

ABSTRACT

What is the main economic rationale for using Public Private Partnerships? In spite of the widespread use of such contractual agreements, there does not seem to exist a consensus regarding the reasons that would justify the use of PPPs rather traditional procurement. Because of this, we shall tackle the subject from the perspective of the economics of contracts, in order to shed some light on the trade-off that arises in choosing different procurement strategies.

PPPs have been widely advocated as flexible contractual solutions enabling the public sector to profit from private firms' innovative solutions for providing public services. More recently, however, practitioners and academics alike have cast doubts on a possible instrumental use of PPPs. When most of the upfront investment rests on the private partner, the public counterpart may be tempted by reaping the benefit in the short-term while shifting to farther years the financial burden.

If the budget accounts, especially at the Municipality level, is tight enough, such a "Machiavelian" use of PPPs may become the privileged way to realize infrastructural facilities without any consideration of the efficiency of the provision. We will test this "public finance bias" hypothesis by using data from local projects by Italian Municipalities.