

# Understanding Public-Private Partnerships



## Introduction

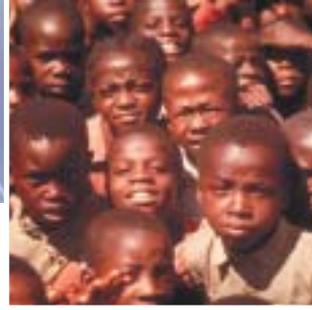
Public-private partnerships involving governments, the private sector and civil society are increasingly recognized as an international solution for social issues of almost every type — from building health care and clean water systems to sustaining the environment to bridging the digital divide. Yet the term — and concept — is being used almost indiscriminately to describe a range of activities. Without a better understanding of what public-private partnerships are — and are not — it is hard to assess their potential for effecting social change or to learn about the practices that will make them work most effectively.

Against this backdrop, the United Nations Foundation convened a roundtable on public-private partnerships involving senior leaders from the private sector, government, the international community and civil society in Aylesbury, England in July 2002. The successful roundtable was followed by a second set of discussions among senior leaders from these sectors during the World Economic Forum Annual Meeting in Davos, Switzerland in January 2003 (a list of participants from both sessions appears on page 12).

This paper outlines what has been learned to date. It owes a great deal to the 86 leaders who shared freely their experience in partnering. This paper is offered both as a partial lexicon of partnership concepts, and as an initial “cross-sector” primer on what is known about making them successful. It is not intended to be the final word; rather, we hope the paper stimulates further discussion that will help create a more widely shared understanding of how best to build effective and lasting partnerships.

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## Background

Effective partnerships can help address some of our most pressing social challenges. Many contemporary problems – local, national and global – extend beyond the capacity of any one sector – public, private or civil society – to effectively address alone. Partnerships are particularly important in a global world, where traditional boundaries between what is seen as public versus private responsibilities have become increasingly blurred, and where problems such as AIDS and climate change extend beyond national boundaries.

This was not always the case. Toward the end of the Cold War, the roles and responsibilities of governments, the private sector and civil society were well defined. However, the past decade has witnessed an explosion of civil society organizations worldwide, the globalization of business, changed notions of what governments can and should do, and a revolution in information and communications technologies. This has resulted in the creation of new networks amongst the public and private sectors, and the re-defining of previously very clear roles and expectations of governments, business, and civil society.

It is now accepted that governments can no longer manage social issues alone; the private sector has wider social responsibilities and civil society must play a role. As a result there has been a rapid growth in partnership activity. Today, it would be difficult to find a serious player in any sector without a formal partnership strategy.

*Yet, overall, the partnership approach seems to be falling short.* Many partnerships fail, or fail to live up to their promise. In our view, part of the problem is the lack of a widely shared understanding about what constitutes a true partnership; the incentives of the various sectors involved; when partnerships make sense (and when they do not); what makes for a successful partnership; and how partnerships are best established, operated and evaluated.



## What Are True Public-Private Partnerships?

It is perhaps easiest to begin by considering what partnerships are not. Philanthropic or donor-recipient relationships – such as a one-time donation – or collaborations that fail to draw on the core competencies of each party are not, in our view, true public-private partnerships. Likewise, short-term projects led by one party with participation from others – such as sponsoring an event – do not qualify. Nor do all relationships that involve cross-sector collaboration, especially those where one party is the subcontractor of another.

True public-private partnerships begin by identifying the central problem, then asking who should help solve it. They may be initiated from the private, government or civil society sector, but they are not about the narrow plan of any one partner. Public-private partnerships are about shared agendas and combined resources, risks, rewards, and linkages that can magnify scale.

True public-private partnerships:

- Are voluntary and build on the respective strengths of each partner;
- Optimize the allocation of resources;
- Achieve mutually beneficial results over a sustained period; and
- Involve written agreements that specify the purpose and duration of the partnership, governance, as well as exit arrangements.

True partnerships exist on a spectrum from “regulated privatization,” where governments turn certain activities largely over to private sector or community partners, all the way to altruistic arrangements in which there is no direct profit motive.



## Importance of Public-Private Partnerships

As companies learned long ago, the best reason to use partnerships is self-interest: effective partnerships allow all parties to extend their reach and achieve better results. In particular, partnerships encourage cooperation and add legitimacy through the bundling of resources (including financial, intangible assets, and in-kind contributions), skills and expertise.

There also is a role for partnerships at a more systemic level. Partnerships can address gaps and failures – areas in which the government, the market and the community all share an interest, but where no party has overall responsibility. In the mid-1990s, partnerships were initiated by resource constrained governments. Today, they are likely to be started and driven by companies and civil society organizations, reflecting changed citizen perceptions and expectations of the role each should play to advance issues previously seen as (largely or exclusively) within the purview of governments (e.g., companies providing HIV/AIDS testing and treatment).

Partnerships can offer:

- *Governments* access to new resources (financial, technical expertise, research and infrastructure);
- *Civil Society Networks* access to increased funding (public and private), in-kind support, and technical expertise; and
- *Businesses* access to risk and expectations management, market and community development expertise, and contract compliance.

*Partnerships are not painless. They often involve melding different cultures and always imply significant investments of time, and compromises. But when they work, they can generate better results for all parties.*



## Examples of Public-Private Partnerships

Partnerships exist in a variety of shapes and sizes. They may involve a small number of parties addressing a problem on a limited scale, or they may involve multiple and changing parties addressing complex sets of issues over time. Public-private partnerships may be grouped into the following categories:

### *Operational partnerships*

Most partnerships are operational in nature. For example, a multinational company, a civil society organization and a city government in a developing country may collaborate on a training program for local youth or the conservation of a critical biodiversity area. Operational partnerships address well-defined problems and establish collaborative frameworks to address them.

### *Policy and strategy partnerships*

New or particularly complex challenges are sometimes the subject of “upstream” policy or strategy partnerships. Leading examples include the UN’s Global Compact – which articulates nine principles in the areas of human rights, labor and the environment with which companies can align themselves, and the UN Information Communication and Technology (ICT) Task force – which looks at the role of information technology in development.

### *Advocacy partnerships*

Lack of awareness and political will are sometimes the greatest barriers to social change. Advocacy partnerships designed to highlight and promote action on key issues represent an area of unexploited potential for public-private collaboration. An example is MTV International’s role in global HIV/AIDS awareness through its Staying Alive Program, which also has partners from all sectors (including UNAIDS, the Global Business Coalition to Fight HIV/AIDS, and the Bill & Melinda Gates Foundation).



### *Multifaceted partnerships*

Some partnerships integrate operational, policy and advocacy elements; others may begin by looking at high-level policy issues, but evolve to include an operational component. Two examples of multifaceted partnerships include the Global Health Alliance forged by Rotary International, the United Nations and countless corporations, governments and foundations aimed at eradicating polio, and the International AIDS Vaccine Initiative (IAVI).

## **The Role of the Business Community**

Expectations of companies have evolved over time. A certain amount of corporate philanthropy (equivalent to traditional charity) in a company's home community was once thought sufficient. More recent notions of corporate citizenship (fulfillment of economic or legal obligations) and corporate social responsibility (sense of moral obligation) have changed the equation. People now expect companies to be participants in confronting global challenges.

It would be unrealistic, however, to expect companies to engage in activities contrary to their long-term interests. In South Africa, for example, it is taken for granted that the private sector will be involved in activities that would be the exclusive purview of governments in other places. Nevertheless, companies are not philanthropic institutions. Even if significantly increased, most companies' philanthropic budgets would remain tiny compared to the overall scale of corporate activities. Nor should companies be expected to do the work of governments in providing public goods over the long term.

Effective partnerships with international organizations, civil society organizations and local, regional and national governments can allow companies to meet social expectations without compromising their core missions. As communities benefit over the mid- to long-term, so too can the company, in terms of positive reputation, risk management, a trained labor pool, healthier workers and consumers, and the creation of new markets.



## Building Successful Public-Private Partnerships

While the theoretical case for partnerships is relatively straightforward, in practice, many fail to live up to their initial promise. Many are built on inadequate foundations, and even the most promising are sometimes harder to employ than the parties originally think. Questions that apply when considering potential partnerships include:

- Is there a clear problem?
- Is the partnership backed by a successful plan?
- Are the right actors at the table?

Participants at both sessions identified critical steps in building successful partnerships:

- Examine the potential: partnerships are time-consuming and often difficult. The potential collaboration should deliver better results than what any partner could achieve alone.
- Focus on the concrete: specific, shared activities leading to tangible outcomes are much better than simply a common vision or shared aims.
- Agree to a shared governance structure: the best arrangements will adequately reflect underlying power relations.
- Plan the details: a comprehensive strategy for building, maintaining and completing the partnership is vital, as is setting performance and management goals.



- Remain flexible: successful partnerships often evolve considerably during their lifespan, including in terms of membership. Plan explicit exit requirements.
- Identify catalytic leadership: this can be particularly important at the early stages, to get the partnership off the ground; once operational, partnerships should be institutionalized, as senior leadership moves on to other opportunities.
- Establish an appropriate time frame: partnerships usually take longer than expected to create, evolve and deliver results.
- Trust, but verify: trust is an essential part of public-private partnerships, particularly those attempting to span cultural differences. Trust is a necessary precondition, but it can also be reinforced through the process of partnering. Planned third party audits are useful for verification.
- Acknowledge that the job is difficult: partnerships are a challenge for most institutions. Even when all parties are committed and enthusiastic, successful partnerships take significant resources to initiate and manage.
- Write it down: a written agreement formalizes the partnership. At the outset, however, all parties should agree whether the purpose of the agreement is to define the partnership or the governance of the partnership.



## Pushing the Partnerships Agenda Forward

If we are to tap into the considerable promise offered by public-private partnerships, several important challenges must be addressed:

- The traditionally distinct and sometimes antagonistic roles of the public, private and civil society sectors are often judged in a pluralistic society. Is there a danger that:
  - Well-resourced partnerships might distort the public agenda?
  - Expectations of corporate responsibilities might become unrealistic or counterproductive?
  - Civil society organizations will be 'co-opted'? (or that fear of co-option will lead to dysfunctional behavior as civil society organizations strive to prove they are not being co-opted?)
- How can real and perceived conflicts of interest be managed and accountabilities determined?
- Is there a potential role for specialized, intermediary organizations to broker partnerships and build capacities for partnering? What kind of organizations might fulfill such a role?
- Do certain areas lend themselves to partnerships more than others (e.g. healthcare v. environment v. education)?
- Are incentives needed to encourage global corporations to become active in all of their countries of operations as well as their home countries?



- How can the difficulties in structuring and managing partnerships and the high transaction costs be mitigated? What more can be done to share experiences and success stories?

These and other questions will need to be addressed before the partnership approach realizes its full potential. Transaction costs for initiating and maintaining public-private partnerships can be high, but as one participant in the Davos dialogue pointed out, “costs may seem high, but compared to what?” Continuing to leave needs unaddressed may prove much more costly in the long term.



## For Further Reading

Those interested in learning more about public-private partnerships should consult the following recent works:

“Developing *Successful* Global Health Alliances,” Bill and Melinda Gates Foundation, 2002.

“Endearing Myths, Enduring Truths: Enabling partnerships between business, civil society and the public sector,” Knowledge Resource Group, Business Partners for Development, 2000.

“Putting Partnering to Work,” Business Partners for Development, 1998-2001, Tri-sector Partnership Results and Recommendations, Business Partners for Development, World Bank, 2002.

“Tools for Alliance Builders,” Version 11/06/02, Global Development Alliance Secretariat, USAID, 2002.

“What Works in Engaging Business in Youth Employment and Livelihood Strategies,” Rick Waddell, foreword by Rick Little, International Youth Foundation, 2001.

“What Works in Public/Private Partnering: Building Alliances for Youth Development,” William S. Reese, Cathryn L. Thorup, and Timothy K. Gerson, foreword by Rick Little, International Youth Foundation, 2002.

“Working with Multilaterals,” Simon Zadek and the Staff of Business for Social Responsibility, Business for Social Responsibility, 2002.

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