

Abstract

The diploma thesis deals with the process of prison privatization in the United Kingdom particularly in England and Wales especially in the form of PFI deals, in which the private sector not only manages prison facility but also designs and constructs the buildings. Due to transfer of this kind of service we can look at the relationship between state and private provider through the lenses of Principal-agent theory. This theory, in its purest form, is constituted of one principal and one agent to whom the performance of the service is transferred, part of the risks associated with it and also a certain decision-making power are transferred as well. According to the theory, the basic precondition for the relationship between the principal and the agent is a discrepancy in the goals of the actors and the agent's effort to act opportunistically at the expense of the performance of the service for the principal. In this sense, the thesis examines the decision from 2018 not to launch new PFI or its successor PF2 projects. In this scenario, England and Wales are the principal and the prison operators are the agents. The hypothesis of the thesis is that this decision not to launch new PFI projects is related to problematic aspects of the relationship between the principal and the agent and that the control of the agent's actions is too demanding for the principal. Thus, the thesis examines how England and Wales managed to build a control mechanism to prevent the opportunistic actions of its agent in the administration of prisons and thus answers the question of whether it is possible to explain the government's decision not to launch new PFI and PF2 projects from 2018 by using the Principal-agent theory.