

# Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Viktor Zeisel</b>
<b>Advisor:</b>	<b>Martin Gregor</b>
<b>Title of the thesis:</b>	<b>PPP: An Alternative Way of Provision of Public Services</b>

## **OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):

Viktor Zeisel builds his thesis around a relatively recent paper by Iossa and Martimort (2008) who rigorously apply theory of incentives upon the public sector procurement problem (plus, largely exploits a recent paper by Jean Tirole). The thesis covers main issues in the theory. Its main value added is that negotiation power has been added to the contract design (also to bargaining over price if the facility is sold to the private partner), which illustrates a realistic constraint upon the public sector as the principal. I appreciate that only the initial Section 2.1 provides the framework as created by Iossa and Martimort; the following parts go straightly into extensions with bargaining power (Sections 2.2, p. 13-17, Chapter 3, p. 22-26, Chapter 4, p. 27-32).

By the level of rigor and effort of the author, this is an outstanding thesis in this field, which typically cover only vague discussion about pros and cons, and rather dwelves into evidence from a set of PPP projects. I consider such a thesis a necessary (and normally lacking) step for studying PPPs in details. The only (largely inevitable) drawback is that the author could not go into empirical details that may justify the framework used.

For instance, the information structure is essential for the analysis, but we would need more evidence on the relevant information constraints (e.g., what are cost increases in classic contracts? what do we know about maintenance costs?). It would be also instructive to find more legal evidence on how risks are effectively covered in the contract, and which risks remain uninsured. Experience covered on p. 21 is a promising start, but it only gives evidence on outcomes, not on the structural constraints.

Chapter 6 makes an introduction into political economy of PPP, looking into the contract design not from the second-best optimal perspective, but from a purely positive perspective. Its contributions should probably be better linked to the rest of the thesis. Also, the quality of the thesis would improve if some sentence were rewritten, paragraphs correctly formatted and typos eliminated.

Overall, this is a very good piece of work. I **recommend A**, and perhaps also Dean's Distinction.

## **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	20
Methods (max. 30 points)	28
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>90</b>
<b>GRADE</b> (1 - 2 - 3 - 4)	<b>1</b>

**NAME OF THE REFEREE:** Martin Gregor

**DATE OF EVALUATION:** August 31, 2009

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Referee Signature