



05

Insights Series 05

Partnering with the Public P

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Introduction

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Public-private partnerships (PPP) consist of at least one public and one private actor. The private actor may be a for-profit organization, such as a business, but can also be a nonprofit organization. In this publication, we focus on understanding the first 'P': the public partner. As public-actor engagement is generally assumed to be crucial for the sustainability of the PPP intervention, it is important to understand the implications of this involvement. Understanding the Public P can support a more effective way of partnering with the Public P. This publication thus supports individual organizations, as well as partnership consortia that aim to reflect on possible partnering strategies with the Public P.

This publication is the first output of a research project by PPPLab exploring the role of the Public P in PPPs. The level of engagement and the role of the Public P varies greatly across public-private partnerships. The engagement of the Public P ranges from full-fledged partner to ad-hoc involvement. Its role depends on many factors – among others the sector in which the partnership operates (for instance, water and sanitation or food security), the context in which the partnership is set up (for instance, fragile states or middle-income countries), but also on the type of Public P (for instance in-country government agency or public development agency). Despite the diversity of the Public P, some common overarching incentives, strengths, and challenges of the Public P working in PPPs can be identified due to their **public nature**. Focusing on this public nature allows us to develop a generic understanding of partnering with the Public P.

This publication targets partnership practitioners who aim to better understand the nature of the Public P and its associated implications for effective partnering. By providing guiding

questions, individual organizations, as well as partnership consortia who are interested in partnering with the Public P, are supported in reflecting on why and how to partner with the Public P. The guiding questions can be used when working with the PPPCanvas¹; in particular, they support reflection on the added value and role of the Public P for the PPP. In the ideal case, these guiding questions are discussed at the start of a collaboration together with the possible Public P partner. Such reflection supports individual organizations, as well as partnership consortia, in their search for how to partner effectively with the Public P.

As this research project progresses, we will zoom into the diversity of the Public P and sector-specific roles in water and sanitation and in food security. For instance, we are working on an exploration study of the strategies of partnering with the Public P in the practice of two PPP facilities of the Dutch government (the Sustainable Water Fund and the Fund for Sustainable Entrepreneurship and Food Security). Another study focuses on the engagement of Dutch governmental organizations in these PPPs.

For more detailed information on this research project and PPPLab's knowledge agenda, please visit our website at: www.ppplab.org. Enjoy reading, thinking along and ... asking questions! Your input, feedback, and suggestions are highly valued. Please don't hesitate to contact us at: info@ppplab.org

¹ The PPPLab has developed PPPCanvas to understand how PPPs can deliver added value, by creating business opportunities and a smarter business approach. The PPPCanvas can be accessed at: <http://www.ppplab.org/the-pppcanvas/>

Colophon

PPPLab Food & Water is a four-year action research and joint learning initiative (2014–2018) aimed at exploring the relevance, effectiveness, and quality of Dutch-supported public-private partnerships (PPPs). PPPLab is commissioned by the Dutch Ministry of Foreign Affairs and is driven and implemented by a consortium of the Partnerships Resource Centre (PrC), Aqua for All (A4A), the Centre for Development Innovation at Wageningen UR (CDI), and the Netherlands Development Organization (SNV). Comments and updates on this report are welcome at: info@ppplab.org. For more information, please visit our website: www.ppplab.org.

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1. Who is the Public P?

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The first P – the public – in a PPP refers to the public sector. The public sector consists of organizations that are owned (or partly owned) and operated by the government and exist to provide services for citizens. Examples of organizations in the public sector include those dealing with education, infrastructure, and social services. The organization of the public sector varies by country, but public sector organizations usually exist on three levels: federal or national; regional (state or province), and local (municipality or county). To be aware of the diversity of the Public P creates a better understanding of who the Public P is and supports strategies concerned with the choice of Public P to engage with.

For PPPs operating in the realm of development cooperation, we can roughly distinguish between the public development agency and the in-country public P.

The public development agency

Within development-oriented PPPs, the public development agency (i.e., the part of government responsible for managing official development assistance) often plays two roles simultaneously: being the (main) public partner and the funder of the project. As a public partner, the development agency can play a coordinating role and facilitate the partnership with local networks and legitimacy. Diplomatic skills involving persuasion and conflict resolution might also be employed to aid the partnership in its efforts. As a financier, the public actor provides the resources that are needed for the PPP to reach its goals.

In-country Public P

In-country public Ps include a great diversity of different public actors. Public Ps can sometimes directly become involved through ministries, sometimes through extension services, parastatal, semi-public institutions – such as certification bodies and knowledge institutes. While some are formalized in a partnership agreement or contract, others are involved more on an ad hoc basis. Next to formal public sector organizations, informal public actors may also be involved in providing public goods to citizens. As these public actors might all play different roles in a partnership, it is important to analyze the country-specific government structure and hence to assess the appropriate public partner and its respective contribution to the partnership.

The Public P in Food Security and Water PPPs

In 2012, the Dutch Ministry of Foreign Affairs launched the Sustainable Water Fund (FDW) and the Fund for Sustainable Entrepreneurship and Food Security (FDOV). These facilities each have different approach to Public P involvement: whereas engaging public partners is a formal requirement for receiving an FDW grant, for FDOV it is merely advised. This also results in a difference in the configuration of the partnerships: all FDW partnerships have at least one in-country public partner, while less than half of the FDOV projects include in-country public actors. The type of public partner engagement also varies greatly: while two-thirds of the FDOV PPPs work with national government agencies, in FDW almost half of PPPs include other public sector actors, such as local water boards and sanitation agencies. In FDOV, the Dutch government plays a prominent role as public partner.

This difference can be explained by the nature of ‘good’ in the respective sectors. Public goods are goods that are nonrivalrous and nonexcludable, which means that their consumption by one person does not affect their consumption by others, and nobody can be excluded from having access to their benefits. The provisioning of public goods is traditionally a task of government, coordinating contributions via tax systems and regulating their use.

The provision of clean drinking water and sanitation has clear public good components, and the construction and maintenance of a water supply and sanitation infrastructure is a traditional objective of development cooperation. In recent years, investment in water projects through PPPs has increased, as a lack of capital for constructing water infrastructure has prevented the delivery of water services to citizens in lower- and middle-

income countries. Despite this rise in private actor engagement, the water sector remains a largely public domain, as developing a strong business case for private actors by recovering the costs of investment through, for example, water tariffs can be at odds with the sociopolitical objective of providing access to water for all people.

Although the government is, in the broader sense, responsible for access to food and agricultural development, the public good dimension of food security is less disputed, as this sector has a strong private component in the need for market access. Creating an enabling environment for agricultural development is indeed a public responsibility.

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2. What are the incentives for the Public P to partner?

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The main reason for organizations to enter into partnerships is the realization that they cannot effectively and efficiently address development challenges – such as the provision of clean drinking water and sanitation or food security issues – alone. In general for the public sector, the overall objective behind involvement in any development project is to maximize and sustain development impact. When working in a partnership, public sector organizations benefit from leverage of public resources, from enhanced service provision, from improved policy design and implementation, from a strengthened political mandate, and from capacity building.²

Leveraging resources for development

Partnering with the private sector allows for leveraging resources for development impact. A related motive is risk diversification. Partnering enables public sector organizations to explore new approaches towards development and to share responsibilities with private sector actors, which can result in more manageable costs and reduced risks for all parties involved.

Enhancing service provision

Partnering can help the public sector to make service provision more effective and efficient. This is realized through sharing information and technology, and save costs by leverage private sector resources.

² Sourced from Jones (2002) and Brinkerhoff (2002)

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Public sector benefits through partnering

Public actors work in partnerships because both policy design and implementation benefit from leveraging resources, information sharing, and dialogue. Partnership dialogue gives politicians and other public officials a better understanding of the constraints that private actors face.

Strengthening political mandates

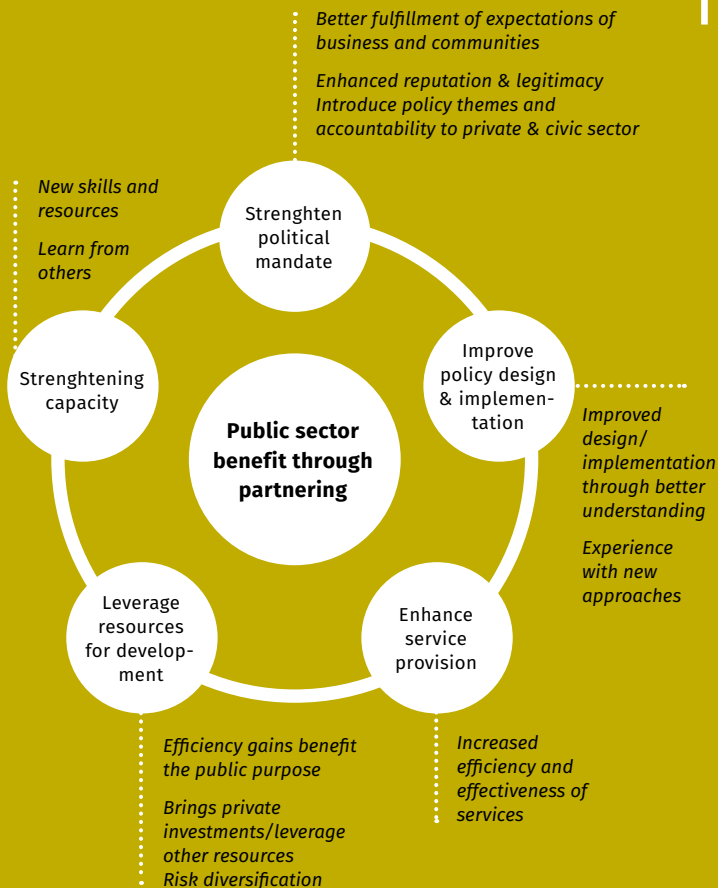
Partnering can provide the ability to gain political credibility and improve relationships with communities. For governments in particular, partnering can increase legitimacy and may yield positive results in elections. In addition, public actors can introduce development policy themes (such as Corporate Social Responsibility) and accountability in the programs and activities of NGOs and business through partnerships.

Strengthening capacity

Partnering can increase capacity of public actors through learning from each other. Partnering allows public sector organizations to generate new expertise that can subsequently be applied elsewhere.

Figure 1:
Public sector benefits
through partnering

Sourced from Jones (2002) and
Brinkerhoff (2002)



3. What can the Public P contribute to a partnership?

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Organizations enter into PPPs because they seek complementarity of resources, competencies, and assets. In general and ideal terms, the strength of the public sector for PPPs stems from its legal authority, the mandate that it has to act directly with (or delegate responsibility to) other stakeholder groups, its legitimacy, and its control of resources. To map out the most important skills and assets of the respective public actor helps organizations to identify the most relevant role of the Public P for their PPP.

Actors are often prescribed potential roles according to their presumed contribution to a partnership. In this regard, the contributions of the public sector to PPPs can be clustered around four key roles: supply and scale PPPs; embed and enable PPPs; facilitate and convene PPPs; and promote and coordinate PPPs (see Table 1).

Such roles vary for different public actors. For example, national governments may play an enabling role by providing important legal and institutional frameworks for partnership work, in addition to supplying the PPP with financial and material resources. By setting the policy agenda, governments can inspire, make possible, and facilitate both partnerships and their objectives. Local governments may offer implementation on the ground but do not have the same resource base as, for instance, development agencies. What may be the core contribution of one public actor can be an incentive to partner for another public organization that lacks this specific asset. Next to facilitating PPPs by providing financial and technical support, public development agencies have the ability to broker partnerships through their convening power and neutral position in PPPs. They can also coordinate the relationship with others, promote the project,

and contribute to the institutional capacity of actors. Public sector agencies – in particular public development agencies – can influence actors and provide incentives to achieve agreement.

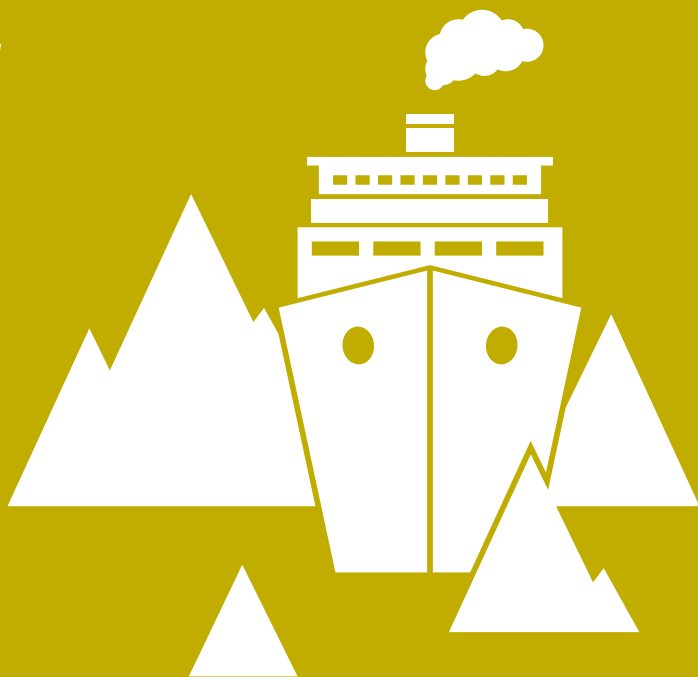
Public actors can play multiple roles in a PPP, and these roles may shift and change throughout the process of partnering.³ It is, however, important that the Public P is involved in the negotiations at an early phase. In addition, when a PPP involves multiple Public Ps, the variety of roles performed by different public agencies needs to be coordinated.

³ For more insights into the process of partnering, refer to PPPLab Food & Water (2014). *Insights Series 2: Building Partnerships*. <http://www.ppplab.org/publication/insight-series-02-building-partnerships/>

Table 1: Roles and contribution of the Public P in PPPs

Role	Contribution to PPP
Supply and scale PPPs	Provide resources Public sector controls the resources. In particular, development agencies are able to fund PPPs.
	Provide services and build capacity Based on their experiences in the bureaucratic system, public actors may be good for administrative, supervisory, or oversight activities. They can also become involved in research activities, technical assistance, training, and the evaluation of PPPs.
	Sustain and scale the PPP project Public actors' institutional longevity and continuing presence offer the potential for sustaining partnerships and have the potential to broaden or replicate partnership efforts and to achieve large-scale transformations.
Enable and embed PPPs	Create an enabling environment Governments have an important role to play when it comes to creating conducive business ecosystems. In particular, government has the power to lay down rules, regulations, and standards (such as minimum wages, maximum emission standards, or rules for public health).
	Ensure public goods and values Public actors are necessary to make sure the PPP is in harmony with the overall public goals. They can legitimately report on progress made towards these public goals.

Role	Contribution to PPP
Facilitate and convene PPPs	Convene stakeholders Public actors have convening power and are able to influence and mobilize stakeholders – for example, by providing forums for coordination and promoting the participation of various actors and the inclusion of diverse perspectives. Such convening power can help to cope with vested interests among stakeholders.
	Bring legitimacy to the partnership Public actors can play a brokerage role between different actors in a PPP and, thanks to their democratic nature, can bring accountability and legitimacy to the activities of the partnership.
	Facilitate contacts and relationships Public actors can engage citizens or stakeholders in participatory processes; local governments in particular can motivate and facilitate citizen participation.
Promote and coordinate PPPs	Promotion of partnership Public actors (and public development agencies in particular) provide opportunities for various sectors to learn about each other and to work together toward common goals.
	Coordination of PPPs Public actors (and development agencies in particular) can engage a variety of actors in partnership, to access greater resources, local expertise, contacts, and relationships.



4. What are the possible challenges to the Public P partnering in PPPs?

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Each partner in a PPP brings a specific value to the partnership. At the same time, each partner represents a different constituency. Public accountabilities, legal and policy context, and capacities can bring about challenges not only to the Public P partnering but also to the partnership itself. Understanding the possible challenges inherent in the public nature of Public Ps enables partnerships to develop adequate coping strategies.

Public accountabilities

Partnering involves a high level of insecurity and unpredictability, because partnerships operate in complex environments and across organizational boundaries; they hence require flexibility to adapt to emerging situations. Partnerships may not produce immediate quantifiable results and are based on the idea of sharing control. These characteristics of partnering may provoke tensions and challenges related to accountability for the Public P.

Public actors are held accountable for ensuring the **public objective** and have their final **accountability to the parliament and the taxpayer**. Partnerships which do not have evidence of their value for money in advance may result in a risk-averse approach on the part of the Public P. The Public P applies accountability measures, such as reporting, in order to ensure that public objective of the PPP is met and that public money is spent in a responsible manner. Accountability measures may lead to administrative procedures and the requirements of public agencies, which can burden the partnering process.

Partnering represents **a new form of governance** whereby the partnership is expected to be characterized by joint allocation of risks and decision making mechanisms, instead of by central steering and control. For public actors, partnering often means a delicate balancing act between imposing and negotiation; on the one hand, the public actor sets particular norms, rules, and good governance principles – such as accountability, responsiveness, transparency, equity, and participation – that the PPP, including the public authorities, must abide by. On the other hand, the Public P uses its bargaining power to negotiate the terms of the partnership. Confusing these roles can lead to misunderstandings and conflict among partners and can prove to be costly in terms of effectiveness and efficiency, but especially in regards to the reliability and legitimacy of public actors. In addition, public actors may perceive a loss of control when they ‘opening the door’ to the private sector to influence policy-making.

The public sector is based on bureaucracies with a hierarchical structure that outlines the **mandate and responsibilities** of a particular Public P. The political framework of the state determines which Public P (e.g., in the water sector, the regulator, national government agency, or municipality representatives) signs a partnership contract. The responsibility for implementation may, however, lie with another public agency. The institutional structures of public organizations may be challenged by PPPs, as partnerships are related to issues that cut across the responsibilities of various public actors at diverse levels of administration (including national or local). This requires good coordination between different Public Ps in order to avoid confusion and uncertainty about mandates and roles.

Legal and political context

National and international legal frameworks and regulations may be conducive to or restrictive of the introduction of PPPs in general and of the level of engagement of the Public P in specific partnerships. Legal constraints and procedures can create delays in decision-making by public actors, hampering the partnership process. Regulatory barriers can undermine or limit the flexibility of public actors.

The Public P operates in a political context where policy priorities may alter when there is political change. Short term projects with tangible outcomes tend to be preferred over approaches that require a long-term investment. Election cycles may influence political commitment, senior leadership and long-term policies towards PPPs.

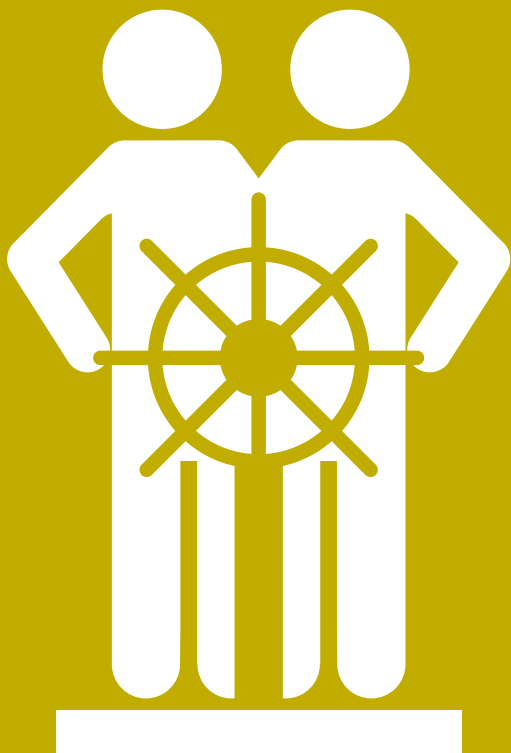
Capacities to partner

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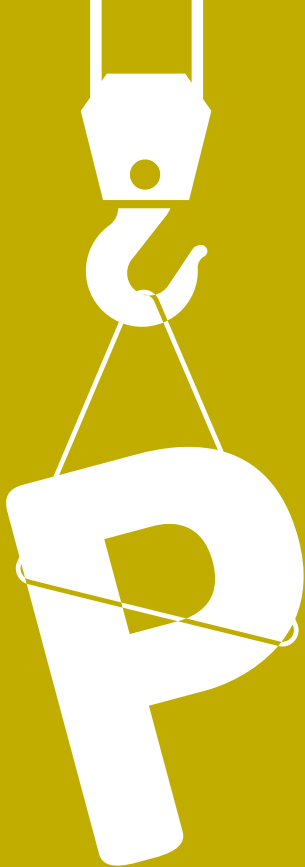
The level of engagement in a partnership is influenced by the institutional capacity of actors, which varies a great deal and is highly context-dependent. Local public institutions in particular may be hindered by a lack of reliable funding and technical resources.

Partnership is rooted in the relationships between individuals. In some public agencies, frequent staff turn-over and reorganization (e.g., rotation of office and changes due to elections) can not only lead to delays in decision making and challenges for knowledge management, but may also hamper trust-building between partners.

The individual public manager requires particular skills and capacities for working in the changing context of governance and the increasing variety of PPPs in his or her portfolio. Skills such as holistic thinking, negotiation, strategy development, interpersonal communication, facilitation, and conflict resolution are necessary for all actors working in partnerships. However, public actors need to develop a specific leadership style that allows both accountability to be ensured and mutual understanding and trust to be fostered.



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5. Effectively partnering with the Public P

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As highlighted in the previous section, the public nature of the Public P can have implications for partnering. A proper understanding of and reflection on how to address these implications can help the partners to work effectively with the Public P. This section presents a set of general guiding questions for partnering with the Public P. These questions refer back to the incentives, contributions, roles, and challenges of the Public P in PPPs, as discussed in the previous sections of this publication.

When setting up a PPP, partners are required to make choices regarding their strategy for choosing which Public P to partner with and how to design the partnership. In some situations, it is determined in advance which Public P needs to be involved as a partner in the PPP. In all instances, it is relevant to understand the Public P in order to be able to effectively partner with it. A set of general guiding questions can help partners to reflect on which Public P to involve, what the role the Public P should play in the PPP, how to ensure the Public P's commitment towards the PPP, and how to design a PPP with Public P involvement (see Table 2). In the ideal case, these guiding questions are discussed at the start of a collaboration together with the possible Public P partner. Such reflection supports individual organizations as well as partnership consortia in their search for how to partner with the Public P effectively.

Table 2: General guiding questions for partnering with the Public P⁴

Guiding questions

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Which Public P to involve?

- What policies are relevant to the partnership as expressed at different levels of the Public P?
- Which Public P can bring which contributions to the partnership?
- What is the decision-making power of the Public P representatives involved in the partnership?
- What is required for the Public P to achieve the PPP's objective? What are the possible pitfalls for the Public P in contributing to the PPP's objective?
- What structures are in place within the Public P to promote or support PPPs (e.g., a partnership unit)?

What is the role for the Public P in the PPP?

- Does the partnership focus on areas in which there are legal obligations involving a Public P? Is there any law or regulation that would restrict the Public P from becoming involved in the partnership?
- What are the incentives and benefits for the Public P to partner in this PPP?
- Which role for the Public P is most appropriate for the partnership to achieve its objectives? Can this role change in the course of the partnership process?
- What are the potential weaknesses of or threats to the Public P playing these roles?

How to ensure commitment of the Public P to the PPP?

- Do the partnership objectives meet the underlying interests and needs of the Public P, as expressed in policies and priority plans?
- Is there the political will needed to support the partnership, in government overall and in the individuals occupying the critical positions?

⁴ Sources from: Stott (2011) and Caplan & Payne (2000)

Guiding questions

How to design a PPP with Public P involvement?

- What are the timescales for elections and other changes in the public sector? How might these have an impact on the partnership?
- If political change is likely, what will be done to ensure that the partnership will be sustained?
- Are Public P timeframes fully understood and how can they be included in the partnership design?
- How does the partnership design, process, and integrate possible public accountability requirements (e.g., specific reporting requirements)?
- How are contracts and agreements going to be negotiated and designed together? How can it be ensured that they fit the Public P's contracting requirements?
- How does the partnership remain flexible while contracts and agreements need to be as complete as possible to ensuring public accountability requirements?
- How to be prepared for the fact that Public P roles may alter throughout the process of partnering and in the lifecycle of a partnership?
- How does the partnership design cope with a possible change of Public P representative and the related implications for trust-building in the course of the partnering process?
- What are potential challenges in working with the Public P? What strategies can help anticipate and mitigate those?
- Is capacity strengthening required for the Public P, and how can such activities be integrated in the partnership design?

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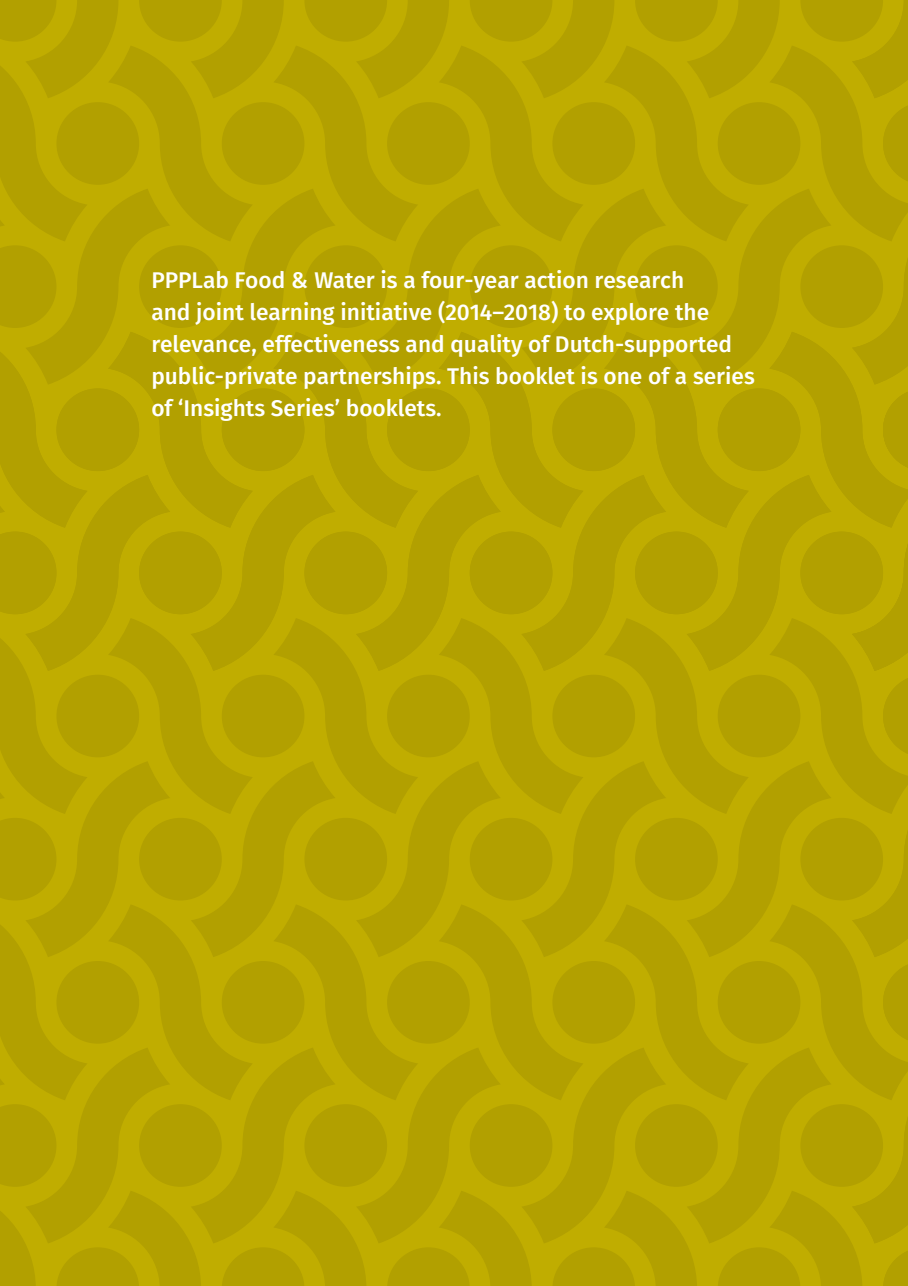
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