

Success factors in public-private partnerships. What about lobbying?

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Abstract

This paper stems from the theory of critical success factors in a project – a limited set of factors which ought to be taken into due consideration when preparing, implementing and analysing projects. There have been several studies on these success factors which relate them to public-private partnerships, presenting various issues that if managed properly, the PPP initiative is likely to achieve its goals. However, what the literature review showed is that lobbying is not considered as one of these factors for success. Interest groups play a major role in aiding governments into providing information and project ideas, without which a certain PPP may never be accomplished. This thesis paper dwells upon the hypothesis that while lobby practices can indeed have negative influence on the realization of a particular project, it is also valid that positive (pro-active) advocacy should be considered as a success factor. This concept is proven through an online survey among 55 experts in PPP from around the world who were asked to assess the importance of a set of 32 success factors. Further demonstration of positive lobbying was demonstrated using a case-study: the initial stages of the PPP at Balchik Airport in Bulgaria. As conclusion, the paper underlines that (positive) lobbying should be further analysed as a factor influencing PPPs and that under certain conditions it can be accepted as a success factor in public-private partnership projects.

Keywords: public-private partnerships, success factors, lobbying, Balchik Airport, concession

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List of Abbreviations

BOT	Build-Operate-Transfer
CBI	Confederation of British Industry
CSF	Critical Success Factor
LF	Lobby Factor
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PFI	Private Finance Initiative
PPP	Public-Private Partnership
RII	Relative Importance Index
SPV	Special Purpose Vehicle
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

Introduction

The theory of public-private partnerships (PPPs) stems from the understanding that governments are to use market-orientated mechanisms in order to meet the growing necessities and requirements of the societies (Codecasa & Ponzini, 2011). PPPs are considered as a rather new practice in the new public management sector which bring closer into cooperation the private and public sectors. The origins of this phenomenon could be traced back to mid 80's of the past century where in the United Kingdom several factors came together: shortage of government finances, state interest in attracting more investments in the public sector as well as the experience of the private entities that could substantially improve the provision of public goods. In times of public budget constraints, governments seem more likely to delegate the responsibility for carrying out and operation of major investments to private entities. Taken from the public policy perspective, two key factors on which the socio-economic development of a country or specific region depends are the availability of well-managed infrastructure and on making purposeful and successful investments (Pillai, 2008).

There have been several studies on the factors that influence the successful outcome of a PPP as well as the pitfalls that may eventually lead to its failure to achieve the projected objectives. The main focus of these studies is, however, stressing the value of the steps during the implementation of the PPP. This is also valid when the analysis is carried through the perspective of the critical success factors (CSFs) theory, introduced in the 1980s by Rockart (1982) and further expanded into the PPP realm more recently (Hardcastle et al., 2005; Jefferies et al., 2002 and Rowlinson 1999).

Having perceived these problems, the main research question guiding the thesis paper will focus on **whether in the existing theory on public-private partnerships lobbying is considered as a success factor and how important lobbying can be in practice when considering PPP projects**. Thus, this study will examine the present concepts of critical success factors in PPPs and improve on the existing categorizations by discussing the value of lobby pressure groups in the preparatory phase. This new set of CSFs will be then applied to a real case, concerning the preparation of the Balchik Airport in Bulgaria for PPP in 2011

and 2012, in order to demonstrate the importance and applicability of the present study. Thus, the specific objectives of this study are:

- 1) To carry out a literature review of the existing research documents on critical success factors for public-private partnerships and to systemise the findings into a single set of factors;
- 2) To elaborate on the absence of any potential factor, which has not been thoroughly analysed as influential and important for the PPPs by previous researches and therefore develop an improved set of factors with a particular interest to test a hypothesis that lobbying in the preparatory phase plays an important role;
- 3) To design, conduct and analyse a survey among experts on PPPs to acquire their opinion on factors influencing PPPs and especially with regards to the proposed additional lobby-related factors;
- 4) To present a case-study to illustrate the applicability of the proposed new set of critical success factors and further elaborate on lobbying in PPPs.

The remaining part of this paper is divided into five chapters. The first chapter will present the theory of critical success factors and will go in-depth in the existing concepts of CFSs in PPP as presented in the relevant literature. A methodological section will follow this introduction, outlining the used analysis techniques when the categorization is made; in addition, leading hypotheses are presented. The third chapter presents the results from the survey on the success factors, carried out among PPP experts. The fourth chapter illustrates a case-study to further evaluate the hypotheses. The last section will discuss the findings and give concluding remarks.

Literature review

The PPP concept

The overall subject of this paper is based on the concept of public-private partnerships. While an overall framework was presented in the introductory part, a more thorough understanding of the term is appropriate. Therefore, as a working definition the following may be used: “Public” relates to the aspects of the infrastructure project that entail the provision of governmental resources; “private”, on the other hand, corresponds to the supply of public or private resources in the preparation/ implementation stages of the PPP. “Partnership” is what brings together the public and private participation in the project that could relate to all forms of formal (legal) collaboration (Link, 2006). The UK government, a leader in implemented PPPs compared to other world governments, considers them as “a range of business structures and partnership arrangements, from the Private Finance Initiative (PFI) to joint ventures and concessions, to outsourcing, and to the sale of equity stakes in state-owned businesses” (Treasury, 2000, p. 8). The U.S. Department of Transportation (2004, Definitions) formulates a rather straightforward and widely accepted explanation of PPPs: “a contractual agreement formed between public and private sector partners, which allows more private sector participation than is traditional. The agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, and/or manage a facility or system”.

The Asian Development Bank (2008) goes further by stressing the importance of “the role for the government in ensuring that social obligations are met” (p.1). Grimsey and Lewis (2007) sum all together by stating that PPPs “are arrangements whereby private parties participate in or provide support for the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure-based services.” (p.2). Overall, what all authors agree upon is that in this partnership both parties – public and private, *a priori* recognise that each have several advantages and disadvantages compared to the other in carrying out certain initiatives but together they can implement a highly beneficial for the society initiative (Yescombe, 2007).

Through the years, the collaboration between private and public areas has evolved in various forms but certain aspects remain similar:

- we have two major stakeholders: the public partner - “government entities, including ministries, departments, municipalities, or state-owned enterprises” (Asian Development Bank 2008, p. 1) and the private one – “local or international and may include businesses or investors with technical or financial expertise relevant to the project”(idem.);
- in the PPP project the government participates with an in-kind contribution and/or delegates to the private sector the management of certain assets, facilities or properties, which can be done (but not necessarily always) with some financial compensation paid to the public authority;
- the private side, based on its expertise, rehabilitates, builds, carries out extensions or remodels a particular construction or system that it manages afterwards for a specific (long-term) period and for which the private company receives upfront payment or compensation in the form of financial revenues during the managing period;
- reaching the end of the contracted period, the private side returns the management of the facility to the public sector if no further extensions to the contracts are negotiated.

In summary, PPP projects are mostly found in services and infrastructure. For the purposes of this study we would analyse in-depth infrastructure-related public-private partnerships, which can be implemented in “wastewater/sewage treatment works, toll roads, bridges, tunnels, airports, ports, pipelines, power plants, schools, hospitals” (Patramanis, 2006, p.13).

Using PPPs today

In general, the choice of implementing a PPP project follows the understanding that all parties are better off after the partnership is in place than before it. The government saves

public finances and delegates responsibility to the private partner, while attaining accountability to the population. The private sector has the potential to make profits in exchange for managing the facility. The end beneficiaries of the activity – the population, would be able to take advantage of public/private facilities that are reliable and at an affordable cost. In summary, PPPs are carried out under the principle that all interests of the stakeholders should be taken into consideration in order to fulfil the objectives of the project (Akintoye et al., 2003). Therefore, the PPPs, when implemented successfully, have the unique potential of resulting as highly beneficial initiatives for the society and the economy of a region/country.

The majority of the world leading countries in terms of economic development as of this year, 2012, are still in the middle of the struggle of handling the recession which came as a result from the economic downturn in 2009. Public investments in infrastructure development has stalled due to limited state finances, while existing facilities are rarely expanded or renovated due to the same reasons. The problem here is that public infrastructure needs maintenance and expansion to suit the needs of the society while at the same time the presence of the very same infrastructure is a prerequisite for the economic recovery and growth (Agrawal, 2010).

Nevertheless, before the current crisis period, both leading and emerging economies around the globe have founded their sustainable development on infrastructure projects. It has been argued that economic recovery and future growth would also involve new initiatives in supplying public infrastructure but allocating public finances in major projects will become a question of more thorough analysis on the costs and benefits and whether the public sector should engage in such projects in the first place. In other words, constructing and operating public infrastructure will require new sources of funding than direct stimulus from the state budget as practiced until now (Yescombe, 2007). This vision of the upcoming years is valid for both for developed and developing countries, with the later still experiencing constraints in terms of public funds. The private sector's role is not to be disparaged. Profit-maximising will still provide companies with the initiative to engage in projects with not only sustainable but also long-term profits.

It seems, therefore, plausible to think the public-private partnership concept will be endorsed more widely in the years to come on a global scale. As McQuaid and Scherrer

(2008) argue, “One significant motivation [in using PPP] has been to partly overcome budget and borrowing constraints, which have become a major restriction of national policy autonomy” (p.3). Due to limited finances and often lacking in expertise (this being especially valid in emerging economies), public authorities would be ever more willing to look for partners in construction projects among private entities in order to completely or partially delegate the preparation, implementation and operation of the public facilities, also being valid for public services. Therefore delegating is possible but only under the conditions that private sector partners comply with existing legislation, offer quality and accountability of their activities and guarantees that they meet their objectives. As Agrawal (2010) suggests, this tendency has already started since “the immediate need for [PPP] projects coupled with chronic budget shortages experienced by public agencies has encouraged the use of innovative financing” (p.1). Hence, project financing will not be relying on state support rather than on the ability of the private and public partners to come to a common understanding and agreement how the project would be carried out in the most beneficial manner. More importantly, due to the same constraints to the public budget, all proposed new project ideas, which concern some public participation, should be thoroughly assessed before initiating such project which makes it more difficult for any new infrastructure undertaking to be recognised by the government as a priority and therefore receive political and public financial support.

Criticising PPP

What we have seen until now is that public-private partnerships are supposed to be of extreme value for governments to make most efficient use of their existing infrastructure, especially in times of limited public funds. Opponents of PPP have mainly underlined the concept that PPPs lead to less public control, misuse of funds and poor accountability (InfoResources, 2005). One of the main concerns is that PPPs may not be the only alternative when it comes to public benefits provision since it is the government task to do so. The private partner would certainly necessitate guarantees on the return of the investments which would most probably (but not unconditionally) come from the end-users through extra charges in the forms of taxes and fees (Rall et al., 2010). Due to such profit-

seeking behaviour by the private partner, it is argued that in the end it is always the taxpayer/voter who pays, so it becomes questionable whether the state should initiate such time-consuming and detailed procurement procedures and technical studies prior to the PPP.

In summary, there is still ongoing polemic to what extent and under what conditions should public authorities allow the wider participation of the private sector in providing public goods and would the government by itself provide equivalent service or infrastructure without having to collaborate with the private sector. The purpose of this paper is not to indulge into weighing the pros and cons in utilising PPPs. Rather, in this debate one solution stands out – that PPPs should be very well assessed in terms of the benefit they could offer to the public (the end-users of the public good). Any such evaluation of the provisioned effectiveness of PPP should be based on detailed estimation of all the factors that may either hinder the overall success of the project or on the contrary, produce the desired effect. Thus, this thesis would embed the analysis presented below on the factors leading to successful PPPs in this overall debate on making the (political) decision on whether or not to implement a particular public-private partnership.

Current trends in CSF concept in PPP projects

Every organization, no matter whether private, public or non-profit, has the idea of project management inherent in its strategic and daily activities when achieving their objectives in terms of development, productivity and profit-maximizing (Pinto & Prescott, 1988). A *successful* project, no matter its purpose, would mean having met the initial objectives in due time, quality, sustainability and budget (Ng et al., 2012). Thus, having established these simplistic terms of success, it is valuable to see what the causes of this success are. There have been several attempts to cluster critical success factors in infrastructure projects and in PPPs in particular and to make an evaluation of their importance to the overall completion of the project: according to Pinto and Prescott (1988), “two key issues in the project management literature that have been the focus of considerable attention are project critical success factors and the stages of a project life cycle” (p.5).

One of the very first attempts¹ to conceptualise 'critical success factors' was in Rockart in 1982 who embedded the notion in project management by defining CSFs as "those few key areas of activity in which favourable results are absolutely necessary for a particular manager to reach his or her goals" (1982, p.4). Freund (1988) further elaborated on CSFs and together with Rockart set the concept of analysing all factors that are critical to the successful realisation of a certain project, or as Boynton and Zmud (1984) argue, CSFs must be given "special and continual attention to bring about high performance", (p.17). Rowlinson (1999) presents CSFs as the fundamental matters in projects which ought to be taken into due consideration for the effective and efficient way. Ingram et al. (2000) argue that the critical success factors should be "few in number, measurable and controllable" (p.107). For the purposes of this paper the author departs from the definition given by Leidecker and Bruno on CSFs (1984): "those characteristics, conditions, or variables that when properly sustained, maintained, or managed can have a significant impact on the success ... CSF analysis provides a means to identify the essential competences, resources and skills necessary to be successful in a particular industry or specific economic climate", (p.24-25).

As a result, having constructed the full picture of CSFs would be of serious advantage when analysing and assessing strengths, weaknesses, opportunities and threats (SWOT analysis) prior to the project initiative to take place. Therefore, if previous research and feasibility studies have proved that a certain set of criteria or factors are seen as valuable for the project, any following projects in the same sector or field should take into consideration this set and evaluate how the same factors would affect the outcome of their own initiative (idem.). Jefferies et al. (2002) manage to outline the following CSF categories:

- Well-developed legal framework
- Thorough fiscal planning
- Profitable economic parameters
- Estimation of costs
- Project management and expertise

¹According to Leidecker and Bruno (1984), it was D. Ronald Daniel (1961) who discussed the concept of critical success factors for the first time, while it was years later that the theory was directly linked to influencing profitability in management.

- State of existing infrastructure
- The presence of a local partner
- Political support
- Stable macro-economic framework
- Financial capability

Tam et al. (1994) further extend this classification of CFS in PPP by defining a system of 5 “P’s”, critical for the initiation of the PPP initiative and presented from the perspective of investors. The 5 terms, presented below, tend to group the factors presented by Jefferies: (1) Project – analysis of potential of projects; (2) Partner – the presence and influence of stakeholders; (3) Pattern – understanding PPP culture in the country and region; (4) Profitability – assuring that the PPP will be financially significant for the private partner; (5) Protection – acquiring legal defence of the investment.

Perhaps the most comprehensive review of the critical success factors comes from the research done by Hardcastle et al. (2005) which categorizes 18 CSFs into 5 groups: (1) Effective procurement, (2) Project implementability; (3) Government guarantee; (4) Favourable economic conditions and (5) Financial market. Another widely cited clustering is by Zhang (2005) who focuses on the procurement stage of the PPP. His set includes again 5 major categories, such as: (1) Investment environment, (2) Economic viability, (3) Reliable consortium, (4) Strong financial package and (5) Appropriate risk allocation/legal arrangements.

An additional recent example is the research by Chan et al. (2010) in which the CSFs are grouped in somewhat similar way to Zhang’s classification, with some additional sets taken from Hardcastle et al. (2005) research, such as the importance of the financial market. Another recent systematization of CSFs is made by Agrawal (2010) in which he focuses on BOT projects. His research clusters a total of 29 success sub-factors under 6 major CSFs: (1) Prevailing environment, (2) Financial viability, (3) Concessionaire consortium, (4) Financial package, (5) Risk allocation and (6) Technical solutions. Ng et al. (2012) attempt to generalise the different categories into three major groups by arguing that “A comprehensive feasible study of a PPP project should address the factors related to all these dimensions and the project is only sustainable when it is economically viable, as well as

socially and environmentally acceptable” (p.424). Thus, according to the authors, whatever the concretization of the factors, they would all fall into one of the three overall groups – economic, social or environmental.

The literature review on the topic of CSFs demonstrated that more recent categorizations have been based on earlier ones, thus rather than proposing essentially new systematizations, they have extended and made more detailed previously proposed ones. For the purpose of this research, the systematization of CSFs departs from a different (earlier) approach: the extensive checklist, developed by Özdoğan and Birgönül (2000) for the purposes of assessing the PPP project viability and to allocate risks among stakeholders. The authors proposed a set of 4 major CSFs clusters, which are:

- 1) *Financial and commercial factors*: government guarantees, a well-working financial market is present, capital can be attracted for the project, there is clear long-term demand for the output of the initiative, micro- and macro-economic stability of the hosting country is present and predictable in the longer term;
- 2) *Political and legal factors*: stability in the government, political support for the project, clearly established framework for procurement and/or PPP projects, low risk of public interference in the project implementation (expropriation, bureaucratic problems, etc.);
- 3) *Technical factors*: the project size is technically manageable, the potential private partner is experienced and trustworthy in PPP projects, technical capacity of the partner to carry out the initiative in the long-term, and
- 4) *Social factors*: public awareness and acceptance, compliance of the PPP initiative with the environmental conditions

This particular categorization for the current study has been chosen due to several reasons. Özdoğan and Birgönül’s (2000) systematization provides future researchers with a set of major CSF themes, which being broadly defined, leave space for grouping specific critical success factors which the literature review will show. This categorization also gives a good systematization of the main risks to be taken into consideration when discussing PPP projects – financial, political, legal, social, environmental and technical. Accordingly, following the concepts of Heinke and Wei (2000) on the decision-making criterion for public

projects, the model creates a full picture of critical factors to be analysed by stakeholders when preparing a PPP initiative. The choice of this particular stage of the PPP process is not coincidental – it is here that the multitude of project ideas and interests collide in attempt to draw political attention and public financing, while at the same time stakeholders try to come to an agreement to partner for the upcoming initiative.

Moreover, it should be underlined that the factors leading to a successful PPP depend largely on the type of the project, the sector in which it will be developed and the specifics of the stakeholders involved (Sobhiyah et al., 2009). For this reasoning any assessment of the success factors should be carried out on a case-by-case manner, with the value of every issue weighted accordingly according to its applicability to the particular project. The table below presents the set of total 29 critical success factors, inherent in the PPP projects, which have been classified under the 4 major sets, as proposed by Özdoğanm and Birgönül (2000). This overall clustering is based on the literature review, conducted for this thesis and presents a matrix of the most frequently encountered (critical) success factors in PPP. With regards to methodology, a success factor was included in the table only if it was researched by at least 2 of the reviewed authors, therefore accepting the factor as of some importance for academics/researchers. Moreover, the exact formulation of the factors as seen below has been made based primarily on the works by Ng et al. (2012) and Özdoğanm and Birgönül (2000) due to their not-generalised formulations, seen among other papers (see Zhang 2005).

Table 1 below systemises the information and demonstrates that the existing literature on critical success factors in public-private partnerships tends to have several common themes (factors) discussed. For instance, governmental support has been a recurring theme in the majority of the papers analysed. The presence of legal framework in PPPs in the host country was seen as essential to the overall success of the initiative, together with some expression of support by the society. A forth factor widely discussed was the potential of the PPP to provide the investor with prompt return on the investments.

Table 1: Literature review on success factors in PPPs

	Agrawal (2010)	Alinaitwe (2011)	Boeva and Vassileva (2008)	CBI (2007)	Chan et al. (2010)	Hardcastle et. al (2005)	Jefferies et al. (2002)	Kanakoudis et al. (2007)	Ng et al. (2012)	Özdoğan and Birgönül (2000)	Sobhiyah et al. (2009)	U.S. Department of Transportation (2007)	Yang et al. (2009)	Zhang (2005)	Total
1) Financial and commercial factors															
Economic stability of host state		+		+	+	+				+	+			+	7
Stable fiscal policy of host state		+			+	+					+				4
Clear investment and economic policy of host state		+							+						2
Accessibility of a working financial market	+	+	+		+							+		+	6
Long-term access to financing					+		+					+			3
Proven long-term demand of service/infrastructure	+			+		+		+	+	+				+	7
Fast return on the investment for the investor	+		+	+				+	+	+	+	+		+	9
Poor competition for the supplier (private partner)									+	+					2
2) Political and legal factors															
Stable government at host state		+		+		+	+			+		+		+	7
Governmental support for the project	+	+	+	+	+	+	+	+		+	+			+	11
Assessed appropriateness of PPP compared to alternative measures							+		+			+			3
Presence of legal framework concerning PPP in host country		+	+		+		+	+	+	+	+	+		+	10
Detailed contract between public and private partners									+		+				2
Flexibility in the contract clauses	+							+		+	+				4
Clear allocation of risks among partners		+			+	+		+	+		+	+	+		8
Transparent procurement	+	+		+	+	+									5

	Agrawal (2010)	Alinaitwe (2011)	Boeva and Vassileva (2008)	CBI (2007)	Chan et al. (2010)	Hardcastle et. al (2005)	Jefferies et al. (2002)	Kanakoudis et al. (2007)	Ng et al. (2012)	Özdoğan and Birgönül (2000)	Sobhiyah et al. (2009)	U.S. Department of Transportation (2007)	Yang et al. (2009)	Zhang (2005)	Total
3) Technical factors															
Experience in PPP of the host country		+	+		+					+					5
Experienced public administration of the host country		+	+					+							3
Detailed feasibility study of the project					+	+	+							+	4
Potential for fast execution on the construction stage of the project	+										+			+	3
Possibility to implement innovations in construction and operation		+		+			+		+						4
Experience of the private partner in PPP	+	+							+					+	4
Experience of project team in managing (similar) PPP projects	+								+					+	3
4) Social factors															
Support by (local) society for the project		+	+		+	+	+	+	+	+		+	+		10
Support by labour organisations and other social partners					+			+					+		3
Conducting consultations with end-users			+	+				+	+				+		5
Prepared study on the social and economical impact	+										+	+	+	+	4
Clear prospects for higher employment for local community									+		+				2
Detailed assessment on the environmental impact							+			+			+		3

In summary, the top twelve ranked factors to PPP success have been presented in the table below:

Table 2: Top ten factors from literature review

<i>Success factor</i>	<i>Presence in literature</i>
Government support for the project	11
Presence of legal framework concerning PPP in host country	10
Support by (local) society for the project	10
Fast return on the investment for the investor	9
Clear allocation of risks among partners	8
Economic stability of host state	7
Proven long-term demand of service/infrastructure	7
Stable government at host state	7
Accessibility of a working financial market	6
Experience in PPP of the host country	5
Conducting consultations with end-users	5
Transparent procurement	5

The frequency of these factors indicates that they are of interest to academics due to their importance and relevancy to the successful PPP. Bearing in mind that specific cases of PPP would demonstrate the importance of different factors of success, the literature study does give a general set of features which are most likely to be encountered in a successfully implemented PPP. It does seem appropriate, however, to test whether the set of 12 most frequently discussed factors which we have drawn from the literature review is indeed regarded by public-private partnership practitioners as relevant to their real-life work with PPPs. By doing this we will be able to present an improved set of success factors in PPP which will be of benefit to the work of stakeholders in such partnerships by providing them with insights on which specific CSFs are deemed with higher priority compared to others and should thus have more capacity and time allocated to them, strengthening the chances of a successful PPP. Furthermore, the categorization will be expanded by introducing an additional factor – lobbying.

Lobbying in PPPs

If we would refer to the theoretical background of the value of public infrastructure, we find analyses that prove the crucial importance of having well established facilities in order to foster economic growth in a certain state with the government being in the leading role when providing adequate infrastructure (Chakravorty & Mazumdar, 2005; De Haan et al., 2008). Selecting which exact project to support becomes a key decision for policy-makers due the allocation of public finances. Still, equally important is that the overall long-term success of any public infrastructural project would result in the socio-economic development of the region in which it will be carried out (Shang et al., 2004). As discussed, public-private partnerships can be regarded as a tool for providing public infrastructure especially for bigger-scale projects involving higher investments, but the question is who assists the government on any level in making the right political decision to support a particular project and on what grounds? The answer is simple: lobbyists. Castles and Stokes (2011) argue that “Major infrastructure projects [like PPPs] also usually attract a strong lobby of interest groups to support them. These lobby groups have an interest in promoting projects with optimistic forecasts”, (p. 2). Lobbying as such is defined by Bernhagen and Bräuninger (2005) as “influencing the formation of public policy, its passage through the legislature and its implementation, by means of contacting and pressurizing policymakers such as individual legislators, ministers and civil servants” (p.45) while it can be conducted by organizations, institutions and even individuals.

Nevertheless, one very important fact became evident from the literature review, presented above: existing research on the critical factors for the success of a public-private partnership have not analysed the presence and influence of external pressure groups in preparing and carrying out PPPs. This is also evident from previous studies on success factors in PPPs, similar to the present one (see Hardcastle et al., 2005; Ng et al., 2012; Zhang, 2004). Therefore, this thesis paper is not a precedent with regards to not having found lobbying a frequent theme when analysing public-private partnerships. An explanation for this phenomenon is given by Koppenjan (2008) who argues that the PPP system of involving partners and sharing risks among them actually limits lobby actions since only stakeholders

who are willing to bear costs and risk will be concerned of carrying out the project in the first place.

However, it is possible to argue in a different way. In principle, one of the main reasons why public authorities may take advantage of lobbyists is rooted in the information demand: decision-makers cannot possibly acknowledge and represent all interests by all stakeholders (Hogla & Nilsson, 2010). As Bernhagen and Bräuninger (2011) argue, policy-makers on all levels are limited in the quantity and quality of information they have due to financial and capacity constraints while the private sector in principle has the means and interest to collect and analyse information for its needs and this is done on everyday basis. This informational advantage results in having policy-makers contacting representatives of the private sector to acquire data in the process of policymaking (Maloney et al., 1994) resulting in proposals coming from the lobby groups for a particular public policy initiative that meet the interests of the public and private sides (Rasmusen, 1993). In other words, lobbying can be socially useful “especially on obscure issues” (idem., p.900) by signalling to legislators topics and policies which have been neglected or never thought of in principle. Moreover, as long as the suggested action from the lobbyists coincides with the interests of the voters, the likelier it is that policy-makers will take into account the proposed idea.

If we would focus more on the government’s policies in the infrastructure sector, interest groups can exactly take the roles discussed above – not only can lobbying provide valuable data and studies on the economic and social viability of a certain project (which has not been carried out until that moment by the public institutions), but also to propose the start-up of a project that will be of benefit in the end to the society. Thus, the value of making certain policy steps and allocating public funding can be transmitted from the population to policymakers through the lobby groups. All this ‘positive lobbying’ is embedded in the concept of pro-active lobbying (also known as ‘upstream lobbying’) which “aims to influence a matter before it is even on the agenda” (Hogla & Nilsson, 2010, p.1).

There is, however, a rather negative aspect of lobbying that can very well demonstrate itself in public projects and in PPPs. Some of the major concerns when discussing advocacy is that it relates with corruption, favouritism and bribing the public system (Campos & Giovanni, 2007). Lobby groups can push forward a profitable project in the transport sector by influencing the decisions of policy-makers in a certain state; nevertheless, as Castles and

Stokes (2011) argue, if there has not been detailed assessment of the projects purposes, benefits and especially costs before starting the project, such lobbying may actually lead to a project which is characterised by cost overruns and non-accomplished targets rather than to the estimated benefits for the society. Thus, lobby practices can even be considered as hazardous if they promote an initiative (i.e. a transport project) while overestimating its benefits and underestimating the involved risks (idem.). The problem here is not only that if such case of negative lobbying does indeed occur that the PPP project will be failed, but even that the whole policy of the government in the infrastructure or service sector may be rendered inefficient due to a decision made based on the external pressure by lobbyists.

In summary, until now we have been able to demonstrate that lobbying does have an effect on public infrastructure projects in general. The effect of lobbying on PPP projects in specific has not been widely covered in the literature. The OECD (2007) report on the future of infrastructure projects does mention briefly the effect of external pressure groups on the implementation of the project but it is regarded as a risk for the overall PPP: "Political opposition to PPPs is often fuelled by various lobby groups (e.g. local construction firms) that benefit from the cosy relationship they have been able to establish with government officials over the years" (idem., p. 177). InfoResources (2005) criticised PPPs on the grounds that they often times (and more frequently in developing countries) represent private interests and distort market equilibrium because of favouritism towards a particular private company. Thus, lobbying by private interest groups is understood as a potentially having negative impact on the public-private partnership that may delay or impede the project as well as substantively change its objectives.

In summary, this section has proven once more that through political and economic pressure interest groups are able to bring a certain project to the attention of policy-makers. Nevertheless, the lack of attention paid to lobbying in PPP-related literature calls for additional attention: is the fact that lobbying is not covered by PPP scholars a reason to believe that lobbying is not a factor in PPPs and in specific a factor leading to the successful outcome of PPP initiatives? What this thesis paper would present hereafter is whether lobbying can have a pro-active (positive) influence on the PPP rather than present itself as an obstacle. In other words, the research departs from the concept that external pressure groups have the role to put forward in the political agenda projects which are economically

and socially viable. If this would be the case in public projects, then it should also concern public-private partnerships. Therefore, the analysis will proceed with assessing whether lobbying is important for the success of PPP, especially with regards to bringing forward a PPP project idea and influencing the partners into actually participating in the joint effort.

Research methodology

Research question and hypotheses

The research question, guiding this thesis paper and presented already above, examines whether lobby practices are considered in the existing academic literature as a success factor in public-private partnerships and to further evaluate how important can lobbying be in practice when considering PPP projects. Following this query, the previous chapter presented the literature review which was performed on a wide number of literature sources, such as specialised academic journal articles and books on the success factors influencing the positive set-up and implementation of PPP initiatives. Thus, a thorough critical analysis of the critical-success factors concept has been made, focusing on their presence and value when discussing public-private partnerships and as examined, lobbying has not been the major focus of existing studies. Having systemised the most common critical success factors, this paper will present its two leading hypotheses:

H1: The set of most frequent factors of success in PPP as found from the literature review (presented in Table 1) corresponds to the factors which are in practice considered as significant for PPPs.

H2: The presence of lobbying (under certain conditions) can be a positive factor for the initiation of a PPP project.

In short, Hypothesis 1 will test whether the present set of success factors corresponds to the present views of PPP experts coming from everyday practice, while Hypothesis 2 will elaborate whether lobbying has a role and what this role is among other factors.

Setting up the questionnaire

This guiding hypothesis will be tested in two ways: by conducting statistical analysis of data collected through an online survey among public-private partnership experts and by presenting a case study of a PPP project in the sector of public transport infrastructure. As

part of this research, 240 experts, experienced practitioners in public-private partnerships from various sectors, have been contacted in July 2012. The survey was presented in electronic format using Qualtrics online tool; the questions included in the survey are presented in Appendix A. The survey was distributed via electronic mail with the request that should the targeted respondents have any additional connections with experts in the field of public-private partnerships that would forward the questionnaire link.

The first section of the questionnaire contained 5 general questions regarding current occupation and professional experience of the respondents in public-private partnerships. The second part presented the set of factors that were proposed in the table above, including the proposed additional factor – lobbying, while the third section consisted of two open questions for additional comments on success factors in PPPs. These are further discussed below, with the actual analysis of the data collected from the respondents presented in the next section of this chapter.

Section one of the survey requested general information from the respondents. The target group of the current study were experts with at least one practical experience in a PPP project. The respondents are representatives of public and private institutions, NGOs or academic institutions; moreover, the first set of questions was included in the questionnaire so that, when analysed afterwards, the survey results can exclude respondents who have no experience in PPPs, since their assessment of the success factors in PPP cannot be considered as valuable but rather based on assumptions. Considering the nature of the proposed set of factors (combination of political, technical, legal and social issues) it may be well argued that for public and private partners, for instance, different factors would play a more considerable role for them (i.e. the presence of a working financial market may be more valuable for private partners while social and environmental issues can be considered important for the public partner). For the purposes of this thesis this aspect was disregarded since a more objective and global perspective was aimed at when distributing the survey: to acquire the responses not from a particular region (i.e. Europe or just developing countries) but from a multitude of countries, while at the same time looking for a general trend in the opinions among all groups of PPP experts.

The success factors considered in the questionnaire have been presented in the same manner as in the literature review given above in Table 1 and formed the second part of the

survey. Therefore, the success factors were clustered into 4 groups: Financial and commercial factors; Political and legal factors; Technical factors; Social factors. Following the last set of factors, an additional cluster of questions (consisting of 3 factors focused exclusively on the influence of lobbying on public-private partnerships) was created for the purposes of the study:

- *Presence of lobby groups influencing public partner (government) to participate in a PPP project* – to assess whether lobbying public authorities to become part of the PPP is valuable to the successful creation of a PPP initiative;
- *Presence of lobby groups influencing private partner to participate in a PPP project* – similar to the previous, to evaluate how important is it to influence the private side to get involved in the public-private partnership, and
- *Presence of lobby groups, overall supporting the initiation of the PPP project* – to see if lobbying in general can have positive influence on the creation of PPPs.

The rationale of adding these three specific factors stems from the idea not only to look for the general effect of lobbying in the preparation of the PPPs, but also to assess which of the two partners (public and private) is considered more important to be lobbied. Thus, in total, the survey presented 5 groups of factors. The given classification was chosen firstly due to keep consistency with the research already presented in this paper and secondly, to analyse the importance of the added factor – lobbying as a factor instigating the preparation of a PPP project.

The opinions on the importance of the separate factors in the proposed clusters were assessed under a 7-point Likert scale, ranging from 1 (“Not at all important”) to 7 (“Extremely important”), which was preferred to the widely used 5-point Likert scale due to being considered as more reliable compared to the ordinary 5-point scale (Allen & Seaman, 2007; Cohen et al., 2000). The respondents’ answers regarding the importance of the success factors in public-private partnerships were then analysed with the Relative Important Index (RII) method to determine the weighted value of the separate factors. The RII was calculated using the formula suggested by Kometa et al. (1994), Sambasivan and Soon (2007) and Agrawal (2010) as demonstrated below:

$$\text{Relative Importance Index} = \sum W / (A \times T)$$

W = the weight given by every respondent to the specific success factor, ranging from 1 to 7

A = the maximum possible weight, which in our scenario is 7

T = total number of acquired valid survey responses

The index ranged between 0 and 1, thus the higher the value of the RII, the more the factor is considered as important for the success of a PPP. The separate values were calculated autonomously for every of the 32 specific success factors based on the survey responses and afterwards summed up for every factor.

The choice of using the RII was made based on the following rationale: Firstly, previous studies on success factors in PPP (Alinaitwe, 2011; Chan et al., 2010; Hardcastle et al., 2005; Ng et al., 2012), which are based on questionnaires and also evaluate the importance of specific sets of factors, have mainly used the corresponding mean to every single factor in order to make a cross-comparison of the results and thus rank the importance of the discussed issues. There is, however, critique on why using means is not suitable for studies: considering that Likert scale data results are ordinal in their essence, calculating mean values would not yield plausible results (Jamieson, 2004). Therefore, in order to conduct analysis of the collected data, the RII is selected to classify the success factors since it “allows relative quantification of the importance” (Shelton, 2000, p.70) of the presented features (Othman et al., 2006).

The last section of the survey was composed of two open-answer questions which gave experts the opportunity to (1) share directly their opinion on success factors in PPP and (2) to comment specifically on the influence of lobbying in public-private partnerships.

From the 240 respondents contacted via electronic mail the survey was completed by 60 persons from 26 different countries on 5 continents, with the survey being available for 14 days in July 2012. The actual dataset which this study will analyse includes 55 respondents, since 5 were dropped due to having no practical experience with PPP, thus making their answers on the success factors questionable. The study results were then used to develop a

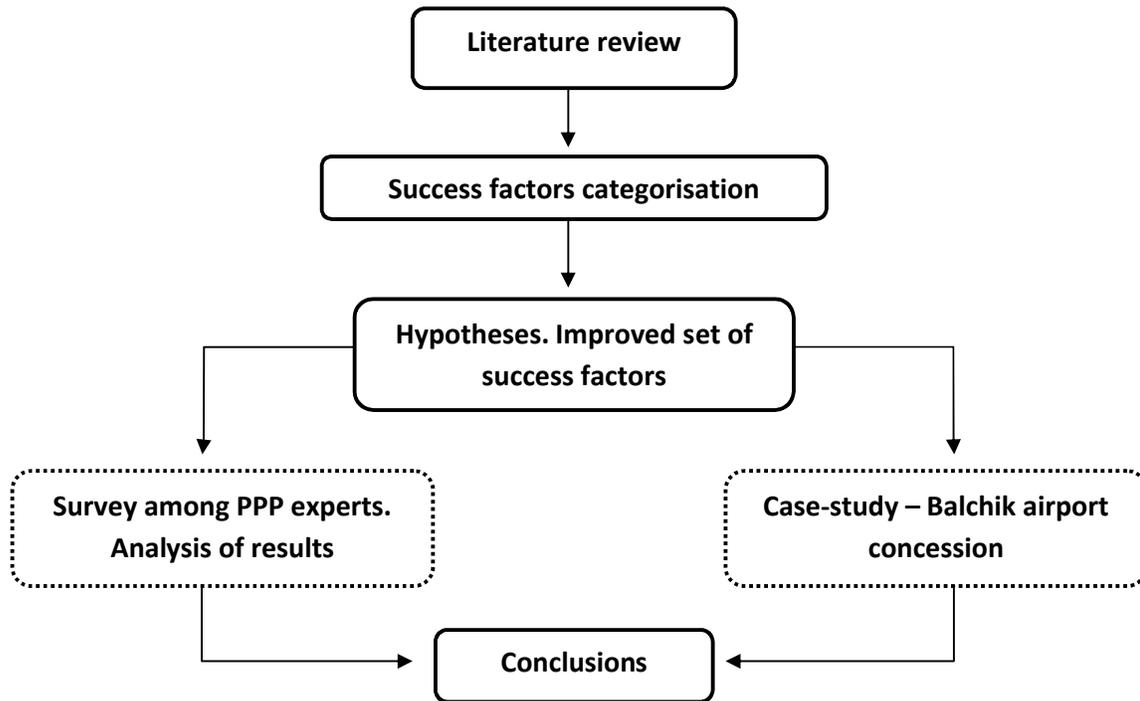
classification of the most important success factors influencing the decision on initiating a public-private partnership project and these are presented in the following section.

Choosing the case-study

In order to perform a secondary test of the hypotheses, the case of initiating a public-private partnership at the Bulgarian Black Sea coast airport outside the town of Balchik is analysed to demonstrate the presence of pro-active lobbying. Following the study of Fellows and Liu (1997) on using case-studies for research, the author acknowledges the limitation of utilising a rather narrow approach for this study, based solely on the example of the PPP project at Balchik Airport. However, it would be difficult to expand this study on all PPP infrastructure projects because of the compound nature and specifics of the PPPs on a case-by-case basis. Hence, this paper will present the case study as a tool to test the validity of the improved categorization of CSFs in PPPs, presented hereafter, and will therefore generalise on a set of CSFs that would usually be evident in the preparatory phase of the public-private partnership and that are to be given due consideration by all stakeholders. In addition, it should be kept in mind that Balchik Airport is the most recent case for initiated major public infrastructural project via PPP in Bulgaria, with the prospects of having a growing number of partnerships in the coming years.

In summary, the research framework for this thesis paper is visualised in Figure 1 below.

Fig. 1: Research framework



Limitations to the study

Several issues are to be clarified with regards to the methodology. The main concern would probably be the selection of the mixed method (between qualitative and quantitative methods) as guiding for this study: an online survey, combined with a case-study. The existing literature has indeed supported both methods when analysing success factors in PPPs, with the majority of researchers however, adhering to using only one of the methods. With regards to our present study, the author will be testing the presence of new elements in the existing theory of success factors. Thus, it would seem necessary to provide solid proof for the validity (or not) of the presented hypotheses. The value of using mixed method is summarised by Abdul-Aziz (2011): “others ... promote the mixed method for its ability to complement strengths (the weakness of one method is compensated by the strength of another), triangulate (establish construct validity through convergence in findings from multiples studies), develop (one method to inform the development of another) and expand (to obtain a fuller picture by expanding the scope and breadth of a study)” (p.152). Thus, by

conducting the survey and presenting the case study of the Balchik Airport, the thesis paper will only gain additional significance and applicability.

Another feature to underline is that this paper focuses on the preparatory phase of the PPP and not on the presence of CSFs in the overall implementation of the projects since it is believed that the preparatory phase of infrastructural projects is of crucial importance for the overall success of the initiative (OECD, 2002, p.16). Furthermore, the conducted literature review on CSFs in PPP demonstrated that the existing academic research has mainly focused on the overall implementation, rather than looking specifically at the preparatory stage; thus, the added value of this current thesis paper to the overall academic discussion on the topic. Moreover, the designing stage of the PPP is when all project ideas are discussed and major stakeholder interests are present and meet in order to produce the actual framework for the implementation of the PPP project.

Having collected the responses, the database now disposes of records through which a researcher can go into in-depth analysis of the specific trends in the opinions of the experts from a particular gender, work experience or region of the world. Therefore, the 55 qualified respondents can be further divided into sub-groups according to the objectives of any follow-up research. In this current thesis paper this will not be presented due to two major reasons: firstly, conducting such detailed investigation was not part of the research question presented in the very beginning of the paper, while secondly, will divert the analysis of the paper away from the leading theme – success factors in PPP, lobbying in specific. Moreover, a full detailed analysis of the particular opinions will render this dissertation beyond the framework of word limit.

Last but not least important for this choice is the future applicability of the categorization: as discussed, the budget constraints of the national governments due to the financial crisis would induce the higher utilization of the PPP instruments in the establishment/ improvement of public infrastructure. All these factors would render the categorization of critical success factors in the feasibility stage of utmost importance. Overall, the presented limitations of the study do not affect its importance and do not bias its results.

Surveying PPP experts

As discussed in the previous chapter, the proposed improved set of factors, crucial for the design of the PPP project, was verified by conducting an online survey on the basis of a questionnaire composed of three parts. The survey was created using the Internet-based online survey tool “Qualtrics” and a link to it was given in the letters that were sent to PPP experts. The sections below analyse the collected data of just the 55 respondents who admitted having professional experience in public-private partnerships (Appendix B to this paper gives the full output from the “Qualtrics” online survey tool).

Analysis Part 1 – General information

The first part of the survey consisted of questions 1 through 6. The respondents who participated in the survey were first asked to indicate their gender and where they are currently residing. The results show that 39 respondents were male, representing 71% of the respondents included in the database. The rationale behind the question was to assess whether the results from the survey were biased in terms of gender; what we see is that the majority of the experts who took part were male but, nevertheless, we cannot concretise that the conclusions herewith are in some way biased towards ‘male PPP experts’ replies’ to the questions. Moreover, it was not part of the survey’s conception to keep gender balance, rather to have a wider spectrum of opinions of PPP experts. More interestingly even is that the 55 respondents are permanently residing (working) on 6 continents in 26 different countries, the majority of which developed states. The presence of respondents working in developing countries gives additional value to research. Thus, we can well argue that the collected data presents somewhat a worldwide view on the topic of success factors in public-private partnerships, instead of focusing on a particular region of the world or country.

Questions 3 to 6 dwell with the professional background of the surveyed experts. Question 3 in particular asks whether experts are currently working in public, private or non-governmental organisation, as well as in the academia. Overall, the dominant group was

composed of private companies (40%), followed by representatives of public institutions (27%) and NGOs (18%). The results from this question lead us to think that the survey results do not mirror the opinions of a particular category (i.e. public institutions), thus limiting the applicability of the end results, but rather when considered altogether, the collected responses can demonstrate a general trend in experts' opinions. The consecutive question was optional (to fully respect the privacy of the respondents) and asked for the organisation at which the respondent was working. The list, as demonstrated in Appendix B, illustrates a wide span of companies /organisations of substantial reputation in PPP projects (among others, The United Nations, Institute for PPP, the International Finance Cooperation), which adds further value to the recorded responses.

Following the answers to Question 5, 68% of the respondents have had more than 5 years of experience, with additional 24% of experts who have more than 1 year of professional PPP background. As discussed above, question 6 was a test on whether the particular respondent has had practical experience during his professional career in public-private partnerships. After taking out 5 responses who had never been involved in such initiatives, the remaining 55 respondents indicate a high number of projects in which they were part of, with 67% having more than 5 PPP projects as past experience. Considered together, these last two questions of the first set in the questionnaire prove that the respondents indeed are with knowledge of the PPP process in practice, therefore their insights on the success factors in PPP are of value to this study.

In summary, the first set of questions has demonstrated the validity and applicability of the responses given in the following section: apart from the fact that the respondents do not represent a particular region or sector of employment, the surveyed experts are experienced in PPPs and have personal insights of what factors influence a certain public-private partnership project and in what way. Therefore, their opinion can be taken into consideration and the collected data should not be considered as biased.

Analysis Part 2 – Evaluating factors

Having clarified the characteristics of the survey group, we can proceed with analysing part two of the survey, presenting the success factors in public-private partnerships. Questions 7 through 10 in essence present the same 29 success factors as discussed in the literature review in the previous section (Table 1) with the exact wording kept in the survey questions. Question 11 presents 3 additional success factors which dwell upon the importance of lobbying in public-private partnership projects. Every question in this section was subdivided into the corresponding number of success factors and the respondents were asked to evaluate their specific importance according to the 7-point Likert scale as presented in the methodological part of this thesis paper. The results from the responses from the total number of 55 experienced PPP experts were aggregated using the Relative Importance Index formula for each of the 32 success factors. The results from the calculations of the RII are systemised in Table 3 below, with the factors already ranked from the most important to the least important.

Overall, the results from the survey demonstrate that all success factors score a RII value of between 0.5948 and 0.9350, which is higher than the midpoint value of 0.5; thus on aggregate the respondents perceive the included factors in the survey as valuable to the PPP process. The most important factor following the survey (scoring a very high RII value of 0.935) is the “clear allocation of risks among partners”. Moreover, this factor has been determined by 35 of the experts as extremely important to the success of the PPP, which is unmatched by any other factor included in the study. This opinion among the respondents concurs with the research of Hardcastle et al. (2005) where risk allocation and risk sharing is ranked second. This factor is of crucial importance to the PPPs since when each of the participating parties in the project accepts to manage particular risks, it should do so because of its expertise and ability to limit costs (idem.). “Detailed contract between public and private partners” is ranked as second in the present survey (RII value of 0.9013) which, on the one hand, underlines the value of having clear determination of the responsibilities of the partners and the expected outcomes of the project written out in the contract (Abdul-Aziz & Kassim, 2011), while on the other continues the concept of allocating the risks in the project among participating parties.

Table 3: Relative Importance Index of success factors on PPP

	Critical Success Factor	RII
1	Clear allocation of risks among partners	0.9350
2	Detailed contract between public and private partners	0.9013
3	Detailed feasibility study of the project	0.8701
4	Transparent procurement	0.8701
5	Experience of project team in managing (similar) PPP projects	0.8675
6	Government support for the project	0.8649
7	Proven long-term demand of future service / infrastructure	0.8597
8	Economic stability of host state	0.8519
9	Clear investment and economic policy of host state	0.8519
10	Long-term access to financing	0.8493
11	Experience of the private partner in PPP	0.8364
12	Stable government at host state	0.8338
13	Detailed assessment on the environmental (ecological) impact	0.8286
14	Accessibility of a working financial market	0.8208
15	Assessed appropriateness of the PPP compared to alternative measures	0.8208
16	Presence of legal framework concerning PPP in host state	0.8182
17	Stable fiscal policy of host state	0.8052
18	Experienced public administration of the host country	0.7922
19	Conducting consultations with end-users	0.7870
20	Prepared study on the social and economical impact	0.7844
21	Support by (local) society for the project	0.7818
22	Flexibility in the contract clauses	0.7688
23	Experience in PPP of the host country	0.7351
24	Potential for fast execution on the construction stage of the project	0.7351
25	Presence of lobby groups, overall supporting the initiation of the PPP project	0.7299
26	Presence of lobby groups influencing public partner (government) to participate in a PPP project	0.7117
27	Support by labour organisations and other social partners	0.7091
28	Possibility to implement innovative techniques in construction and operation	0.7013
29	Clear prospects for higher employment for local community	0.6987
30	Fast return on the investment for the investor	0.6805
31	Presence of lobby groups influencing private partner to participate in a PPP project	0.6597
32	Poor competition for the supplier/investor	0.5948

Two factors share the same RII (0.8701) and are ranked after the first two – “Detailed feasibility study of the project” and “Transparent procurement”. The former success factor coincides with one of the major conclusions of the study by Ng et al. (2012) where the value of detailed feasibility studies, analysing the participation of the partners, the opportunities, threats and expected outcomes of the public-private partnership project, is highlighted. The transparency in the awarding the PPP contract is defined in previous studies (Zhang, 2005) as of utmost importance to the PPP since conducting lucid public procurement (backed by appropriate legal framework) does have a positive effect on the project by selecting a private partner which can provide higher results for competitive financial terms. The group of top-five ranked success factors includes “Experience of project team in managing (similar) PPP projects” (with RII = 0.8675); this particular issues relates to the fact that the presence of a project management team with proven expertise in the PPPs would yield positive results for the implementation of the initiative (idem.).

In summary, with regards to the top-ranked success factors from this survey, we can conclude that the PPP experts have underlined as of high importance factors, which are very practical in their essence. If we connect the 5 factors discussed above, we can see that they represent the most basic steps in public-private partnerships: a detailed feasibility study should always precede the procurement procedure, after which the parties would agree on their contractual agreement, in which the allocation of risks and responsibilities ought to be present and clear, and the implementation of the project is dependent on the ability of the project team to carry out the PPP. Thus, the survey results unintentionally mirror the key stages of the PPP process by underlining once more the importance of the factors in question to the overall success of the public-private initiative.

Analysis Part 3 – Additional opinions

The survey concluded with two open-end questions which induced respondents into providing more input on success factors in PPP in general (Q12) and their opinion on the effect of lobbying as part of PPP initiatives (Q13). The answers to Q12 represent a wide list of personal judgments on what factors are most necessary, but there are several

observations which can be highlighted. Firstly, the additional statements tend to stress on the importance of the factors, which were indicated already in the previous questions (part 2 of the survey). Among the mostly commented as important were: clear risk allocation among participants in the project, the effect of having a good feasibility study carried out before the PPP, as well as issues such as transparency, viability/profitability of the project, and readiness of partners to participate. More intriguing is the fact that these success factors were eventually classified among the top-ranked ones after calculating the Relative Importance Index (Table 5).

Therefore, we can argue that the replies to Q12 further strengthen the arguments on which are the most important success factors in PPPs according to the survey group (as aggregated in the previous section), and in a certain way validate once more the conclusions of the survey. Moreover, among the PPP experts' responses there is no dominating success factor which has been raised by the majority of the respondents as valuable and the same time which has not been presented in questions 7 through 11. This indicates that the factors included in the survey do represent a full framework, if not an exhaustive list. Nevertheless, some additional issues were raised in Q12, which might also be taken into consideration when assessing success factors in PPP: the role of the Special purpose vehicle (SPV), the presence of good communication between stakeholders, as well as of a clear timeline of the project activities and objectives.

As presented, the last question in the survey - Q13, gave the respondents the opportunity to extend any additional personal insights on the effect of lobbying in public-private partnerships. The intention behind the question was to further expand the discussion on lobbying as a (success) factor in PPPs. The resulting answers cannot be summarised and clustered easily due to their diversity. On the one hand, from the responses we may gather that respondents have understood lobbying differently one from another - i.e. as communication between stakeholders, as representation of private interests or as public support for the PPP project. The reason for these responses is evident – lobbying can and does take various forms, moreover it cannot be strictly limited to some narrow definition, and therefore experts have expressed different aspects of lobbying. In addition, the survey question itself was intentionally left broad enough to give more space to respondents when giving their opinions, which is yet another reason for the various replies.

Testing research hypotheses

After having presented the key characteristics of the responses from the survey, we would now return to the guiding hypotheses which were formulated and presented after the conducted literature review in order to test whether the acquired results prove or not the two hypotheses.

Hypothesis 1

According to the first hypothesis, it is expected that the leading critical success factors from the literature review will be among the ones which are defined by the PPP experts as most important for the public-private partnership. Thus, we can expect at least the majority of the factors to coincide. In order to test this hypothesis, Table 4 below presents a cross-matching of the top 12² factors from the literature study with the ones from the online questionnaire (the matching factors are shown in bold).

Table 4 on the next page demonstrates that our first hypothesis cannot be held as proven: only half (6 out of 12) of the top-ranked factors in the conducted survey match with the analysed in the academic literature. Disregarding the actual order in which they have been ranked, the success factors highlighted by the two studies do not coincide. While following this particular hypothesis it would have been expected that the majority of the factors will coincide, thus demonstrating that academics are interested in presenting and analysing success factors in PPP which are, according to PPP expert, taken into consideration as of high importance in real PPP practice.

² The actual choice of using 12 factors (instead of top-10 for instance) stems from the fact that in the literature review three factors were found to be present in an equal number of texts from the reviewed literature.

Table 4: Cross-referencing success factors

<i>Success factor from literature study</i>	<i>Success factor from survey</i>
<p>Government support for the project</p> <p>Presence of legal framework concerning PPP in host country</p> <p>Support by (local) society for the project</p> <p>Fast return on the investment for the investor</p> <p>Clear allocation of risks among partners</p> <p>Economic stability of host state</p> <p>Proven long-term demand of service/infrastructure</p> <p>Stable government at host state</p> <p>Accessibility of a working financial market</p> <p>Experience in PPP of the host country</p> <p>Conducting consultations with end-users</p> <p>Transparent procurement</p>	<p>Clear allocation of risks among partners</p> <p>Detailed contract between public and private partners</p> <p>Detailed feasibility study of the project</p> <p>Transparent procurement</p> <p>Experience of project team in managing (similar) PPP projects</p> <p>Government support for the project</p> <p>Proven long-term demand of service / infrastructure</p> <p>Economic stability of host state</p> <p>Clear investment and economic policy of host state</p> <p>Long-term access to financing</p> <p>Experience of the private partner in PPP</p> <p>Stable government at host state</p>

It may be true that by reviewing additional texts on success factors might have yielded somewhat a dissimilar list and ranking of the causes for the successful outcome of the PPPs than the one presented in Table 1; nevertheless, this current research does demonstrate that there is misalignment between what is perceived by PPP practitioners and PPP academics as most important success factors. One factor is ranked among the top 5 most important in both studies and this is clear allocation of risks among the participating parties. We can therefore argue that this particular factor is of underlined importance according to both practitioners and academic researchers and therefore should be considered as highly important when preparing and implementing public-private partnership initiatives.

Moreover, by further analysing the comparison of the factors in Table 6, it becomes evident that PPP experts have put more stress on the value of practical issues such as contracting, tendering and feasibility studies, while academics have dwelled more upon the importance of subjective factors such as support by the public authorities and the society for the success of the PPP. It is not part of this study to do in-depth reasoning on what grounds this gap in

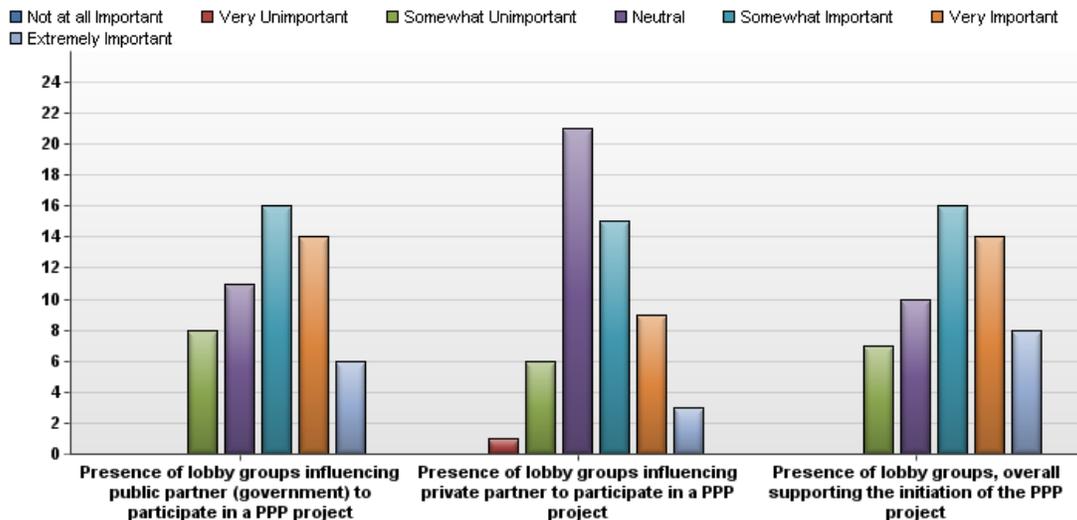
the opinions is based. However, we can assume that when evaluating what factors contribute more compared to others for the positive outcome of a certain public-private project academics might be compelled to analyse the complex relations between stakeholders in PPPs and therefore analyse the role of the society and government in PPPs, as well as what reasons induce stakeholders into participating in the project.

In summary, although we have found that 6 of the most analysed by researchers on PPP success factors are among the 12 most important factors according to the PPP experts who have participated in the survey, it has not been possible to fully prove the validity of the first hypothesis. With this we proceed to testing the second hypothesis.

Hypothesis 2

The second hypothesis relates to the presence of lobbying as a success factor in public-private partnerships. To test the validity, we would first concentrate on the responses given to Question 11 by estimating how many respondents have indicated each of the three lobby-factors as important. For the purposes of this study, ‘importance’ will be assessed through summing the number of responses given to the categories “Somewhat Important”, “Very Important” and “Extremely Important”. Figure 3 below summarises the answers for each “lobby factor” (LF) as given by the 55 PPP experts.

Fig. 2: Results from survey Question 11 – lobbying in PPP



The first factor (LF1) “Presence of lobby groups influencing public partner (government) to participate in a PPP project” is considered by a total of 36 respondents as having some degree of importance. 27 respondents have indicated LF2 “Presence of lobby groups influencing private partner to participate in a PPP project” as significant to the PPP initiation, while the third factor (LF3) “Presence of lobby groups, overall supporting the initiation of the PPP project” collects the most positive views compared to the other two factors with 38 votes. These results demonstrate that more than half of the surveyed experts in PPP regard LF1 and LF3 as significant factors to the public-private partnerships, although for LF2 opinions seem clustered around the “neutral” position, therefore we cannot generalise the answers as ‘important’ in their majority. In addition, we can argue that only in a limited number of cases experts have been certain that the presented lobby-related factors are meaningless to the public-private partnerships³.

In general, it is evident from Figure 3 that PPP experts participating in this particular study have not frequently indicated the lobby factors as being in their personal views as “very important” or even less as “extremely important”, but rather the answers are more in the “somewhat important” – “neutral” stance. More importantly, however, is that we can equally argue upon the opposite concept: the majority of the respondents have not classified the three lobby-factors as unimportant therefore any study on them as part of the PPP realm can be regarded as valuable.

The second step in conducting the test of the hypothesis would be to compare the RII values of the three lobby-related factors to the other 29 factors as demonstrated in Table 7, an excerpt taken from Table 3 above.

³ With regards to the categories “somewhat unimportant” and “very unimportant” (summed up as presented with the “important” categories) LF1 scores a total of 8 negative answers, while LF2 and LF3 each collect 7. As discussed, these values are considerably lower than the respective positive stances.

Table 5: Lobby-related success factors

Rank	LF	Success factor	RII
25	LF3	Presence of lobby groups, overall supporting the initiation of the PPP project	0.7299
26	LF1	Presence of lobby groups influencing public partner (government) to participate in a PPP project	0.7117
31	LF2	Presence of lobby groups influencing private partner to participate in a PPP project	0.6597

When considered altogether, all 3 factors regarding lobbying in public-private partnership score RII well above the mean of 0.5: the highest-ranked LF is LF3 – 25th among the 32 in total success factors with RII of 0.7299, followed by LF1 (RII = 0.7117), while LF2 is preceding 31st (RII = 0.6597). This does give a valuable point to this study since it proves that lobby-related factors are indeed considered by the surveyed PPP experts as rather ‘important’ than ‘unimportant’ for initiating the PPP process which would have been the case where the three LFs would have demonstrated RII values below the mean. Therefore, lobby-related factors should be considered as important and taken into account together with other success factors when analysing PPP initiatives. However, compared to the other discussed success factors, lobby-related ones are placed in the second part of the list with lower RII since the surveyed PPP experts have given priority to other success factors compared to the lobby-related ones. This does not automatically mean that our hypothesis is proven to be wrong since respondents have allocated importance to these 3 factors by overall classifying them above the mean value of RII. In other words, while not considered of top-importance, the 55 respondents do regard lobby-related factors as important to the initiation of the PPP. Yet, there is another outcome of the study. Respondents have indicated that the presence of lobbying practices towards public institutions (in order to induce them to participate in a certain PPP) is much more important than instigating the private partner to be pro-active. Thus, following the results from the study, we can argue that if any lobby practices should be applied with the objective of commencing a public-private partnership, these have to be directed towards the public authorities.

So far we have tested the hypothesis based on the data from the aggregated results. It would be appealing to see to what degree the three major groups of the respondents – the representatives of public authorities, private companies and non-governmental organisations – consider lobbying in initiating PPPs as important. Table 6 below presents the RII of the three lobby-related factors from the survey with the re-calculated RII for each of the three groups.

Table 6: RII of LFs according to respondent groups

Public		Private		NGO	
<i>LF</i>	<i>RII</i>	<i>LF</i>	<i>RII</i>	<i>LF</i>	<i>RII</i>
LF3	0.7619	LF3	0.6818	LF1	0.8000
LF1	0.6952	LF1	0.6818	LF3	0.7857
LF2	0.6857	LF2	0.6234	LF2	0.7571

What is evident from this table is that lobbying factors score higher than the mean RII value of 0.5, thus the PPP experts from all three major groups define lobbying as important for initiating the PPP process. The results from Table 8 indicate that representatives of public and private organisations rank the lobby-related factors in the same order with the overall presence of lobby in the initiation of the PPP project (LF3) is presented as most important of the three. This differs when considering the representatives of the NGO sector according to who the presence of lobby groups influencing the national authorities is considered as most important factor among the three. Moreover, NGO respondents have overall considered lobbying as of higher importance compared to the opinions of the public and private sector respondents. Another conclusion from the table is that all three groups independently consider lobbying the private partners (to participate in the PPP) as of less significance for the PPP success. This further approves the idea presented above that lobbying the public partner is seen as having more weight when initiating a public-private partnership.

Hypothesis 2 has been supplementary tested with survey Question 13. The anonymous respondents have indicated on the one hand that “PPP lobbying is very important”, “extremely important”, as well as that “lobbying is very important to support

implementation of PPPs". In principle, there have been several positive stances expressed by the PPP experts towards the positive role of lobbying in public-private partnership projects; these support the hypothesis of this paper that such external influencing does play a key role in the PPP process. Nevertheless, one cannot argue from the collected responses to Q13 that the majority of the respondents acknowledge lobbying as important. Some neutral opinions are expressed that do suggest that while external influences should be taken into consideration when carrying out PPPs, these are part of a wider spectre of factors, such as communication between stakeholders, political will and profitability of the project, which are equally important to the successful outcome of the project. The majority of the answers can be associated to this rather neutral trend. The third group of respondents either see lobbying practices as negatively influencing the PPPs: as some answers to the question suggest "It is important that public sector doesn't get influenced by lobbies to perform PPP projects" while another advocates that "lobbying ... could result in skewed projects that do not maximise public benefit". Thus, the opinions are widely differentiated and we cannot possibly judge with certainty from this particular question whether or not lobbying is of crucial importance to the PPP initiative.

However, taking into consideration the answers to the section of questions presented above, it becomes quite apparent that responses to Q13 mirror the results from Q11. In other words, as previously discussed, the surveyed PPP experts would rather consider lobbying influences as part of the PPP process and qualify them as neutral or somewhat important to the successful outcome of the project. When aggregated, the results to the lobby-related factors, presented in question 11, were relatively skewed towards the opinion that lobbying is in fact rather important than not. We can see the same trend in the views on Q13 where although few answers demonstrated experts' reluctance to see lobbying as part of the project and important for PPPs, the trending opinion was that lobbying should be taken into consideration in the wider framework of PPP success factors along with other social and economic issues.

In summary, we can consider our second hypothesis proven – the surveyed PPP practitioners have indicated that lobbying is indeed present in the PPP practice and that it is at least somewhat influential when preparing the public-private partnership. What else was proven by the analysed survey results is that lobby-related factors, while not ranked among

the most valuable for the successful outcome of the PPPs, do have their place among the other success factors, which have been researched in the existing literature. Therefore, while in the literature review we have demonstrated that lobbying is not debated by academics as part of the PPP success factors framework, the conducted research for this thesis shows that lobby-related factors ought to be considered in further analyses.

Lobbying for PPP – the Balchik Airport case-study

Airports and PPPs

The literature review has demonstrated that public-private partnerships are not only analysed by academics around the globe, but are actually being implemented extensively on a world scale. If we would focus on (Central and Eastern) Europe's experience in PPP we would follow the same tendency. As the CBI (2007) report on the internationalisation of the PPP practice comments: "In continental Europe, growth has been slow over the past decade overall, placing tight constraints on public spending, while the strong economic growth of the emerging economies of Central and Eastern Europe has been balanced by their exceptionally high infrastructure requirements, many of which have resulted from underinvestment over previous decades. The requirements to modernise public services or update infrastructure are often the drivers to the development of PPP markets. High investment needs for these changes, coupled with tight budgetary constraints, can explain much of the international growth of the PPP sector in recent years" (p. 13).

Bulgaria, also a South-Eastern European country, has followed suit in this regard; the country has seen a remarkable growth in the number of public-private partnerships in the last 5 years, especially when compared to the basically non-existent PPP practice in the country before 2001. The concept of PPP is now better understood by government officials and private investors alike, mainly due to several official programmes on how and in which fields to implement public-private partnership projects. The growth in numbers of PPPs currently being implemented or under preparation has risen with one of the most important reason here being the lack of public funds to maintain, operate and expand the existing infrastructure⁴. In the area of public transport PPPs, some prominent examples of Bulgaria's past experience are the successful concession projects of two of the major airports of the state – Airport Varna and Airport Burgas, as well as some smaller scale urban transport projects.

⁴ Rall et al. (2010) argue that "[PPP]s are best suited to large-scale infrastructure assets that have ongoing maintenance requirements" (p.2).

In times of public budget constraints, governments seem more likely to delegate the responsibility for carrying out and management of major investments to private entities. Implementing the public-private partnership model specifically in airport facilities and services is a trend first set up in the UK in the late 1980s. The success of this case, combined with the predictability of the revenues lead to a worldwide expansion of this practice, only to be suspended temporarily after the 9/11 events and in the last few years during the global economic crisis (Graham, 2011). However, the long-term vision is that airports would continuously increase their revenues, therefore making the overall idea of investing in such infrastructure seems lucrative (Andrew & Dochia, 2006; Brueckner, 2002).

The particular choice of airport infrastructure as basis for study of PPP projects in Bulgaria follows first of all from the number of airport fields in the country, both civil and military that have been neglected in the last decade by state authorities due to lack of public funding. Nevertheless, these sites have at its disposal infrastructure that could be rehabilitated and expanded by a private investor in order to serve transport and/or passenger links. The former-military-turned-civil airfield at Balchik, is such an example. Officially used only for military purposes, it is now becoming of an interest for foreign investors and an opportunity for the national government to boost the regional economic development at the Black Sea coast.

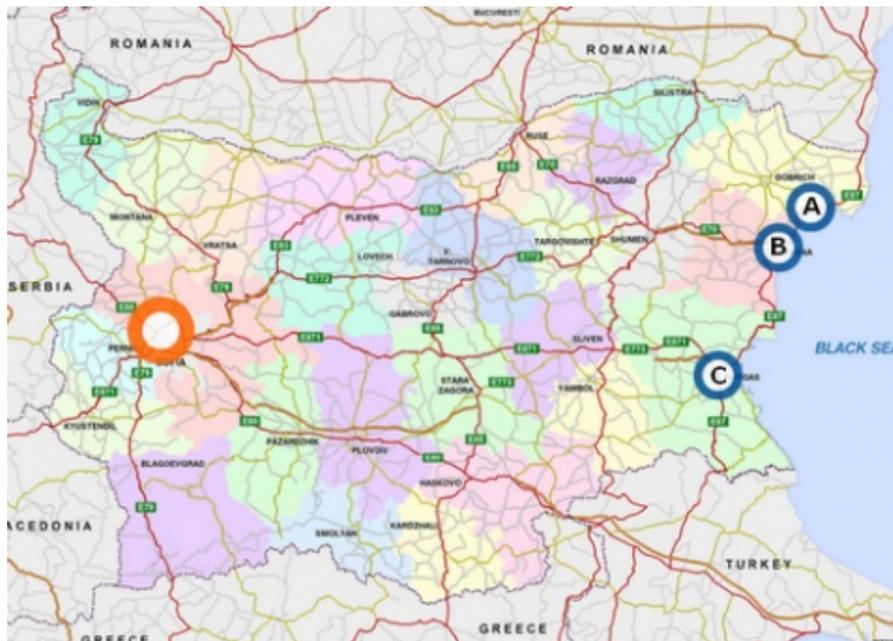
Therefore, the focus of this particular section of the thesis paper would fall on presenting the initial steps which the national government (the Bulgarian Council of Ministers) undertook at the start of the public-private partnership project at Balchik Airport. The value of the airport is twofold: first, it presents a detailed picture of the political decision-making process carried out for the preparation and designing of the PPP as a concession agreement; and secondly, how a certain potential PPP project is actually being endorsed by the government as a national priority. Special attention is paid to the (critical success) factors which were present in the process and which eventually led to the designing of the concession of the airport. The in-depth analysis of this case-study will be presented following the framework presented by Rall et al. (2010) on the three basic components in the public-private partnerships: (1) the “mission” of the project, presenting the focus of the initiative; (2) the “method” consists of the way it is planned/carried out; and (3) is the question of how it will be financed. The section will conclude by cross-matching the critical

success factors already presented above in the thesis with the ones specific to the case-study.

The mission of the PPP

The Municipality of Balchik is located in the north-eastern part of the country, with a total population of just over 12 000 inhabitants. 40 kilometres northwards is the major Black Sea city of Varna with its corresponding airport. The Balchik Airfield is located at 800 m. outside of the town of Balchik, on a total land area of 460 hectares, while the runway has a total length of 2 500 m., with the possibility of extending it up to 3 500 m (Novinite, 2011). The picture below demonstrates the location of the town of Balchik (A) but also the proximity of the two other existing international airports: Varna (B) and Burgas (C).

Fig. 3: The Bulgarian Black Sea coast airports



(Source: Novinite, 2011a)

A major issue with regards to the Balchik airfield is its proximity to several tourist attractions – the town of Balchik itself (part of which – the Balchik Palace - is declared as a UNESCO world heritage site), some of the major Black Sea resorts, as well as additional historic locations (Thracian settlements) and leisure opportunities. However, there is more to

attract investors, which would provide more users of the airport during spring and autumn seasons – the location of three top-quality golf courses in close proximity to the airport, namely the “Black Sea Rama”, “Lighthouse Golf Resort” and “Thracian Cliffs” (Gavrilescu, 2012). Moreover, the micro-climate of the town facilitates the development of winter tourism, making the airport exploitable during the entire year. It is for these reasons that potential investors can expect a constant influx of passengers to the airport with the summer season being the leading period of the year in this regard, and that investing in the airport can be seen as a lucrative project.

The Bulgarian government has well acknowledged the economic attractiveness for the investors is pursuing several objectives with the public-private partnership project at the Balchik Airport. In principle, the policy of the current Council of Ministers has been to improve the public infrastructure of the country through utilising mostly external funding – loans from international banks and funding through the European Union’s Cohesion policy. Moreover, for every government investing in the development of transport infrastructure is of utmost importance not only in terms of costs, future return on the investments, but also because of the political stakes involved, mainly the issue of accountability and visibility toward voters (Shang et al., 2004). Thus, transport linkages are not only an infrastructural and economic challenge but also a political one since it influences the local community and a wide range of stakeholders.

Yet, there are more reasons why initiate this particular public-private partnership. The Bulgarian Council of Ministers, when initiating the PPP in the summer of 2011, made explicit that by developing the Balchik Airport it will not be only the investors profiting from the project but rather that it will be of benefit to North-eastern Bulgarian Municipalities and the Black Sea coast region. The main reasoning was that when operational, the Balchik Airfield will ease the traffic going to the Varna Airport, thus reducing the congestion in the Varna Municipality in the summer season and optimising the travel time of tourists, as well as decreasing the environmental impact from motor vehicles in and around the city of Varna (Novinite, 2011). Another reason was that the Varna Airport is currently having a monopoly over the traffic to the northern Black Sea coast; hence, by providing a second airport, there would be more competition among operators, resulting in better services and prices for the end-users (idem.). These arguments by the government tried to gain public support in

favour of the public-private partnership project and to further legitimise any public funding to the Balchik Airport, especially considering the constraints on the public budget spending in times of the current financial and economic crisis.

So far we have presented the social and economic grounds on which the preparation of the PPP project at the Balchik Airport would be based. The decision of the Bulgarian Council of Ministers to conduct a preliminary assessment on the economic potential of the airport and to initiate all legal, financial and technical procedures to prepare a concession agreement was made in August 2011. The chronological turn of the events for the preparation for a public-private partnership are presented here below, with the reconstruction of the events based on the articles of Spasov (2012a; 2012b).

- 1) On July 6th, 2011 the Council of Ministers officially declared their interest in the non-operational military airport at Balchik by agreeing upon allocating initially BGN 30 million (≈15 million EUR) and later BGN 40 million (≈20 million EUR) for its reconstruction.
- 2) The government decided upon creating the 100 % publicly owned limited liability company – Balchik Airport EOOD – which should operate the airport until the concession. The company was never registered due to internal discussions in the Cabinet whether this case of offering state aid will be approved by the European Commission as admissible under competition laws. Another yet concern was timing – when would the EU Commission presents its decision.
- 3) In August 2011 the Cabinet transferred the operation of the airport to the Sofia International Airport management; according to the governmental plans, both airports should be prepared for concession agreements, potentially in a one joint procurement. Since taking over, Sofia International Airport has carried out small-scale rehabilitation of the airport, mainly on the runway.
- 4) In September 2012 the Bulgarian Council of Ministers officially transferred all assets of the airport from its former owner – the Ministry of Defence, to the present owner – the Ministry of Transport, IT and Communications. Meanwhile, the cabinet

enhanced the status of the Balchik Airport by declaring it the sixth airport in the country declared as a site of strategic national security⁵

- 5) In March 2012 government officials publicly commented that the airfield will be further developed as a concession project.
- 6) The first international flight at the airport was effectuated on May 3rd, 2012, although no funding was actually spent on the improvement of the facilities.

The method

The Bulgarian Council of Ministers, when first commenting on the financing of the project in July 2011, were clear in their decision that they are allocating the funds to prepare the airport for potential public-private partnership in the future (Novinite, 2011a). However, the government did not make explicit their intentions to pursue a concession agreement of the airport until March 2012 (The Sofia Echo 2012). The Balchik Airport can be seen, therefore, as a mixture of the classical perceptions of “greenfield projects” and “brownfield projects”: on the one hand there is existing infrastructure (passenger halls, control tower, etc.), which despite its poor condition, may be rehabilitated by the private investor. More importantly, since it is an airfield, there is a runway, which is one of the most expensive elements in any airport construction project. The airport cannot be considered as a wholesome brownfield project for the reason that any future operator would seem necessary firstly to renovate the existing infrastructure in order to fulfil international regulations and secondly, it will be essential to construct additional extensions to the runway and the existing terminals. Moreover, new peripheral road network shall be appropriate to accommodate the future passenger inflows and outflows.

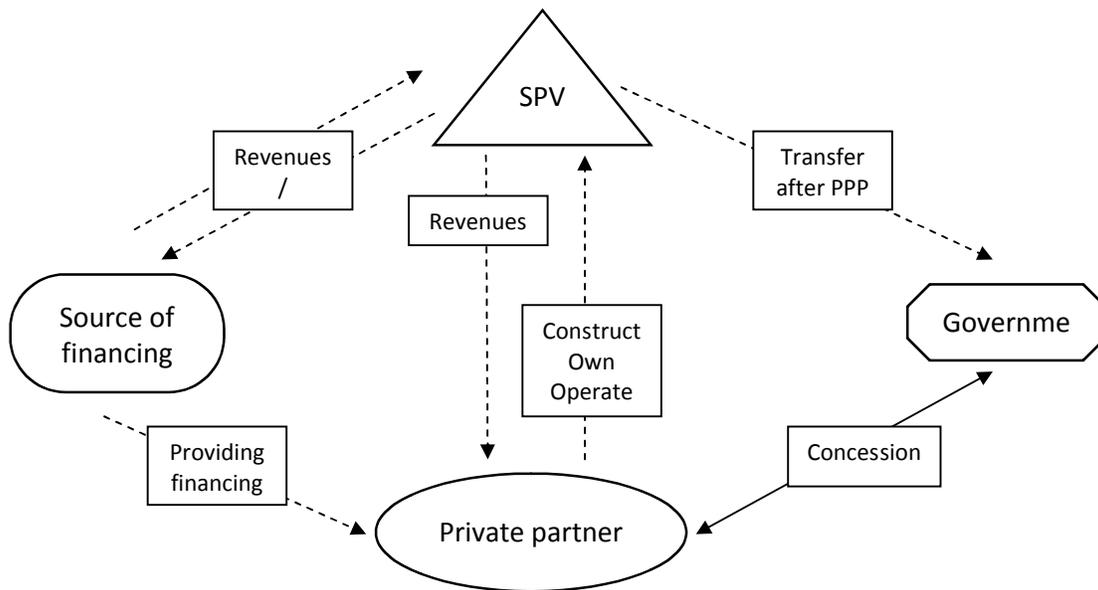
The world practice in public-private partnerships initiatives in airports has demonstrated that governments tend to offer the private partner long-term leasing or concessions contracts (Andrew & Dochia 2006) with East Europe region is not an exception in this matter (idem.). The concession itself is granted by a government agency to a particular entity (most

⁵ The other five are the international airports at Sofia, Varna, Plovdiv and Burgas, as well as the civilian at Gorna Oryahovitsa. The later was also declared as such with the intention of attracting an investor (concessionaire).

often a private stakeholder) through which the partner organisation can build, operate, maintain manage, reconstruct or expand the particular infrastructure when fully providing a particular service (Asian Development Bank, 2008; UNESCAP 2007). The concessionaire may be required to pay an up-front sum to the government at the start of the contract with the concessionaire receiving revenues from tariffs and charges during the operation stage. In concessions, the government can attain the ownership of the facility while the payment can be from the private part or the public part to the other. It is also a practice to see state authorities making some initial payment in order to attract the investor and reduce the risks for initiating the PPP. The concession contract is usually for 25-30 years, rarely up to 50 years⁶, although certain examples in the past years suggest concession for up to 99 years (Rall et al., 2010) and a 'special purpose vehicle' (SPV) to operate the facility may often be required by the government to be set up (i.e. a joint venture). The figure below shows a typical structure of such form of public-private partnership.

⁶ Under the European Union current legislation, also applicable in Bulgaria, PPP contracts are limited up to 35 years.

Fig. 4: Concession agreement⁷



(Source: UNESCAP, 2007, p.20)

UNESCAP (2007) argues that for the public partner there are several positive and negative aspects in carrying out a concession. One of the major advantages is that the risks are mostly transferred to the private side, as well as the fact that major constructing is financed by non-public funds. Moreover, since revenues come from the operation, the operator is more willing to offer efficient service (Asian Development Bank 2008). On the other hand, however, concessions like other forms of public-private partnerships involve close supervision from the public partner over the fulfilment of the contract, as well as the fact that designing and procurement of the project may take even longer due the complexity of the contract. The concession agreement can have two forms: franchise agreement or Build-Operate-Transfer (BOT) arrangement.

For the purpose of this paper it would only seem appropriate to give an outline of the BOT version PPP, since it is directly applicable to the chosen case study: a concession agreement for an airport which already exists. In the BOT model it is the concessionaire who invests in the infrastructure site and after the fixed period of operating the facilities, the concession would either be prolonged or terminated, with the assets transferred back to the public

⁷ This certainly is not the full picture in the concession. Other participants, such as consultants and the general public (the end users) should also be taken into consideration when analyzing the framework of any PPP.

partner. In these terms, the private partner carries the main risks, while the government may provide loan guarantees, grants or tax benefits for the private investor. The Balchik Airport is prepared as a sub-category of the BOT model: Build-Rehabilitate-Operate-Transfer (BROT) agreement, under which the “private developer builds an add-on to an existing facility or completes a partially built facility and rehabilitates existing assets, then operates and maintains the facility at its own risk for the contract period” (UNESCAP, 2007, p. 21). Currently at the airport there are 106 different buildings, a warehouse, which have still been used when the airport was a military base (Spasov, 2011). These facilities, including the runway, are to be refurbished and modernized in order to service commercial flights⁸.

The financing

Taking into consideration the current status of the airport facilities, the forthcoming operator should be ready to allocate to the project some considerable funds upfront and before expecting some revenues and return on the investment when the airport becomes operational. Nevertheless, before the new operator takes control over the infrastructure, Balchik Airport should attract the investor. Due to the poor state of the facilities, the government decided to fund from the public budget partial reconstruction of the airport, as well as peripheral facilities (i.e. road network to link the airport with the adjacent highways). The decision was first discussed when the concession of the airport was introduced as part of the proceedings of the Council of Ministers on July 6th, 2011. The minutes from the particular meeting demonstrate (1) the clear pro-active stance towards the project by the Prime-Minister, (2) that by preliminary studies the reconstruction of the existing buildings, together with additional licensing of the airport for commercial flights, will necessitate an overall investment of BGN 30 million (EUR 15 million), and (3) the determinacy of the Prime-Minister to have the airport operational by May 2012, hence in 9 months from the meeting. On the subsequent meeting of the ministers, the Minister of Transport, IT and Tourism informs his colleagues that according to new preliminary technical and economic studies,

⁸ Private jets were landing at the airport even before the PPP was initiated; however, the project for concession involves attracting larger passenger influx.

the required public funding may well have to be increased to BGN 40 million (EUR 20 million).

According to Spassov (2012b), the promised public funding was never allocated, without any specific reason indicated. Officials at the Ministry of Transport, IT and Tourism have commented that: “The construction and modernisation of the airfield and servicing air traffic infrastructure at the Varna airport [as Balchik Airport’s main competitor for passengers in the region] made necessary the precision of the evaluation of its effect on the re-allocation of air-traffic and passenger flow [in North-eastern Bulgaria]” (cited in Spassov, 2012b). Thus, the Bulgarian government’s restraint to fund the project may be considered as the result of the further technical and economic analyses of the experts at the Council of Ministers and the corresponding ministries which were carried out after the political decision was made.

The final question that remains is – who will be the concessionaire? The latest official information on this matter at the time of writing this paper was the opinion expressed by the Minister of Transport, IT and Tourism, according to whom the Balchik Airport public-private partnership has raised interest among investors from Qatar (Economy magazine., 2012). In the interview, the Minister once more stated the government’s decision to proceed with the project: “For the [Balchik Airport] and for the Sofia Airport at the present moment there are analyses being made for the concession or other form of public-private partnership. There is nothing against the idea of continuing with this analysis until we see what will happen with Qatar. Balchik Airport will sooner or later be transferred under some form of PPP or directly sold to a private investor. For the investors from Qatar the coastal airport will be offered as part of a bigger package. They are interested in the project not only to develop activities at the airport but rather in an entire package for creating tourism opportunities – a resort complex, building hotels, mineral resources. The golf tourism niche is also interesting; there are a few golf courses in the region” (idem).

Following this quote, the Qatar investors seem to be appealed by the same economic potential of the airport, as discussed previously in this section. What remains to be seen is first if the government will indeed make the promised upfront payment in order to improve the existing infrastructure and secondly, whether a deal with a potential investor will be made. Furthermore, the Minister’s words that the government is considering the possibility

to sell the Airport altogether, rather than fulfil the intentions of a public-private partnership, are also intriguing. It is yet to be seen in the following months what the final outcome will be; nevertheless, the most important note to make is that the government has the political will to continue with the public-private partnership project.

Lobbying for the Balchik Airport PPP

What the facts on the conception of the PPP at the Balchik Airport demonstrate is that the decision-making process of setting up the project ready for a concession took only two weeks, with further legal procedures of converting the airport from military to civil lasting an additional month. This can very well be seen as very fast execution of the process, especially taking into consideration that Bulgaria does not have sound experience with PPPs (therefore one would expect more thorough expertise on the matter prior to receiving political support) and also because of the budget constraints, which would involve allocating public funds primarily to project of high importance to the society. For these reasons it is interesting to look for the success factor which catalysed the initiation of the PPP of the Balchik Airport.

An analysis by Novinite (2011) suggests that Balchik Airport is part of a string of airports which are steadily prepared for future acquisition by investors or for a public-private partnership, hence it can be considered as a whole policy by the national governments. However, Spassov's research (2012a) highlights a much more probable theory. The Balchik Airport, used by the company "Albena" AD, operating the Black Sea's vacation area "Albena" (located 10 kilometres south of Balchik Airport) for small passenger airplanes, has reportedly been in contacts with the council of ministers on the PPP project idea. Spassov goes further in his research, according to which "Albena" AD have presented the airport in June 2011 to the Ambassador of the United States in Bulgaria who in turn has endorsed the idea and has commented it with the Prime-Minister himself. Moreover, other analysts have suggested that the Prime-Minister has been approached by representatives of other local businesses (i.e. the golf courses and hotel resorts adjacent to the airport) who have also commented with him the potential of the airport and its value for the region (Novinite, 2011).

Of course, there is little solid proof for this lobbying ever to have happened. “Albena” AD manager has openly mentioned that indeed he has presented the Balchik Airport potential to the US ambassador but whether or not the latter has influenced the Council of Ministers’ decision is unknown to him (Spasov. 2012a). However, the US ambassador has used his Twitter account in May to express how glad he is to see that Balchik Airport is accepting international civil flights and his hopes for the future economic development of the region. As usually the case, lobbying influencing policy-making cannot be proven; but it can be assumed to have happened due to the following reasons which find little other reason to take place:

- 1) The decision of the Council of Ministers to proceed with the project was taken shortly after the alleged meeting between the Prime-Minister with the stakeholders;
- 2) The minutes of the meetings show the strong pro-active position of the Prime-Minister with regards to prioritising the Balchik Airport PPP who stimulates the other ministers into prompt actions with regards to the project preparation.

Considering all the above-mentioned external influences, one can assume with some high level of certainty that there was indeed lobbying prior to the start of the preparation of the Balchik Airport project. The author of the thesis has attempted to further shed light on this aspect of the PPP project. Representatives of the Municipality of Balchik were contacted on this matter via electronic mail who unofficially responded that the municipal administration has not been formally consulted by the national government with regards to the concession of the airfield and, moreover, that the local administration follows the progression of the project via the media coverage. In the exchanged communication it became clear that in principle the administration did not have anything against the project but that they would prefer being part in the process. This further demonstrates that the public-private partnership was an initiative coming from the Council of Ministers rather than from the local policy-makers.

Success factors in the case-study

After especially focusing on the presence of lobbying in the PPP, it will be of interest to embed the case-study in the overall research on the success factors in public-private partnerships. Table 7 below presents the 10 most important success factors in PPP, (as suggested from the conducted survey among PPP practitioners presented in the previous chapter) and cross-matches them with their actual presence in the case-study. The presence of a particular factor is marked with a '+', the absence is marked with '-' and if it is yet to be evaluated (the factor may become visible on a later stage), it is marked with a '?'.

Table 7: Success factors in Balchik Airport PPP

<i>Success factor (from survey)</i>	<i>Presence in case-study</i>
Clear allocation of risks among partners	?
Detailed contract between public and private partners	?
Detailed feasibility study of the project	-
Transparent procurement	?
Experience of project team in managing similar PPP projects	?
Government support for the project	+
Proven long-term demand of future investment/infrastructure	+
Economic stability of host state	+
Clear investment and economic policy of host state	+
Long-term access to financing	+

The table above demonstrates that the Balchik Airport case-study already contains 5 of the 10 most important success factors for a public-private partnership. As demonstrated, there is underlined political will by the government to initiate the project. Moreover, the project has the economic potential to attract end-users and to become part of a wider investment. The Bulgarian economic stability is proven, it was demonstrated that the government does foster economic development (the cases of previous PPP projects); in addition, the banking system is stable and open for investment support if needed. Other 4 factors are to be decided in the coming months: how the responsibilities and risks are to be distributed among partners, which will be part of the future contract agreement. The selection of the operator will have to be made in a transparent way in order to select an experienced private partner. While the former is partially guaranteed by the stronger national legislation in PPP

and public procurement, the later depends on the bidders themselves. One factor which is still under way is the feasibility study of the project. As argued above, experts at the national ministries have already been working on the detailed evaluations of the project; these should be completed in the coming months to give more information on the current state of the airport facilities and the real potential of transforming it from defunct into a profit-making site. In addition, an intriguing fact is that the five top-ranked factors are the ones which are still not evident in the project, thus still leaving some doubt on the eventual successful outcome of the project.

No project without lobbying

As discussed previously, there is a multitude of defunct airfields in the country, most of which can be modernised and be used, for instance, for passenger traffic or cargo. The question is which airport should be prioritised by the government as with strategic importance to the region and the country, as well with high potential to attract investments, and therefore be economically viable to spend administrative capacity and public funding to commence technical and economic studies, preparing it for future public-private partnership. From this particular case-study we may well argue that in practice lobbying can instigate high-ranked policy-makers to prioritise certain public transport project on the political agenda and to further consider the initiative as a potential public-private partnership. Balchik Airport concession may be seen as a demonstration of the effect of lobbying on policy-making but the value of the example is that it illustrates how lobbying can have a positive effect on initiating a PPP.

Following the presented case-study, the Balchik Airport concession may have hardly started if it was not presented to the Prime-Minister and if the value of the project was not made clear to him and the other members of the Cabinet. Thus, we can theorise that the value of lobby groups is that they can catalyse the whole process of selecting a PPP project by the administration through 'marketing' a particular public-private partnership project and providing details in terms of benefits to the local population and regional economy compared to other similar initiatives for PPPs in the region and on a national level. It is in

this way that the public authorities are tempted to allocate funding and capacity to make the preparatory steps on short notice for this particular project and not for any other. Furthermore, the same public administration structure may not be aware of the full potential of every single project, therefore it is the lobby group that can present the added value of the initiative to policy-makers and decision-makers who in the end take the political decision to participate in a PPP.

It can be argued that because of this case of lobbying, one project (Balchik Airport) was endorsed by the government, while others which are similar were neglected. As a result, one potential PPP initiative has been prepared while others were not since they have not been able to grab the attention of stakeholders – not only the government, but also other interests groups which would back the project. Moreover, the effect of interests groups' actions does remain reliant to the political will and the way the ideas are accepted by the policy-makers: should there be any strong resistance from the government against the lobbied initiative, however pro-active the lobby may be, the applied pressure may also become futile and no project may become reality. The value of the presented case-study, as discussed in the literature review on lobbying, is that although there may be examples in which lobbyists can negatively influence the political process by limiting certain policy measure or preventing a particular project from happening, the present study gives arguments in favour of pro-active lobbying, not only in PPPs, but for public infrastructure projects in general. Stepping away from the paradigm that lobbyism supports only private interests, the Balchik Airport PPP is an example of how a particular project with potential of bringing positive social and economic benefits to the regional economy and the local population can become 'reality' (top-priority in the political agenda) when promoted by interest groups.

However, upstream lobbying was not the only factor that contributed to the success and it is necessary to place some limits to the success of lobbyists since there are conditions which are beyond their control and also are present in the initial stages of the PPP. Therefore, the presence of political will by the government to support PPPs, constructive dialogue, combined with the potential economic and social advantages, all have influence on the positive outcome of taking the political decision to participate in a public-private partnership. Moreover, however influential the lobby group may be, there cannot be

certainty that the lobby will be efficient due to change on the political scene or the contra-active initiative of opposing lobbyists (Hogla & Nilsson, 2010). In other words, lobbying role and effect in PPPs cannot be predicted upfront and is very much dependent on the context in which it takes place. Nevertheless, disregarding all other conditions, what this case-study and paper aim to demonstrate is that pro-active as such can indeed be a of positive influence for initiating a PPP despite the general understanding that the representation of interests involves corruption and losses for the society.

We have demonstrated with the case-study of the Balchik Airport concession that lobbying can have a positive effect on the start-up of a PPP project that was not planned for since it can stimulate public officials to analyse the value of a particular project which may have never been before taken into due consideration. Moreover, we can deduct from the presented case that without the presence of pro-active lobbying brings to the political attention and agenda a potential public-private partnerships which most probably would have not otherwise been considered among the multitude of similar initiatives. It is thanks to lobbying by local business representatives and diplomats that Balchik Airport was able to 'stick' on the policy agenda and to become attractive to foreign investors for a concession agreement.

In summary, the Balchik Airport public-private partnership initiative has given an example of how lobbying can have a positive influence on the initiation and designing of a PPP; moreover, although the project is still in its initial phase, it does carry 5 of the 10 most important factors for it to be successfully set up. As a result, an airport, which one year ago used to be just one of the many small largely non-operational airfields in the country, is now becoming one of the government's main priorities and is already attracting the interest of investors. This fast development was marked by the presence of interest groups, combined with the political will of the government and other factors inherent in the success of a public-private partnership. Recurring to our second hypothesis of the thesis and taking into consideration the provided case-study, we can argue that lobbying can indeed be considered as an important and potential success factor in PPPs. Therefore, after the survey results presented in the previous chapter, through the case-study we have once more supported the validity of the second hypothesis.

Conclusion

The present research began by analysing the critical success factors which according to academics are of significance for the implementation of public-private partnerships. What instigated further study in the problematic was the fact that lobby practices are accepted as part of the public policy process, thus they are part of the decision-making on what action the government undertakes to improve the social and economic status of the state. Interest groups have the ability to present policy initiatives, provide information and project ideas to the national authorities, thus demonstrate a pro-active stance towards activities that would be of benefit both to the lobby and the population. Thus, it was expected to find lobbying as part of the research on PPP but this was not the case: it was not accepted as an important factor for preparing such projects, therefore the research focused on analysing whether indeed lobby activities should be more the focus of attention.

The conducted research through surveying experts in PPP demonstrated that lobbying, although not top-ranked in terms of significance when compared to other factors, is in fact perceived by respondents as important for the PPP process and thus should be part of the set of success factors. The analysed case-study of Balchik Airport further provided an example of how a project idea for a public-private partnership, never before considered as a priority for the government, becomes focal in the policy of the state and has the chances of being accomplished because of the pro-active contribution of lobbyists who proposed and defended the idea. In summary,

The added value of the paper can be found in several directions. This paper has provided stakeholders in public-private partnerships with an improved set of success factors inherent in the preparatory stages of the PPP initiative which would be of benefit to state governments on national and regional level, private investors, financial institutions and consultants when setting up a win-win PPP. Moreover, the improved categorisations of the factors (now including lobbying) may well become a tool for both public and private partners when engaging in PPPs by assisting them to determine the potential pitfalls of the project. By evaluating the presence or the absence of the presented influential factors stakeholders shall have the chance to improve the strategic management of the PPP in the initial stages of the project cycle which by itself are of crucial importance to know whether

the project will proceed or not in the first place. Furthermore, due to limited financial resources, any public authority (especially in the ones with poorer experience in PPP projects) would optimise the allocation of funds when considering their participation in PPP if the proposed set of factors are taken into due consideration.

The presented case-study has contributed more than providing real-life example of the presence of the success factors. Considering the fact that Bulgaria's experience in new public management tools such as PPPs is still poor, it is valuable to have analysed the factors that induce the stakeholders on public and private level towards participating in such joint effort. The number of airfields currently not used and adjacent infrastructure in the Bulgaria is clearly a prerequisite for a series of future PPP initiatives to be taken into due consideration. Therefore, the case-study of Balchik Airport's concession can be seen as a potential role-model for future projects when preliminary assessments are being carried out prior to the actual contracting of the PPP. It also demonstrates the importance of identifying and structuring the success factors in public-private partnerships in order to achieve the most efficient result for public organisations especially considering the limited availability of the financial resources.

Overall, this thesis has opened the discussion on lobbying as a success factor for the public-private partnerships process and therefore may be considered as basis for further research. The compiled dataset from the survey is yet to be comprehensively analysed to the fullest extent and thus supplement the results from the present study.

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Appendix A

Question list for online survey

Information about the survey

Introduction

This study attempts to collect information about the different factors, influencing the initial stages of a public-private partnership (PPP) project.

The stages to be considered are mainly the conceptualising of the project and the preparation of the feasibility studies.

Since there are various forms of public-private partnerships, the study will primarily focus on PPP concession projects of public transport infrastructure.

Procedures

The questionnaire consists of 12 questions and will take approximately 15 minutes or less to complete.

Questions are designed to determine how you perceive the importance of several factors on determining the successful preparation of a PPP project.

Confidentiality

All data obtained from participants will be kept confidential and will only be reported in an aggregate format (by reporting only combined results and never reporting individual ones).

The data collected will be stored in the HIPPA-compliant, Qualtrics-secure database until it has been deleted by the primary investigator.

Questions about the Research

If you have questions regarding this study, you may contact the main researcher - Mr. Nikolay Karamalakov at n.karamalakov@student.maastrichtuniversity.nl.

THIS SURVEY CONSISTS OF TWO PAGES!

* * *

Q1. Please indicate your gender

- Male
- Female

Q2. In which country do you reside?

(List of countries provided)

Q3. In which field do you work?

- Non-governmental organisation
- Public organisation
- Private sector (incl. consultancy)
- Financial services and banking
- University / Academic institute
- Other

Q4. Would you indicate the organization for which you are currently working? (optional)?

(Open space provided for answers)

Q5. For how long have you been working on PPP projects?

- One year or less
- Less than 5 years
- Between 5 and 10 years
- More than 10 years

Q6. In how many PPP projects have you been involved in your professional career?

- Never
- One
- Less than five
- Between 5 and 10
- More than 10

Q7. Based on your experience, please indicate how important do you find the following financial and commercial factors for initiating a PPP project?

#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important
1	Economic stability of host state	<input type="checkbox"/>						
2	Stable fiscal policy of host state	<input type="checkbox"/>						
3	Clear investment and economic policy of host state	<input type="checkbox"/>						
4	Accessibility of a working financial market	<input type="checkbox"/>						
5	Long-term access to financing	<input type="checkbox"/>						
6	Proven long-term demand of future service / infrastructure	<input type="checkbox"/>						
7	Fast return on the investment for the investor	<input type="checkbox"/>						
8	Poor competition for the supplier/investor	<input type="checkbox"/>						

Q8. Based on your experience, please indicate how important do you find the following political and legal factors for initiating a PPP project?

# Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important
1 Stable government at host state	<input type="checkbox"/>						
2 Government support for the project	<input type="checkbox"/>						
3 Assessed appropriateness of the PPP compared to alternative measures	<input type="checkbox"/>						
4 Presence of legal framework concerning PPP in host state	<input type="checkbox"/>						
5 Detailed contract between public and private partners	<input type="checkbox"/>						
6 Flexibility in the contract clauses	<input type="checkbox"/>						
7 Clear allocation of risks among partners	<input type="checkbox"/>						
8 Transparent procurement	<input type="checkbox"/>						

Q9. Based on your experience, please indicate how important do you find the following technical factors for initiating a PPP project?

# Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important
1 Experience in PPP of the host country	<input type="checkbox"/>						
2 Experienced public administration of the host country	<input type="checkbox"/>						
3 Detailed feasibility study of the project	<input type="checkbox"/>						
4 Potential for fast execution on the construction stage of the project	<input type="checkbox"/>						
5 Possibility to implement innovative techniques in construction and operation	<input type="checkbox"/>						
6 Experience of the private partner in PPP	<input type="checkbox"/>						
7 Experience of project team in managing (similar) PPP projects	<input type="checkbox"/>						

Q10. Based on your experience, please indicate how important do you find the following social factors for initiating a PPP project?

# Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important
1 Support by (local) society for the project	<input type="checkbox"/>						
2 Support by labour organisations and other social partners	<input type="checkbox"/>						
3 Conducting consultations with end-users	<input type="checkbox"/>						
4 Prepared study on the social and economical impact	<input type="checkbox"/>						
5 Clear prospects for higher employment for local community	<input type="checkbox"/>						
6 Detailed assessment on the environmental (ecological) impact	<input type="checkbox"/>						

Q11. Based on your experience, please indicate how important do you find the following additional success factors for initiating a PPP project?

# Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important
1 Presence of lobby groups influencing public partner (government) to participate in a PPP project	<input type="checkbox"/>						
2 Presence of lobby groups influencing private partner to participate in a PPP project	<input type="checkbox"/>						
3 Presence of lobby groups, overall supporting the initiation of the PPP project	<input type="checkbox"/>						

Q12. Would you like to add some personal comments on the success factors in a PPP project?

(Open space provided for answers)

Q13. Would you like to further express your opinion on lobbying in PPP and for PPP?

(Open space provided for answers)

Appendix B

Results from online survey

"Qualtrics" output

1. Please indicate your gender

#	Answer		Response	%
1	Male		39	71%
2	Female		16	29%
	Total		55	100%

Statistic	Value
Min Value	1
Max Value	2
Mean	1.29
Variance	0.21
Standard Deviation	0.46
Total Responses	55

2. In which country do you reside?

#	Answer	Response	%
122	Netherlands	8	15%
78	India	6	11%
65	Germany	5	9%
167	Switzerland	4	7%
26	Bulgaria	3	5%
161	Spain	3	5%
183	United Kingdom of Great Britain and Northern Ireland	2	4%
84	Italy	2	4%
17	Belgium	2	4%
44	Cyprus	2	4%
100	Lithuania	2	4%
142	Russian Federation	2	4%
165	Swaziland	1	2%
157	Slovenia	1	2%
86	Japan	1	2%
24	Brazil	1	2%
75	Hong Kong (S.A.R.)	1	2%
181	Ukraine	1	2%
9	Australia	1	2%
138	Qatar	1	2%
61	France	1	2%
185	United States of America	1	2%
35	Chile	1	2%
135	Philippines	1	2%
182	United Arab Emirates	1	2%
136	Poland	1	2%
	Total	55	100%

Statistic	Value
Min Value	9
Max Value	185
Mean	103.76
Variance	2,742.78
Standard Deviation	52.37
Total Responses	55

3. In which field do you work?

#	Answer		Response	%
1	Non-governmental organisation		10	18%
2	Public organisation		15	27%
3	Private sector (incl. consultancy)		22	40%
4	Financial services and banking		4	7%
5	University / Academic institute		1	2%
6	Other		3	5%
	Total		55	100%

Statistic	Value
Min Value	1
Max Value	6
Mean	2.64
Variance	1.53
Standard Deviation	1.24
Total Responses	55

4. Would you indicate the organization for which you are currently working? (optional)

Text Response
United Bulgarian Bank
Arzinger law firm
Independent Consultant
IISD
International Finance Corporation
UAB "Peritus sprendimai"
EIFFAGE
C.R.E.A.M. Europe PPP Alliance
vnesheconombank, ppp unit
IDFC Limited
IDFC Foundation
Ministry of Regional Development and Public Works
CECOPP
Deloitte Bulgaria
Institute for PPP Slovenija
International Finance Corporation, member of World Bank Group
EPC (Think Tank)
Institute for PPP, www.PPPinstitute.com
United Nations. unece/ppp
Verein PPP Schweiz, Präsident
Planning Bureau
Ministry of Infrastructure and the Environment
Development Company Greenport Venlo
university
Department of Economic Affairs, Ministry of Finance, Government of India
Ministry of Infrastructure, NL
NACO, Netherlands Airport Consultants BV
Ministry of Infrastructure and Environment
Our main task is categorized into three fields; International Cooperation, International Exchange of Construction Technology & Information and Supporting Internationalization of Japanese consulting firms. Under the policy, we are promoting PPP project finding and formulation targeting mainly asian region.
I am Chairman & CEO of Ravenna Port Authority

Statistic	Value
Total Responses	30

5. For how long have you been working on PPP projects?

#	Answer		Response	%
1	One year or less		5	9%
2	Less than 5 years		13	24%
3	Between 5 and 10 years		19	35%
4	More than 10 years		18	33%
	Total		55	100%

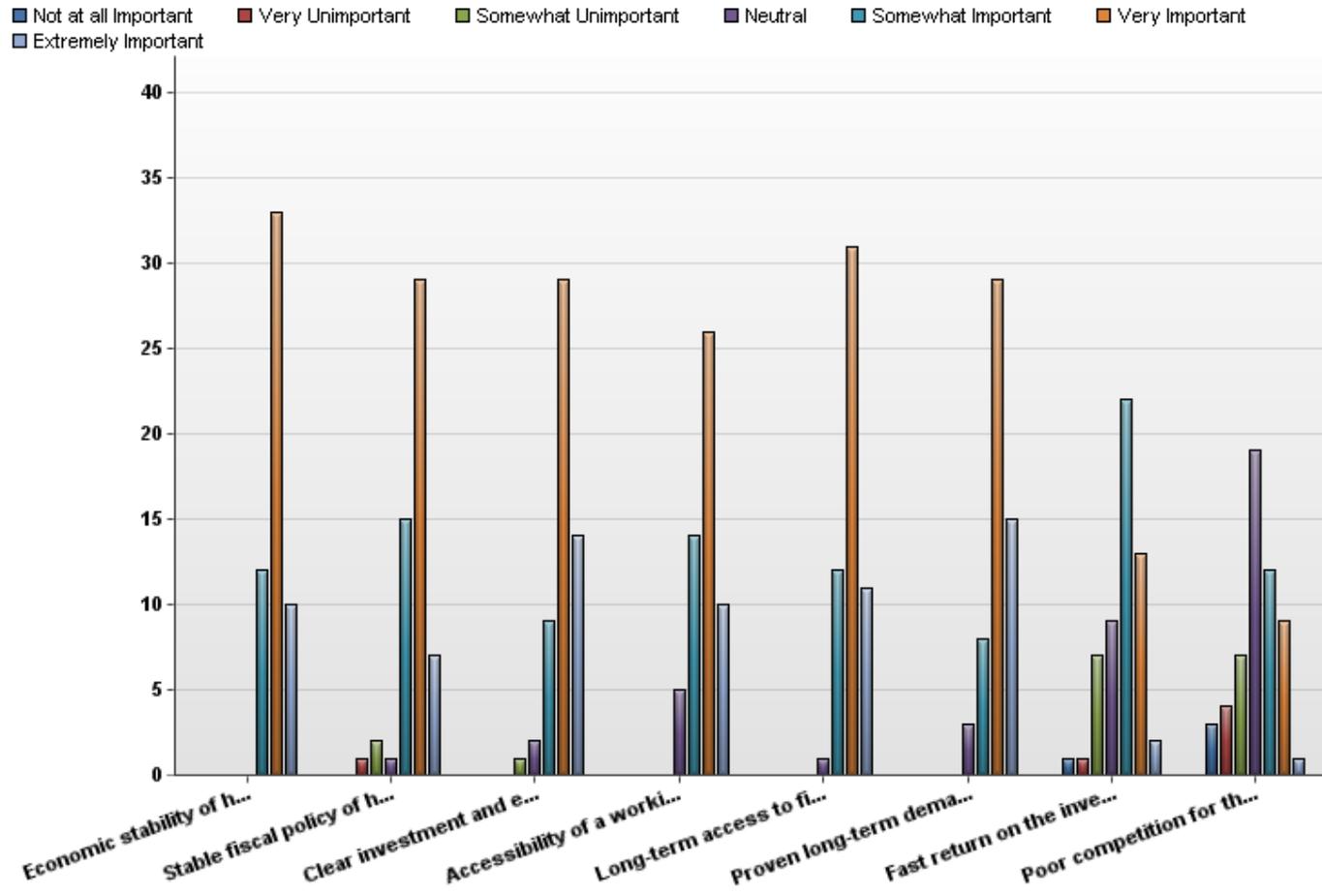
Statistic	Value
Min Value	1
Max Value	4
Mean	2.91
Variance	0.94
Standard Deviation	0.97
Total Responses	55

6. In how many PPP projects have you been involved in your professional career?

#	Answer		Response	%
1	Never		0	0%
2	One		3	5%
3	Less than five		15	27%
4	Between 5 and 10		15	27%
5	More than 10		22	40%
	Total		55	100%

Statistic	Value
Min Value	2
Max Value	5
Mean	4.02
Variance	0.91
Standard Deviation	0.95
Total Responses	55

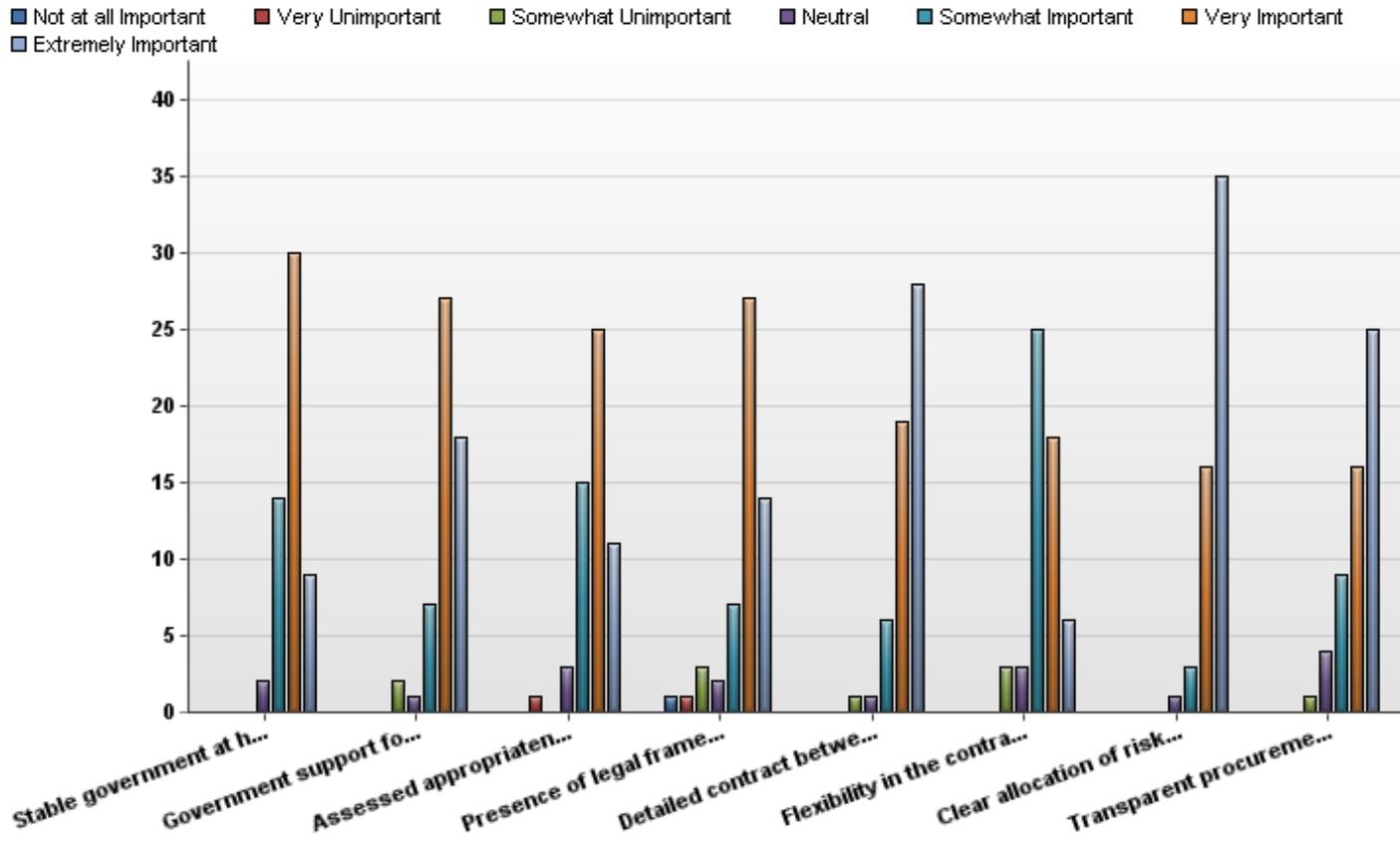
7. Based on your experience, please indicate how important do you find the following financial and commercial factors for initiating a PPP project?



#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important	Responses	Mean
1	Economic stability of host state	0	0	0	0	12	33	10	55	5.96
2	Stable fiscal policy of host state	0	1	2	1	15	29	7	55	5.64
3	Clear investment and economic policy of host state	0	0	1	2	9	29	14	55	5.96
4	Accessibility of a working financial market	0	0	0	5	14	26	10	55	5.75
5	Long-term access to financing	0	0	0	1	12	31	11	55	5.95
6	Proven long-term demand of future service / infrastructure	0	0	0	3	8	29	15	55	6.02
7	Fast return on the investment for the investor	1	1	7	9	22	13	2	55	4.76
8	Poor competition for the supplier/investor	3	4	7	19	12	9	1	55	4.16

Statistic	Economic stability of host state	Stable fiscal policy of host state	Clear investment and economic policy of host state	Accessibility of a working financial market	Long-term access to financing	Proven long-term demand of future service / infrastructure	Fast return on the investment for the investor	Poor competition for the supplier/investor
Min Value	5	2	3	4	4	4	1	1
Max Value	7	7	7	7	7	7	7	7
Mean	5.96	5.64	5.96	5.75	5.95	6.02	4.76	4.16
Variance	0.41	0.98	0.74	0.75	0.50	0.65	1.48	1.95
Standard Deviation	0.64	0.99	0.86	0.87	0.70	0.80	1.22	1.40
Total Responses	55	55	55	55	55	55	55	55

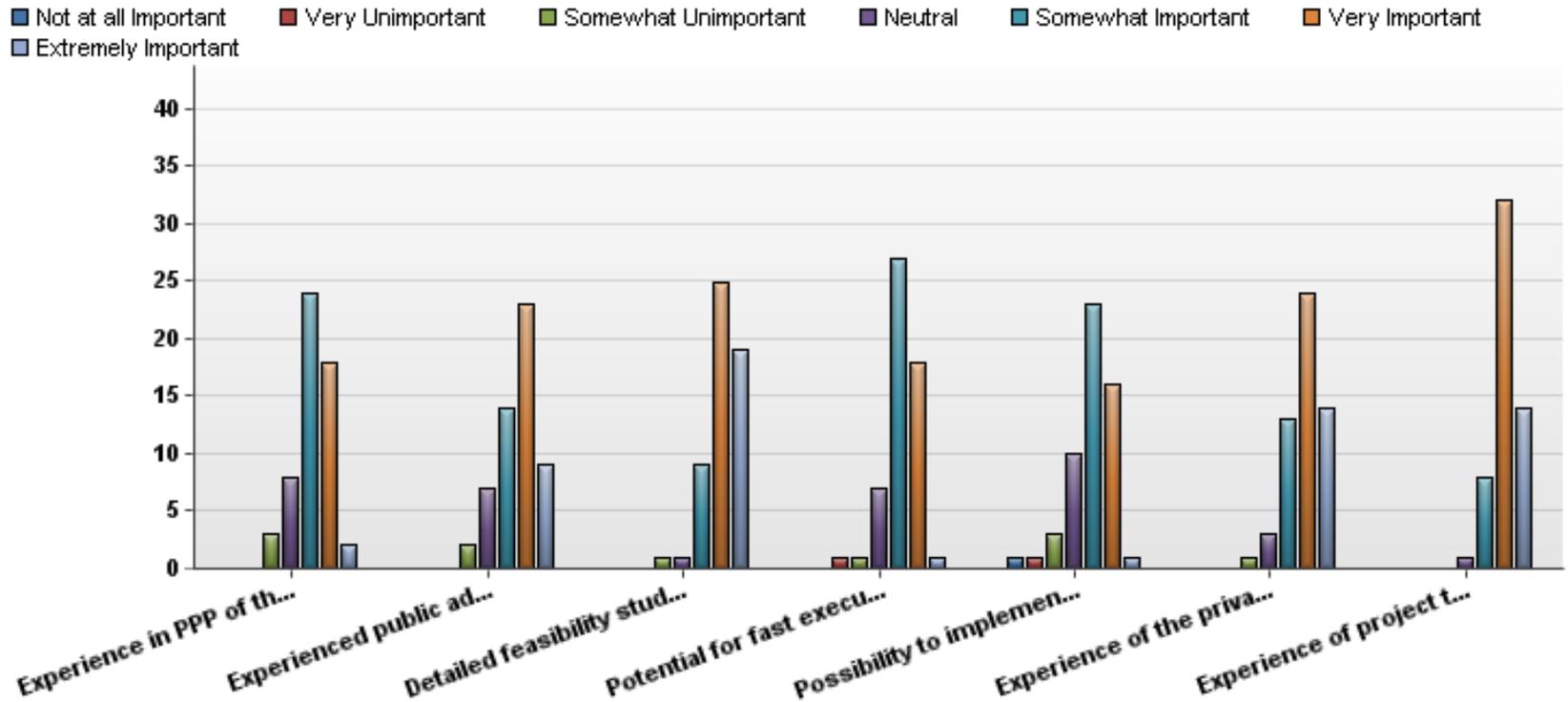
8. Based on your experience, please indicate how important do you find the following political and legal factors for initiating a PPP project?



#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important	Responses	Mean
1	Stable government at host state	0	0	0	2	14	30	9	55	5.84
2	Government support for the project	0	0	2	1	7	27	18	55	6.05
3	Assessed appropriateness of the PPP compared to alternative measures	0	1	0	3	15	25	11	55	5.75
4	Presence of legal framework concerning PPP in host state	1	1	3	2	7	27	14	55	5.73
5	Detailed contract between public and private partners	0	0	1	1	6	19	28	55	6.31
6	Flexibility in the contract clauses	0	0	3	3	25	18	6	55	5.38
7	Clear allocation of risks among partners	0	0	0	1	3	16	35	55	6.55
8	Transparent procurement	0	0	1	4	9	16	25	55	6.09

Statistic	Stable government at host state	Government support for the project	Assessed appropriateness of the PPP compared to alternative measures	Presence of legal framework concerning PPP in host state	Detailed contract between public and private partners	Flexibility in the contract clauses	Clear allocation of risks among partners	Transparent procurement
Min Value	4	3	2	1	3	3	4	3
Max Value	7	7	7	7	7	7	7	7
Mean	5.84	6.05	5.75	5.73	6.31	5.38	6.55	6.09
Variance	0.55	0.87	0.93	1.72	0.77	0.91	0.47	1.08
Standard Deviation	0.74	0.93	0.97	1.31	0.88	0.95	0.69	1.04
Total Responses	55	55	55	55	55	55	55	55

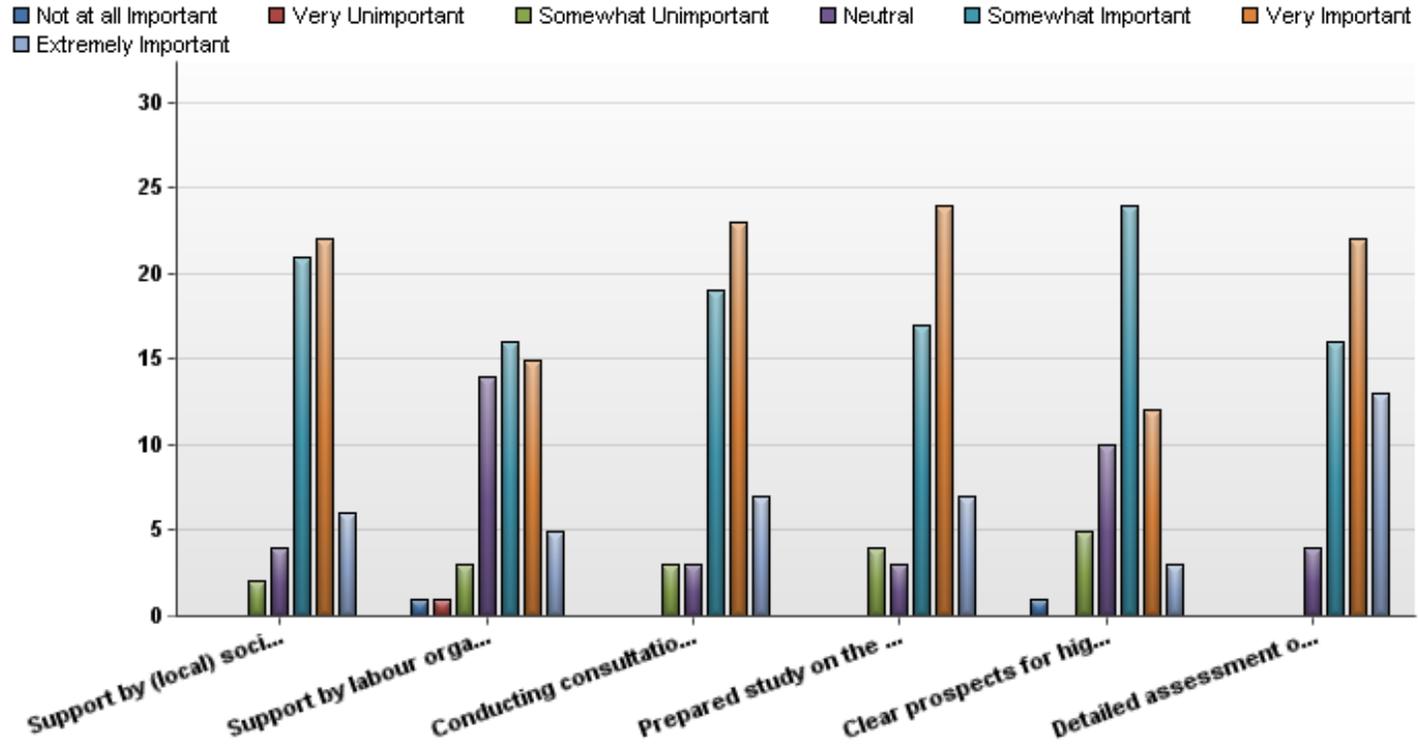
9. Based on your experience, please indicate how important do you find the following technical factors for initiating a PPP project?



#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important	Responses	Mean
1	Experience in PPP of the host country	0	0	3	8	24	18	2	55	5.15
2	Experienced public administration of the host country	0	0	2	7	14	23	9	55	5.55
3	Detailed feasibility study of the project	0	0	1	1	9	25	19	55	6.09
4	Potential for fast execution on the construction stage of the project	0	1	1	7	27	18	1	55	5.15
5	Possibility to implement innovative techniques in construction and operation	1	1	3	10	23	16	1	55	4.91
6	Experience of the private partner in PPP	0	0	1	3	13	24	14	55	5.85
7	Experience of project team in managing (similar) PPP projects	0	0	0	1	8	32	14	55	6.07

Statistic	Experience in PPP of the host country	Experienced public administration of the host country	Detailed feasibility study of the project	Potential for fast execution on the construction stage of the project	Possibility to implement innovative techniques in construction and operation	Experience of the private partner in PPP	Experience of project team in managing (similar) PPP projects
Min Value	3	3	3	2	1	3	4
Max Value	7	7	7	7	7	7	7
Mean	5.15	5.55	6.09	5.15	4.91	5.85	6.07
Variance	0.83	1.07	0.75	0.76	1.23	0.87	0.48
Standard Deviation	0.91	1.03	0.87	0.87	1.11	0.93	0.69
Total Responses	55	55	55	55	55	55	55

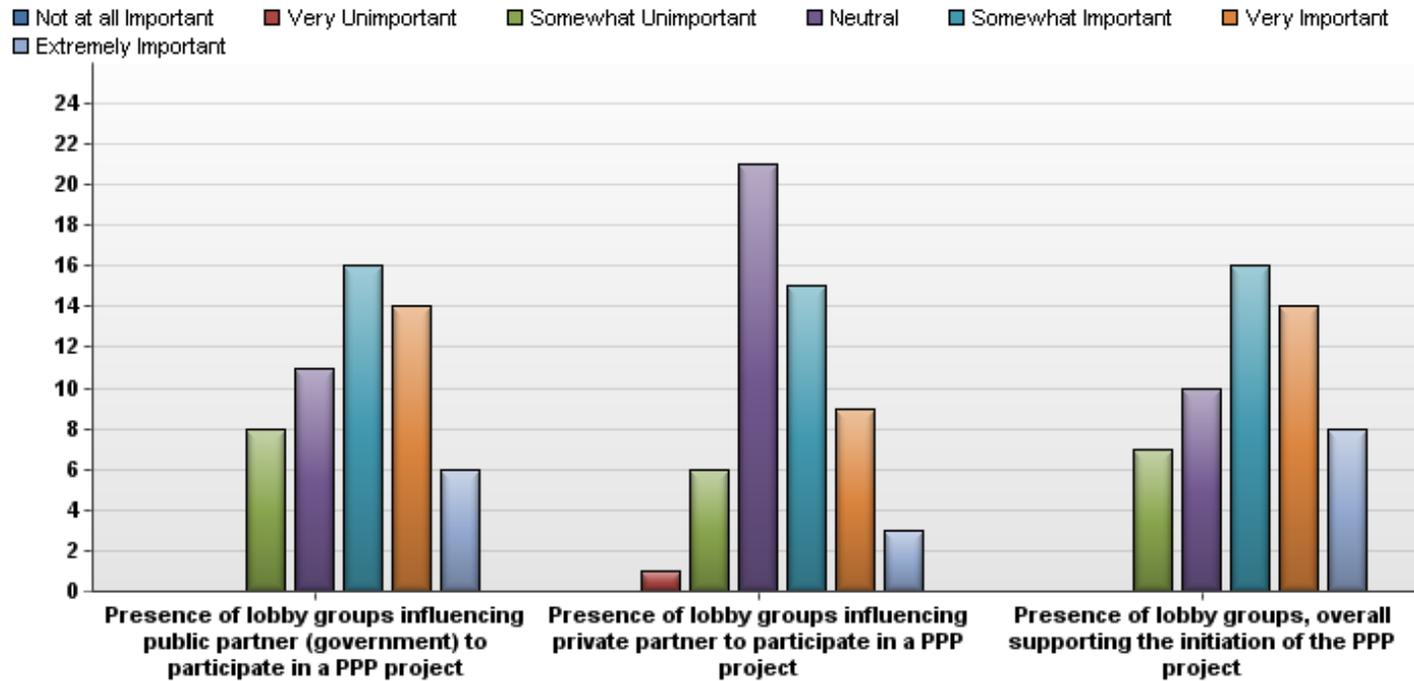
10. Based on your experience, please indicate how important do you find the following social factors for initiating a PPP project?



#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important	Responses	Mean
1	Support by (local) society for the project	0	0	2	4	21	22	6	55	5.47
2	Support by labour organisations and other social partners	1	1	3	14	16	15	5	55	4.96
3	Conducting consultations with end-users	0	0	3	3	19	23	7	55	5.51
4	Prepared study on the social and economical impact	0	0	4	3	17	24	7	55	5.49
5	Clear prospects for higher employment for local community	1	0	5	10	24	12	3	55	4.89
6	Detailed assessment on the environmental (ecological) impact	0	0	0	4	16	22	13	55	5.80

Statistic	Support by (local) society for the project	Support by labour organisations and other social partners	Conducting consultations with end-users	Prepared study on the social and economical impact	Clear prospects for higher employment for local community	Detailed assessment on the environmental (ecological) impact
Min Value	3	1	3	3	1	4
Max Value	7	7	7	7	7	7
Mean	5.47	4.96	5.51	5.49	4.89	5.80
Variance	0.85	1.59	0.96	1.07	1.28	0.79
Standard Deviation	0.92	1.26	0.98	1.03	1.13	0.89
Total Responses	55	55	55	55	55	55

11. Based on your experience, please indicate how important do you find the following additional success factors for initiating a PPP project?



#	Question	Not at all Important	Very Unimportant	Somewhat Unimportant	Neutral	Somewhat Important	Very Important	Extremely Important	Responses	Mean
1	Presence of lobby groups influencing public partner (government) to participate in a PPP project	0	0	8	11	16	14	6	55	4.98
2	Presence of lobby groups influencing private partner to participate in a PPP project	0	1	6	21	15	9	3	55	4.62
3	Presence of lobby groups, overall supporting the initiation of the PPP project	0	0	7	10	16	14	8	55	5.11

Statistic	Presence of lobby groups influencing public partner (government) to participate in a PPP project	Presence of lobby groups influencing private partner to participate in a PPP project	Presence of lobby groups, overall supporting the initiation of the PPP project
Min Value	3	2	3
Max Value	7	7	7
Mean	4.98	4.62	5.11
Variance	1.50	1.24	1.54
Standard Deviation	1.22	1.11	1.24
Total Responses	55	55	55

12. Would you like to add some personal comments on the success factors in a PPP project?

Text Response

Assessed appropriateness of the PPP compared to alternative measures: the most important feature! And the political will.

I think that the main issue is preparing a feasibility study analyzing which are the most suitable project finance structure for each project.

1. Clear and strong leadership on PPPs within the public sector is extremely important including the Decision-making ability. 2. Project preparation is important. Retaining of good advisors and consultants is a must. 3. The success of PPPs is also linked to how the PPP program is structured. One off transactions are difficult to undertake and sustain. A program of PPP mandates is the preferred way to go.

using foreign experience in feasibility study, to show that similar projects took place and are successful

The main issue in Brazil is the public sector capability for structuring a PPP project. Several levels of government (specially State and Local governments) heavily rely on unsolicited proposals in order to structure projects. This is not something that should be always avoided, but unsolicited proposals demand, sometimes, even more effort from the public sector to assess the feasibility studies of a PPP project. Another important issue is connected with the risk management. The public sector needs to have an active attitude when dealing with risks retained by the public sector. This is not very common.

1. Transparency, Transparency, Transparency 2. Readiness to learn 3. Holistic and lifecycle thinking

The role of SPV and beneficiaries is somewhat important. In developing public infrastructure side effects are or more focus for public partner than financial returns, such as sustainable development, increase in tax base, higher employment rate, prestige and status of the project, being first to know and to complete, being able to get to state support and so on

Good governance and enlightened political leadership are to my mind the most critical factors for PPP projects to succeed. Well drafted, equitable concession structures/ documents - in particular measurable output based specifications and a system of independent monitoring are also crucial factors.

Time, Clear Contract Clauses, Experience of the Parties both Public & Private

Success of PPP Project primarily depends on following few basic factors: 1. Perception of risk in terms of stability of the Public body (Government) and revenue potential 2. Viability (Revenue potential + viability gap funding) 3. Clear legal framework, policies and practices or past examples for enforcement of contract

- Detailed timeline of the project; - Existence of a clear risk mechanism between the public and the private partner; - Experience of both public and private partners in similar projects.

Legal security is the basis for a long term project, thus if they change the game's rules in between the game, nobody would like to invest

No

From my point of view it is very important that public partner have strong focus on public goals and good project management.

On technical factors, please read "detailed feasibility study" in context of PPP projects as distinct from these studies when prepared for traditional procurement. In the case of PPPs, the study relates more to detailed specification of the outputs that the government will procure rather than the technical inputs. The study needs to be professionally prepared so that qualified private parties will devote the resources and time to prepare quality binding proposals in a public tender.

for success governments need should be established and the demand for the service or the project by which it will attract the private sector for financing as there would be guaranteed revenue stream for the private sector. the legal framework, experience, skills etc are secondary.

Convincing the public sector of the mutual benefits of PPPs and addressing proper risk allocation

i have problems with the wording lobby: it could imply doing the wrong ppp's for the sake of ppp's. lobby

groups are very important and should be kept in tight control to have a valid and sound ppp approach
Nein
The competitive dialogue is a good instrument in procuring complex projects, like DBFM. Risk allocation should always be a topic in this dialogue.
Both sides need professional organizations during the procurement and execution stages
Buyin and experience of the public authority initiating the project, communication with the stakeholders, financial robustness of the structure, realistic baseline benchmarking and timelines for achieving KPIs, precise and monitorable key performance indicators and equitable distribution of risk is critical for a successful implementation of PPP project
Usage projections must be realistic and reliable
Concerning Q7. One of the statements is the importance of poor competition. The question in regards to the answer is ambiguous. For a successful PPP project a proper competition is vital to achieve value for money. More than one project has either failed or proved to be of less value for money because of poor competition.
Although our
The survey is excellent and I believe that you will find the answers in it.

Statistic	Value
Total Responses	26

13. Would you like to further express your opinion on lobbying in PPP and for PPP?

Text Response

Global PPP are more dangerous and difficult to put in place (in general 5 years of investment and it is too small scale to have sustainable results. Local or national PPP have more values and fast concrete results

It is important that public sector doesn't get influenced by lobbies to perform PPP projects if it is not the best alternative.

PPPs require a change in the mindset: from thinking in terms of inputs to outputs, i.e., performance based long term contracts. The main issue with undertaking more PPPs is the limited capacity and the desire in the line agencies/ministries to undertake PPPs which are often seen in terms of the line ministry's/agency's power. Also the appreciation of risk factors is limited. Perhaps, lobbying is a wrong word in this context but there is a definite need for two things: 1. Clear and strong policy supporting PPPs, and 2. Capacity within the line ministries/agencies to undertake PPPs.

I believe that if lobbying is transparent, there is no problem. In Brazil, we do not have a legislation or regulation focused on lobbying. But we do have a brand new legislation on access to public documents and information. I believe that we need to improve the transparency of the decision process connected to long term contracts between the public and private sector.

PPP lobbying is very important

extremely important

What projects need to succeed are champions within the system and enlightened political and administrative leadership. While external lobbying has some role - it can also be dangerous at times and raise issues of lack of transparency at a subsequent stage.

Very important in order to make people understanding advantages vs. higher financial costs.

A PPP project is one of the most useful ways for the government and the business to co-operate in the implementation of projects where experience/funding/business planning/administrative issues are mixed somehow. Lobbying in both cases - in a PPP and for a PPP would be a successful approach in order to spread knowledge and existence of such kind of projects.

I think that nowadays it is poorly developed

No

From my point of view it is very important to inform not only decision makers, but also general public and end users of public services.

It helps to facilitate decision-making by government, but it is not essential. On the other hand, if final beneficiaries of the PPP are not adequately informed, then the project could fail after completion due to lack of support/ lack of understanding by society and end users. Essential not to oversell project, and to clearly and continuously explain what PPP will/will not do. The weaker the institutions in country, the more important the need for this.

whether there is lobby for PPP or not, if governments willingness does not exist PPP will not be initiated, same though goes to private sector if governments does not have clear strategy and vision, revenue stream guarantee no private sector would be interested in financing the projects for the public sector. private sectors are driven by the profit making initiatives.

Lobbying is very important to support implementation of PPPs although the term "lobbying" has a bad press in Poland due to associating it with representing interests of a relatively small group and supporting private business which is unfortunately perceived as looking only for high income margins

see above, professional auditing, fact and figures and best practices are equally important

Nur staatliche Organisationen können PPP-Projekte in Auftrag geben. Das Lobbying für PPP-Projekte muss die staatlichen Einheiten vom Nutzen von PPP überzeugen. PPP gegen den Willen staatlicher Organisationen können kaum erfolgreich durchgesetzt werden.

Communication between public authority and market, the industry is important.

PPP is often seen as more economical. This is definitely not the case for simple and straight forward

projects. In short: a detailed feasibility stage is of crucial importance.

stakeholder buy-in and communication is critical. Lobbying of other nature could result in skewed projects that do not maximise public benefit.

Due to the lobbying, most of the problems arrive after the Issuance of the Notice of Award/Letter of Intent because the private players influence the public officials and afterwards they tend to have some relaxation on the RFP Clauses in their favour which is against the Fair competition.

Interest and support groups cannot allow self interest to cloud forward projections upon which PPP success is predicated.

Loying may speed up the application of PPP. The application of PPP however must be proven to be value for money. If value for money is lacking one cannot expect PPP to be continued. The possibilities for succes are there, but a professional and transparent approach of PPP is vital.

It might be a little bit different angle of reply, Based on our past experience on formulating a PPP project in the road transport sector in Vietnam,

The lobbying issue is becoming less and less important in developed countries and more and more important in the rest of the World.

Statistic	Value
Total Responses	25