

## Public-Private Partnerships

### Q. What are Public-Private Partnerships (PPPs)?

**A.** A *partnership* is a multi-faceted, multi-layered concept and process. What actors are involved, how they understand the concept and what their strategic intentions are all factor into the shape of the partnership and whether or not it is an optimal solution to a challenge. Cross-sectoral partnerships among different sectors of society, namely the public, private and social sectors are gaining popularity for expanding social and economic development in the face of growing global challenges. This *NGO Tips* paper looks at what public-private partnerships bring to the development arena.

Public-private partnerships (PPPs) describe a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. PPPs involve a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project.<sup>i</sup>

PPPs can be complex conceptually and in actuality. The complexity of the PPP will depend on the actors involved, the scale of the objectives, the time frame, and the obligations (logistical, moral, financial, etc.) each partner has to the other partner. Additionally, PPPs can have different meanings to different organizations; depending on the underlying premises and ideological commitments of the actors involved, partnerships can be construed as both political symbol and policy tool.<sup>ii</sup>

### What Drives Public-Private Partnerships

Many see public-private partnerships as playing a primary part in advancing social and economic development. While foreign aid has been harshly criticized as not only ineffective, but detrimental, to the progress of developing countries,<sup>iii</sup> more targeted and focused efforts such as public-private ventures and other foreign direct investment are seen as effective means for more sustainable, long-term development solutions.

Public-private partnerships can lead to the production and provision of goods and services that may not have otherwise been possible to the same degree, or at all.

Governments, and increasingly businesses, realize that topics like poverty, health, migration, and climate change must be addressed. Ignoring such issues will have an adverse effect on government and business activities.

Naturally, public and private actors want to enter partnerships that will help them to achieve their organizational goals. For the private entity that often will mean profit; for the public actor it could be an improvement in the overall well-being of its constituents.

The table on the next page presents some of the forces driving actors from each sector to engage in partnerships.

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| Drivers of Public-Private Partnerships   |   |
|--|---|
| Public Sector  | Private Sector  |
| <ul style="list-style-type: none"> <li>• Generate additional sources of funding/investment</li> <li>• Improve operational efficiency</li> <li>• Access specialized know-how</li> <li>• Promote technological spillover</li> <li>• Scale-up implementation capacity</li> <li>• Spread (financial) risk</li> <li>• Generate employment</li> <li>• Build relationships with stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>• Improve social image</li> <li>• Access new markets</li> <li>• Develop competitive advantage</li> <li>• Build new relationships with key stakeholders</li> <li>• Increase incentives (for example, direct loans; tax subsidies; regulatory relief)</li> <li>• Share financial risk and improve risk management</li> </ul> |

In the past, the public sector and the private sectors were seen as having opposing goals. However, over time, this perception has changed. Often public and private partners share long-term goals, even if they have different motivations for initially entering into a partnership. Some PPPs are formed in order to improve effectiveness and efficiency. Others partnerships

are formed so that the partners can offer new goods and services that neither partner was able to provide on its own. PPPs may be formed for political or ideological reasons, as a policy tool, or as a symbolic effort. Some PPPs are seen as a moderate alternative, striking a balance between pure privatization and strictly market-driven mechanisms on the one hand, and purely state-led action on the other.

**Illustration: West African Seed Alliance**

The majority of the labor force in West Africa works in agriculture or an agriculture-related field. Most people are small-scale, subsistence farmers who use farm-produced seeds or get their seeds from informal, inconsistent markets. Due to the lack of access to high-quality, reliable supplies, as well as damage from pests and diseases, these farmers are stuck in a low-productivity, low-income cycle. After years of individual efforts to establish a stable, sustainable seed industry, West African governments, donors, NGOs and private industry were still not any closer to resolving this problem on their own.

In 2007, USAID formed a Public-Private Partnership with the Alliance for a Green Revolution to implement a five-year initiative called the West Africa Seed Alliance (WASA). WASA’s goal is to establish a sustainable, commercial seed industry that provides small-scale farmers with affordable, timely and reliable access to adapted genetics, high-quality seeds and planting materials. Committed to partnering with African institutions to promote local ownership and sustainability of seed industry activities, WASA plays a leading role in the development and growth of the West Africa agricultural sector. WASA also supports an African-led agenda by improving trade-related capacities for market access, enhancing the food supply and developing agricultural research to sustain long-term productivity growth.<sup>1</sup>

### Are there Implications for NGOs?

Partnerships among NGOs and governments and/or businesses are rarely relationships between equals because of the typical sizes and responsibilities of the respective organizations.<sup>iv</sup> Over the past thirty years, however, NGOs have played an increasingly prominent role in PPPs, and their actions have had greater impact on their government and business partners. This growing influence, coupled with the support PPPs have from major multilateral and donor organizations, create noteworthy implications for NGOs.

With the current and growing influence of NGOs on businesses and governments separately, as well as on combined government-business dynamics, NGOs are increasingly changing the face of PPPs. NGOs can act as *facilitators*, having direct influences on corporate strategy and public policy, as *brokers* mediating or moderating business-government relationships, or as a *participant* serving as an integrated component in a trilateral relationship among business, government, and NGOs (Doh, 2003).

NGOs may start to tailor themselves to fit into PPPs more smoothly and easily. This process will inherently affect the focus and function of the NGO and how the NGO seeks to operationalize its vision. Existing NGOs may shift how they address their missions, or new NGOs may form to address certain programs and projects.

As NGOs continue to grow in number and, more importantly, in credibility, NGOs may also go from playing supporting roles in PPPs to becoming primary players—causing a shift in power dynamics.

### Valuable Tips

#### *Perform due diligence*

It is important to understand who one's partners are in any partnership, but this

takes on increased significance in Public-Private Partnerships. Because of the differences between the public and private sectors in terms of organizational culture, pace of work and incentives, it is critical that each partner investigate and come to understand the other before entering into a PPP. This due diligence will enable a functional and beneficial partnership.

#### *Follow a clear and rational decision-making process*

Public-private partnerships intrinsically will be more institutional and formal than other social development-oriented partnerships, so it is particularly important to agree upon a solid and succinct decision-making process among partners. This involves creating a road map, clearly defining roles and responsibilities and establishing a system of checks and balances.<sup>v</sup> Good practice also suggests identifying deadlines for tasks and milestones and who should be responsible for them. It is also important to establish monitoring, evaluation and learning mechanisms that facilitate assessment and implementation of necessary changes.

#### *Negotiate a fair deal structure*

Due to the complexity of PPPs, negotiating a fair deal structure is crucial.<sup>vi</sup> Allow sufficient time for the documentation and legal processes so that no one is forced into a compromise that will cause resentment and unsatisfactory outcomes later.<sup>vii</sup> The partnership should not be driven by the legal process, but formed around the shared vision of the partners. Therefore, most of the groundwork should be laid out ahead of time, with each organization having its their homework, and the respective costs and benefits for each organization understood by all.

#### *Cultivate trust and openness*

The fundamental importance of trust in all partnerships and especially public-private partnerships cannot be overstated. With an established sense of trust, partners will be able to address and negotiate difficult

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issues. Establishing, building, and maintaining trust is one of the most important and challenging aspects of partnerships.

### *Assess in-country conditions*

Public-private partnerships in any country are inherently difficult; however, they become even more difficult in developing countries and/or emerging economies.<sup>viii</sup> Reasons include the status of a country and issues such as corruption, the stability of key institutions, rule of law, and economic regulation, that both public and private actors considering a partnership should take into account when calculating whether and how to achieve an objective.

### *Question strategic intent and long-term impact*

Governments have been increasingly willing to engage in PPPs in order to improve effectiveness and efficiency without having to cut costs, raise taxes, or decrease benefits.<sup>ix</sup> Questions have been raised, however, as to whether or not PPPs really are more cost-effective and more efficient than purely government-run or privately-owned ventures.<sup>x</sup> Another question is to what extent are PPPs beneficial, or when does it start to become governments shirking responsibilities and companies rent-seeking and profiteering? While costs may go down in the short-run, whether decrease and access for the poor improves in the long-run remains unseen. PPPs are not a *poverty panacea*.

## Resources:

*A Business Guide to Development Actors*. World Business Council on Sustainable Development. A document for businesses looking at partnering with government and/or NGOs, making a case for collaboration and describing the different type of development organizations; also useful for development actors to get a perspective from the business side. [www.wbcsd.org/web/publications/sl-devactors.pdf](http://www.wbcsd.org/web/publications/sl-devactors.pdf).

*10 Principles for Successful Public-Private Partnerships*. Urban Land Institute. A useful document describing the steps involved in getting involved in a PPP, from conceptualization to formation. [www.uli.org/ResearchAndPublications/Reports/~media/Documents/ResearchAndPublications/Reports/TenPrinciples/TP\\_Partnerships.ashx](http://www.uli.org/ResearchAndPublications/Reports/~media/Documents/ResearchAndPublications/Reports/TenPrinciples/TP_Partnerships.ashx).

*Public-Private Dialogue Handbook*. A resource identifying the different steps of how to engage in dialogue about forming a PPP, and important issues to consider during the process. [www.publicprivatedialogue.org/](http://www.publicprivatedialogue.org/).

*Corporate Citizenship and Corporate Social Investment: Drivers of Tri-Sector Partnerships*. CommDev. This paper identifies global and project-specific drivers for corporate social investment, and how business, CSOs, and government agencies can partner to address this issue combined with sustainable development. <http://commdev.org/content/document/detail/1060/>.

*International Finance Corporation*. Part of the World Bank Group with good “toolkits” for businesses looking to PPPs and social development. [www.ifc.org](http://www.ifc.org).

*The National Council for Public-Private Partnerships*. This lists six “keys” for successful PPPs; also has links to many case studies and other resources – primarily from the United States. [www.ncppp.org/](http://www.ncppp.org/)

## References

<sup>1</sup> Mary Anderson, *Do No Harm: How Aid can Support Peace – Or War*, (Collaborative for Development Action, Boulder: Lynne Reiner, 1999).

<sup>2</sup> Adapted from Means, Katherine and Cynthia Josayma, with Erik Neilsen and Viriyasakultorn, *Community-based Forest Resource Conflict Management: A Training Package*, Volume 2, Activity 9, FAO, Rome, 2002.

# NGOTips

### For more information:

This NGO Tips brief is available online at [www.NGOConnect.NET](http://www.NGOConnect.NET). This dynamic and interactive site is dedicated to connecting and strengthening non-governmental organizations (NGOs), networks, and support organizations worldwide.

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- <sup>3</sup> Paul Clifford, Workshops: Conflict Transformation Training in Sudan, *Committee for Conflict Transformation Support*, Volume 10, 2000. Available at <http://www.c-r.org/ccts/ccts10/sudan.htm>, December 2009.
- <sup>4</sup> Mary Anderson.
- <sup>5</sup> *Conflict-Sensitive Approaches to Development, Humanitarian Assistance and Peacebuilding – A Resource Pack*.

<sup>i</sup> Wikipedia. [http://en.wikipedia.org/wiki/Public-private\\_partnership](http://en.wikipedia.org/wiki/Public-private_partnership)

<sup>ii</sup> Selsky, John W. & Barbara Parker. *Cross-Sector Partnerships to Address Social Issues: Challenges to Theory and Practice*. Journal of Management, 2005.

<sup>iii</sup> As written about by economists Dambisa Moyo and William Easterly

<sup>iv</sup> "Similarly, it is difficult to understand the relationship of nonprofits to government (especially the federal government) as a partnership between equals, when so many of these organizations were created to respond to government's program responsibilities and depended on tax money and public service contracts to function." (Linder, S.H. & P.V. Rosenau. Mapping the Terrain of the Public-Private Policy Partnership. In P.V. Rosenau (Ed.), *Public-Private policy partnerships*: 1-18. Cambridge, MA: MIT Press. 13)

<sup>v</sup> Corrigan, Mary Beth, et al. *Ten Principles for Successful Public/Private Partnerships*. Washington D.C.: ULI-the Urban Land Institute, 2005.

<sup>vi</sup> "Pongsiri (2002) argued that the implementation of PPPs depends on successful development of legal procedures, agreements, and contracts that define the relationship clearly." (Selsky & Parker, 859)

<sup>vii</sup> ULI

<sup>viii</sup> This may be the case, for example, because while a country has a nominally democratically-elected government, it may be more akin to a dictatorship in actuality. This in turn will affect the actors the government is willing to partner with, the actors willing to engage with the government, and what the partnerships will be based around and addressed toward. On the other hand, a government may be weak (e.g. lacking enforcing institutions) and a private business or corporation may come in and take advantage of the situation, leaving the country with little to no benefit outcome from the partnership. Either way a weak and/or fickle government will, in turn, cause an unstable, unreliable, and unappealing environment for businesses and other organizations to work in.

<sup>ix</sup> Linder & Rosenau

<sup>x</sup> "An unequivocal commitment to privatization in all circumstances may be too great a reaction to poor performance of the public sector and too naive a trust in the private sector. ... There are some policy areas where weakness is simply structural and contextual, inherent in the act of providing a public service. In these cases, it

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makes little difference whether the public sector or private sector provides the service, alone or in a partnering format. ... It is human nature, in both the private and public sector, to seek to increase the demand for whatever one is providing." (Linder & Rosenau, 5)