



DEVELOPMENT OF PUBLIC–PRIVATE PARTNERSHIP: MANAGERIAL ASPECTS

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Abstract. A partnership between different sectors fundamentally becomes an essential strategic tool in pursuit of the growth in the quality of social life and thus a sustainable development of a state. The value created by collaborate activities of companies and institutions, while increasing the capacity to fulfil social needs, depends on managerial abilities of institutions. Subsequent to analysis of both theoretical and practical aspects of public–private partnership and its management, the research aims to present milestones pertaining to the development of the latter. The tasks for achieving goals are as follow: the analysis of the concept of public–private partnership, the examination of the partnership principles and forms, the analysis of management models, the study of legal and administrative partnership aspects, the evaluation of key partnership problems and the search of their solutions.

Keywords: public and private sector, partnership, principles, form, legal regulation, management, directions and preconditions of improvement.

JEL Classification: H83.

VIEŠOJO IR PRIVAČIOJO SEKTORIŲ BENDRADARBIAVIMO GERINIMAS:
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Santrauka. Savo prigimtimi skirtingų sektorių partnerystė tampa esmine strategine priemone, siekiant visuomenės gyvenimo kokybės augimo, taigi ir darnios valstybės plėtros. Nuo vadybos institucijų gebėjimų priklauso bendroje įmonių veikloje su institucijomis sukurta vertė didinant visuomenės poreikių tenkinimo galimybes. Šio tyrimo tikslas – išnagrinėjus teorinius ir praktinius viešojo ir privačiojo sektorių bendradarbiavimo bei jų valdymo aspektus, pateikti gaires, kaip juos pagerinti. Tikslų įgyvendinimo uždaviniai: viešojo ir privačiojo sektorių bendradarbiavimo koncepcijos analizė, bendradarbiavimo principų ir formų nagrinėjimas, jo valdymo modelių analizė, teisinių ir administracinių bendradarbiavimo aspektų tyrimas, pagrindinių bendradarbiavimo problemų nustatymas ir sprendimo būdų paieška.

Reikšminiai žodžiai: viešasis ir privatusis sektoriai, bendradarbiavimas, principai, forma, teisinis reglamentavimas, valdymas, gerinimo kryptys ir prielaidos.

Introduction

Under the National Strategy for Sustainable Development, Lithuania seeks to follow the path of proportionate development, create and develop a modern, dynamic and competitive economy. These goals can be accomplished with the help of legal, economic, social and other means, such as private-public partnerships. The active attendance and collaboration are one of the topical elements of modern public management; therefore, the partnership between different sectors fundamentally becomes an essential strategic tool in pursuit of the growth in the quality of social life and thus a sustainable development of a state. Partnership programmes initiated and maintained by the public sector are increasingly applied not only to strengthen political and economic relations but also to inculcate both social and cultural changes (Jakaitis *et al.* 2011; Pauliukevičiūtė 2010).

The relevance of the topic is explained by changes of life standards in a state. Like never before, the contemporary society expects effective work and high quality of the public sector, which causes change in operations of institutions and companies. For proper satisfaction of societal needs, the use of private capital for the creation of public infrastructure and quality improvement of public services has to be based on perspective-oriented principles. In this case, the ability of institutions to rationally manage the partnership with the business sector is important. The value created by collaborate activities of companies and institutions, while increasing the capacity of fulfilling the social needs, depends on managerial abilities of institutions. Inadequate management of partnership processes or intentional ignoring might have serious consequences not only for their participants but also for the society itself (Dūda 2010).

There is a growing trend of scientific interest in research of public-private partnership, which results in analyses from different perspectives. From the perspective of modern public management, this category has been analysed in the studies written by researchers M. Dūda, J. Jakaitis and N. K. Paliulis, D. Gudelis, V. Rozenbergaitė, A. Pauliukevičienė, A. Raipa, E. Skietris, V. A. Bartkus and others. The articles focus on the genesis of the partnership between sectors in the world and in Lithuania, as well as both theoretical and practical aspects of its impact, partnership forms and other topical questions. Subsequent to analysis of both theoretical and practical aspects of public-private partnership and its management, the research aims to present milestones pertaining to the development of the latter. The tasks for achieving goals are as follow: the analysis of the concept of public-private partnership, the examination of the partnership principles and forms, the analysis of management models, the study of legal and administrative partnership aspects, the evaluation of key partnership problems and the search of their solutions. Methods applied in

the research are as follow: analysis of professional literature, synthesis, comparison, generalization and interpretation.

The role of public-private partnership

1. The concept of public-private partnership

Various definitions of public-private partnership are presented in professional literature. It should be borne in mind that the partnership of sectors is being increasingly applied in most countries; however, neither international nor the EU law has the accepted definition for it. Public-private partnership is defined as any agreement of sectors that allows private organisations to operate in fields that previously were operated solely by the public sector (Savas 2000). L. Steven and C. Steven (2001) claim that it is an abstract statement highlighting the relationship between structures of business and public sectors while seeking to incorporate resources and experience of the private sector in order to ensure an active development of the public sector services. D. Gudelis and V. Rozenbergaitė (2004) interpret sector partnership as a partnership between public and private sectors whose goal is to render services that are traditionally attributed to the competence of the public sector and to develop the infrastructure relevant for the rendering of such services. D. Vaitiekūnienė (2006) agrees to the latter opinion and adds that a partnership is the collaboration of sector representatives based on a long-term agreement.

V. Nakrošis (2005) states that a partnership is frequently understood as consulting; however, it can also be an innovative way of public procurement when a long-term agreement is signed between sectors for the development of public infrastructure or rendering of public services. Defining collaboration, the author highlights relationships between different sectors, which approximates his understanding to the concept by Steven and Steven (2001). L. V. Karlavičius, B. Karlavičienė (2004), L. V. Karlavičius *et al.* (2006) have a similar understanding of collaboration. According to the authors, the term “partnership” is commonly used to define a wide range of professional relationships between the public and private sectors: from a free, informal and strategic partnership to exact service contracts. A sector partnership is treated as complex means of public procurement having a longer winner selection procedure with the ultimate goal to arrange a long-term, complex and large-scale agreement between objects that are fundamentally different (Guidebook on Promoting... 2008; Vaitiekūnienė 2009). Professional literature also presents other sector partnership definitions (Table 1).

According to V. Kavaliauskaitė and R. Jucevičius (2009), some of the concepts are very wide, i.e. defining collaboration between the public and private sectors for rendering of goods or services for a short-term and having a certain goal

Table 1. Variety of public–private partnership definitions (compiled by the authors)

Authors	Year	Definition
H. Zarco-Jasso	2005	Agreements of public sector companies with private sector institutions for construction or management of public sector infrastructure objects, or rendering of services to the community on behalf of a public sector institution.
Organisation of local partnership	2007	The formation of the system of mutual unity relationships at a regional level whose key goal is to properly develop opportunities of the region and enrich it activities by discussions between separate sectors.
L. Paškevičius	2008	A public–private partnership based on a long-term agreement including assets, knowledge and experience of the private sector relevant in creating or modernising infrastructure by rendering services that are traditionally attributed to the public sector.
Law on Concessions, Law on Investments	2009 2009	Collaboration tools established by state or municipal institutions and laws on private undertakings by which a state or municipal institution assigns its activity to a private undertaking while the private undertaking makes investments into this activity and assets required for its implementation in exchange for the fee established by laws.

based on various agreements. According to the authors, the most accurate and the least wide sector partnership concept covers innovative ways for rendering of public services and developing infrastructure.

Additionally, public–private partnership can be defined as a public sector reform strategy based on modern public management. The partnership is increasingly used in reforming the public sector on the basis of market principles. However, the most common assumption for partnership becomes not the need to reform the public sector but the opportunity to engage private capital in financing of public infrastructure projects (Dūda 2010; Jakaitis *et al.* 2011; Štavičienė 2011).

To conclude, the definition of public–private partnership could be most commonly understood as a long-term relationships between fundamentally different sectors that are focused on the development of infrastructure required for rendering of services and a more effective rendering of public services, seeking to ensure social economic development at national, regional and local levels. The partnership concept is more often understood as a joint activity aimed at helping the community following the principles of modern public management.

2. Goals and tasks of public–private partnership

Public–private partnership is increasingly considered as an important aspect in the economy of any state and an attractive solution in pursuit of public policy goals (Kavaliauskaitė, Jucevičius 2009). In order to define sector partnership functions, it is advisable to establish factors that impact on the necessity for sectors to collaborate. J. E. Lane (2001) claims that higher expenses of the public sector and inadequately rendered public services are the key reasons for sector collaboration. As the basic factor determining the necessity for sector partnership,

D. Gudelis and V. Rozenbergaitė (2004) name the inability of the public sector to satisfy the increasing needs of the public infrastructure due to limited resources. According to L. V. Karlaivičius *et al.* (2006), the discontent of the society with high taxes and inadequate quality of public services promotes the rise of new structures that could enlist private investments to economy but primarily to infrastructure. D. Vaitiekūnienė (2009), J. Jakaitis *et al.* (2011) agree to this opinion indicating several reasons: the increasing need of investment, limited financial opportunities of the governmental sector and inadequate experience of the public sector while seeking to ensure the sufficient quality of public services.

Thus, the main factor that influences the necessity of sector partnership is the discontent of the society with activities of the public sector. More specifically, the discontent of the society is determined by high expenses of the public sector and the inadequate quality of public services.

In the National Audit Report on Public–Private Partnerships, the National Audit Office of Lithuania (2008) claims that the sector partnership allows the state: to decrease the budgetary expenses for rendering of public services and establishment of required assets without increasing liabilities of the state; to increase the quality and decrease the expenditure of rendered public services rendered. Moreover, creation of new jobs and stimulation of economic growth while developing market mechanisms in the service sector as well as increasing the competitiveness of services are considered as assumptions for sector partnership.

D. Gudelis and V. Rozenbergaitė (2004), L. V. Karlaivičius *et al.* (2006), D. Vaitiekūnienė (2009) and others agree to most of the indicated assumptions. Sector partnership not only creates basic assumptions for improvement of the quality of public services and decrease in expenditure related to rendering of services as well as facilitates rational distribution of risks between project partners, but also allows

implementing not one kind but a set of activities with one undertaking and protecting ownership rights of the public sector (Gudelis, Rozenbergaitė 2004). The Public Policy and Management Institute agrees that the sector partnership allows creating a higher added value and the long-term benefit as it improves the quality of public services and the effectiveness of their rendering; helps decreasing the expenditure for public services as the private partner can fully or partially fund the establishment and modernisation of infrastructure; allows avoiding the budgetary deficit or the increase of state debt while developing infrastructure; and decreases the need for basic financing of EU structural funds. Apart from typical functions, the Public Policy and Management Institute notes that the sector partnership stimulates innovations and the distribution of good practice while establishing public infrastructure and rendering services. According to L. V. Karlavičius *et al.* (2006), the adequate sector partnership would guarantee: an additional capital, alternative skills of management and introduction, a benefit for consumers and society, an opportunity to more clearly indicate needs and take optimal use of reserves. V. Kavaliauskaitė and R. Jucevičius (2009), J. Jakaitis *et al.* (2011) agree that partnership can promote higher effectiveness of the public sector and increase the level of rendered public services.

Countries name different sector partnership goals. It is most often indicated that the essential goal is the use of private capital for public needs, which includes rendering of public services and/or the establishment of relevant infrastructure. Some countries, for example, Germany indicates not the rendering of public services overall but a more effective exercise of public functions. Most governments

of EU member states have arranged strategic programmes in which partnership is indicated as one of the essential means to enlist investments. The summary of partnership goals is given in Fig. 1.

The essence of any form of partnership is to make management more effective while coordinating the formation of common goals and preferences that cover different sectors (Pauliukevičiūtė 2010). The success of public-private partnership depends on the ability of parties to evaluate the expedience and effectiveness of partnership bearing in mind that the most suitable partnership variant as well as its means of implementation has to be selected. Therefore, a public sector institution entering into a partnership with the business sector solution has to closely evaluate the need and use economic calculations to estimate the expected benefit, effectiveness and possible threats.

3. Principles of public-private partnership

Principles of public-private partnership can be perceived as the aggregate of common activity logic, rules and reasons. Professional literature (Labour Code of Lithuania 2006; Local partnership organisations ...) claims that activities of sector partnership have to be related to the development of the state. It is rational to strengthen the relationship between partnership activities and development of the state using common rules of activity: volunteering and self-sufficiency while incurring liabilities that relate the states; invulnerability of the effective legal system; real exercise of obligations; supply of objective information; control and responsibility, equality and reliability of parties, goodwill and respect for interests of other parties. In this case, other

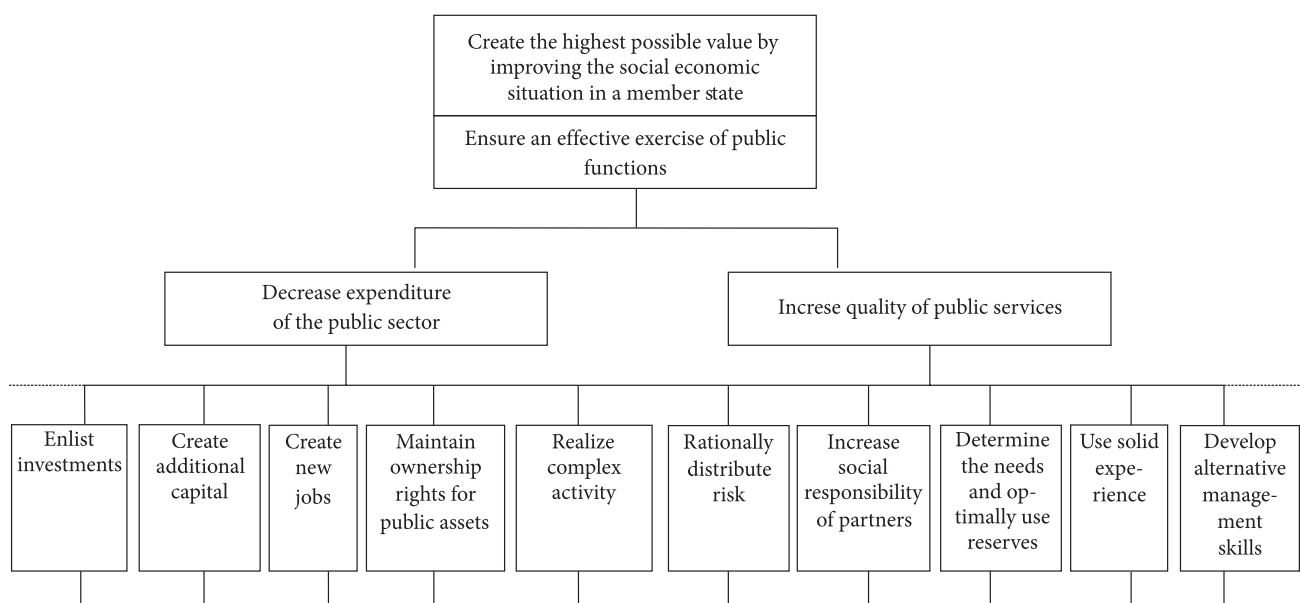


Fig. 1. Summary of public and private sector partnership goals (compiled by the authors)

principles should also be borne in mind: righteousness and clarity, dignity, quality and effectiveness, professionalism, punctuality (Principles of partnership...; Local partnership organisations...). Under the Interpretative Communication of the European Commission (2007), principles of non-discrimination, equality, mutual recognition and proportionality are also significant.

N. K. Paliulis (2008) highlights principles of clarity, equal treatment, proportionality and mutual recognition, flexibility and subsidiarity. The principle of clarity is based on evidence and accuracy. The principle of equal treatment connects principles of equality and non-discrimination. Proportionality means that institutions have to maintain the right proportion between sought goals and means. The principle of mutual recognition allows suppliers to demand for their qualification and product to be recognised by a member state, provided it was accepted in one other member state. The principle of flexibility covers creativity and open-mindedness towards new ideas that could ensure the maximum fulfilment of interests of both parties. The principle of subsidiarity means that decisions have to be taken and implemented at the level of administrative system capable of addressing the matters most effectively.

Rules are abstract; however, the application of rules is much more important (Fig. 2). Sector partnerships should be initiated considering changes in national development and following partnership principles.

4. The variety of public–private partnership forms

Effective fulfilment of increasing needs of the contemporary society requires finding a rational way to connect resources of fundamentally different sectors and taking use of their advantages. A successful sector partnership not only depends on the economic, legal and political situation, the adjustment of interests or distribution of risks but also – on the adequately selected form of partnership (Public and private... 2009). The form of partnership indicates means and the degree to which companies are allowed to act in fields that were previously solely operated by the public sector.

Bearing in mind that international organisations (INTOSAI, the European Parliament) have indicated different forms of public–private partnership and separate member states have regulated different forms of partnership, in conformity with the practice of foreign states and the European Commission, two main partnership forms are commonly specified:

- institutional with an established mixed capital company to complete the activity;
- arbitrary, in which case the activity is exercised on the basis of concession, partnership agreements that are subject to public procurement.

Such classification of sector partnerships connects various forms of partnerships from the perspective of the organisation of common activity.

From the perspective of management, M. Smith and M. Beazley presented an important classification of partnerships, indicating types according to the influence partners have on decision-making. Considering the position of leaders and the status of partners, partnerships can be of four types (National Audit Report 2008; Public and private... 2009):

- shell: partners have little involvement at any level of the process, the leader is dominant;
- consultative: partnership is strongly controlled by the leader yet partners have the right of consulting;
- participative: partners have increased and sometimes equal capacity to impact on decisions;
- autonomous: the independent partnership is formed in which partners are fully integrated.

Under the logical goal two distinctive forms of sector partnerships are indicated:

- management partnership: the type of partnership created for delivery of various projects and programmes and is most often limited by time.
- partnership coordinating the development or protection of place identity: focused on a long-term maintenance, development and support of a certain field.

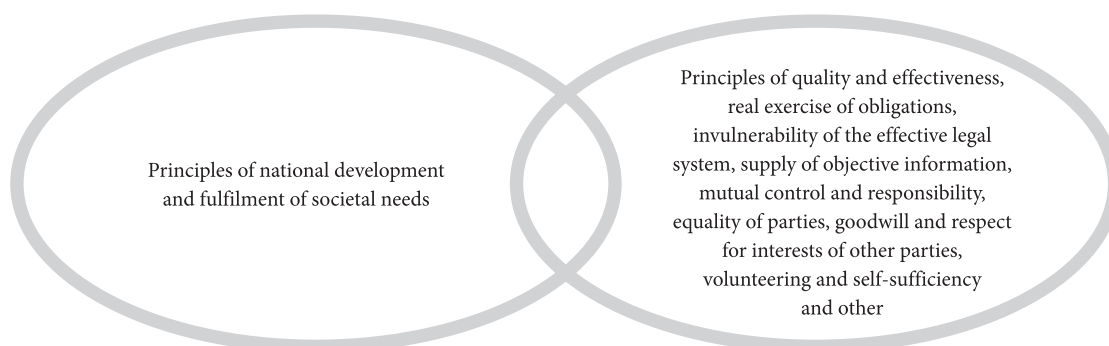


Fig. 2. Principles of public–private partnership (compiled by authors)

Professional literature presents other classifications. E. S. Savas (2000), D. Gudelis and V. Rozenbergaitė (2004) indicate the particularity of a sector partnership using the image of a public-private sector scale. The left hand side of the scale holds purely public institutions; moving towards the middle, the public element continues decreasing until the right hand side is reached where service rendering, infrastructure development, financing, control and responsibility for the entire process belong exclusively to the private sector. Presenting the spectrum of partnership forms, H. Zarco-Jasso (2005) follows the system that evaluates the degree of risk transferred to the public sector from the private sector (Kavaliauskaitė, Jucevičius 2009).

Forms of public-private partnership can be discriminated according to the kind of institution (governmental, municipal) that initiates joint projects. Forms can be discriminated according to the way public services are rendered and the financing infrastructure. Expenditure can be covered by public institutions, consumers and private entities (Gudelis, Rozenbergaitė 2004).

Most authors classify partnership forms providing a very similar number and titles; however, they indicate a different background for such classification. There is no answer regarding the best form for a sector partnership. Attempts to answer this question end up in comparison of existing forms (Karlavičius *et al.* 2006; Vaitiekūnienė 2006). L. V. Karlavičius *et al.* (2006) analyse sector partnerships from the point of view of requirements raised by stakeholders. The complex feature allows making conclusions regarding the forms that are expedient and beneficial for distinct partnership members. Moreover, it allows identifying forms that are more suitable for different surroundings, forms are applied and the higher clarity is ensured etc. According to M. Dūda (2010), the selection of forms is influenced by specificity of public goods and strategic relevance.

A wide variety of forms is encountered in specialist literature that deals with partnership problems. It can be analysed from different perspectives: the influence of the partner and the degree of competence, impact of partnership on taxpayers, position on the public-private sector scale, and transfer of risk from the public to private sector, way of rendering public services and financing infrastructure. The selection of partnership form is influenced by various factors: financial status of public institutions, basics of services rendered, legal and economic environment, needs of the society. Bearing in mind the aggregate of factors, the selected and implemented form that joins competences of sectors allows reaching various public policy goals.

5. Management of public-private partnerships

V. Lowndes and C. Skelcher (1998) relate the management of public-private partnerships with the cycle of partnership existence. Such cycle is composed from pre-partnership collaboration, establishment of a partnership, arrangement of the partnership programme, the end of partnership or stages of continuity that include distinct management methods. In pre-partnership collaboration, partners are related by intention to work together, trust and voluntary inclusion into the pursuit of common goals. In a developing partnership, at first questions of authority and the distribution of roles are discussed. Then, the partnership receives a status of a certain organisation. Such informal systems as informal authority are turned into hierarchical structures with formal proceedings of decision-making and implementation. There is an increase of trust and initiation; however, opinions might differ regarding the means selected for implementation of tasks. In this case, not only compromises but also control is beneficial. The implementation of common goals strengthens not only responsibility but also reciprocal trust. If organisations work together, they can implement new activity plans or continue with already started work. A partnership that is based on formal requirements becomes a trust-based collaboration, open to self-expression of each participant. Formal decision-making procedures and the control of their implementation become impossible without open discussions and informal communication. The development of a partnership depends on motivation of partners, mutual understanding, financial resources and other internal and external factors.

E. H. Klijn *et al.* (2002) claim that difficulties of task distribution are encountered while implementing common goals, which influences each partner's further actions in modelling management. In this case, a partnership can be developed as the result of two courses of actions: if all partners decide upon the complex activity plan, a partnership based on the balanced distribution of authority is developed; clear boundaries between partners are made, which decreases the effectiveness of common goal implementation (The Challenge of Public-Private... 2005).

R. Petrauskienė and A. Raipa (2007), A. Pauliukevičiūtė (2010) agree to the opinion that decision-making and distribution of tasks is a complicated procedure. Authors explain the variable distribution of tasks and participation in decision-making through different statuses of partners. Sector representatives are not equal partners as the public sector has more power and privileges. Otherwise, the role of the private sector does not decrease; it is still significant due to its financial status and independence, which the public sector actually lacks. Circumstances under which the partnership was established have an impact on its further development. It is important to conceive that

the effectiveness of goal implementation depends on tasks formulated to achieve those goals and their rational distribution between partners. This can only be ensured by proportional and clear distribution of authority, which determines the application of a certain method of partnership management (traditional contract system, combined model, partnership model).

Management of public and private sector is the process when means to start and maintain effective, productive and sustainable relations with partners are foreseen (Partnerships and Partnership... 2007). Managerial aspects are analysed from the perspective of the partnership development cycle: to foresee and revise partnership, define authority, process partnership and maintain close relations with partners. In stage one, discussions are initiated by interested organisations; later, the partnership is processed and both its policies and proceedings are foreseen, partnership goals are defined as well as the organisational structure of goals and the activity plan of goal implementation are arranged, and control aspects as well as altogether the assessment of results are expected.

Overall, the term “management” is related to the processes, structures, rules, norms and values that allow the management of collective activities. Such understanding of management defines a new model of coordination between various participants: governmental and public institutions, private suppliers, academic community, scientific research institutes, media, etc. All participants take part in the complex process of decision arrangement, acceptance and implementation of policies; thus, it is not the administrative hierarchy, which is the most important in making and implementing decisions, but complex reciprocal relations between partners (Hamedinger *et al.* 2008).

In order to ensure a successful implementation of partnership projects, authorities have to establish an adequate system of process management, select appropriate financial means and ensure the systematic implementation of policies from the perspective of a partnership. Before starting to form a partnership, it is rational to determine whether there is a need for it. It is also rational to base the decision regarding the partnership not on political or ideological motives but on a thorough economic and legal analysis. It is necessary to answer the following key questions: will partnership allow the public sector to reach the expected goals; is a partnership a financially cheaper alternative compared to the traditional method for rendering of public services; what additional economic and social value will be created by the partnership. If analysis shows the advantage of the partnership, it is rational to proceed with interrelated stages and implementing the partnership: to decide upon its structure, define its boundaries, capacity, select participants, define and distribute risks between partners and arrange an agreement. It is noted that there is no best model for

implementation of a partnership as the process emerges naturally from long negotiations and compromises (Dūda 2010).

To conclude, it is common to reveal the managerial aspect of sector partnership in the context of partnership existence and managerial models of sector partnership are commonly based on the traditional attitude towards the content of management.

6. Legal and administrative aspects of public and private sector management

Any activity that is exercised in order to increase social welfare is regulated by various legal acts from the Constitution to ministerial orders. Sector partnership activity is also regulated. Action Programme on the Fifteenth Government of the Republic of Lithuania, Law on Concession, Law on Investments, Government Resolution on Rules for preparation and implementation of the public–private partnership projects, Government Resolution adopting the Programme for Promotion of PPP in the years 2010–2012, Order of the Minister of Economy on Approval of the plan of measures implementing the Programme for Promotion of PPP in the years 2010–2012, Order of the Minister of Economy on Establishing the criteria for expediency of public–private partnerships and methodological recommendations on approval of criteria on expediency of the use of public–private partnership, and other legal acts regulate various managerial aspects related to expediency criteria of public–private partnerships. The list of legal acts expressing the political will in terms of partnership development nationally is provided in the research by Ž. Šutavičienė (2011) as well as the analysis of legal act provisions.

It is clear that regulation on partnerships is developing. For example, the Law on Investments has been amended by aspects of public–private partnership, current versions of the legal acts require the relevant public sector entity to complete the expediency evaluation of the planned partnership proving that the partnership project is more effective than other methods used for establishing public assets, improving or rendering public services etc. (Fig. 3). However, the inadequate relationship between legal acts regulating sector partnerships and legal acts regulating strategic planning in the public sector are evident, which shows the need for further development of legal regulation on sector partnership. The cycle of arranging, evaluating and implementing partnership projects that are regulated by the rules established by the Government Resolution, is considered an inappropriately rational way of solving tasks. The expediency evaluation of a partnership is legally restricted in time that can condition inexpedient expenditure of the public sector for the opportunities to organise studies. Legal acts and official methodological documents

on public-private partnership of this field (for example, the established methodological recommendations on approval of criteria on expediency of the use of public-private partnership (LRV... 2010), recommendations on opportunities to organise studies on public and private partnership projects (Recommendations for public and private...) are suggested to for improvement due to inadequate reasoning for arranging assumptions (National Audit Report... 2013).

It is logical that an expanding legislative framework results in negative aspects related to the redundant regulation of the field, the increase of bureaucracy, economic inefficiency (Bivainis *et al.* 2011). Sector partnership would be more effective and clearer if current legal acts were improved following the principle of organisation. However, it has to be stated that the main principles of sector partnership from the perspective of content and process are more or less regulated by legal acts yet the legal regulation of this field should be improved from the perspective of principle implementation.

7. Improvement assumption of public-private partnerships

The need for public and private sector partnerships arises from the situation in sectors when each of the sectors seeks for collaboration that would help solve problems related to ensuring of continuous activity. In the context of change, the need to exercise sector partnership projects aimed at fulfilment of societal needs is objective (Pauliukevičiūtė 2010; Štavičienė 2010; Jakaitis *et al.* 2011). Undoubtedly,

legal, administrative and methodological (e.g. teaching, consulting) assumptions are significant in search of an effective sector partnership. It is agreed that these conditions are being improved; however, questions of managing sector partnership are in merits not solved. In this case, problems of both strategic and operative levels can be noted:

There is neither unanimous and sustainable policy, nor formulated effective strategy of sector partnership. This situation raises essential doubts regarding the expediency of state partnership projects.

It is important to understand that a partnership is not comprised of separate public and private sectors but rather, it is two collaboratively interacting elements seeking for common goals. Common goals should be sought for before the joint strategy is created. However, the latter would be a strong foundation to develop sector partnership. Defining strategic goals and priority directions from the perspective of legal regulations, a partnership would become one of the generic elements of the state economy, which would promote the development in the most necessary fields.

Inadequate reasoning of public-private partnership decisions (projects). Current methodologies of arranging, accepting and implementing sector partnership projects are considered inadequately rational from the perspective of decision reasoning.

The risk arises if an objective complex evaluation is not completed. Institutions thus might not select the most efficient way of implementing sector partnership. Moreover, they would for decades incur agreed liabilities under which the resources of public sector would be used inefficiently.

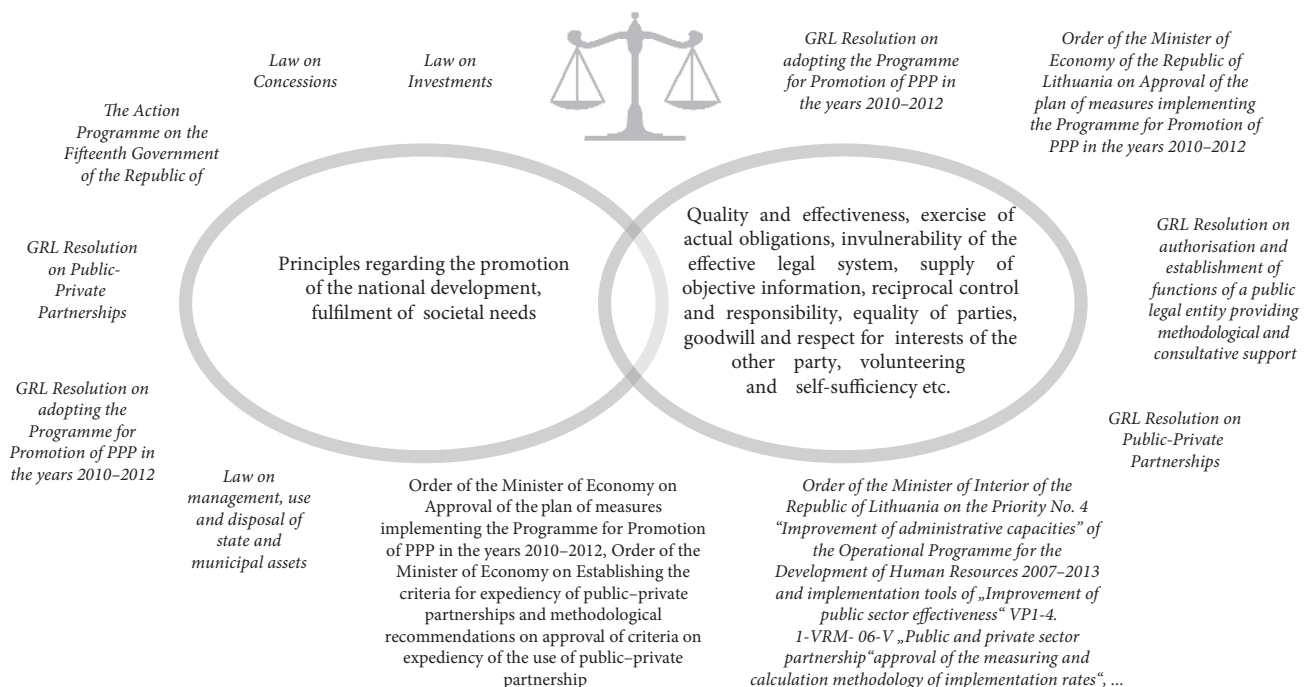


Fig. 3. Non-finite aggregate of legal acts legitimating principles of public-private partnership (compiled by authors)

It is necessary to consider indicated reasons, which aggravate partnership development in the state. Therefore:

At first, it is necessary to arrange the effective strategy on sector partnership. In other words, to make strategic decisions on the direction for the development of sector partnership. Such strategy should be linked to the solution of prioritised national socioeconomic problems. In order to select the most suitable strategy, it is expedient to follow the established methodological strategic potential of management (Bivainis, Tunčikienė 2009; Tunčikienė, Skačkauskienė 2012) whose purpose is to determine strategic goals and priorities of sector partnership following the analysis of public sector environment and resources, then generate strategic alternatives for the implementation of goals and priorities, evaluate them from the perspective of opportunities for implementation of goals and priorities, and select the optimal strategy after having analysed the evaluation results;

Next, planning of the strategy for implementation of sector partnership should be rationally developed. The activity plan should help implementing the sector partnership strategy at a low cost and ensure maximum performance. In this case, the multicriteria evaluation is very important as its results show whether common projects delivered by sectors are essentially more effective than other ways of establishing public assets, improving or rendering public services.

Conclusions

In the context of political, economic and cultural changes, public–private partnerships are treated as strategic means that create conditions for rational reformation of the public sector aimed at effective improvement of the social welfare. The concept of the partnership between fundamentally different sectors is still developing. It expresses assumptions related to the improvement of public sector activities in pursuit of the sustainable national development while permanently improving the implementation of essential joint activities delivered in collaboration with business companies.

From the perspective of content and process, the assumptions related to public–private partnership principles are based on the rational solution for combination of sector competences, which is selected from a wide variety of choices considering the entirety of external and internal factors. The question of selecting forms of sector partnership is indicated as a common element of the partnership management model; however, the model is commonly formed undertaking the following basic tasks: reasoning of partnership needs while seeking for a purposeful implementation of the partnership policy; establishment of partnership goals and priorities; arrangement of decisions to achieve goals and priorities; admission and planning of implementation; the control of partnership projects.

The main principles pertaining to public–private partnerships from the perspective of content and process are more or less regulated by legal acts; however, legal regulation in this field should be improved from the point of view of models and methods used for implementation of principles. The formation of the effective sector partnership strategy and rational planning of the implementation of the strategy following the established potential of methodological management, whose purpose is perspective-oriented decision-making based on a thorough analysis and multicriteria evaluation, are treated as basic assumptions for the essential development of public–private partnership.

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