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# The institutional challenges of public-private partnerships (PPPs) in transition economies: lessons from Kosovo

Carter B. Casady<sup>a</sup>  and Florin Peci<sup>b</sup>

<sup>a</sup>Bartlett School of Construction and Project Management, University College London, London, UK;

<sup>b</sup>Faculty of Business Administration, University of Peja, Peja, Kosovo

## ABSTRACT

Although infrastructure public-private partnerships (PPPs) have become increasingly popular globally, they face their own institutional challenges in transition economies. This paper highlights some of these challenges by examining the (in)formal factors affecting Kosovo's first PPP in the waste management sector, *Ecohigjiëna sh.p.k.* Drawing upon semi-structured interviews with executives, senior managers, and administrative personnel from *Ecohigjiëna sh.p.k.*, the Tax Administration of Kosovo (TAK), and the municipality of Gjilan, the case analysis shows the PPP ultimately faced insurmountable internal and external difficulties, including low levels of professionalism, challenging legal frameworks, poor communication/trust between partners, and inadequate enforcement of regulations.

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## Evidence in Practice

- Legitimacy, trust, and capacity remain crucial institutional capabilities for PPP development
- The failing of this PPP in Kosovo signifies limitations of New Public Governance as a new dimension of public service delivery in transition economies
- Other transition economies grappling with institutional pressures on their PPP projects and programs could use this case to feed processes of 'naturalistic generalization'

## 1. Introduction

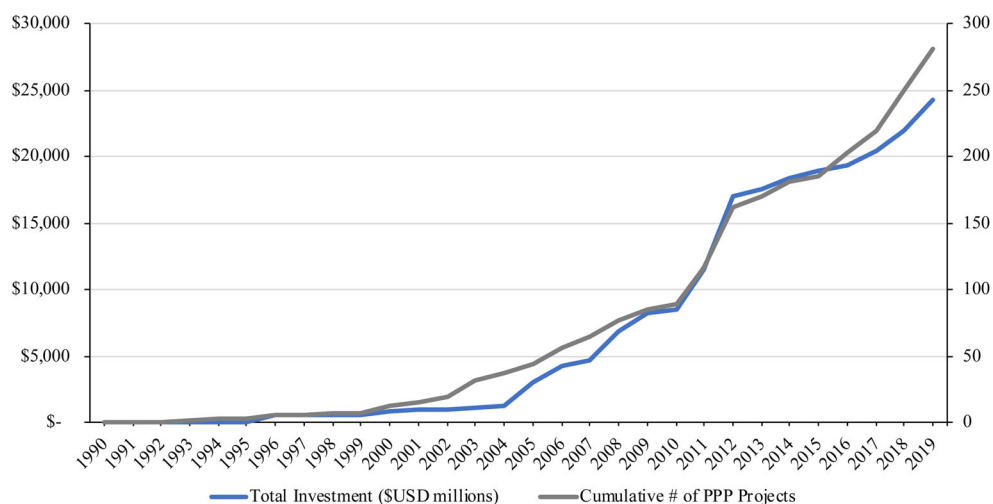
Around the world, poor government performance and service delivery remains an ongoing challenge. However, underdeveloped and transition economies particularly struggle with poor government management and operations, limited budgets, corruption, and lack of management capacity under legacy governance systems in planned

**CONTACT** Florin Peci  [florin.peci@unhz.eu](mailto:florin.peci@unhz.eu)

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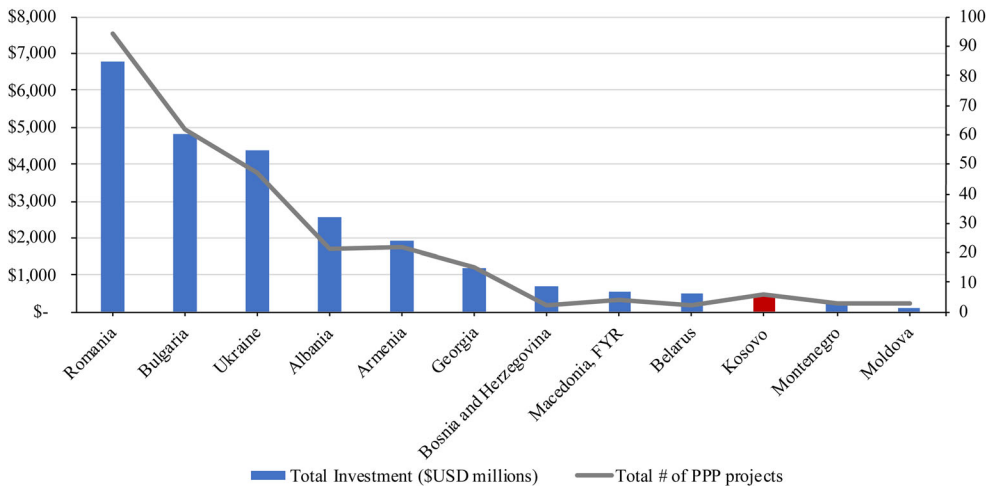


**Figure 1.** PPP Investment in Transition Economies (1990–2019). Notes: Data from World Bank Group (2020). Transition countries with recorded PPP investments include Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Macedonia, FYR, Moldova, Montenegro, Romania, and Ukraine.

economies (Ban et al., 2003; Eddleston et al., 2020; Teicher et al., 2008; Wisniewski, 2001). Various models have been used to overcome some of these difficulties and improve services via effective management, transparency and accountability. In recent years, public-private partnerships (PPPs) in transitional settings have become an increasingly attractive method for alleviating government budgetary constraints and improving public service delivery (Dao et al., 2020; Harris, 2002; Macedo & Pinho, 2006; Yang et al., 2013; Zhou et al., 2005). These contracts generally transfer significant risk from the public sector project sponsor to private, third party actors and link remuneration to performance of the contracted service. Yet, PPPs tend to also face a variety of formal and informal institutional challenges, especially in transition economies. Adoption of such models has thus been slow. According to the World Bank’s Private Participation in Infrastructure (PPI) database, only 281 PPP projects have been executed in 12 transition economies since 1990, amounting to ~€22 billion (~\$USD 25 billion) in investment (see Figure 1).

Additionally, many of these projects remain concentrated in only a handful countries (e.g. Romania, Bulgaria, Ukraine and Albania) while others ‘attempting to deliver experience and build confidence in their PPP procurement capacity have only been able to procure a handful of ‘pathfinder’ projects’ (Casady et al., 2018, p. 188) (see Figure 2).

Kosovo is one of these transition economies still actively experimenting with PPPs. As one of the last countries in transition since the 1999 war, Kosovo serves as an ideal case for examining ongoing institutional pressures on the PPP model. Over the years, the country has developed some institutional reforms based on the free market economy, making private provision of infrastructure services through PPPs more commonplace. For instance, before declaring independence 2008, PPPs were introduced into Kosovo’s new legal system under the administration of the United



**Figure 2.** PPP Investment by Country (1990–2019). Note: Data from World Bank Group (2020). Transition countries with recorded PPP investments include Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Macedonia, FYR, Moldova, Montenegro, Romania, and Ukraine.

Nations Interim Administration Mission in Kosovo (UNMIK). Although no projects were implemented at the time, Kosovo’s Law on Public Private Partnership (PPP), No. 04/L-045, now allows private firms to partner with public companies to carry out various services in all economic and social sectors (Muharremi, 2011).<sup>1</sup> One institutional PPP – i.e. a joint venture where the public authority and private partner jointly own shares in a legal entity created to deliver a specified public infrastructure service – established in Kosovo under such reforms was *Ecohigijena sh.p.k*, a waste management services company. Based in Gjilan, *Ecohigijena sh.p.k* formalized cooperation between *KRM Higijenies sh.p.k*, the public sector, and *Ecovision sh.p.k* of Austria’s Moerser Group in 2012. Since its inception, Kosovo’s first waste management PPP faced a myriad of formal and informal institutional challenges which ultimately led to its termination. This research explores these nuanced challenges and attempts to answer the following research questions:

1. What were the main formal and informal institutional challenges affecting *Ecohigijena sh.p.k*?
2. How did these formal and informal factors undermine Kosovo’s first waste management PPP?

To answer these research questions, this paper uses an in-depth case study to explore the formal and informal factors which led to the failure of Kosovo’s first PPP within the waste management sector. The paper begins by describing the relationship between New Public Governance (NPG), institutions, and PPPs. Using these concepts as a theoretical lens, the research design and methodology is outlined next. Then comes the case analysis, drawn from a handful of semi-structured interviews. Finally, this paper concludes by summarizing the contributions of this work and areas for future research.

## 2. New public governance (NPG), institutions, and public-private partnerships (PPPs)

### 2.1. New public governance (NPG)

In the last few decades, public sector institutions around the world have undergone major transformations. Today, many governments have ‘reinvented, downsized, privatized, devolved, decentralized, deregulated, delayed, subjected to performance tests, and contracted out’ in order to improve the delivery of public services, enhance government competency, contain program costs, and improve institutional effectiveness (Salamon & Elliott, 2002, p. 1). These new indirect forms of governing – known as ‘third-party government’ or ‘government by proxy’ – have made governments much more dependent on complex, interdependent relationships with private actors, commonly known as public-private partnerships (PPPs) (Hodge & Greve, 2007; Kettl, 2013; Salamon & Elliott, 2002).

For many governments, ‘[s]uch partnerships may be seen as new forms of governance, which fit in with the imminent network society’ (Teisman & Klijn, 2002, p. 197). Structured in the form of long-term contracts between public agencies and private partners, these arrangements increase private participation and risk sharing across various stages of the infrastructure project lifecycle, such as design, construction, financing, operations, and maintenance (Casady & Geddes, 2016, 2019). Although the concept of PPPs has existed for some time, Casady et al. (2020, p. 162) note that “‘modern’ infrastructure PPPs were conceived in the New Public Management (NPM) era of the 1990s as a way to improve the internal management of government infrastructure provision.’ However, since their inception, PPPs have evolved and begun to move away from NPM (Conteh, 2010; Greve & Graeme, 2010). Today, PPPs now fall within a broader public administration paradigm which enables ‘governments to engage with a number of private agents in often complex and contractually sophisticated relationships’ (Greve & Graeme, 2010, p. 150). These increasingly complex, networked environments, collectively known as New Public Governance (NPG) paradigm, capture the fragmented and uncertain nature of 21st century public management. Grounded in organizational sociology and network theory (Haveri, 2006), Osborne (2010, p. 414) notes that NPG has become:

... the dominant regime of public policy implementation and services delivery, with a premium being placed upon the development of sustainable public policies and public services and the governance of inter-organizational relationships.

Naturally, this recognition of ‘the legitimacy and interrelatedness of both the policy making and the implementation/service delivery processes’ (Osborne, 2006, p. 384) has begun to (re)define PPPs ‘as a tool of NPG which provides infrastructure services through a dense network of state–business linkages’ (Casady et al., 2020, p. 162). While many other infrastructure project delivery options still enable public agencies to ‘[internalize] transactions, [minimize] legalisms involved in complex contractual negotiations with external actors, and [provide] a more stable framework for bargaining,’ PPPs are becoming increasingly attractive in developing and transition economies because of their ability to both enhance competition, flexibility, and quality in

infrastructure service provision while supplementing the public sector's technical and financial capacity to deliver projects (Salamon & Elliott, 2002, p. 31). However, in many countries, the concept of PPPs 'is often introduced without much reflection on the need to reorganize policy-making processes and to adjust existing institutional structures' (Teisman & Klijn, 2002, p. 197).

## **2.2. The role of institutional settings**

As a result, PPPs in the post-New Public Management (NPM) era have created their own governance challenges. For example, Dutz et al. (2006, p. 1) note that:

[The] shift from traditional public sector methods [to NPG] places new demands on government agencies. They need the capacity to design projects with a package of risks and incentives that makes them attractive to the private sector. They need to be able to assess the cost to taxpayers, often harder than for traditional projects because of the long-term and often uncertain nature of government commitments. They need contract management skills to oversee these arrangements over the life of the contract. And they need advocacy and outreach skills to build consensus on the role of PPPs and to develop a broad program across different sectors and levels of government.

As governments around the world confront these NPG obstacles associated with PPPs, a handful of scholars have shown that institutional environments significantly affect the degree to which entrepreneurial activities are socially and economically productive (Acs et al., 2008; Baumol, 1996; Casady et al., 2018, 2019, 2020; Dutt, 2011; Williams & Vorley, 2015). For PPPs specifically, Casady et al. (2020) stress that institutional constructs such as legitimacy, trust, and capacity are crucial to mature PPP market formation. Because institutions are influenced by a combination of regulative, normative, and cultural-cognitive pressures (Scott et al., 2011), they tend to develop and establish the 'rules of the game' in society (Chang, 2011; North, 1990). While formal establishments tend to be the dominant form of institutional organization which influences entrepreneurial behavior through the initiation and establishment of rules/regulations, standards, and values (Ahlstrom & Bruton, 2002; Tonoyan et al., 2010), informal institutional factors such as culture are significant in a) shaping the institutional structure, b) planning for the future co-dependence of institutions, and c) preventing or facilitating the acceptance of foreign cultural institutions (Greif, 1994). These informal institutional settings are particularly powerful because they often dictate the unwritten codes of conduct, conventions, norms, and culture that define societies (Baumol, 1996; North, 1990). Within institutional settings, informal institutions also perform three critical functions:

1. They complete or fill gaps in formal institutions;
2. They coordinate the operation of overlapping (and perhaps clashing) institutions; and
3. They operate parallel to formal institutions in regulating political behavior (Azari & Smith 2012).

Strengthening formal institutions and reforming informal institutions is thus crucial for fostering productive entrepreneurship and PPPs (Estrin & Mickiewicz, 2011;

Winięcki, 2001). In transition economies specifically, Yang et al. (2013, p. 301) note that factors such as ‘market potential, institutional guarantee, government credibility, financial accessibility, government capacity, consolidated management, and corruption control’ are needed to facilitate PPP development. Casady (2020) also demonstrates in emerging markets and developing economies that strong regulatory regimes, political and social will, and market reliability are necessary for PPP market maturation. Yet, improving and/or reforming these institutions and factors remains a challenging and path-dependent process. In practice, policymakers often examine formal and informal institutions separately and prefer focusing on formal institutional changes (Williamson, 1981, 1986, 2000) while neglecting informal institutional transformation.

When policymakers neglect informal institutional transformation, they often fail to consider the interaction between and complementarity of formal and informal institutions. In reality, formal institutions reinforce and are reinforced by informal institutions in ways that enhance their mutual efficiency or effectiveness (Williams & Vorley, 2015). For instance, when informal institutions emerge spontaneously, they often remain influenced by the calculative assembly of formal rules (Williamson, 1981, 1986, 2000). Together, these interactions can drive economic development.

However, in transition economies, formal and informal institutional arrangements are not always mutually reinforcing. In some cases, they can be substitutive, where informal institutions compete with and undermine weak formal institutions (i.e. not embedded or enforced) or prevail where there is a void in formal institutions (Estrin & Prevezer, 2011; North, 1990; Tonoyan et al., 2010). This is particularly prevalent in states characterized with uncertainties and instability in the institutional structures. In these settings, Van Slyke (2003) questions why governments even contract out if competition and public management capacity are absent, especially when there is generally ‘little incentive for entrepreneurs to commit themselves to long term projects forcing them instead to concentrate on the task of surviving’ (Smallbone & Welter 2001, p. 260). Naturally, in cases where entrepreneurs operate in environments fraught with frequent changes in regulations, legal insecurity, and bureaucratic instability, significant increases in operational and transaction costs are bound to manifest (Tonoyan et al., 2010). Unfortunately, for many former centrally planned economies, such as Kosovo, challenges in adopting, implementing and enforcing NPG tools, such as PPPs, have created a need for the formation of new, aligned institutions that promote legitimacy, trust, and capacity in the PPP model.

### 3. Research design and methodology

#### 3.1. Case overview: *Ecohigijena sh.p.k*

To explore some of these institutional challenges, this paper uses a single case study to examine the formal and informal factors which affected the legitimacy, trust, and capacity of Kosovo’s first PPP within the waste management sector, *Ecohigijena Company (Ecohigijena sh.p.k)*. *Ecohigijena sh.p.k* was based in Gjiilan, Kosovo. First established on 23 May 2012, *Ecohigijena sh.p.k* served as a public-private partnership (PPP) company – also known as a special purpose vehicle (SPV) – between *KRM Higijena Sh.A*, a public company with 49% of the SPV shares, and *Ecovision sh.p.k*, a

private company consisting of *Moerser Group* from Austria with 51% of the SPV shares. Through its license from the Ministry of Environment and Spatial Planning, *Ecohigijena sh.p.k* conducted all of its services in accordance with applicable legal provisions in the Republic of Kosovo. As the only company in the field of waste management, *Ecohigijena sh.p.k* carried out services within a geographical extension of the Gjilan region.<sup>2</sup> Its activity extended to the South-East Region of Kosovo – Gjilan, Viti and Kamenica – and also included cooperation agreements with the municipalities of Novo Brdo, Partesh, Ranilluk and Klokot. Its services included the collection, transfer, and treatment of waste as well as the provision of other public services such as cleaning and maintenance of roads, city squares, cemeteries, and markets.

*Ecohigijena sh.p.k's* hierarchical structure consisted of several units and functional lines. The Board of Directors consisted of 8 members. The chairman along with 3 other members represented the private partner (Moser Group) while the public partner has 2 members from the Municipality of Gjilan, 1 member from the Municipality of Vitia, and 1 member from the Kamenica municipality. The remaining internal structure of the company included: 3 Directors (CEO, Director for Finance and Administration, Operations Director), 8 employees in the administration including internal auditors, 25 employees for money collection and about 110 employees in the service sector. In total, the company had roughly 160 employees – 109 in Gjilan/Gnjilane, 21 in Vitina, 23 in Kamenica, and 7 in Novobërdë. With a market value of €1.5 million – €926,436 from its private company *Ecovision sh.p.k* and €529,117 from its public company *KRM Higijena Sh.A*, *Ecohigijena sh.p.k* also last held a positive cash balance of €88,000 at the end of FY 2016 after it covered the losses and past debts of its public partner, *KRM Higijena Sh.A*. In that same year, the company accounted for approximately 30,093 tons of waste transfer in Gjilan and its surrounding contracted service areas.

### **3.2. Data sources and methods**

In order to analyse the formal and informal institutional factors which affected *Ecohigijena sh.p.k's* service performance, a case study method was chosen because our research addresses descriptive ('how' and/or 'why') questions about the company and attempts to offer an intensive, overall explanation of a specific phenomenon where the purpose is discovery rather than proving causality (Darke et al., 1998; Merriam, 1998; Yin, 2017). Additionally, cases are 'particularly useful for evaluating programs when programs are unique, when an established program is implemented in a new setting, when a unique outcome warrants further investigation, or when a program occurs in an unpredictable environment' (Balbach, 1999, p. 4). Naturally, because case studies focus on the in-depth study of a particular phenomenon, they also often do not constitute a single method but rather a combination of various scientific approaches (Feagin et al., 1991; Patton, 2002; Ruddin, 2006; Stake, 1995; Strauss & Corbin, 1990; Yin, 2017).

For this particular case, Yang et al.'s (2013) explanatory framework of PPPs in transitional economies – i.e. the market, the operating environment, and the government – is used to inform our interview selection. Qualitative and quantitative



information was specifically obtained from a series of semi-structured interviews with 14 key executives, senior managers, and administrative personal within *Ecohigijena sh.p.k* (8), the Tax Administration of Kosovo (TAK) (2), and the municipality of Gjilan (4). This gave us first-hand information on the institutional challenges facing the company. All interviews were conducted face to face within *Ecohigijena sh.p.k*, the TAK, and municipality. After the initial interviews were conducted, the interview questions were re-evaluated, leading to some small changes and/or additions (see Appendix). Further questions arose during the data analysis process and additional questions were answered by the interviewees via phone.

In total, the interviews lasted on average 60 to 90 minutes and were both recorded and transcribed. During each interview, three people were present; the interviewee, one researcher asking questions, and another taking notes. The interviews were then transcribed, and the transcriptions were used in the final coding. Additionally, the interviews were recorded and listened to in their entirety in the presence of the interviewees. Conducting the interviews onsite also led to a fruitful and open discussion and allowed the research team to observe the behaviour of the interviewees in their operating environment. Yin (2009) considers the natural environment and inclusion of the interviewees – through listening to the transcripts – in any case study to be advantageous for conducting reliable qualitative interviews. To keep the interviews as authentic as possible, the same questions were also used and asked in the same order (Bell et al., 2007).

### **3.3. Coding**

Once the interviews were conducted, the data was then coded. In qualitative research, this coding process involves the creation of categories and concepts which are unpacked into smaller analyzable units by compressing extensive data sets in a logical way. In cases where the researchers include themselves as part of the measurement procedure, they also need to consider if the results they obtain are reliable and consistent (Trochim & Donnelly, 2008). In this case, certain skills of the researchers – e.g. familiarity with the phenomenon, good listening and observation skills, asking the right and appropriate questions, and flexibility – were key for maintaining the validity of the results. However, this research is not without its limitations. Like other case-based methods, one of the major potential drawbacks of this research design and methodology may be its perceived lack of robustness (Zainal, 2007). Because this work also specifically draws on a relatively small set of interviews and codes developed by the research team, the results of this respective case study still, to some extent, risk being affected by some amount of subjectivity and bias which would negatively impact the case reliability (Yin, 2009). For example, the interview questions (see Appendix) could possibly contain unconscious sample errors or biases. Additionally, few case studies tend to offer a clear difference between the starting and ending points of an intervention. This makes the phenomenon observed more difficult to defend (Balbach, 1999). Yet, despite these limitations, this research still offers a critical examination of the formal and informal factors affecting Kosovo's first waste management PPP. In the next section, the full case analysis of *Ecohigijena sh.p.k* is presented.

## 4. Case analysis of Kosovo's first waste management PPP

### 4.1. Informal institutional transformation: internal cultural changes and challenges

After *Ecohigijena sh.p.k* was established in 2012 and its 15-year contract was initially signed,<sup>3</sup> problems began to arise in the management structure and operations of the firm. These issues generally consisted of different boycotts, strikes, and resistance to operations activities and management decisions set by the new Board of Directors. Many of these problems were inherited from *KRM Higijena Sh.A*, the public partner, as *Ecovision sh.p.k*, the private partner, began to install contemporary operations and management methods which departed from traditional management approaches. One interviewee specifically recalled that many of the problems in the beginning for *Ecohigijena sh.p.k* came from the public partner's old style of socialist management. For example, because the public partner failed to respect certain obligations of key stakeholders and other third parties, the private partner *Ecovision sh.p.k* was forced to assume these obligations and additional costs. This interviewee also stated that '[c]hanging the concept of work within the organization ha[d] been difficult.' In some instances, employees even resisted their work obligations and attempted to shield themselves from dismissal via the support of various municipal directors. Another interviewee noted that '[t]he mix of competencies in the organization ha[d] been a problem from the beginning.' These internal cultural challenges ultimately affected the outset of operations for *Ecohigijena sh.p.k*. One interviewee summarized these struggles succinctly, stating:

We do not have a significant problem with the private sector, but with institutional levels we have many barriers and problems of different types, ranging from PPP organization, contractual relations, distrust, negotiation, renegotiation, procurement, auditing, etc.

### 4.2. Litigation issues

Naturally, some of these internal trust issues spilled over into the courts. Because labor laws were not very favorable to the company, some employees working on unlimited contracts could not be replaced. At the same, other contracts were 'now fixed in time so these elements raise[d] dilemmas, especially in court cases, because the legal aspects of this issue [were] not properly clarified.' As a result, a few interviewees revealed there had been many court proceedings which dragged on for years with no resolution. These ongoing legal disputes ultimately 'had a negative impact on the performance of the company.' One interviewee put the costs associated with these repeated appeals and ongoing litigation at 'somewhere around 60–70 thousand euros.' They also indicated that other damages were very large. Another interviewee also noted '[t]here are about 20 civil court cases with current employees and former employees in the company.' For some cases that received positive judgment from the appeals court, company accounts were blocked without notice or a deadline for appeal. These events, according to another interviewee, delayed the payment of staff as revenues were redirected to service other budget items. On the bright side, only

two people caused ~€100,000-worth of damage to the company as a result of dismissal and court rulings against their compensation.

### **4.3. Formal institutional barriers**

While *Ecohigjiëna sh.p.k* was dealing with a handful of informal institutional changes and legal challenges, the company also faced some significant formal institutional barriers. Although reductions in the Value Added Tax (VAT) – from 18% to 8% – lowered the company's billing and general operating costs, *Ecohigjiëna sh.p.k* had capacity problems with invoicing payments for its services. An additional €500,000 in costs associated with this problem had to be gradually paid back to the Tax Administration of Kosovo (TAK). Likewise, another interviewee indicated TAK was one of *Ecohigjiëna sh.p.k*'s biggest problems because old debt associated with the public company, *KRM Higjiëna Sh.A*, was billed to the PPP.

Outside of tax obligations, *Ecohigjiëna sh.p.k* also faced legislative barriers in its operations. For example, one interviewee noted that the company was unable to contract for the maintenance of public surfaces, worth ~€1 million, because of Section 9.4 in Kosovo's Public Procurement Law. This disruption was never resolved. Additionally, although fairly standard laws on waste management were adopted and implemented by a host of EU countries, implementation in Kosovo has been extremely difficult. One interviewee cited an example that inert waste, pharmaceuticals, etc. must be disposed of in a special landfill specifically constructed for this purpose. However, since there is no such landfill, this waste is dumped in an ordinary landfill at 10 times the price of other waste. Naturally, this led to higher company costs. This interviewee went on, saying:

We would like to build such waste dumps, but it is not possible because our public partner (municipality) unnecessarily extends the deadline to arrange documentation for public procurement so the company's work is handicapped in this regard.

Because there is no cooperation or trust between the partners on this issue, the company had to reject a bid with hospitals for the disposal of pathological waste because there are no appropriate facilities to dispose of this waste under the terms and conditions of the waste management sector in Kosovo.

### **4.4. Attempted institutional reform**

In light of all of these formal and informal institutional challenges, the company interviewees stressed that *Ecohigjiëna sh.p.k*'s business model tried to reduce operating costs and increase performance in the waste management sector. The company specifically attempted to improve the standard and service level of waste management in the south-eastern region of Kosovo, a model which they hoped to 'outsource to other regions in Kosovo, and in the surrounding countries.'

To achieve this objective, the company undertook a host of institutional reforms. While certain aspects of the hybrid organization created uncertainty and confusion in PPP operation and contract compliance between partners, *Ecohigjiëna sh.p.k* made

significant efforts to improve the managerial and operational aspects of the firm. Although some staff needed to be replaced, one interviewee noted:

The number of workers is increasing symbolically, the displaced are replaced by new workers and the efficiency of waste collection has increased significantly as a result of the reorganization and modern management of labor.

The company also tried to create an atmosphere of trust and fair segregation of duties for each worker in the workplace. This was done through organized trainings via consulting firms (e.g. IBM program training, accounting, electronic procurement setup for preparation of tender dossiers, finance training, etc.). These trainings were coupled with reductions in bureaucracy and a reorganization of the organizational hierarchy into a meritocracy. Professional skills and specialization became essential for staff recruitment and employees assumed increasing levels of responsibility. Although some informal groups dissented to these changes and other staff were ultimately replaced, many of these changes improved *Ecohigjiena sh.p.k*'s position in the market. Although navigating legal issues, government institutions, and other legitimacy concerns came at a large cost to the company, totaling approximately €300,000, interviewees note that 'the performance of the company ... increased and over-the-counter remuneration ... increased from 45% in year 2012 to a ~85% collection rate in the year 2017' and higher still in 2018 (see [Table 1](#)).

#### **4.5. The failure of the PPP**

And yet, despite these attempted institutional reforms, Kosovo's first PPP in the waste management sector succumb to the formal and informal institutional pressures affecting its operations. Cooperation between the public and private partner remained unsatisfactory and the company's employment, financial reporting, and contracting issues persisted. The absence of trust and any reconciliation between the public and private partner ultimately voided the agreement and purpose of the contract. In the end, *Ecohigjiena sh.p.k* became a 'toy of politics' and the Mayor unilaterally terminated the agreement between the two partners on May 30, 2019. The future of the company's waste management operations now remains in the hands of the Municipal Assembly.

## **5. Discussion**

Overall, despite Kosovo's constitutional commitments to neoliberalism and intentions of attracting foreign investment, the country's PPP-enabling environment remains 'very dynamic and characterized by legal uncertainties, which bears difficulties for both the private and the public sector' (Muharremi, 2011, p. 121). In general, Kosovo's unique ongoing institutional and societal transition remains rooted in legacies of the past (e.g. the 1999 war; changes from socialism to democracy; etc.), especially the international community's extensive mandates (i.e. new legal system) under the administration of UNMIK. Kosovo's relatively weak rule of law and lack of capacity to seamlessly absorb very high EU standards embedded in its legal framework has also made regulating and executing PPP/privatization processes particularly difficult. Although the concession of the Pristina International Airport was a landmark

**Table 1.** Ecohigjiëna sh.p.k.'s financial performance (2016–2018).

<b>Ecohiçjiëna sh.p.k.</b>	<b>2016</b>		<b>2017</b>		<b>2018</b>	
Revenues from waste collection	€	1,243,828	€	1,283,286	€	1,323,116
Revenues from market Vitia, Kamenice	€	60,420	€	15,554	€	10,019
Revenues from the municipality of Gjilan	€	202,307	€	192,805	€	124,328
Revenues from the municipality of Vitia	€	40,735	€	13,855	€	-
Other income	€	10,057	€	15,543	€	32,019
<b>I. Total income without VAT</b>	€	<b>1,557,346</b>	€	<b>1,521,042</b>	€	<b>1,489,482</b>
Waste tonne		30,093		30,857		32,140
Number of registered clients		36,430		38,305		39,791
Number of active clients		18,191		18,558		21,317
Number of employees without board		170		143		144
<b>Expenditures without VAT</b>	<b>2016</b>		<b>2017</b>		<b>2018</b>	
Employee costs	€	820,866	€	742,396	€	745,772
Expenditures and landfills	€	162,502	€	166,205	€	172,080
Fuel costs	€	119,388	€	138,406	€	152,056
Car maintenance	€	45,277	€	47,518	€	59,092
External experts	€	19,344	€	36,871	€	53,493
Maintenance	€	1,060	€	2,399	€	2,257
Material + tools	€	29,106	€	9,829	€	14,600
Communication + IT	€	10,230	€	11,647	€	11,811
Assets with low value	€	1,258	€	598	€	9,169
Marketing costs	€	11,613	€	10,197	€	10,095
Representation expenditures	€	2,661	€	1,474	€	2,806
Administration expenditures	€	58,869	€	55,261	€	70,768
Interest + legal expenses	€	3,109	€	17,467	€	3,199
Other costs	€	1,045	€	12,932	€	9,816
Unspecified difference in customers' accounts	€	-	€	-	€	3,731
<b>II Total Expenditures without VAT</b>	€	<b>1,286,326</b>	€	<b>1,253,200</b>	€	<b>1,320,744</b>
<b>I – II: Net temporary profit</b>	€	<b>271,020</b>	€	<b>267,842</b>	€	<b>168,738</b>
<b>Cash flow</b>	<b>2016</b>		<b>2017</b>		<b>2018</b>	
Collection from waste collection	€	1,287,932	€	1,211,808	€	1,306,043
Collections from market Vitia and Kamenica	€	64,895	€	16,661	€	11,822
Collections from the municipality of Gjilan	€	218,802	€	88,980	€	295,555
Collections from the municipality of Vitia	€	47,369	€	17,880	€	-
Other collections	€	9,502	€	17,047	€	36,263
<b>Total cash withdrawals without VAT</b>	€	<b>1,507,870</b>	€	<b>1,252,200</b>	€	<b>1,523,711</b>
The percentage of collection		97%		82%		102%
<b>Payable</b>	<b>2016</b>		<b>2017</b>		<b>2018</b>	
Payments for salaries and fees	€	820,866	€	675,471	€	760,555
Payments to TAK for VAT and source tax	€	-	€	2,520	€	28,947
Payments to TAK for old debts	€	226,262	€	538,338	€	524,701
Payments to suppliers	€	518,074	€	80,708	€	186,595
Payments to KMDK	€	72,000	€	30,000	€	95,361
Investment payments	€	-	€	-	€	10,216
Extraordinary payments	€	-	€	-	€	49,861
<b>IV Total payables without VAT</b>	€	<b>1,637,201</b>	€	<b>1,327,038</b>	€	<b>1,656,237</b>
<b>III – IV: Cash flow</b>	€	<b>(129,332)</b>	€	<b>(74,838)</b>	€	<b>(132,525)</b>

Note: grey shaded values are negative numbers.

Source: Ecohigjiëna sh.p.k. (2019). Income Statements (2016-2018). Gjilan, Kosovo: Ecohigjiëna sh.p.k.

event for PPPs in Kosovo (Reis, 2017), most major infrastructure projects are still implemented through traditional procurement despite growing numbers of proposed municipal PPP projects (Muharremi, 2011).

Consequently, PPPs have never fully obtained local ownership and lack the normative and cultural-cognitive elements of successful institutionalization (Scott, 2013), despite one-off successes like the Pristina International Airport concession (see e.g. Reis, 2017). As the case of *Ecohigijena sh.p.k* illustrates, institutional PPPs at the municipal level face a host of implementation challenges when crafting hybrid organizations between sectors. More importantly, if ‘a partnership model is “translated” uncritically into other nation states, or indeed into other spheres of government activity, it is fraught with risk for the effectiveness of implementation and with the potential for unwelcome and unintended consequences’ (Teicher et al., 2008, p. 66). Unfortunately, project cancellation in this case was the most severe consequence of PPP failure (Bertelli et al., 2020).

## 6. Conclusion

In summary, although public-private partnerships have become an increasingly popular method for offering improved infrastructure service delivery in transitional settings, they continue to face their own institutional challenges, especially in unstable policy environments. As one of the last countries in transition since the 1999 war, Kosovo serves an ideal case for examining how various institutional pressures affected the legitimacy, trust, and capacity of the PPP model. This paper explores how formal and informal institutional factors – i.e. low levels of professionalism, challenging legal frameworks, poor communication/trust between partners, and inadequate enforcement of regulations – affected and ultimately ended Kosovo’s first PPP within the waste management sector, *Ecohigijena Company (Ecohigijena sh.p.k)*. At the beginning, many problems centered around trust arose within *Ecohigijena sh.p.k* during the transition to more contemporary management approaches. Additionally, the company’s early struggles were exacerbated by unpaid debts resulting from the poor collection of revenues, ongoing litigation, and legal barriers which hindered some of the company’s waste collection services. Although the company attempted to develop a contemporary and efficient management structure with professional staff and modern equipment, the persistence of irreconcilable managerial and operational challenges proved to be too formidable.

Without trust between its partners, lingering political damage to its legitimacy, and unresolvable capacity constraints, Kosovo’s first PPP in the waste management sector failed. This failure implies that legitimacy, trust, and capacity remain crucial institutional capabilities for PPP development (Casady et al., 2020). It also signifies the limitations of NPG as a new dimension of public service delivery within Kosovo. In total, understanding this PPP failure in context is important because failure often ‘serves as a trigger for considering policy redesign and as a potential occasion for policy learning’ (May, 1992, p. 341). Moreover, this case demonstrates how ‘such instances also tend to have technical, institutional, and political repercussions’ (Casady & Parra, 2020, p. 3). Moving forward, while this work remains somewhat limited in its scope, conclusions, and robustness, future research should explore how other transition economies have grappled with institutional pressures on their PPP projects/programs and use these cases to ‘feed into processes of “naturalistic generalization”’ (Ruddin, 2006, p. 797). Such work should also examine how project and programmatic

outcomes influence the (in)formal institutionalization of PPP policies. Overall, by ‘challenging mainstream interpretations of what PPPs *are* and what their proliferation *means*, studying ... PPPs in [transition economies] further exposes the Western-centric nature of prevailing [PPP] wisdom’ (Jones & Bloomfield, 2020, p. 1).

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## ORCID

Carter B. Casady  <http://orcid.org/0000-0001-9215-7168>

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## Appendix

### Sample Interview Questions

1. What was the main reason you invested in such a PPP in Kosovo?
2. What are main challenges in your company so far?
3. What is the organization strategy seeking to accomplish?
4. How does the organization plan use its resources and capabilities to deliver services?
5. How does the organization compete in the waste management market?
6. How does the organization adapt to the changing business environment?
7. How do the employees align themselves to the company strategies?
8. How is information shared via formal and informal channels across the company?
9. How do employees respond to management?
10. Do you think that management style provided by the private partner cause difficulties or is unacceptable for the public partner?
11. What are main discrepancies in organizational culture within the PPP?
12. Does trust between you and your partner have an impact on company performance?
13. How would you describe the cooperation between you and your partner?
14. What perceived success factors are important in your PPP company?
15. Is organizational work under PPP hindered by illegal activities caused by individuals from your partner?
16. What kind of leadership strategies are being implemented within the PPP?
17. Does institutional law and regulation affect overall work and performance of the PPP?
18. Does alignment of formal and informal institutions affect PPP performance?
19. Do you think additional inspections and auditing activities from other agencies have negatively impacted the PPP's performance?