek municipalities. Inadequate infrastructure and unskilled staff conclude the image of local self-governments who are often unable to efficiently support some of their basic functions (Photis & Koutsopoulos, 1996; Michael, 1994; KEPE, 1991; 1990). By initiating PPP schemes, local authorities take advantage of their partner's technical and managerial "know-how", in order to materialize a wide range of public projects.

Close contact with entrepreneurial culture is one more aspect of PPPs that could prove to be beneficial to local government. More specifically, cooperation with private institutions could help municipalities in identifying their weaknesses and adopting basic principles of private sector management and efficiency, in local administration. Productivity, total quality management and "customer – oriented" services are an example of new public management principles that derive from private organizations' practices (Michalopoulos, 2003; Hebson et al, 2003; Kim, 1997). Going even further, Riege & Lindsay (2006) refer to knowledge management partnerships, where public and private organizations form strategic alliances in order to improve the quality of public policy implementations. In this context, PPPs are not simply a mechanism for "employing" the private sector for the production of public goods: they are a potential tool for improving public sector efficiency.

Potential drawbacks of Greek local PPPs

Although PPPs are reported to present a number of positive effects and advantages, which can prove to be beneficial to Greek local governments, they, also, engage certain important threats. These threats derive both from the nature and characteristics of Municipal authorities in Greece as well as general features of public private partnerships.

One could state that the basic conditions for the successful implementation of a local PPP lay in the preliminary phases of forming the partnership. Ensuring the project's economic viability together with protecting public interest are necessary in order to ensure that a PPP is justified. Political and social priorities must be clarified and alternative financing and constructing methods should be comparatively examined before deciding to proceed to a partnership with the private sector (MEFI 2005; EC, 2003; Tsenkova, 2002; NAO, 1999). Ensuring competitive tendering is also crucial. Private investors must, however, expect financial returns in order to file a bid. Careful selection of the project's nature as well as effective planning could, therefore, contribute in making sure that a good number of alternative bids will be gathered (Fayard, 1999). Finally, it is the government authority's duty to impose contractual terms that will ensure the private's sector contribution in public goals, such as environmental protection and serving social as well as economic local needs (Lewis, 2003; Adair et al, 2000).

In this context, structural and operational weaknesses of Greek local authorities could pose important obstacles. As we have already stated, the lack of financial resources, as well as experienced and skilled staff, which could effectively handle the preliminary phases of a partnership, are a major drawback in ensuring that a PPP will have the intended positive effects. Conducting a partnership contract is a rather complicated, timely and costly procedure. The existence of opposing interests between the potential partners, as well as imperfect information on their intentions raises the need for careful setting of contractual conditions and increases transaction costs (Hall, 2005; Parker & Hartley, 2003). There is, also, the threat that, during this process, the private sector can benefit from the local government's structural weaknesses and take advantage of its own increased experience and negotiation capacity to the expense of general public interest (Bloomfield, 2006).

Clientelistic relations are, unfortunately, another feature of the local political system in Greece (Getimis & Grigoriadou, 2004), thus encouraging opportunistic behaviours and discriminatory selection procedures during the planning and tendering stages of partnering with a private company. One aspect of this problem lays on the fact that local representatives tend to act as agents of Greek political parties (Lalenis & Liogkas, 2002) and therefore disregard true local needs so as to serve central political goals. However, without competition and employment of VFM-criteria during the selection of bids, the local society fails to ensure that long lasting commitments, such as PPPs, will not prove to be more costly than classic procurement methods.

Taking into account that contractual relationships with the private sector normally last 25-35 years, long-term planning is a basic need in order to successfully implement a PPP. It is, however, possible for local governments' budgetary constraints to lead them in an overuse of private capital, as a short-term financing solution. PPPs usually support projects based on "non – resource" financing by the private partner, who will be compensated through payments during the operation period, while covering the cost during the construction phase (MEF, 2006; Sorge, 2004). Therefore, it should be made clear that partnerships do not offer a "magical solution" to every local problem and there is certainly a need to foresee that future financial cost will not disturb social justice –or else, that the price paid by the user/tax-payer will be socially acceptable. Apart from budgetary constraints, short –term political goals of local representatives engage a similar threat. More specifically, the adoption of private financing may be used to materialize projects by transferring operation cost – together with the political cost- to future electoral periods. It is clear that this kind of short-term financial programming may lead to social injustice through the transferring of responsibilities to future users and tax-payers, while it fails to serve the purpose of long-term saving of public resources (Pitt et al, 2006).

Finally, it may be proven difficult to secure local public opinion acceptance for the involvement of private, profit- driven organizations to the provision of public goods and services. The dominating Greek political culture and the weak civil society seem to render citizens suspicious of private – public cooperations (Getimis & Grigoriadou, 2004), which may pose significant obstacles to promoting partnerships, by fear of “selling-out” public property. In the eyes of the wider public, private management and charging users is not far from privatization and this may not be acceptable in the realm of public goods and social services (Plaskovitis & Karaiskou, 2007).

Promoting decentralization and bottom-up governance through local partnerships

When using the term *decentralization* we tend to refer to some kind of power and responsibilities transfer to local governments (Kim, 1997). The issue of decentralizing the production of public goods and services in Greece lies in fact to the transfer of resources and local policy-making capability and not so much to the institutional transfer of responsibilities.

Taking into account Greek administrative and government culture, we could state that formalized institutional decentralization processes could begin to take place when local communities are made ready to assume further responsibilities. In this context, two factors can be said to be of vital importance in order to trigger a bottom-up restructuring of the decision-making process: reinforcing accountability of local governments as well as reducing regional economic and social isolation phenomena. Partnerships between local public and private actors can play a key role in reaching these goals.

Public private partnerships are mentioned to set ground for decentralization of decision – making processes by allowing local actors to use their intimate knowledge of local needs in order to achieve better results (McQuaid, 2000). On a first level, implementing successful PPPs in traditional local public schemes may allow municipalities to productively exploit local resources and create a healthy competitive environment for private actors who wish to get involved in this new local “market” of public infrastructure and services. Through this networking between local government and private for-profit organizations opens the path for contractual relationships of a larger sense, between wider variations of local players expressing local interests. As Godard (2002) puts it “*…this enables us to go beyond the monocentered conceptions of the local political scene and the strictly institutional approaches of the political government ….*”, by activating negotiation mechanisms between groups “*…whose relationships can be defined both by competition and cooperation.*”.

Reinforcing accountability and sustainability of actions of municipal authorities in Greece, as we have extensively stated, is not an easy task. Clientelistic relations and party-dominated networks create major obstacles in ensuring healthy cooperations. However, expanding partnerships between local government and various social partners of the local community, including non-profit and non-governmental organizations, may well lead to restricting individualistic phenomena, avoiding short-term planning and establishing a more open form of local governance (Silva & Rodriguez, 2005). At this stage we should also clarify that "partnering" is not limited to the simple passing of resources between the public and the private sectors (Pichierri, 2002), but may refer to the forming of productive social dialogue for the achievement of common goals. In this context, Getimis & Grigoriadou (2004) are noticing the emergence of new social movements in contemporary Greece. Contrary to the past, these contemporary movements do not appear to be dominated by individualistic and confrontational culture, but encourage civic participation. Therefore, their involvement in local PPPs, of a wider sense, may reinforce accountability of local actions.

Finally, partnerships may be formed between several local governments and local private actors as a way to implement larger scale local projects. Taking into account that Greek perfectural authorities practically act as central government's agents (Photis & Koutsopoulos, 1996), unable to coordinate local actions and promote decentralized project implementation, intermunicipal PPPs can fight territorial isolation and permit more complete and efficient approaches to the provision of public goods in neighboring territories or in urban centers with similar needs[10]. Furthermore, the sharing of relevant experiences and best practices between local governments can, prospectively, improve the implementation of partnerships for the delivery of local goods and provide the "know-how" for "self-governing" local needs.

The purpose of the above mentioned theoretical considerations has been to present new prospects for the use of Public Private Partnerships in Greece at a time when operational case-studies of such local cooperations in the country are quite limited. Next we will briefly see what is being currently implemented in the field of local PPPs through a specific central government initiative.

6. From theory to practice -"Thisseas": an instrument for promoting Greek local PPPs

As we have already mentioned, the introduction of law 3389/2005 offered local authorities the chance to proceed with local partnerships through a more concrete institutional framework. At the same time, though, the Ministry of Interior, Public Administration and Decentralization (MIPAD) has introduced "Thisseas" (law 3274/2004), a 5 year program for the development of local self-governments that also aims at promoting the adoption of local PPPs. "Thisseas" supports 34 local actions, grouped in the following three sub-programs:

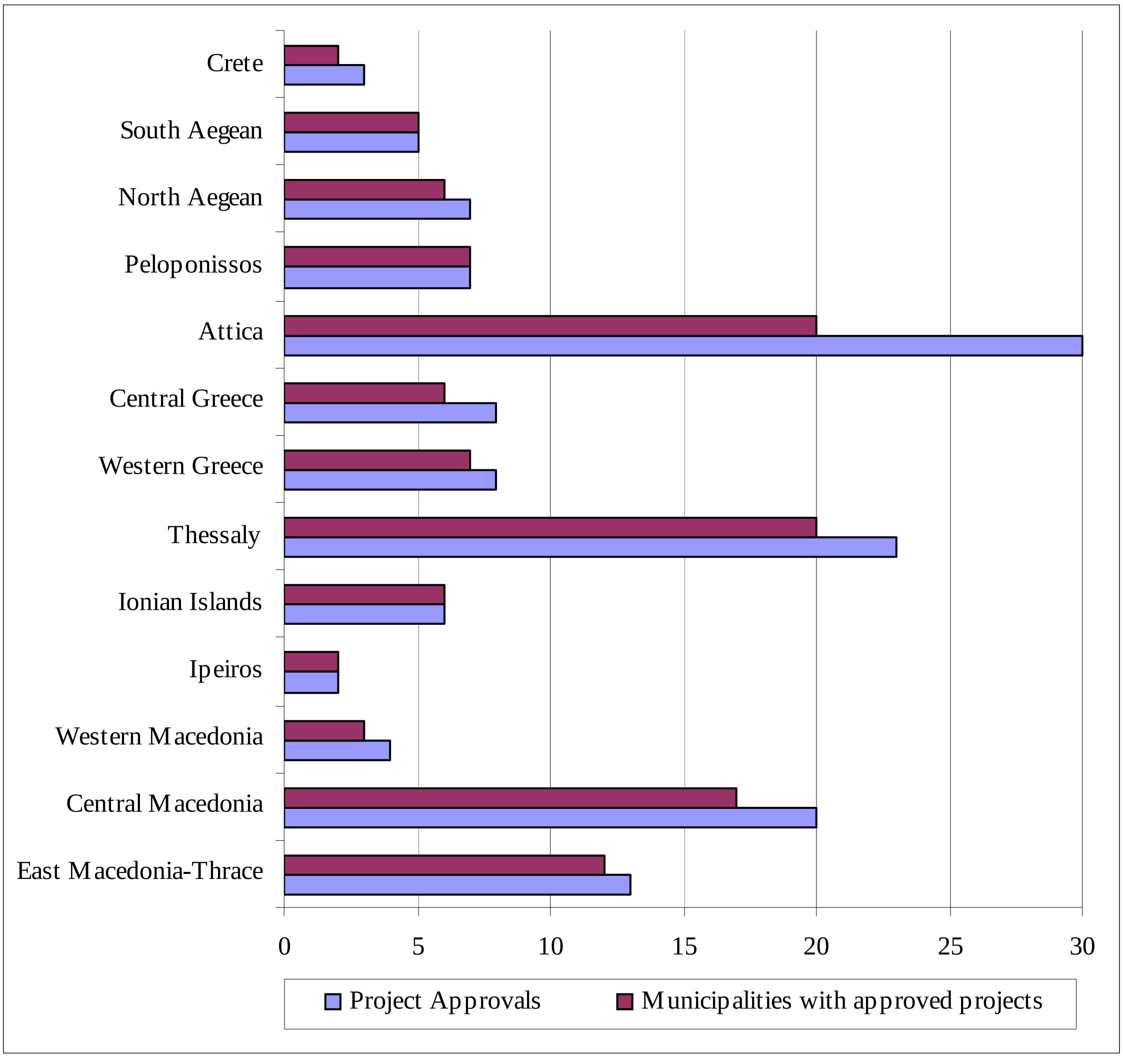
[10] This kind of governance may be linked to Metropolitan Administration systems, whose application in Greece is being strongly discussed since the 1990's. For more on this subject see: Papadimitriou & Makridimitris (ed.), *Administration Systems of Metropolitan Areas,* A.N.Sakkoulas Publ., Athens-Komotini, 1994 (in Greek); Hellenic Regional Scientists Association (SEP), *Metropolitan Municipalities and elected Regional authorities- Scientific Conference Proceedings,* SEP, 2006 (in Greek).

- Organization and development of municipal public services
- Local development and environmental protection
- Social and cultural infrastructure and activities

All three sub-programs involve financial granting of the elaboration of Masterplans, in order to investigate the potentials of implementing proposed partnerships and, in selected cases, the funding of the municipality's financial contribution in a PPP. A rather important aspect of "Thisseas" is that it encourages the creation of local networks and partnerships between local authorities, a crucial factor in potentially enabling a more holistic approach in facing urban needs of the same region.

Until May 2007, municipalities filed 219 PPP proposals, 136 of which have been approved for funding by "Thisseas", with the average budget of each approved proposal to be estimated to 100,728 €.

Figure 1
Regional distribution of PPP Schemes approved through "Thisseas"



(***Source:*** Elaboration of data provided by the Ministry of Interior, Public Administration & Decentralization, May 2007*)*

In Figure 1 we present the regional distribution of approved PPP projects. Attica, where the main body of central administrative bodies is situated, concentrates the higher number of approved local partnership schemes, representing 22% of the total, followed by Thessaly (16.9%), Central Macedonia (14.7%) and East Macedonia and Thrace (10%). The nine remaining Greek regions' local authorities haven't yet extensively benefited from the "Thisseas" initiative, but one could state that it is encouraging to see that initiatives for planning and implementing local actions are being put forward all around the country.

Table 1
Nature of PPP projects approved through "Thisseas"

Category of Approved Projects	Number of Approved Projects	Percentage (%)	Budget of Approved Projects (€)
Tourism (conventional and alternative)	29	21.32	172,180,000
Planning and Construction of Parking Spaces	28	20.59	150,683,762
Municipal Real Estate development	16	11.76	248,600,000
Culture, Sport, Education and Conference spaces	10	7.35	67,454,722
Primary Sector Infrastructure	8	5.88	14,696,029
Energy Infrastructure	7	5.15	329,650,000
Municipal - Social Infrastructure and Services	7	5.15	3,700,000
Water and Waste Infrastructure	7	5.15	344,500,000
Urban development and regeneration	6	4.41	318,700,000
Masterplan on the Potential of Implementing a PPP	6	4.41	382,000
Planning & Construction of Commercial Centers	5	3.68	85,000,000
Construction and Operation of Marinas	4	2.94	13,000,000
Implementation of Industrial/Technology Parks	3	2.21	19,500,000
TOTAL	**136**	**100**	**1,768,046,513**

(Source: Ministry of Interior, Public Administration & Decentralization, May 2007)

As far as the nature of local PPP projects approved by "Thisseas" is concerned, they can be categorized as shown in Table 1. There, we notice that local governments seem to consider tourism infrastructure development (21.32 % of approved projects) as a priority PPP project. This can be justified given the fact that tourism represents a traditional promoter of Greek economy[11]. Otherwise, Greek municipalities mostly prefer to put forward rather "conventional" types of projects such as the construction of parking spaces and real estate development (32.35% of approved projects). It is however important to note that sustainable actions, such as energy infrastructure or urban regeneration schemes (9.56% of approved

[11] According to the World Travel and Tourism Council, tourism accounts for 15.1% of Greece's GDP and 15.9% of the country's employment (World Travel and Tourism Council, *Greece: the impact of travel and tourism on jobs and the economy, preliminary findings*, WTTC, 2006)

projects) are within the municipalities' general goals. We should also note that, until May 2007, only one intermunicipal PPP has been approved through the "Thisseas" initiative[12].

Conclusions

Greece has long been in need to renew its institutional tool case for providing public goods and services. Classic public procurement and management of EU's funding have, on the one hand, acted as "alibi" for ineffective public policy practices (Spanou, 2001) and have, in practice, also reflected the structural weaknesses of the highly centralized Greek administration system. Large scale concession agreements during the 1990's have, also, provided a useful experience, justifying the promotion of an explicit legislation for public private partnerships.

The present paper has attempted to overview the basic features of PPPs, which seem to offer important advantages on economic as well as social level. More specifically, reported theoretical considerations show that partnerships between local governments and private institutions can prove to promote local development, strengthen local public authorities and instigate forms of bottom-up governance. It is, however, important to stress the need to secure that PPP schemes will not be undermined by the weaknesses of Greek local authorities, which have to use this innovative tool with a sense responsibility and long term planning. Accountability is a major issue for any local partnership and as Bloomfield (2006) puts it: *"…when laypersons, without legal and engineering training cannot readily understand the key provisions of a public contract, simply making the contract documents public will not suffice to insure transparency…"***.** In this context, public authorities have to maintain their leading role in terms of establishing and controlling the fulfillment of strict specifications in the production of local public goods through PPPs, which will also assist them in ensuring public approval.

The success of any partnership depends on the capacity to act according to specifically identified priorities and, thus, produce the desired results (OECD, 1997). Greece's experience in operational local partnerships remains limited, which doesn't allow the expression of definitive conclusions, concerning the effectiveness of chosen actions. The presented "Thisseas" initiative has been chosen, though, as it is the only up-to-date reported coordinated action for the promotion of local PPPs in the country. The examined relevant data have shown that Greek municipalities are willing to proceed with privately financed local projects but are still, for the larger part, choosing rather conventional, small scale interventions. Time will show if local authorities will explore the possibility of using the private sector as a useful

[12] This intermunicipal PPP project is being put forward by the Municipalities of Kardamila and Amani in the island of Chios. It concerns the production of electricity through wind power (Ministry of Interior, Public Administration & Decentralization, May 2007).

partner for productively activating local networks and, thus, claim a more active role in decentralizing governing processes.

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