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PUBLIC-PRIVATE PARTNERSHIPS AS AN INSTRUMENT OF NEW PUBLIC MANAGEMENT

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Abstract. *Satisfaction of public needs has always been in the public domain, but the inefficiency and the size of public institutions lead to tendency of the involvement of private sector. At the beginning of 1980s a new way of thinking – "new public management" has been identified as an alternative in provision of public services. New public management is trying to enhance the performance of public sector by adopting private sector management methods. Public-private partnerships, which especially gain on their significance at the beginning of 1990s, represent the instrument of new public management. Public-private partnerships include organisations from public as well as from private sector working together in order to satisfy public needs. For a number of years, developed market economies have been using public-private partnerships as a more efficient and effective way of management in provision of public services in health, defence and infrastructure sectors. In this paper we analysed the basic models and characteristics of public-private partnerships. We pointed out the obstacles for their implementation, as well as the benefits that come out from their usage. At the end of this paper a short analysis of the possibilities of implementation of public private partnerships in Serbia will be given.*

Key Words: *new public management, public private partnerships, satisfaction of public needs, contractual forms, public procurements*

INTRODUCTION

For a number of years, developed market economies have been using various forms of public-private partnerships with the aim of achieving more efficient and effective management in public services provision. A pressure for the change of a traditional standard public procurement model initially arose from the concerns about the level of public debt, which has been increasing rapidly during the macroeconomic disturbances in the 1970s and in the 1980s. In that sense, governments have started to ecourage private investments

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in the infrastructure in order to relieve their budgets. New concepts in New Public Management were designed in order to overcome inefficient allocation of resources in public bureaucracy and production of public goods and services.

Governments have various forms of public-private partnerships at their disposal for the realization of specific projects intended for the satisfaction of public needs. What needs to be taken into account when choosing a particular form is the "value for money"; i.e. the public sector must ensure that the project with the private partner provides cost-efficient, reliable and on-time services at the agreed price and in accordance with the agreed quality standards, as defined by the contract, that is, a *better value for money* (Grimey and Lewis, 2005) for the tax payers than the one that would be provided by a traditional state investment. This effectively means that the public-private partnership project has to be cost-efficient. In literature dealing with this subject, Public Sector Comparator (PSC) is used for testing project efficiency.

The paper will first present some of the public-private partnership characteristics and then the forms of public-private partnerships most frequently used in practice. A part of the paper is dedicated to the public-private partnership benefits in both public and private sectors. Furthermore, the authors will point out some of the limitations in the application of public-private partnerships, whereas the final part of the paper deals with the possibilities for the implementation of public-private partnerships in Serbia.

BASIC CHARACTERISTICS OF PUBLIC-PRIVATE PARTNERSHIPS

There are various definitions of public-private partnerships (PPP) in literature dealing with this subject, because a single definition of the public-private partnership, i.e. the cooperation between the public and private sector in public services provision, is not easy to formulate for many reasons.

Firstly, from a historical point of view, the cooperation between private and public sectors has existsed for centuries. However, the motives and interests for those partnerships have changed, so today's notion of public-private partnerships is significantly different from the ones in the past.

Secondly, from the political point of view, it can be noticed that socio-democratic options inclined towards a traditional model of public services provision, whereas the neoliberals favored the major influence of the private initiative in public services provision. The political point of view appears to be of special importance because the political attitudes of the authorities towards private initiatives, and especially towards the initiative for partnership, varied considerably over the years. In light of contemporary understanding of that phenomenon, it is important to mention the political thought of the so-called "third way", which rejects both neoliberal trust in previous reliance on the market by conservative governments, as well as centralized planning and provision, typical for traditional social-democracy and forwards the approach based on the idea of partnership (Broadbent et al. 2003, p. 136; Flinders 2005, p. 218).

Finally, from a technical-technological perspective, the relationship between the two sectors has changed depending on the complexity of the media through which the public service was provided. Taking into account the financial point of view, this relationship was defined by the availability of different sources of financing the costs of the public buildings construction (Juričić 2008, 454).

The term public-private partnership includes all business ventures in which public and private sectors combine their resources and knowledge in order to satisfy clearly defined public needs in a best way, with shared responsibility, risks and profits (Pavlović 2007, 16; Ahadzi and Bowles 2004, 968). Public-private partnerships represent "the relationship of shared risk between public and private sectors based on mutual wishes for the achievement of a desired result in public policy" (Flinders 2005, p. 216).

Public-private partnerships are also defined as the "cooperation between public and private participants of a permanent nature, in which participants develop mutual products and/or services with the shared risk, expenses and profit" (Klijn and Teisman 2002, p. 2). Public-private partnerships are based on the idea of the mutual added value. Namely, partners predict the added benefit and expect that it will surpass the (additional) cooperation costs. Benefits can be of various forms: financial, i.e. material, as profit, work space benefits, increased transport capacity, etc. or non-material such as image improvement, knowledge development, etc. Cooperation costs can be immediate (preparation, internal organization adjustments) or periodical (organizational coordination, adjustment and timing of the important goals, etc.), but the most important thing is the added value of the synergy, i.e. the possibility of product development through the integration of various parts or combined efforts, all of which would be impossible without such public-private partnerships.

According to the European Commission *Green Book*, public-private partnerships represent a form of cooperation between public and private sectors with the aim of ensuring financing, building, reconstruction, operating and maintenance of a particular infrastructure or provision of services (Commission of European Communities 2004). The main aim of signing a public-private partnership contract is providing the incentive for the supporting of the economy and economic growth and enhancing the development of infrastructure and public services provided by the public sector with the aim of public needs satisfaction. The main characteristics of public-private partnerships are as follows:

- A long-term contractual cooperation – 25 or 30 years
- The contract defines the integration of all phases of the project, sharing of investments, responsibilities and credits for as long as the contract is valid
- The contract defines demanded performances as the final, output specifications
- The public partner is the one that defines the aims of the construction in the public interest and sets the demands in terms of cconstruction, maintenance and service quality standards
- The private partner takes the risk, that would otherwise be taken by the public sector, although risk sharing differs in each individual case
- The public partner pays the fee to the private partner for the construction and operation of the constructed building and undertakes the obligation to use the building for the contract-envisaged purpose
- After the expiration of the contractual period, the constructed building is returned into the public sector ownership.

Despite the fact that there is not a single unified definition of public-private partnerships, all the above mentioned definitions share certain similarities which can be classified in 5 groups (Akintoye et al. 2006):

1. The partnership includes **two or more subjects**, one of which is from the public sector and the other being from the private sector. Public-private partnerships can also include public partnership with non-governmental organizations.
2. In public-private partnerships all **project participants have the principal position,** which enables reducing the agency costs. This effectively means that all participants contract their participation for their own account regarding the project and the other participants.
3. In public-private partnerships the **long-term and stable cooperation** between the partners is established. Although there are numerous examples from practice of a long-term cooperation between the public sector and a particular private sector supplier, these cannot be considered as models of public-private partnerships. The reasons are various: such cooperation can be ended at any time without any particular explanation, participants are not equal partners in the process of designing the whole service delivery and exploitation; it is rather that the public sector defines all service details and then selects the supplier with the lowest bid; then the public sector takes all the responsibility for the procured good after the delivery, etc.
4. In the model of public-private partnership **each partner contributes to the partnership.** In order for the partnership to succeed, each partner has to make a contribution in material or non-material resources in order to achieve the synergy effect.
5. The partnership includes **shared responsibility for the produced outputs,** i.e. for the provided services. Such relationship differs significantly from the traditional position of the public sector, in which it keeps the responsibility for public service provision and public policy implementation, based on possible advice or one-time services provided by the private sector.

THE FORMS OF PUBLIC-PRIVATE PARTNERSHIPS

The basic dilemma of the public-private partnership model application is the mode in which the public sector will build a certain object with the purpose of procuring a public service – i.e. whether that object will be built and the public service delivered by the public sector only or another party will be contracted for the provision of public service (*make or buy decision*) (Juričić 2008). The public sector may decide to build a public object using its own working, financial and technical capacities, and deliver a public service by its own, which is the traditional way. Another possibility is for the public sector to provide a public service indirectly with the assistance of the private sector. Since the development of a project represents a process consisting of several phases (Bettignies and Ross 2004):

- Defining and designing the object through which a particular service is provided
- Financing capital costs of the project
- Object construction
- Object maintenance and product/service provision

the task of the public sector is to decide whether or not the third party will be entrusted with the responsibility for the organization of a particular phase or all phases in the project development and, in case the decision is affirmative, to choose an agent that will perform the action. Establishing the economy of the public service provision model is based on the cost and benefit analysis for costs and benefits the public sector has according to different models during the implementation of all listed phases. Two extreme models of public services provision are the cases when the public sector provides the public services using its own resources entirely and the case of total privatization.

Although both relevant literature and practice abound in forms of public-private partnerships, the European Commisson *Green Book* lists the following models (Government of the Republic Croatia, 2006):

1. ***contractual*** – in which the public-private partnership is based on contractual obligations exclusively
2. ***institutional*** – this model includes public-private partnership as a special entity; for example, when a public and a private sector found and operate a new institution jointly or when the private sector overtakes and operates the existing institution.

Contractual forms of public-private partnerships are more common in practice. Long-term public-private partnership contracts include activities concerning financing, designing, implementing and operationalization of infrastructural projects and public goods and services provision projects. The success of the selected structure depends on the ratio of service prices to the quality these services ensure. If the expected ratio and the economic efficiency of the public-private partnership structure are achieved, then we can talk about a successful structuring of the relations between public and private sector.

Some types of public-private sector contracts are shown in Figure 1. Although the term public-private partnership has been broadly used for some time, there is no unique and broadly accepted model. On the contrary, forms of public-private partnerships vary between traditional forms of public work performance by the public sector and privatization, i.e. public work performance by the private sector. In the former case, the public sector retains the entire responsibility regarding property financing, construction, operation and maintenance, along with all risk calculations. In the latter case, the private sector accepts all the risks and responsibilities. A majority of public-private partnerships is in the middle of this spectrum, between the public sector and its private partners according to their advantages and disadvantages.

It is especially important to emphasize the difference that exists between introducing the private sector into the field of public services provision through outsourcing contracts, through partnership and through privatization by using private funds only. Namely, in the outsourcing contracts, the public sector defines the problem, service standards and a potential solution to the problem, whereas the private sector is to provide the contracted service with minimum expenses (Leković and Ivanović 2009). These contracts are appropriate for operational procedures, are short-termed and are concluded based on competitiveness. They enable public agencies to benefit from the technical expertise of the private sector, whereas the overall control remains within the public sector. The outsourcing contract should not be treated as a partnership, but rather as a short-term cooperation, without risk and profit sharing. Moreover, introducing private financing may be realized even without an outsourcing contract. The simplest models are the service contracts (Bojović, 2006). Considering that they are not treated as partnerships but as outsourcing, the private party provides, operates and maintains a certain good during a short period of time, whereas the public sector takes both financial and operation risks. These models represent traditional models of public services provision.

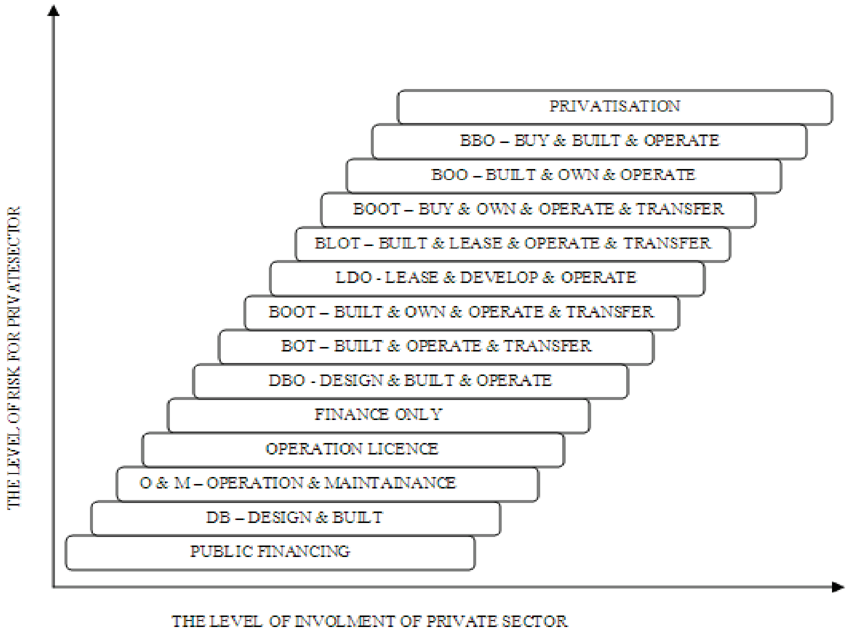

Fig. 1. Forms of public-private partnerships
Source: Gulija, B. 2004. Javno-privatno partnerstvo. *Euroscope* 73, p. 2

On the other hand, privatization represents ownership transfer from the public towards the private sector. Privatization may or may not have liberalization effects on the economy in the sense of relieving the government control and opening the economy to competitiveness. Public monopoly may easily be transformed into private monopoly, which is the complete opposite of liberalization, that is, privatization does not necessarily mean increased competitiveness.

Between the above mentioned extremes exists an entire set of models in public service provision that differ in the degree of private sector inclusion and the risk it takes. Some of them are (Aćimović and Džopalić 2008; Bojović 2006; Kačer et al. 2008):

Design & Build – contractual public-private partnership, in which the private partner designs and builds the infrastructure or a certain object according to the specifications given by the public sector and at a fixed price, which transfers the cost risk to the private sector. In this form of contractual cooperation, the public sector provides financial means, delivers the service, maintains and owns the constructed object.

Operation & Maintenance Contract - O&M – contractual public-private partnership in which the private partner operates the public property under a signed contract and under certain conditions, whereas the state remains the owner of the property. Private partner's profits depend on the performance.

Operation License – is used in IT projects when a private company is given a license or the right to provide a public service during a certain period of time.

Finance Only – the private sector, usually a financial institution, directly finances the project. All financing expenses are covered by the public sector, which also takes all the building and exploitation risks.

Design & Built & Operate – the private sector projects and builds a public good, in accordance with the demands and specifications of the public sector, usually at a fixed price, whereas the public sector is in charge of financing and financing expenses. Upon the completion of building, the private sector takes out a lease on it and provides a service while using the object.

Built & Operate & Transfer – the private sector builds the public good, based on the public sector projects, and operates it providing public service. As a service provider and under public sector control, the private sector charges service provision from the public sector and/or final beneficiaries. When the lease expires, the public good is returned to the public sector.

Build & Own & Operate & Transfer - BOOT – a private company builds a public good based on the public sector projects, then operates and keeps it in its ownership for a period of time arranged by the contract. During that period, the private company charges for its usage and after that the ownership is transferred to the public sector with no extra charges. Until the expiration of the contract, the private sector undertakes complete operational management of the infrastructure object.

Lease & Develop & Operate – a private partner takes out a lease on a public good, technologically and functionally develops, improves and operates it.

Built & Lease & Operate & Transfer – a private partner builds a public good and takes out a lease on it. The ownership remains in the public sector and the private sector provides the service. When the lease expires, the public good is returned to the public sector.

Buy & Own & Operate & Transfer – the private partner buys a public good, uses it for a contracted number of years and provides the service. After the expiration of the contract the public good is restored into the ownership of the public sector.

Built & Own & Operate – the private sector builds and operates the public good in its ownership without the obligation to transfer the ownership over the property to the public sector. The public sector controls the quality of the provided services.

Buy & Built & Operate – The private sector buys the public good, improves and operates it. Upon the expiration of the contract, the private sector retains the ownership over the public good.

The most common form of public-private partnerships in practice is ***D**esign-**B**uilt-**F**inance-**O**perate* – ***DBFO***. This model of public-private partnerships includes the government which specifies the type and quality of service, i.e. the goods or services they want and then enters the long-term contract with the company or a consortium, which is obliged to design, finance, build and operate the object, as well as provide some of the services related to it (usually maintenance, cleaning and security) (Skelcher, 2007). The government pays for those goods or services within a certain medium-term or long-term period either through taxes or through the income.

From all the above stated, we can see that there is no unified model of public-private partnerships. Each model is special, specific and depends on a number of factors and parameters, and especially on partners' readiness to cooperate and allocate the risks.

PUBLIC-PRIVATE PARTNERSHIPS BENEFITS

Public-private partnerships contribute to achieving numerous benefits for both public and private sectors. Some of the public sectors benefits are (Juričić 2008; Bojović 2006):

- *Improving the public sector capacity for the development of integrated solutions* – in the traditional process of public procurements, more complex projects were divided into several components due to budget restrictions. However, provision of public services through public-private partnerships opens the possibility of focusing on the development and implementation of integrated innovative solutions.
- *Facilitating the developing process of creative and innovative solutions* – due to their focus on the results, rather than on the means of achieving those results, public-private partnerships allow developing unique and creative approaches for the provision of the desired projects. The basic characteristic of public-private partnerships is integration of all functions of designing, building, financing, operating and maintaining the building within the private sector. This integration is justified by the fact that it improves the potential of the economies of scale, as well as innovations in design, price determination and risk sharing.
- *Reduction of necessary costs and time for project implementation* – public procurement through public-private partnerships reduces project implementation costs and time, because the application of the integrated approach reduces the time necessary for planning and designing. Alternatively, it enables realising higher quality for the same price.
- *Risk transfer* – within the public-private partnership, the risks are allocated to the partner who is apt to manage them more efficiently and to face the incentive they bring. For example, the private sector is better at managing the risks of building, operating and financing, whereas the public sector is better at dealing with political risks. Only the transfer of risks ensures the private sector will be motivated to value and produce efficiently.
- *Attracting major and potentially more sophisticated project bidders* – project-bidding procedures offer competition for the market, but do not always guarantee competition on the market. The reason for this is that all bidders offer profitable bids when competing for the project; however, once the contract is signed, the public sector needs to pay attention to its implementation. In order to raise market competitiveness, the public sector may assign a project to a larger number of private consortiums, instead of only one. Large-scale projects will attract only "big players", i.e. the ones with the potential and capability to perform complex tasks.
- *The access to skills, experience and technology* – as a result of entering public-private partnerships, the public sector may gain new skills, technology and knowledge from the private sector.
- *Reducing the amount of administration accompanied by increasing public investments* – considering the fact that service quality and operating costs are determined by employees' activity, it is necessary to select the staff through free competition and not by the influence of political opportunism and negative selection. Selecting workers with optimal knowledge and skills for a particular job will contribute to achieving the optimal ratio between public service quality and its costs.

- *Economy of scale* – enables minimizing costs per provided service unit, if service provision is allocated to the private sector. This is due to the fact that the number of projects under public sector jurisdiction is limited by the specific area, so the advantages of economy of scale cannot be utilized for more same or similar projects. However, this is not the case with major private sector companies, which provide similar investments to a number of countries, so they can utilize economy of scale. Economy of scales enables achieving the same quality of services at lower prices.
- *Monitoring and quality control of the delivered public services* – it is reflected in the monitoring over the provided service and the mechanisms of monitoring the business process which provides the public service. Namely, the private sector, unlike the public sector, has numerous internal controls and audits. This can also be an obstacle to private service provision, due to the fact that the public sector does not employ enough experts to monitor and control the provided service quality.
- *Avoiding the limits concerning the level of public debts* – since the amount of public debts is limited by the law and further incurring of debts may jeopardize public credit rating and increase borrowing costs, public-private partnerships enable that the debt is not recorded in the financial statements of public sector.

However, the following conditions need to be fulfilled in order for the public-private partnership projects not to be considered a current debt of the public sector (Marenjak et al., 2007):

- In contractual forms of public-private partnerships, the public sector agrees to purchase private sector services over a longer period of time, which is in effect, utilization of the "special-purpose property". Namely, the private sector builds certain special-purpose property in order to provide the requested service, which is paid for by the public sector in order to satisfy public needs.
- The key issue is classification of the property included in the partnership contract, no matter whether it is the property owned by the public or the private sector.

In that sense, the property cannot be considered under the public sector ownership if there is sustainable evidence that the private partner takes the majority of partnership risks. In that sense, the risk analysis should be conducted under three major risk categories:

- *construction risk* – it covers issues related to the initial state of the property from the contract, such as, delayed delivery, negative outside effects, failure to meet the defined standards, etc.
- *availability risk* – it covers the cases in which the quality of provided services is below the standards defined by contract
- *demand risk* – it covers the demand variability regardless of the private partner performance.

Public-private partnership property can be classified outside the public sector balance sheet, provided the two preconditions are fulfilled, i.e. if the private partner takes the construction risk and at least one of the two remaining ones; otherwise, the property belongs to the public sector.

In addition to the benefits achieved by the public sector, the private sector also benefits from public-private partnership (Juričić 2008):

- *Reduction in sub-investment and agency costs* – application of the project financing technique reduces costs of sub-investment and agency fees through high financial leverage. This is due to the fact that in application of the technique of project financing, the share of debt in total investment funds is bigger than in company's traditional financing. Higher leverage affects the increase in the profit rate, which is supposed to cover interest costs, resulting in the reduction of total costs of public service provision.
- *Reduction of the debt of the parent company* – the technique of project financing enables additional loans for private companies through a new company – the special purpose vehicle. The debts are, thus, recorded in the new-founded company's balance sheet.

As shown above, benefits to both public and private sectors in public-private partnership models are realized through the mechanisms of competitiveness, economies of scale and project financing.

LIMITATIONS IN PUBLIC-PRIVATE PARTNERSHIP APPLICATION

In order for the public-private partnership to be realized, there has to be more than just an idea and a decision made by the government to include the private sector in the process of public service procurement. Namely, there are numerous obstacles to overcome and preconditions to fulfill if a successful public-private partnership is to be formed.

The explanation for the difficulties in the partnership development is the combination of three factors: the complexity of participants' structure, institutional factors and strategic selection of public and private participants (Klijn and Teisman 2002).

It is far from easy to realize plans in practice, especially if more participants from various sectors are involved. A complex participants' structure makes public-private partnerships complex, increases the risks in decision-making process and presents high managerial challenges to the participants. Bearing in mind that a majority of public-private partnership projects, although drafted on the national level, are implemented on the local authority level, there is much co-dependency among all project participants. Since private partners own necessary knowledge, skills and means for project realization, the possibilities for their replacement are rather limited. The partnerships continue to exist even in cases of failure.

In addition to this, we also have institutional division and complexity of decision-making in public-private partnerships. Institutional complexity, i.e. the fact that the public-private partnership has to connect the decisions from various departments and sectors, increases both risks and odds for failure. This is especially highlighted by drawing the knowledge/activity line between sectors and participants, which makes joint decision-making more difficult, while at the same time promoting both project and responsibility division among participants.

Contractual division of responsibility takes into account the existing institutional division (between the public and private spheres and within each one of them respectively) and is a well-known, tried and tested form for management of public-private partnership relationships. Namely, although in the beginning project participants jointly implement the project, often such action does not result in a joint product: either participants hesitate to commit, or joint efforts and the integral nature of the project are simply separated in the later phases. The result of that is a clear division of responsibilities among the participants with the purpose of achieving the common goal, whereas each participant is concentrated on its own tasks. Such strict contractual division does not contribute to the projects which demand innovations and development of high-quality products.

From all of the above stated, it is clear that a successful public-private partnership can be achieved only if key partners' goals are mutually compatible, i.e. if there is a possibility to achieve a satisfactory level of services at reasonable prices and the adequate rate of return of the invested funds (Leković and Ivanović 2009, p. 97).

However, compatible mutual goals although necessary, are not the only pre-condition for a public-private partnership. A legal framework which regulates this area is also important. Many countries, including Serbia, do not have any legal framework for public-private partnerships. Possible solutions range from a public-private partnership bill to amending the existing trade-regulating laws (Bojović 2006). It is necessary to define all issues related to contractual and institutional forms of public-private partnerships clearly and precisely. The issues which should receive special treatment are: allocation of authority and responsibility among different government levels, the role of the public sector in the process of regulation and control of private participants in the partnership, as well as a clearly defined contract which should protect the interests of both public and private sectors.

In addition to the lack of a regulatory framework, the inconvenient political climate, which is often caused by elections cycles and political instability, may represent an obstacle to a partnership.

Public opinion, or better said, public acceptance is also necessary for public-private partnerships. The reason for this is the fact that inclusion of private finance demands wide public consensus. It should also be taken into consideration that quality and the price of the service provided by the private partner may play a major role in winning over the public.

In public-private partnership formation, the government is expected to maintain adequate balance between the private sector demands for the conditions which would enable their efficient and effective functioning and citizens' demands regarding the protection of their rights and interests through the quality of the provided service. This goal can only be fulfilled by a public administration which possesses both the knowledge and skills to negotiate and manage successful projects.

To conclude this section, in order for a public-private partnership to be successful and result in completion of defined goals and interests, it is necessary to fulfill certain preconditions and to specify the terms of partnerships clearly (Leković and Ivanović 2009, p. 98).

THE POSSIBILITIES FOR THE APPLICATION OF PUBLIC-PRIVATE PARTNERSHIPS IN SERBIA

Public-private partnerships originated in England in the 1980s. Nowadays, public-private partnership projects represent an important part of England's government strategy to improve quality and enlarge the scale of public services, so they are mainly focused on the projects that are priorities to the Government.

A form of public-private partnership characteristic for England is known as *Private Finance Iniciative* – ***PFI*** (Broadbent and Laughlin 2003). PFI represents a form of DBFO public-private partnership system. This system most often includes public services provision by the private sector for a period of 30 or 60 years, while the public sector pays for those services on a monthly basis. The monthly costs may be changed periodically during the contract duration.

PFIs are most commonly used for building hospitals (since 1997, from the total of 25 built hospitals, only 4 were financed by the public sector), defence equipment procurement (up to 2004, exclusively done through PFI), roads construction and reconstruction (25% financed by PFIs). In the period from 1987 to 2004, 677 public-private partnerships worth almost 47 billion pounds were realized (Flynn 2007). By the end of 2007, all realized public-private partnerships in England were almost 60 billion pounds worth (75 billion euros), whereas all public-private partnerships in the rest of Europe were 31.6 billion euros worth by the end of 2006. 82% of all public-private partnerships were intended for transport infrastructure (Hall, 2008). These data show that England is the leading country in the field of public-private partnerships, as well as that both public and private sector institutions in England provide help and advice to governments all over the world.

For the last few years there have been public-private partnership ideas in Serbia as a potential solution for infrastructure building without incurring the public debt. Serbia's PPP network – C.R.E.A.M. (www.cream-serbia.in.rs) was opened in November 2007. Among its activities, the first Serbian PPP network includes spreading the knowledge on the public-private partnership model through trainings and public-private partnership projects preparation for the European perspective. C.R.E.A.M. cooperates with Europe PPP Alliance and European Union institutions on political and economic levels to form consortiums interested in cooperation whose experienced teams will help with the financial, economic, legal and technical platforms of public-private partnership projects.

Serbian legal system does not contain a precise definition of public-private partnerships, nor does it have developed procedures for the local self-governments to follow in the process of negotiating public-private partnerships.

Public-private partnership models can be applied in the areas of public service provision and infrastructure objects building. Both models have been used in Serbia only in the field of communal waste management. In several municipalities, including Žagubica, Smederevska Palanka, Novi Bečej and Kovačica, private companies got the jobs of waste collecting, transport and disposal through public-private partnerships, whereas in Leskovac and Jagodina, besides the afore mentioned service, building and operating the waste dump sites was also put in charge of private companies (www.emportal.rs/vesti/srbija/114198.html).

However, public communal activities need to be reformed, because in cases where public-private partnerships have been established, they are facing non-transparent business and non-acceptance of the public procurements laws, and the majority of such partnerships are based on contracts which do not benefit local self-governments.

From all of the above mentioned it is clear that in order to enhance the usage of public-private partnerships in Serbia, it is necessary to establish the appropriate legal framework which would regulate this area. Modern and efficient infrastructure is surely the precondition for the economic growth and prosperity, and the private sector is undoubtedly more efficient than the public one in this area. Therefore, the private sector should be included in major infrastructure projects in Serbia on a larger scale and as soon as possible. Furthermore, private sector inclusion will also enable better standards and maintenance of infrastructure, without the engagement of the public sector.

CONCLUSION

In contemporary settings, construction of public infrastructure and provision of public services are increasingly based on the cooperation between the public and the private sectors through public-private partnerships. This is caused by public sector's inefficiency in provision of public services in the last few decades, as well as limited finances for this area, accompanied by the constant tendency towards the increase of public service expenditure and the lack of innovation in the service quality improvement on the part of the public sector. It is, therefore, understandable that public-private partnerships emerge in the field of public service provision.

As a response to the increased complexity of the development process in the global economy, public sector can, through joint actions with private sector in some form of public-private partnership, additionally enhance economic growth. This form of business cooperation brings benefits to both partners through the mechanisms of competitiveness, economies of scale and project financing techniques.

Public-private partnerships are not miraculous solutions for the public sector, but they can significantly improve availability, quality, innovation and prices of the public services. To ensure a large number of constructed objects and public infrastructure, as well as faster satisfaction of public needs, it is necessary to create an appropriate legal framework, a convenient political climate and public support for such partnerships.

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JAVNO-PRIVATNA PARTNERSTVA KAO INSTRUMENT NEW PUBLIC MANAGEMENT-A

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Zadovoljenje javnih potreba oduvek je bilo u domenu države, ali je neefikasnost i veličina državnog aparata dovela do tendencije uključivanja privatnog sektora. Početkom 80-ih godina novi način razmišljanja - "novi javni menadžment" identifikovan je kao alternativa u načinu pružanja javnih usluga. Novi javni menadžment nastoji da poboljša performanse javnog sektora usvajanjem metoda upravljanja od privatnog sektora. Javno-privatna partnerstva, koja posebno dobijaju na značaju početkom 90-ih godina, predstavljaju samo jedan od instrumenata novog javnog menadžmenta. Javno-privatna partnerstva uključuju organizacije kako iz javnog tako i iz privatnog sektora koje rade zajedno u cilju zadovoljenja javnih potreba. Razvijene tržišne ekonomije dugi niz godina koriste javno-privatna partnerstva kao efikasniji i efektivniji način menadžmenta u pružanju javnih usluga u oblastima zdravstva, odbrane, infrastrukture. U ovom radu smo analizirali osnovne oblike i karakteristike javno-privatnih partnerstava. Ukazano je i na prepreke za njihovo ostvarivanje, kao i na koristi koje proizilaze iz njihove upotrebe. Na kraju rada biće data kratka analiza mogućnosti primene javno-privatnih partnerstava u Srbiji.

Ključne reči: *novi javni menadžment, javno-privatna partnerstva, zadovoljenje javnih potreba, ugovorni oblici, javne nabavke.*